

CHAPTER II

SOCIAL SECURITY SCHEMES: HISTORICAL EVOLUTION AND DEVELOPMENT

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Social Security Schemes: Historical Evolution and Development

2.1 Historical Background of Social Security Schemes in India:

The Social Security measures have been in existence since the times of immemorial. During the Ancient Period the social security support was provided by family members, groups, and the Kings. The rulers provided economical aids and donations to the backward and poor members of the society. But the situation was not so satisfactory during the Medieval Period where the majority of rulers neglected the social security protections. There were some Kings like Sher Sah Suri, and Akbar, who looked after their subjects well. These rulers believed that the nation could not grow without the prosperity and well being of its subjects. During the Modern India, the Concept of the social security protection changed from charity, donation and humanitarian aid to that of duty of the states to look after the citizens. A numbers of Social Security Provisions were made by the Government to protect the interest of the exploited working class of the society. The research provides some of the highlights of the social security protection movements in India during all three historical periods, Ancient India, Medieval and Modern period, followed by the development of Social Security through the Reports and Recommendations of various Committees.

2.1.1 Social Security during Ancient India

The Ancient Indian history included the period before 1205 AD. The philosophy of Social Security was well known in ancient India. Lord Ram Chander, the embodiment of Hindu society sacrificed his personal pleasures to look after the welfare of his subjects. There were associations existed in the society to look after the needed people like, aged orphans, widows, physical and mental disabled. There were associations and organizations, like joint families, panchayats, religious and charitable institutions, which used to provide assistance to the needy for various common risks, misfortunes, and calamities. Kautilya's Arthashastra and Manu Smriti bear testimony to the fact that the social structure in those days was so evolved and coded, so designed, to provide social security protections to all people. Moreover various ancient Kings also considered people as their children and treated them alike¹¹. The historical account of the social Security measures adopted in ancient India under different institutions could be traced out from the following aspects.

2.1.1.1 Joint Family Institutions:

During the Rig Veda period the Aryans used to live in small villages and the Family was known as Kulapati. The head of the family was called Kulapati. Several families living in a particular place formed a village or gram. The Joint family existed according to caste system, caste system provided Social Security helping destitute members and providing for widows and orphans. A man expelled from the family was isolated as a tree torn up by the root unless the whole family accompanied him in his

¹¹ Shah. BP Dr and Behra KS Dr, Ancient India, Vikash Publishing Pvt. Ltd. New Delhi
Page-69

social ostracism. He might sometimes retain some of his former wealth. Joint family intuition was an encouraging phenomenon.¹²

This system was originated during the agricultural stage of economical development. As the Pastoral Stage came to close and men started cultivation of land and construction of houses, the institution of Joint family came into existence. The Patriarchal Joint Families came into prominence. The Patriarch or father enjoyed absolute authority. He settled marriages, assigned agriculture, domestic or occupational work among the members of family. He acted as the custodian of the family property and its traditions. He performed ancestral worship. The corporate life in economic sense was based on the dictum from each according to his ability to each according to his needs. There was a close link maintained between brothers, uncles, cousins and nephews, who often lived under one roof or group of roofs. The father was head of the house and administrator of joint property. The family looked after every one in old age, sickness and other kind of calamities.¹³

The earnings of the joint family were pooled together and the expenditure was incurred from that pool. Under this system all the members learnt the art of collective living. Each member was required to learn to share the joys and sorrows, gains and losses, pleasures and pains with other members. Every body's basic needs were satisfied and specially the joint family system acted as a universal insurance for the orphans, widows, and physically handicapped. These unfortunates' members were afforded adequate protection under this system. This system was very much economical as per head expenditure on basic needs was less. Really,

¹² Ibid

¹³ Al Bhasam Sidwick & Jackson, The Wonder that was India, London, Page-155

this system included some virtues such as self-discipline, tolerance sacrifice, reverence and affection¹⁴

2.1.1.2 The Guilds or Sreni: the Mercantile organizations

Industrial life during period of 200 B.C. was developed through guilds and unions of craftsmen. The Guild or Sreni was a form of industrial and mercantile organizations, which played as big a part in the economy of ancient India. The guild united both the craftsmen's co-operative and the individual workmen of a given trade into a single co-operative body. It fixed rules of work and wages, and standard and prices for the commodities in which its members dealt, and its regulations had the force of law, and was upheld by the King and government. The guild had power not only over the economic, but also over the social life of its members. It acted as guardians of their widows and orphans and also for their insurance against sickness. A chief of Sreni usually called the Elder, who was assisted by a small council of senior members, headed the guild. The office of elder was usually hereditary and held by one of the richest member of the guild. The guilds had considerable funds to make large donations as it received regular subscription from their members. And also included the amount augmented by fines, levied on those who transgressed by the guild law.

All over India are found inscriptions, regarding the donations of guilds to religious causes of all kinds, the most famous being that of Mandsor Silk Weavers.¹⁵

¹⁴ Keswani KB Prof. Modern India, H P H Bombay 1985, P- 15

¹⁵ Shah BP Dr and Behra KS Dr, Ancient India, Vikash Publishing Pvt. Ltd. New Delhi
Page-69

2.1.1.3 Kautilya on Social Security:

Kautilya or Chanakya was the Chairman of Donation Cell of King Nandraj in 320 B.C. Later on in 322 B.C he became strong administrator in the Kingdom of King Chandra Gupta Maurya. Kautilya's Arthashastra was a guiding example of the introduction of the philosophy in Ancient India. Ancient jurists like, Brhaspati, Yagnavalkya, and Vishnu, had framed extensive laws regarding wages and conditions of works, technical and vocational training workmen and child labour regulation of industrial relations. These script bear testimony of the fact that social structure. In those days was so involved and codes so designed as to provide security to the people in general and workmen in particular Kautilya has mention a number of pension schemes in his work, such as educational pension, public poor relief. He says State itself should provide support to poor pregnant woman, to their newborn offspring, to orphans, to the aged, the infirm, the afflicted and the helpless¹⁶.

It is recorded by Kautilya that the government believed in social cooperation and enforced social duties. Any dereliction of such duties was penalized .as such punishments were inflicted on men forsaking wife and children or husbands refusing to maintain wives or on brothers with means refusing to take care of minor brothers and sisters. Arthashastra suggested that a King was justified in confiscation the hoarded wealth of his subject to feed hungry. The state granaries would be opened in emergencies and the charity of the religious establishments. Taxes were also levied for the betterment of the society.¹⁷

¹⁶ Bhattacharya, VR, Dr, Cooperative life in ancient India, Page-12

¹⁷ Ibid

2.1.1.4 Shankaracharya on Social Security:

Shankaracharya came from a Brahmin family from Kalady in Central Kerala (South India). He is said to have lived around the 8th century (783 B.C). He made special provisions for social security protections particularly regarding sickness benefits, pensions and the old age benefits, family pensions and maintenance allowances. Vaids treated sickness and the disablement of old aged and children on priority without charging any fee. He made it clear that when a servant was ill and could not work temporarily, the master should make no deduction from his salary. He also emphasized on the need to remove the suffering of the people in all adversities.¹⁸

2.1.1.5 Emperor Ashoka on Social Security:

The Great Askoka ruled the Maghad Region of the Ancient India from 273 to 232 B.C. He was the greatest among all Ancient Indian Rulers who had practiced 'human principle' in the day-to-day governance of his Kingdom. He fully turned towards service and welfare of the people. He untiringly tried to bring a revolutionary improvement in public service and public utility. His sole aim was to improve the life of people and salvage them from suffering. Accordingly, he constructed and improved roads, planted pleasant trees by the sides of the road, built up rest houses, dug well at short intervals. He built dharmashalas, hospitals, planted useful trees for medicinal herbs, He also showed equal consideration for animals. He opened hospitals for animals. Perhaps he was the first king to construct hospitals for treatment of animals. His relentless effort to good to the people elevated him to an enviable position in the history and has duly identified him as a pious and benevolent king. He appointed Dharma Mahamatras to look after the welfare of general public Ashoka looked

¹⁸ Ibid Page 15

upon his people as his children and assigned their care to his officers just as a mother does to skillful nurses. The State was also assigned to favour the people in the times of distress by distributing seeds and foods¹⁹.

The King was under impression that the people should be provided all kind of social security protection in any contingencies as well in normal period. Therefore all his plans included the social security measures during calamities, like flood, draught, epidemic and normal measures like provisions of hospitals, and financial assistance to the poor and disabled.²⁰

2.1.1.6 Chandra Gupta Maurya on Social Security:

Chandra Gupta Maurya was one the famous rulers of the Ancient India ruled Kingdom of Nand Region from 322 to 297BC. He took several programmatic steps for the social welfare and upliftment of the people. The saga of public welfare and advancement in reality had put him in high pedestal and made some of them as the darling of people. Minister of Works or Sannidhata was appointed to look after the construction and maintain works for welfare of people. Social Security protections were provided to all workers and desirable members of society without any caste discrimination. These Social Security measures were also meant to uplift the underprivileged and poor. The government initiated a great deal of social security activities like finding employment for the unemployed persons, care of widows, destitute, orphans, regulation of wage and prices control of wandering parties of musician, dances and acrobats. He also constructed hospitals for public and hospitals for birds and beasts.

¹⁹ Shah BP Dr and Behra KS Dr, Ancient India, Vikash Publishing Pvt. Ltd. New Delhi Page-210

²⁰ Thaper Promila, An Advance history of India, Penguin Books, New Delhi, Page-126

According to Kautilya, the King Chandra Gupta Maurya paid special attention to hospitals, sanitation, famine, relief to poor, and other works of public benefits and public utility. People of various sets setup houses of charity, where rooms, crèches, beds, food and drinks were supplied to travelers. South Bihar in particular, was noted for the wealth and prosperity of its cities and benevolence and righteousness of its people. The elders and the gentry of the locality established houses for dispensing charity and medicines. All poor and destitute in the country, and all who were diseased, went to these houses, and were provided with every kind of help. Doctors examined their diseases.²¹

2.1.2 Social Security during Medieval India

The Period from 1206 to 1858 AD is considered the Medieval Period. During this period the development and promotion of the social security was much below the satisfaction level. A very little was done for the betterment of the society by the rulers during Medieval Indian history. One of the major reasons was that the rulers were engaged in the wars most of the time and could not be able to spare time to look after the society. Some of the great rulers like Sher Sah Suri did significant work in the betterment of the society. Great Akbar also looked after the people, by providing various amenities and services to the society. Akbar considered that king is the father of the people and should look after them well. Great Maratha Starting from Shivaji to Balaji Rao II contributed to the welfare of the people. But it was short of expectation of the public. Maratha rulers fought long battles with Mughals due to this reason they were negligent in social security protection movement in their kingdom.

Majority of the rulers except a few (Sher Sah Suri, Akbar the

²¹ Ibid, Page-197

Grate, and Shivaji) did not consider the medieval period satisfactory for protection and development of the people. It is also observed that some rulers did not feel to provide amenities and facilities for people, but also imposed taxes unnecessarily. Because they have luxurious life style and had no time to think off for public's welfare. There were few rulers who felt the need of protection for public, but their ruling periods were very less, so there was no continuation of the programs of social protection in the long run.

2.1.2.1 Mohammed Shah II on Social Security:

Mohammed Shah II was a great ruler of the Tuglaq Dynasty He ruled over Western Part of India during 1378 to 1397 AD. He worked for the welfare of his people and is said to have employed ten thousands bullocks to fetch grain from Malwa and Gujarat to avoid famine. He considered the public as their children and it was his duty to look after their agony in all contingencies.

The King was also impression the if he does good to people then God would please on him and would find a place in the Heaven after his death. He emphasized the building of public schools, hospitals, free food centers and Khairat Camps.²² Social security measures may be classified into two categories one which were provided during calamities, like flood, draught, epidemic and other as normal measures like previsions of hospitals, and financial assistance to the poor and disabled.²³

2.1.2.2 Sikender Lodhi on Social Security:

Sikander Lodhi ruled over India during 1489 to 1517 A.D. He was

²² Ibid, Page 140

²³ Thaper Promila, An Advance history of India, Penguin Books, New Delhi, Page-126

the second ruler of Lodhi Dynasty after his father Bahlol Lodhi. He proved a just benevolent and charitable sultan who worked for the welfare of the poor. He abolished corn duties and encouraged agriculture, roads were cleared of robbers and commodities were even cheaper than during the Khilji Region. Social Security measures included donations and financial assistance to poor and disabled. He built hospitals and instructed the Hakims (medical professionals) to provide medicine to public without any cost. He gave dowries for the marriage of poor girls²⁴.

2.1.2.3 Sher Sah Suri on Social Security:

Sher Sah Suri was a King of the Survansh Dynasty, who ruled the Bihar State and some Parts of Western States during 1540 to 1545 A.D. He was the first ruler, which considered the welfare of the people as essential for the interests of the state. If a little favour is shown to the ryot, the ruler benefits by it. He proved a veritable father to his people, stern to the unruly, but all kindness and love to weak, disabled and the destitute. This is corroborated by 'Wakiat- I – Mustaq'.

The Social Security protections were provided to all needy without any caste discrimination. He fixed daily payment of five hundreds Tolhas of gold upon poorhouse. He was very considerate to the disabled. He settled allowances upon the blind and helpless of every place, village and city. He formulated some schemes for draught affected area, where 200 Bahloli Tanka grain to given to farmer who possessed one Bigha of land. Grain was also supplied to the poor from State Grainery in draught.²⁵

²⁴ Singh Meera, Medieval History of India- Vikas Publishing House Pvt Ltd New Delhi-14, P- 134

²⁵ Ibid, page- 228

2.1.2.4 Zakat as a Concept of Social Security:

Zakat was a kind of tax imposed on the wealthy people belonging to the Hindu as well the Muslim. Initially it was an offering of one-fortieth portion of individuals worldly goods set apart annually by every Mohammedan for the service of the poor. It was naturally collected by the earlier Muslim rulers of Delhi, but appears to have developed into a tax on goods. Local officials from both the communities capriciously recovered this. This tax was also collected from the travelers. Non-Hindu ruler Peshwa also treated this tax as a source of state revenue

Zakat was an instrument of social security for poor people .The expenditures of hospitals. Hakims, education of poor children, construction of well and other welfare aspects were paid out of this revenue. During natural calamities like flood, draught, and earthquakes, poor people were distributed clothes, grains, house constructions and other assistance. The orphan, widow, and old aged persons, without any source of living; were helped through this system. But Zakat system lost its significance, as it was treated as a source of state revenue only by some rulers and spent this on other activities of the states other than welfare of the needed society²⁶.

2.1.2.5 Great Marathas on Social Security:

Maratha starting from Shivaji Shahji to Balaji Rao II ruled over the Central Western Parts of India from 1627 to 1761 A.D. They protected the interest of the poor and needy people of the society. Social Security measures were provided to ensure overall development of the Maratha Region. Majority of the rulers were impression that nation could not progress without the uplift of destitute and disabled persons of their

²⁶ Ibid, Page-302

Kingdom. Large remissions were made whenever the seasons were found to be unfavourable due to draught, floods, and other natural calamities. Remissions were also granted for seeds during the calamity. The Peshwa government encouraged the Kamavisdar to make grants to the cultivators, and rebuilding houses of poor destroyed by fire. The Marathas Government also undertook public works such as construction of dams building roads in ghats, and hospitals. Cost free treatment and medicines were also supplied at the hospitals²⁷.

2.1.3 Development of Social Security concept in Modern India

The upsurge of Industrial revolution and Renaissance took place in Europe had spread to their colonies gradually. Indian, being a colony of Dutch, French, Portuguese and British, was also experienced the effects of Industrialization and Renaissance. The influence of Industrial Revolution and Renaissance developed large factories systems in India since 1858. This resulted in the rapid increase in the industrial intuitions and industrial workers. The working conditions and other hardships of the workers became a subject of serious concern. The employers were interested in their profits and not the security and safety of the working class. India was not isolated from the effect of the industrial revolution. The working class was not organized to protect to their interest, so easily exploited by their employers.

The First labour unrest registered in India was at the Empress Mills Nagpur in 1877, related to the related to the improvement of wages. This unrest started the much-awaited awakening and agitation against the

²⁷ Ibid, Page-313

British hegemony industry. The continued agitation saw the enactment of the First Factory Act in 1881. Narayan Meghaji Lokhande formed the Trade Union organization, named as the Bombay Mill Hand's Association in 1890. The organized foremost labour movement was born, but this association was neither well organized nor a strong trade union organization. No adequate attention could be paid to the problems of social security related aspects. Social security measures, which required enlighten government introduction was rejected by the British Government. Therefore there was no Social Security legislation for protection of workers against social and economic contingencies during whole of the 19th century.

The Fatal Accident Act 1885 was passed to provide compensation to workers in case of any fatal accident. The Act applies if it was proved in the court of law that the accident was not due to negligence of workers. The suit had to be filed in civil court, which meant heavy expenses. Further, ignorance, helplessness, lack of resources and unfriendly attitude of some of the judges towards the working class, reduced the Act only to the paper exercise. There were few instances where some employers paid compensation to workers or their dependants. But such cases were rare and isolated.

The establishment of the International Labour organization in 1919 greatly influenced the public opinion in favour of social security measures for workers based on the principle to secure universal peace based on social justice. India is the founder member of the International Labour Organization. The ILO declared that poverty anywhere is a danger to prosperity everywhere. ILO influences social legislations in India, both directly and indirectly. The appointment of the Royal Commission on Labour²⁸ was outcome of the ILO implications. Similarly the

²⁸ Also known as JH Whitely Commission

establishment of the All India trade Union Congress was also an outcome of the efforts of the ILO.

The ILO passed the Employment Injury Convention in 1921, it then asked its members countries to ratify it. However the Government of India opined that the Convention could not be ratified in its present form. But strong public opinion educated in favour of protection against employment injury forced the Indian Legislative Assembly to appoint a small Committee to work out the details for framing legislation on this subject. The Committee was broad and included; apart from members of the Legislative Assembly; members from medical professions, employees and employer's representatives and insurance experts. The Committee submitted its Recommendation in 1922. Consequently the Workman's Compensation Act 1923 was passed²⁹

The Royal Commission on labour under the Chairmanship of JH Whitely was appointed in 1929 to enquire into and report on the existing conditions of the labour in industrial undertakings, plantations, mines and so on. The Commission made an in-depth survey of different aspect of health, efficiency, welfare, standard of living, and condition of workers. It submitted its report on Mar 14, 1931 with the recommendation of need of health insurance for industrial workers and for other related legislations.

In 1937, the Bombay Government issued a communiqué concerning industrial workers; wherein it was declared “ for the protection of the industrial population, the Government visualizes the development of a comprehensive system of social insurance”.³⁰ As a result a contributory scheme to provide health insurance measures to workers was prepared. It had provisions for sickness and old age benefits. It, however fell short of

²⁹ Passed on Mar 05 1923, which came into force from April 18 1923

³⁰ Quoted by ESIs Review Committee GOI 1969, P-14

The First Labour Ministers Conference held in 1940 in New Delhi, discussed the health insurance and found the idea of sickness benefit appropriate. During the Second Labour Ministers Conference, held in 1941, the workers representative expressed their willingness to pay contribution. The employers sympathized with idea and were prepared to contribute, and the Provincial Government recognized the need and the suitability of the occasion for the introduction of the scheme and the central Government stated that it was not necessary to postpone consideration of the question till after the cessation of hostilities³² The Government of India therefore decide for preliminary actuarial examination, so that a contribution scheme could be evolved. Because of the absence of statistical data on actuarial examination, it could not be done. It was a riddle to make the beginning. The government actuary opined to frame and implement an actual scheme for selected industries on an intelligent guess basis.

The Third National Labour Ministers Conference in 1942, considered the sickness insurance scheme, which was to be implemented in selective industries, viz cotton, textile, jute and in some heavy industries. The entire work was assigned to an expert designated as the Superintendent of Insurance and to be assisted by panel of advisors. The Government of India was greatly influenced by the Resolution of the Labour Ministers Conferences and the International Labour Organization's Conventions and Recommendations on the social security. So as to give affect the government appointed a Commission under the Chairmanship of Professor B.P. Adarkar (officer on special duty) in March 1943 to draw a Health Insurance Plan for the workers in India. Meanwhile, the Tripartite Labour Conference in 1943 passed a Resolution³³ "the said Resolution states that of this Tripartite Labor Conference recommends

³² Ibid, P-17

³³ Report of Labour Investigation Committee Government Of India 1946 P-1

that, with a view to provide adequate materials on which to plan a policy of social security for labour; the Central Government in cooperation with the Governments of Provinces of British India, Indian States and the Chamber of Princes should immediately setup machinery to investigate the question of wages, earnings, employment, housing and social conditions generally; and that as soon as possible after receipt of the required statistics and other data. Central Government should appoint a mixed committee to formulate plans of social security.”

As a result of this Resolution the Labour Investigation Committee was appointed under the Chairmanship of DV Rege. The Committee was assigned the tasks of the investigation and reporting on the following aspects:

- The risks, which bring about insecurity
- The needs of labour by various classes to meet such risks; and
- Housing and factory condition

On October 25, 1943 the government appointed a Health Survey and Development Committee under the Chairmanship of Sir, Joseph Bhose to make a broad survey of the present position in regard to health conditions and health organization in British India and to make recommendation for future development³⁴

The B.P. Adarkar Commission submitted its Report on 15th August 1944. The Scheme proposed by the Commission was to cover three major groups of industries namely the textiles, engineering, minerals, and metals. The Scheme envisaged that all perennial factories falling in these categories would be covered, except those specially exempted. It was also envisaged that all such factories

³⁴ Report of the ESIS Review Committee, GOI 1966 P-18

located in parse areas where medical facilities could not be provided would also be exempted. Prof Adarkar suggested an upper wage limit of 200 Rupees per month and the upper age limit of 60 years under the scheme. The workers were classified under three heads namely: Permanent, Temporary and Casual mainly depending on their length of service. The employer was required to pay a uniform contribution in respect of all of them; of these three categories, only the permanent and temporary employees were required to contribute. The permanent and temporary employees were to get cash and medical benefits, while the casuals were to get medicals benefits only. In making his Recommendations Prof Adarkar worked under the certain assumptions³⁵ The steps would be taken for the institution of unemployment insurance and also for the creation of avenues of employment through national planning and development so that employment in the absolute term in reduced to the minimum.

Subsequently the experts made a few more modifications in the original Adarkar Plan for the grant of benefits. The experts suggested in increase from 50% to 75% of earnings insured workers and in case of any causality like death or permanent disablement the benefits to be paid at full rates. The Scheme however remained unimplemented. The idea again revived with the publication of Beveridge Report and ILO Convention. The modified form of Adarkar Plan was submitted to the Government in the form of a Workmen's State Insurance Bill in November 1946³⁶ and the Employees State Insurance Act was enacted in 1948. The Act is significant in respect of classification of the covered employees, the benefits, and the organization of Medicare. The Act marked the beginning of the long desired era of social insurance for industrial workers in India.

³⁵ Hassan Nurul. The social security system of India S Chand and Company 1972 New Delhi P- 47

³⁶ Dominion passed the Bill on April 10, 1948 as Employees State Insurance Act 1948

2.1.3.1 Social Security and the Indian Constitution:

India declared itself as a Republic State and adopted its new constitution in 1950. It was the beginning of the planned development of the nation, which greatly influenced the social security endeavors of the State and the Central Government. The government had, gradually, but fully, realized the importance of the social security measures for the working class. The Part IV of Indian Constitution provides for various policies to its the citizens, with respect to social security. This deals with the Directive Principles of State Policy. Brief details of the social security provisions provided under the Constitution are as under.

- **Article- 39-A:** right to an adequate means of livelihood;
- **Article- 41:** right to work, education and public assistance in certain cases;
- **Article-42:** Just and human condition of worker and maternity relief;
- **Article 43:** the state shall endeavor to secure to all workers, agricultures, industrial or other wise, work, a living wage, condition of work ensuring a decent standard of life;
- **Article-47:** Duty to raise the standard of living and improvement of health.

2.1.3.2 The Old Age Assistance: State Governments Initiative

The State Government of the Uttar Pradesh initially introduced old age assistance scheme in 1957. The scheme was designed to pay a monthly benefit to needy people over the age of 70 years who had no

relatives liable and able to support them. Similar schemes were introduced in Andhra Pradesh in 1961, Tamil Nadu in 1962, Punjab and Haryana in 1963, and subsequently in most of the other states. A sum of 200 Rupees to the needy man and woman over 60 years of age, under these schemes are paid on monthly basis in the majority of the States. However different states have different eligibility criteria and provide different level of benefit. Some States have liberalized the criteria of entitlement contained in the original legislation and some have extended the benefit of the legislation to cover physically handicapped people, widows and deserted woman. It is estimated that about 10 Million old and disabled people are benefited and they are receiving the social assistance benefits in India under this Scheme.

2.1.3.3 Appointment of the Study Group and the National Commissions Labour

In the pursuance of one of the recommendations of labour policy in the Second Five Year Plan, The Ministry of Labour and Employment appointed a Study Group on 31st August 1957, to study and report on various Social Security aspects. The Group comprised of six members including its Chairman³⁷. The Study Group was assigned to report on the following subject matters³⁸

- To examine the experience gained by the working of existing Social Security Schemes;
- To study how these schemes and other privileges given to workers could be combined in Comprehensive Social Security Scheme;

³⁷ Mr. V.K.R. Menon (Director of ILO, Indian Branch, New Delhi that time

³⁸ Report of Study Group on Social Security, Government of India 1958, Para 22(1) c

- To work out the administrative details of such an integrated Scheme;
- To examine whether, without any appreciable increase in the liability of employers, any additional advantage could be given to working class; and
- To examine and make recommendation regarding the conversion, wholly or partly of the present Provident Fund Scheme into suitable pension scheme as envisaged in the Second Five-Year Plan.

The Study Group Committee submitted its Comprehensive Report on 08 Feb 1966. This Report has examined in detail almost every aspect of the Social Security Scheme.

The Government of India appointed the National Commission on Labour on 24 December 1966, headed by Mr. B.P. Gajendergadkar (its Chairman). The Commission submitted its Report in 1969, after making a study among other aspects of the Employees State Insurance Review Committee, 1966. The Commission was to enquire on a number aspects concerning labour. Broadly speaking its realm included the labour welfare, social security measures, wage and wage policy, and industrial relations. On social security measures the Commission was to study and report on the existing arrangements of social security.

2.1.3.4 The Committee on Perspective Planning:

The Estimate Committee of the Parliament, in its 123rd Report on the ESI, Recommended the setting up of a separate Committee, consisting of the members of the Corporation and other experts, to study certain

important recommendations suggested by the Estimates Committee. Basing on its recommendations the Committee on Perspective Planning was set up in 1972 under the Chairmanship of Mr. P.M. Nayak.³⁹

The terms of reference of the Committee on Perspective Planning were to examine and make recommendations of the following recommendations on the basis of the Estimates Committee. The following Recommendations were made by the Perspective Planning Committee.⁴⁰

- To work out a plan for providing medical benefit of a uniform standard in all areas, where the benefit provisions are in force.⁴¹;
- To work out a viable program for a phased extension of the scheme supported by the Perspective Planning in respect of ways and means.⁴² ;
- Repeal of transitory provisions in the Act.⁴³ ;
- Exemption limit may be raised to Rupees 3 per day.⁴⁴ ;
- Government of India should also contribute towards the cost of scheme.⁴⁵ ;
- The share of the State Government should be raised to an appropriate level, which should in no case be less than what each State is spending on medical care of general public.⁴⁶ ;

³⁹ Sect to Dept of Labour and Employment, Government of India New Delhi

⁴⁰ Report of Committee on Perspective Planning, ESIC, 1972, Appx, P-67

⁴¹ Ibid, Recommendation No.25

⁴² Ibid, Recommendation No.30

⁴³ Ibid, Recommendation No.32

⁴⁴ Ibid, Recommendation No.33

⁴⁵ Ibid, Recommendation No.36

⁴⁶ Ibid, Recommendation No.37

- The Central and State Governments should give financial assistance to the Employees Insurance Corporation by ways of grants/ loans for the construction program.⁴⁷ ;
- The desirability of specifying the State Governments share in the statute itself without leaving it to the individual agreements.⁴⁸;
- The possibility of introducing the scheme of “ No claim Bonus, for workers who do not avail themselves of any benefits under the ESI Scheme during a year and its financial implications thereof.⁴⁹;
- The Estimates Committee would like to recommend that feasibility of creating a separate All India Cadre of ESI Medical Officers on lines of Central Health Services with an earmarked quota for each State to be examined in consultation with State Governments. The Committee feels that the creation of an All India Cadre under overall control of Corporation would inculcate a sense of belonging to the Scheme in minds of those serving it and also enables the Corporation to have effective control over the administration of medical care.⁵⁰.

2.1.3.5 The Workmen’s Compensation Act, 1923:

It was as early as 1885, that the question of payment of compensation to workmen involved in serious or fatal accidents was considered, when The Factory and Mining Inspectors drew the attention of the British Government to this human problem, which warranted immediate legislative protection of workmen. The dependents of a deceased workman could, in rare cases, claim damages under the Indian

⁴⁷ Ibid, Recommendation No.63

⁴⁸ Ibid, Recommendation No.38

⁴⁹ Ibid, Recommendation No.46

⁵⁰ Ibid, Recommendation No.56

Fatal Accidents Act, 1885, if the accident was due to the wrongful and, negligent act or fault of the person who caused the death. The importance of the legislative protection was realized by the Government only at the end of 1920, when public opinion was invited on connected issues. As a result a Committee consisting of members of the Legislative Assembly, employers, workers, or representatives of workers, medical and insurance experts was constituted. It was on the basis of the recommendations of the Committee that Workmen's Compensation Act was passed in March 1923 and this Act came into force from July 01, 1924.

The Workmen's Compensation Act, 1923, has been amended according to the changes in socio-economic scenario in the country as well at international level. The Act was amended more than eighteen times⁵¹

2.1.3.6 The Employees State Insurance Act, 1948:

The question of formulating a suitable social insurance scheme came up for consideration from time to time from 1927 by the Indian Legislature, when the British Government considered the application of the Conventions adopted by the 10th International Labour Conference. It was concluded that the introduction of any such scheme was not feasible. The Royal Commission on Labour in its Report (1931) stressed the need for health insurance for workers in India. No concrete proposal was, however worked out in spite of this recommendation. The Government was again called upon to consider the question of ratification of the Draft Convention and Recommendations concerning invalidity, old age, and widow and orphans insurance adopted by the 17th International Labour Conference in 1933. The Government decided, however not to introduce any such scheme due to administrative and financial considerations. Again

⁵¹ 1924, 1925, 1929, 1933, 1937, (twice), 1938, 1939, 1942, 1946, 1948, 1951, 1962, 1976, 1984, 1995, 1997, and 2000

the three Provincial Labour Enquire Committee of Bihar, Bombay, and Uttar Pradesh recommended the introduction of some scheme of insurance.

At the first conference of Labour Ministers held in Jan 1940, the principle of Central Sickness Insurance Legislation was considered and it was decided to obtain the view of Provincial Governments and Associations of Employers as well as workers about compulsory contribution to Sickness Insurance Fund. The decisions of the Labour Minister's Conferences between 1941 and 1942 were, to invite an expert to frame a scheme of health insurance to workers. Prof B.P. Adarkar was appointed as a Special Officer in March 1943 by the Government to report on health insurance of the industrial workers in India. The Report submitted by Prof Adarkar in Dec 1944, contained a Comprehensive Contributory Scheme of Insurance. M/S Maurice Stack and Raghunath Rao of the International Labour Organization at the invitation of the British Government later examined this scheme.

The Adarkar Report and suggestions of M/S Maurice and Rao were discussed at the Sixth Labour Conference on Oct 1944 and reconsidered at the Sixth meeting of the Standing Labour Committee in Mar 1945. The Workmen's State Insurance Bill providing compulsory sickness, maternity and employment injury benefits for workers in perennial factories were introduced in the Central Legislature in Nov 1946. The Select Committee modified the provisions making it applicable to all employees in factories and changed its name from Workmen's State Insurance Bill to Employees State Insurance Bill. The ESI Act came into force from 19th April 1948.⁵² The ESI Act has been amended more than six times since its introduction.

⁵² 1951,1966,1975,1984,1989, and 1997

2.1.3.7 The Employees Provident Fund and Miscellaneous Provisions Act, 1952:

The first legislation on the Provident Fund was introduced in 1925. But it was restricted only to some government employments and some other similar establishments. The Provident Fund Scheme was not compulsory statutory scheme for the industrial workers. Legislation for compulsory institution of contributory provident fund in industrial undertaking was discussed several times at tripartite meeting in which representatives of Central and State Governments and of employers and workers participated. A large measure of agreement was reached on the need for such legislation. Their employers introduced a non-official bill on this subject in the Lok Sabha in 1948 to provide for establishment and grant of Provident Fund to certain classes of workers. The Bill was withdrawn only on an assurance by the government that it would soon consider the introduction of a Comprehensive Bill. There was also a persistent demand that the central government extend the benefits of Coal Mines PF Scheme to workers employed in other industries. The Conference of Provincial Labour Ministers held in 1951 largely endorsed the view that the proposed legislation should be undertaken. On 15 Nov 1951, the Government of India promulgated the Employees Provident Fund Ordinance, which came into force on that date. The Employees Provident Fund Act passed on 04 Mar 1952 subsequently replaced it.

On a review of the working of the scheme over the years it was found that Provident Fund was not doubt an effective old age and survivorship benefit, but in the event of premature death of an employee, the accumulation in the fund were not adequate to render long term financial protection to his family. This lacuna led to the introduction of the

Employees Family Pension Scheme⁵³. The Act was amended in 1976 with a view to introduce Employees Deposit Linked Insurance Scheme, a measure to provide an insurance cover to the members of the Provident Fund Scheme in covered establishments without the payment of any premium by these members. Further the Act was amended in 1995 providing for Employees Pension Scheme of 1971. Presently three Schemes are framed under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The Act was also amended in 1997 to increase PF contribution to 12% and Infancy benefit was withdrawn.

2.1.3.8 The Maternity Benefits Act, 1961:

The Convention of Protection of Motherhood adopted in 1919 was the earliest among the ILO Convention. In 1921, the Government of India reported that it was not possible to adopt the Convention passed in 1919 due to various reasons. A Bill was brought before the British Parliament by a private member in 1924, urging the government to make it compulsory for employers to provide maternity benefit to woman workers. However, the Bill was opposed by the government on the ground the need for such Bill was not felt and that, if legislation was passed to that effect, it may have an adverse repercussion on the employment of woman. The Royal Commission on Labour in its recommendation has also stressed the need for suitable maternity legislation atleast for woman employed permanently in non-seasonal factories. As the Government was slow to act on these recommendations, the State Government took the lead. The Government of Bombay passed the Maternity Benefit Act, way back in the year 1926. It was followed by the Central Provinces, and Madras in 1934, Uttar Pradesh in 1938, Bengal in 1959, Punjab in 1941, Mysore in 1959, Hyderabad in 1942, Kerela in 1937, Orissa in 1953, and Bihar in 1947.

⁵³ With effect from 01 Mar 1971

With a view to reduce disparities relating to maternity protection under different state enactments, the Central Government passed the Maternity Benefit Act in 1961⁵⁴ and came into force on 12 Dec, 1961. The Maternity Benefit Act was amended in the year of 1972⁵⁵ 1973⁵⁶, 1976⁵⁷, 1988⁵⁸, and 1995⁵⁹.

2.1.3.9 The Payment of Gratuity Act, 1972:

In the early stages gratuity was treated as a payment gratuitously made by an employer at his will and pleasures. In the course of time, it came to be paid as a result of bilateral agreement or industrial adjudication. Even though the payment of gratuity was voluntary in character, but it led to several institution disputes. So there was need of guidance on the subject.

The First central legislation to regulate the payment of gratuity was the Working Journalist (Conditions of Service) and Miscellaneous Provisions Act 1955. Kerala and West Bengal enacted legislations for the payment of gratuity to workers employed in factories, plantations, shops and establishments. Some other State Governments also voiced their intention of enacting similar measures in their respective States. Therefore it became necessary to have a Central Law on this subject.

The Proposal for a uniform legislation on gratuity was discussed at the Labour Minister's Conference at New Delhi in August 1971, and also at the Indian Labour Conference in Oct 1971. There was general agreement at both the meetings to have Central law on the gratuity at the

⁵⁴ Act No. 53 of 1961

⁵⁵ Act No.12 of 1972

⁵⁶ Act 52 of 1973

⁵⁷ Act 53 of 1976

⁵⁸ Act 61 of 1988

⁵⁹ Act 29 of 1995

earliest. Accordingly, then Labour Minister Mr. R.P. Khadilkar introduced the Payment of Gratuity Bill, 1971 in the Lok Sabha on Dec 10, 1971. The Bill was defective in several aspects. So it was referred to a Select Committee of the Lok Sabha on Dec 21, 1971. The Bill underwent numerous and far reaching changes in the Committee. It was passed by the Parliament in the shape and form as recommended by the Select Committee.⁶⁰ The Payment of Gratuity Central Rules also came into force from same date. The Act has been amended more than five times since its introduction.⁶¹

2.2 Reports of various Committees /Commissions on Social Security

The Workmen's Compensation Scheme 1923 was the first social security protection for the workers in the organized sector in the country. This was the beginning of a new era on the subject, which was followed by various enactments on the issue. In order to eliminate the existing difficulties and smooth functioning, the government appointed a number of Committees and Commissions on the subject. The Adarkar Commission in 1943, Study Group 1957-58, and the National Commissions in 1966, 1991(for informal sector), and 2002 were appointed to recommend on various labour related issues. These Committees and Commissions recommended numerous measures to the Government for the betterness and smooth administration of the Social Security as well as other labour related matters. But the Government has not been able to legislate any provisions on the issue of Comprehensive Social Security Scheme.

⁶⁰ The Act came into force from Sep 16, 1972

⁶¹ 1984, 1987, 1992, 1994, and 1997,

2.2.1 Prof. B.P. Adarkar Commission Report, 1944

The Government appointed a commission under the Chairmanship of Professor B.P. Adarkar as an officer on special duty in March 1943 to draw a health insurance plan for the workers in India. The BP Adarkar Commission submitted its Report on 15 Aug 1944. The Scheme proposed by Commission was to cover three major groups of industries namely the textiles, engineering, minerals, and metals. The Scheme envisaged that all perennial factories falling in these categories would be covered except those specially exempted. It was also envisaged that all such factories located in parse areas where medical facilities could not be provided; would also be exempted. Prof Adarkar suggested an upper wage limit of Rs 200 per month and the upper age limit of 60 years under the scheme, the workers were classified under three heads: permanent, temporary and casual”, mainly depending on their length of service. The employer was required to pay a uniform contribution in respect of all of them; of these three categories only the permanent and temporary employees were required to contribute. The permanent and temporary employees were to get cash and medical benefits, while the casuals were to get medicals benefits only. In making his recommendations Prof Adarkar worked under the following assumptions⁶²

Steps would be taken for the institution of unemployment insurance and also for the creation of avenues of employment through national planning and development so that employment in the absolute term is reduced to the minimum.

- In view of the fact that incidence of sickness is usually high in respect of the workers who have crossed the age of retirement

⁶² Hassan .N The Social Security System of India S Chand and Co 1972 New Delhi P- 47

steps would be taken to institute a scheme of retirement pensions. This would relieve the burden of cost on the proposed sickness insurance scheme.

- Certain pre-medical measures such as environmental hygiene, health education, improvement of housing and nutrition and regulation of wages and working conditions would be improved.
- A national health drive would be organized for improving the health of the community in general.

Prof. Adarkar based his scheme on the following **principles**, which he considered to be fundamental⁶³

- The scheme must be compulsory;
- It must be contributory as far as possible;
- It must be simple, clear and straight forward from the point of view of those who will administer it, those who will pay for it and those who will benefit by it;
- It must not disturb the existing frame work of labour legislation;
- It must not be too ambitious in the beginning;
- It must be financially viable and, economical in its working as far as possible actuarial balanced;
- It must minimize the disputes and litigations and at the same time close all loop holes for malingering, collusion and commission of offences;
- It must be workable in the peculiar circumstances of Indian labour and industry;
- It must as far as possible be in conformity with ILO Conventions;

⁶³ Employees State Insurance Scheme Review Committee 1966, P-18-19

- It must not be allowed to be burdened with the financial responsibilities which properly belong to other measures of social security; and
- It must be flexible, leaving sufficient scope for subsequent alternation and extensions.

2.2.1.1 Structure of the Scheme:

The Adarkar Plan is based on the following structure:

(a) Industries covered under the Scheme on Compulsory Basis:

The scheme envisaged covering only perennial factories belonging to the textile, engineering, and mineral and metal groups of industries

EXEMPTION: The Scheme is subject to the following exemption namely:

- All such factories situated in sparse area were exempted from the scheme.
- Certain other categories of employees were also exempted from the scheme like, Armed Forces, and public employment.
- Persons drawing more than Rs 200 monthly and.
- The person those above 60 yrs of age was exempted.

(b) Mode of Contributions under the Scheme:

Permanent and temporary workers were required to pay their contributions. The employers were also required to contribute in respect of all categories of covered employees, whether permanent, temporary, or casual workers. They were divided into three categories A B and C, on the basis of their daily wages.

Classification of Employees	Conditions of Contribution
Class A Employees	Workers earning more than One Rupee daily
Class B Employees	Workers earning from Eight Anna to One Rupee daily, and
Class C Employees	Workers earning less than 08 Anna daily.

(i) Proposed Rates of Contribution Under Plan⁶⁴

Contributing Parties	Class-A			Class-B			Class-C		
	Rs	Anna	Ps	Rs	Anna	Ps	Rs	Anna	Ps
Workers	0	12	0	0	8	0	0	4	0
Employer	1	4	0	1	4	0	1	4	0

Initially the plan had envisaged Government's contribution towards the Scheme. It recommended that the total Government contribution should amount to 08 Anna per employee; of these the Central Government was to pay 02 Anna per employee and Provincial Government remaining 06 Anna.

(c) Financial Structure of the Scheme:

The Financial structure as proposed in the Plan had envisaged the creation of a Common Fund, which was to financial, the following heads:

- Cost of cash benefits.
- Two thirds of the cost of Medical Care to be provided to the insured; and

⁶⁴ Adarkar. B.P, Report on Health Insurance for Industrial Workers, Manager of Publication 1944, New Delhi

- One-third of the cost of Medical Care to the family of the insured.

The administrative expenditure was to be borne by Central and State Governments respectively. The Central Government was to bear Two-third of the administrative cost of the Scheme. The State Governments were required to share the residual cost of Medical benefits and the additional cost of sickness benefits paid to employees in excess of the estimates of actuarial average rate of Morbidity. The average rate of Morbidity estimated by the Actuarial Advisory Committee was 14.6 days per person per year. The Adarkar Plan also assumed an average Morbidity rate of 14.6 days and 12.5 percent of the total benefit costs as the cost of administration, calculation as percentage of wages. The contribution picture of the proposed Scheme emerged as follow:

(i) Propose Contribution In Relation To Wages

Agencies	Category-A		Category-B		Category-C	
	Amt (Rs)	%	Amt (Rs)	%	Amt. (Rs)	%
Employees	0.75	1.25	0.50	2.22	0.25	2.50
Employers	1.25	2.08	1.25	5.55	1.25	12.50
Cent. Govt	0.12	.20	0.12	0.55	0.12	1.25
State Govts	0.37	.63	.37	1.65	3.37	3.75
Total	2.50	4.16	2.25	9.87	5.99	20.00

Average daily wages of the three classes were assumed as follows:

- Class-A:** Re 01 and more
Class-B: 50 Paise to Re 01
Class-C: up to 50 Paise.

Assumed average Monthly wages in respect of these three classes of workers were Rs 60.00, Rs 22.50, & Rs 10.00. It is only a rough approximation and the percentages have been worked out on this basis. Prof Adarkar estimated the cost of scheme at Rs 2.50 Lakh. The amount was to come from contributions of employees, employers and the Government. The proposed contribution of different contributions was as follows,

(ii) Proposed contribution towards estimated Cost of the Scheme

SI No.	Contributor	Amt (lakh)	Percentage
1.	Employees	52	21
2.	Employers	126	50
3.	Government	72	29

The Adarkar Plan recommended the creation of a Contingency Reserve Fund and an Epidemics Reserve Fund. The Sickness Insurance Fund was to be operated on the assessment principle, which was envisaged that such Fund should be sufficient for meeting year to year expenses. Prof. Adarkar also recommended that the Government should grant interest free loans for the scheme for preserving the solvency.

(d) Benefits under the Scheme:

The Fund was to provide cash and medical benefits to the beneficiaries. The brief details of the benefits are given below:

(i) Cash Benefits:

There was no system of waiting period and the cash benefit was payable to the beneficiaries from the first day of qualifying sickness. Cash

benefits were available to only permanent and temporary workers. The permanent worker could draw benefits for a maximum period of 90 days in a year, while a temporary worker could draw benefits for 45 days in a year. The casual worker was entitled only to medical benefits and not cash benefits. Permanent and temporary workers were entitled to both cash and medical benefits. Cash benefits accrued at the following rate:

Sl. No.	Benefit Period	Class-A	Class-B	Class-C
1.	Until the first 6 contribution Are paid	Nil	Nil	Nil
2.	After 6 contributions but up to 24 contributions (Partial benefits)	6	4	2
3.	After payment of 24 contributions (Full cash benefits)	12	8	4

(ii) **Medical Benefits:**

Prof. Adarkar recommended a dual system of providing medical benefit to worker, one, the salaried medical services and the other the Panel system of medical care. Salaried Medical Service was to be controlled by the Sickness Insurance Authority and was to provide Medical care in organized areas. But salaried service system could not provide medical care in the sparsely populated areas. Adarkar Plan recommended the Panel System of medical care. Under the scheme local doctors could be enrolled to provide medical care to the local insured workers. For the Services rendered they could be paid capitation fee. The Panel System of medical care does not call for the appointment of full time doctors, which is not economical.

Prof. Adarkar held the view that the medical service organization under health insurance scheme should be controlled by the insurance institution itself, and not entrusted to any outside agency. He was of the view that certain measures were necessary to control the incidence of sickness, and also to prevent the scheme from being assigned roles and duties rightly belonging to other branches of Social Insurance. He also emphasized the need for the adoption of other schemes like, Unemployment Insurance, Old Age pension, and proposed measures like regulation of wages, rigorous enforcement of factory laws, education in health, and improvement in environment hygiene⁶⁵

The Adarkar Plan was hailed in many quarters, but the Government did not find itself in agreement with the recommendations on the matter of its share of contribution to the scheme. Moreover; there was no reference in appointment of Adarkar Commission for working out a unified scheme. The Commission was to prepare a health insurance scheme covering sickness, maternity, and employment injury. However, this draw considerable attention both in the public and Government circles and latter on became the foundation stone of future Social Security Programs in our country.

2.2.2 The Study Group Report, 1957-58

In the pursuance of one of the recommendations of labour policy in the Second Five Year Plan, Ministry of Labour and Employment appointed the Study Group on 31st August 1957, to study and report on Social Security. The Group comprised of six members including its

⁶⁵ ESIS Review Committee 1966 p-19

Chairman⁶⁶. The Study Group was assigned to report on the following subject matters⁶⁷:

- To study how these schemes and other privileges given to workers could be combined in Comprehensive Social Security Scheme;
- To examine the experience gained by the working of existing Social Security Schemes;
- To work out the administrative details of such an integrated Scheme;
- To examine whether, without any appreciable increase the liability of employers and workers, any additional advantage can be given to working class; and
- To examine and make recommendation regarding the conversion, wholly or partly of the present PF Scheme into suitable pension scheme as envisaged in the Second Five-Year Plan.

2.2.2.1 Recommendations of the Study Group:

The Study Group Committee submitted its Report on 10th December, 1958. It is a comprehensive Report that examined in detail almost every aspect of the social security scheme. The Study Group submitted the following Recommendations on the Social Security.

(a) Under existing conditions, any large extension of social security measures will not be possible either in terms of coverage or actual benefits. The aim should be to improve upon existing measures and to simplify administrative procedure, restricting additional financial levy for the time being, to what is required for this limited purpose⁶⁸.

⁶⁶ Mr. V.K.R. Menon (Director of ILO, Indian Branch, New Delhi)

⁶⁷ Report of Study Group on Social Security, Government of India 1958, Para 22(1) c

⁶⁸ Ibid, Page 12-13

(b) One single agency herewith referred, as the organization should be set up, which should as a first step assume administrative responsibility for enactments of the Employees Provident Fund Act, and Employees State Insurance Act. In case of workers covered by both these enactments, employer will pay to this organization in one single payment, the contributions due under both. These and other consequential measures will aim at simple fiction and added convenience to both parties viz, employers and workers.⁶⁹

(c) The coverage under the EPF Act and ESI Act, are not identical but advantages of setting up the organization still exist. It should, however be the aim to make coverage under the two enactments identical as far as practicable and in stages by a prescribed target date. As one step towards facilitating this, action should be taken to delete the provision in the EPF Act under which newly established factories are exempted from its provisions for the first three years. The deletion of this provision is necessary for another reasons as well⁷⁰.

(d) The quantum of cash benefits at present granted under the ESI Act should be augmented as follow:

(i) Sickness Benefit should be payable up to a maximum period of 13 weeks in any three benefit periods of 26 or 27 weeks each.

(ii) Extended Sickness benefit, at full normal benefit may be granted in case of Tuber Closis (TB) or prescribed long term diseases for a further period of 39 weeks but only to such persons as have completed at least two years of qualifying service.

⁶⁹ Ibid, Para 15

⁷⁰ Ibid, Para 16

(iii) The Maternity benefit rate should be raised so as to be equal to the full average wage of the insured workman and subject to a minimum of one rupee per day.⁷¹

(e) There is considerable scope for improving the standard of medical care and treatment for worker covered by the ESI Act. The provision of medical care and treatment (including hospitalization) for families of workers is urgently needed as it is omission that has brought in the largest and quite legitimate criticism from the organizations of workers and individual workers themselves. All these improvements could be provided only if substantial additional funds are available. For this purpose the levy already provided for.

(f) The enactments relating to Employees Provident Fund have proved a real boon to workers covered, thereby; in the form of provision for old age. But payment in lump sum has obvious disadvantages compared with a regular pension scheme. The time is ripe for converting the Provident Fund in to a statutory pension scheme, to be administered by the Survivorship Pension Cum- Gratuity; is recommended.

(g) To provide pensions of reasonable amount, the resources should be augmented by⁷²:

(i) Increasing the present rate of contributions of workers and employers to PF from 6¼% to 8 1/3%.

(ii) While the statutory amendments and administrative arrangements required for the conversion into a Pension Scheme will take time, the increase of Provident Fund contributions (8

⁷¹ This was implemented by the Government in June 1958

⁷² Ibid Para 21 Page 13

1/3%) should be given immediate effect by amendment of the rules under the respective Acts. Delay in effecting the increase will adversely affect the insured worker, as a year of contribution, at the existing rate (6 1/4%) will be taken as only 09 months of recovering length of service.

(h) Translated in terms of percentage contributions: The recommendations regarding rates of contribution in above paras imply that as a transitional arrangement rates for the three classes of factories may be laid down as follow.

(i) For factories, employees of which would be eligible only to the benefits under the ESI Act, there will be no change. Their rates of contribution, when raised to maximum, that the law provide for work out to about 4 3/4% by employers and 2 1/3% by employees.

(ii) For factories, the employees of which would be eligible only to the benefits under the proposed scheme of Old Age, Invalidity, and Survivorship Pension Scheme Cum Gratuity, their rates of contribution will be raised to 8 1/3% by employers and 8 1/3% by employees.

(iii) For factories, the employees of which are covered for the full range of benefits under the ESI Act plus the proposed scheme of old age, invalidity, and survivorship pension cum gratuity, their rates of contributions would work out to about 13% by employers and 10 2/3% by employees.

(iv) In addition, the employers will be liable to pay an administrative charge not exceeding 0.4% of the total wage bill in all cases. No separate administrative charge will be levied ⁷³.

(j) The WMC Act originally provided coverage for both workers in organized industry, as also in several scattered employments, with the gradual extension of the ESI Act more and more workers in organized industry will be governed by this Act. Several cases will still remain, particularly of scattered employments where the responsibility for payment of compensation will continue to rest with the individual employer concerned. A Pension Scheme can be adopted even in these residuary cases, by requiring the employer to pay organization, a lump sum amount and the organization then taking on the responsibility for making recurring Pensionary payments to the insured worker or his dependants as the case may be. Steps should be taken to revise the relevant schedule to WMC Act, to increase the present scales of lump sum payments to meet the cost of the new Pensionary liability.⁷⁴

(k) While the provisions in the Industrial Disputes Act, 1947 relating to compensation on retrenchment and lay off have afforded some relief and acted as some deterrent to hasty retrenchment, certain unsatisfactory features have nevertheless been revealed. The permanent remedy may be in the form of a scheme of unemployment benefit, but this will not be practicable. Till then, employments should, rather be in the direction of avoiding closures, - and consequent retrenchment, as far as possible e.g. by creation of a fund through which industrial units in temporary difficulties can be assisted and kept running where such a course is in the interest of workers and public interest at large. This may be studied in the Government at wishes.

⁷³ Ibid Para 22 Page 13

⁷⁴ Para 24 page 14

(l) Comprehensive studies made of some countries in Europe by the ILO show that the employers liability towards cost of social security measures for the workers- expressed as a percentage of the wages—is, in many cases higher than, what the Group has recommended— this, in spite of the fact that adequate standards of medical care, hospitalization, are provided in these countries by the States for the population as a whole including industrial workers.⁷⁵

2.2.2.2 The Integrated Social Security Scheme: Its feasibility⁷⁶

The Study Group recommended the following on the subject:

(a) One of our terms of reference relates to a Comprehensive Social Security Scheme and another to an Integrated Scheme. Both in effect mean the same and this general question requires some discussion. This is even more necessary because, now -a-days, expressions like comprehensive, coordinated, integrated, appear to be given a more exaggerated significance than is warranted on the merits of each case. In our view, any integration of two or more schemes can be justified only if this fulfils one or other of two tests. The tests are, first, whether it will result in distinct added convenience to the parties concerned, the employers and workers.

(b) Our recommendations do not include any new item of social security through the recommendation for converting the present form of PF into a scheme of Old Age and Survivorship Pension Cum Gratuity Scheme does mean a very major change. Possible integration has. Therefore to be considered as among the schemes already in

⁷⁵ Ibid, Para 25

⁷⁶ Ibid Chapter III, Page 24

operation, we will consider each of them by applying by after said test.

(c) The Coal & Mica Mines Labour Welfare Funds are created through access levied specially for the purpose of providing various welfare measures for workers in coal and mica mines respectively. These funds provides for the medical care and treatment including hospitalization. There are tripartite advisory committees to advise on all matters relating activities of these funds and administration has been proceeding smoothly enough. It is advisable that all activities of these funds should be controlled and coordinated by one authority as at present. The only possible integration with another organization will be in regard to medical care and treatment, but this, even if effected, is not likely to result in any savings or added convenience to the workers. Funds should continue unchanged and that there should be no integration with another schemes. Workers in coal mines in particular will continue to be provided with standards higher than is available to industrial workers in general, but all the World over and the ILO have recognized that coal mines, because of the peculiarly uncongenial and hazardous nature of their work, are entitled to special favoured treatment.

(d) Constitutionally⁷⁷ the effective enforcement of the social security measures is the responsibility of State Governments and this alone can be a major reason why none of these can be integrated with schemes operated by Central Authority. Even if there were no Constitutional difficulties, any such integration will not achieve either of the purposes, which we have earlier indicated as tests. We are aware that one major reason advanced by those who advocate central legislation

⁷⁷ The Directive Principles on State Policy under Articles 39 to 43, Part IV of the Constitution of India

and administration is the need of ensuring uniform standards. We feel however that this should be affected through means other than integration. The machinery for this purpose already exists in the tripartite bodies set up by the Ministry of Labour and Employment and in the recent creation of separate divisions in the Ministry dealing with enforcement and implementation of labour laws. If however the present system of payment of the Workmen's Compensation in lump sums is converted into a system of Pensionary payments, there will be a case of for partial integration.⁷⁸

(e) There are certain factors common to the ESI Act and EPF Act, which make them ideally suited for integration. The ESIC has among its other functions that of disbursing payments direct to individual workers either as sickness benefits or recurring payments in case of employment injury. Similarly the EPF scheme administration has to make payments to the subscribers as and when their claim fall due, workers would definitely prefer to deal with once office alone in regard to claims under both the Acts, than having to run to different offices in connection with different claims. This convenience will be appreciated much if, as in our major recommendations, the lump sum payments in the form of PF are substituted by a system of recurring Pensionary payments-- involving regular visits to the office.⁷⁹

(f) The integration will give even greater relief to the employers. Both the administrations now have their own separate inspectors, which inspecting factories or offices of the employers a good deal of the same records and information may be called for by both series of inspectors in one.

⁷⁸ Ibid, Para 59, Page 25

⁷⁹ Ibid, Para-61, Page-25

(g) The suggested integration clearly fulfils one of two tests added convenience—or, perhaps less or inconvenience – to the parties concerned. As to the other test, that is, of possible economy, we don't wish to be dogmatic. At the outset, we would point out that economy, if possible, can be only in respect of the cost of administration. We are not sure if it is sufficiently recognized that the administrative costs even today form only very small portion of wage bill. (3/8 % in PF,), ESI Act has no separate provision for administration charges. But the expenditure now incurred is about 9.8 % of the total contributions or about 0.4% of the wage bill of workers in the areas in which the Act has been implemented.⁸⁰

(h) Even assuming that, as a result of the integration the combined administrative costs can be reduced by, say 15%, the actual relief to individual employer, will in terms of the total contributions, be relatively negligible. In view, however of the growing general criticism in respect of mounting expenditure we would have made a positive recommendation for a reduction if we could only do so with confidence.⁸¹

(j) At first thought, it may be argued that the combination of inspectorates and some supervisory posts should alone bring about an immediate reduction, however small, in the administrative costs. But as against this, the conversion of the PF into a Pension Scheme will involve handling of more than 20 times the number of individual transactions than at present. The economy effected by integration of work at local offices may well be offset by the convenience of vary large number of persons to be catered for. It is noted this connection that the PF scheme has, at present, no local. But with the introduction

⁸⁰ Ibid, Para-63, Page- 26

⁸¹ Ibid, Para 64, Page-26

of pension scheme, local disbursing offices will be essential. A further question which will also have a bearing on the cost of administration, but which we are not in a position to adjudge on is the extent to which an existing agency like post offices or local treasuries will be made use of in regard to disbursements.

(l) We are also aware that the both ESIC as well as the Board of Trustees of the PF Schemes do keep a regular watch against any undue mounting up of the costs of the administration. As the Statutes themselves do not lay down any limits, this, in the long run, will be the only effective remedy. So far as we are concerned, the most we can say is that with the many unknown factors, we cannot safely recommend that any specific reduction in administrative costs is possible. We can only recommend that the present ceiling should not be exceeded.

(m) The coverage under the ESI and PF are not identical and cent percent identity may not for practical reasons, be attainable for quite some time to come. There is however, only one fundamental obstacle, under the ESI Act, there is no special exemption given to infant factories, that is, for first 03 years of their establishment. The PF scheme however, gives this exemption and this is bound to raise administrative difficulties in the working of the integrated scheme. This provision in the PF Act will create difficulties, even if there were no integration. Let us take the case of a worker covered only by the EPF Act. If our recommendation for converting the PF into a pension scheme is accepted, the amount of pension will depend on the total length of service and on payment of contributions. In these circumstances, we recommend that steps be taken to delete the special provision relating to exemption of factories for the first 03 years under the EPF Act.

(n) We make it clear, however that the integration of the schemes of the ESI and PF administered by the Central Government can be effected as soon as necessary administrative arrangements can be made. We recommend that the sooner the administrative integration can be effected, the better it may prove for future smooth working. Proposed organizational set up is attached as **Appendix A** of chapter.

2.2.2.3 The Integrated Scheme: its benefits⁸²

The integrated Scheme will provide for medical benefit and cash benefits for sickness and maternity, compensation for employment injury, life pension on normal or invalidity, retirement cum gratuity, and survivorship pension to dependents on the death of the insured person, whether in service or on pension. The scales and conditions for various benefits are as given below.

(a) Medical Benefit:

(i) Normal medical benefit:

An insured person and his family will be entitled to medical care and treatment including hospitalization so long as he remains in insurable employment and for a period of 13 weeks there after.

(ii) Extended Medical Benefit:

In the case of TB, cancer, mental disorders, leprosy, and such other long term diseases as may be specified, this benefit will

⁸² Study Group Report, Chapter IV, P-28

be extended by another 52 weeks provided the insured person has completed at least 02 years of qualifying service. This extended benefit will be admissible only to the insured person and not to his family.

(b) Sickness Benefit:

This benefit will be on the present level; that is about 60% of the average wage earned during the preceding contribution for 90 days at least, the insured person will be entitled to sickness cash benefit during the ensuring benefit period but is will be subject to a maximum of 03 weeks in any three- half yearly benefit periods. In cases, which satisfy the conditions laid down under extended medical benefit, full rate of cash benefit will be continued for the further period of 39 weeks. No sickness benefit will be payable for the first 02 days of sickness. Sickness is not separated by more than 15 days will be deemed to be linked.

(c) Maternity Benefit:

Full average wage subject to minimum Re 01 per day will be paid for a period of 12 weeks, of which 06 weeks should precede the expected date of confinement. This amount will also be payable in cases of Miscarriage, occurring after 26 weeks of gestation. Insured woman, who are qualified for sickness benefit will be eligible f or maternity benefit.

(d) Employment Injury:

(i) Temporary Disablement:

In case of temporary disablement arising out of and during employment, 60 % of average wage will be paid during of disability. Temporary disablement benefit will not be paid for the first 03 days, but if lasts for more than 28 days, the benefit will be paid for first 03 days also.

(ii) Permanent Disablement:

In this case of partial or total permanent, a life pension depending on the degree of disability, subject to maximum of 60% of average wage will be paid during the life time of the insured person on his death, this pension will be continued to the dependents as Survivorship Benefit. This will be in addition to any Survivorship Pension accruing in terms of the contributory record for the period subsequent to the injury. On death due to employment injury, 60% of the average wage will be admissible as Survivorship Pension Benefit.

(e) Survivorship Pension Benefit:

It will be payable to specified dependants as follows.

(i) In case of male insured pension:

Fifty percent to widow or widows till death or remarriage, 20% to each legitimate child up to the age of 15 (18, if studying in school) and terminable, in case of girl on marriage if this occurred earlier, 50% will be equally distributed among the children, (if more than one).

(ii) In case of female person:

Fifty percent to the husband, if he is totally incapacitated from earning himself, 20% for each child up to age of 15 years (18 years if school going) and terminable, in case of girls, on marriage if this occurs earlier, 50% will be equally distributed among the children (if more than one). In case where is no widow or husband eligible for pension, the share of children may be raised provided that the total does not exceed the maximum Survivorship benefit and no one child gets more than 30%. The title of employment

injury benefit will accrue on the first day of entering into insurable employment.

(f) Retirement Benefit:

(i) Pension:

On reaching the age of 60 yrs (55yrs for woman) in service and having put in 15 yrs of qualifying service or on earlier medically certified invalidity after 05 yrs of qualifying service, an insured person, provided he entered insurable employment before the age of the 45 yrs, will be eligible for a pension for life. The pension will be the last 05 yrs average wage multiplied by a fraction to $1/80^{\text{th}}$ of the member of years of qualifying service. The fraction will, in no case be less than $20/80$ or more than $35/80^{\text{th}}$ ($30/80^{\text{th}}$ for woman), one-third of pension can be commuted on an actuarially prescribed basis for specified purposes, such as house construction.

An insured person entering insurable employment after 45 yrs will, on reaching the normal retirement age in service, be entitled to receive his own contribution together with the employer's contributions on his behalf and interest at a specified rate not exceeding 03% per annum, provided that the amount so due may be paid in such installments as may be prescribed.

(ii) Survivorship Benefit:

This will be admissible to the family of an insured person who dies after not less than 05 yrs of qualifying service and to this, the family (as existed on the date of retirement) of a pensioner who dies while in receipt of a return or invalidity pension. The Survivorship Pension in either case will be limited to a maximum of $2/3^{\text{rd}}$ of the retiring pension, which the pensioner was drawing or

in case of death while in service, $\frac{2}{3}$ rd of invalidity pension that would have been admissible had the deceased worker retired on such pension on the date of preceding the date of his death. An insured person, after reaching the normal retirement age 60yrs (55yrs for woman), if he continues in service, will not earn any further pension in respect of the additional years of service. He will, however, continue to be covered for the other non-Pensionary benefits and contributions will be reduced accordingly.

(iii) Gratuity:

In case of retirement after 20 yrs of qualifying service, gratuity equal to 04 months of last 05 years, average wage will be paid .If retirement takes place after 25 yrs of qualifying service, the gratuity will be increased to 06 months average wage of last 05 yrs.

(g) Withdrawal Benefit:

If before attain the age of 50, an insured person opts out of insurable employment for reasons not involving dismissal for misconduct, he will be paid the percentage of wages shown below for the period for which contributions were paid:

Less than one year of service:	08%
01to 15 yrs of service:	10%
15 to 25 yrs of service:	12%
Over 25 yrs of service:	15%

Entrants after the age of 45(40 for woman) yrs, who so opt out even after the age of 50 yrs will also eligible for this benefit. Persons opting out after attaining the age 50 yrs and who have fulfilled the

qualifying period for retiring pension will not be allowed withdraw benefits but will be entitled admissible retirement pension based on the contributory period. Survivorship pension will also be admissible in such cases if death occurs before.

2.2.2.4 Contributions and Transitional Arrangements.⁸³

(a) Full contributions will become payable on entry into insurable employment subject to any general exemption of a class of workers, for instance casual workers.

(b) Till uniform coverage for all benefits under the Integrated Scheme is possible, these separate scales of contribution for the following groups will be laid down as transitional arrangements.

(i) Those covered for Pensionary benefits only: The proposed pension scheme will require a contribution of $8 \frac{1}{3}$ % of wage by the employers and same rate by the workers. In regard to pension covered for Pensionary benefits only, contributions should be levied at these rates. For purposes of calculating pensions a year of service rendered with the present rate of contributions will be reckoned only as 09 months. So the longer the delay in raising the rates the more will be adverse effect on present members of the PF, when the pension scheme comes into force. Therefore the first step to raise the PF contributions from $6\frac{1}{4}\%$ to $8 \frac{1}{3}\%$ with waiting for introduction of the pension scheme.

(ii) Those covered for benefits under the ESI Act, only: Contributions from employers and workers in areas where that act has been

⁸³ Ibid, Para78-79 Page 30-31, Chapter IV

implemented should be raised to the maximum provided under the Act. This works out at about 4 2/3% of the wage bill from employers and 2 1/3% of wage from workers.

(iii) Those covered for benefits both Pensionary and under the ESI Act: the contributions payable will be the sum total of those payable and will be paid in single consolidated amounts. The aggregate payable works out from employers and 10 2/3% from the workers

(iv) Persons continuing in service beyond the age of 60 yrs (55 yrs for woman) will cease to pay contributions. As a corollary, they will get no additional Pensionary benefits either for the service rendered beyond this age. Contributions on the scale will however continue to be paid for a long, as the person is insurable employment.

2.2.2.5 Administrative Charges.

It would be risky to suggest any reduction in the maximum limit of levy for administrative charges. It will be for the administrative authorities to keep these charges as low as possible, within this limit. The only change need is to provide for these charges being reckoned as a percentage of the wages and not on the contributions. Otherwise the quantum of the levy will increase the moment contributions to the PF are raised from 6¼% to 8 1/3% and we can find no justification for this. This maximum levy now provided in the EPF Scheme work out at 0.4% of the wage bills. This rate may be prescribed as the maximum levy on the employers. As no separate levy is made for administrative charges under the ESI Act, this position should continue.

2.2.3 The National Commissions on Labour: Their Recommendations

2.2.3.1 The National Commission On Labour, 1969

The Government of India appointed the National Commission on Labour on 24 December 1966.⁸⁴ The Commission submitted its report in 1969, after making a through study among other aspects of the ESI Review Committee, 1966. The Commission was to enquire on a number aspects concerning labour. Broadly speaking its realm included the labour welfare, social security measures, wage and wage policy, industrial relations. On social security measures the Commission was to study and report in particular on the existing arrangements or social security⁸⁵. Main Recommendation's of the National Commission on labour relating to social security measures are given below.

(a) Recommendations on Worker's Compensation:

(i) All Workmen, including supervisors, employed in the occupations covered under the WMC Act, 1923, should be eligible for compensation for work injury, wage limit for eligibility should be removed.⁸⁶

(ii) A scheme of Central Fund WMC should be evolved; employees who are subject to the WMC Act should pay to this fund a percentage of total wages as monthly contributions to cover the cost of the benefits and of administration. The fund should be controlled by the ESIC. The Corporation through its

⁸⁴ Headed by Mr. B.P. Gajendergadkar (its Chairman)

⁸⁵ Report of the NCL, 1969 Chapter-I

⁸⁶ Ibid, Recommendation No 13.22

local offices may make periodic cash payments to insured workers and their dependants in the same way as payments are made at present for various benefits under the ESI Scheme. The Corporation should provide medical care to insured workers. A similar arrangement in respect of mines may be made by the Welfare Commissioners, who control various welfare Funds for local, mica and iron ore, and mines.⁸⁷

Under the present conditions, while an able bodied workers can claim and obtain retrenchment compensation for being surplus, an injured or disabled workmen is thrown out without adequate payment because accident or disease has incapacitated him. This legal anomaly requires to be remove

(iii) A worker should be entitled to higher compensation for disablement resulting from industrial accidents.⁸⁸

(b) Recommendations on the Employees State Insurance:

(i) The recommendations made by the ESI Review Committee should be implemented expeditiously.⁸⁹

(ii) Full fledge medical collages should be started at places where there are large and well-equipped ESI Hospitals, either directly by the ESI Corporation or by the state with help from the Corporation. In case the Corporation contributes financially to medical training, the trainees should be under an obligation to serve the ESI Scheme for a specified period, which should not be less than 05 yrs after

⁸⁷ Ibid, Recommendation No. 13.24 of the Report

⁸⁸ Ibid, Rec No. 13.25(a)

⁸⁹ Ibid, Recommendation No. 13.43

achieving full qualifications. The ESI Hospitals should also be utilized for training of nurses and other Para medical staff.⁹⁰

(iii) Surplus beds, if any in the ESI Hospitals may be made available for the use of the general public, on payment by the state governments.⁹¹

(iv) The wage limit for the exemption from payment of employee's contribution should be raised to Rs. 04 per day.⁹²

(v) A scheme of no- claim bonus for insured persons who don't claim any benefit during a year should be evolved.⁹³

(vi) The ESIC of Chairman of the Board should amend for giving increased representation to employers and employees and for nomination the constitution of regional boards by rotation. The Board should be given adequate powers to enable them to exercise effective control on the working of the scheme in the respective region.⁹⁴

(vii) The ESIC should make a suitable contribution to the National Safety Council as part of its program of integrated preventive and curative services.⁹⁵

(c) Recommendations on the Employees Provident Fund:

(i) The Act at present does not apply to establishments employing between 10-20 persons. It should be extended to other

⁹⁰ Ibid, Recommendation No. 13.45

⁹¹ Ibid, Recommendation No. 13.46

⁹² Ibid, Recommendation No. 13.45

⁹³ Ibid, Recommendation No. 13.50

⁹⁴ Ibid, Recommendation No. 13.51

⁹⁵ Ibid, Recommendation No. 13.52

establishments and minimum rate of contribution there in fixed at is 6¼ %. ⁹⁶ Whenever the present rate of contributions is 6¼%, it should be raised to 8% and where the existing rate of contribution is 8%, it should be raised to 10%.

(ii) Conversion of a part to PF into retirement cum pension is desirable. In cases where the rate of contribution is raised to 10% from the employers and employees, a portion of the contribution should be converted into pension. Pensionary benefits should be worked out on the basis of 4% to start with; the remaining 16% should be paid back as PF accumulations.

(iii) Power should be vested in the PF Commissioners and other Officers of the organization to sanction prosecutions and issue certificates for the recovery of PF dues through the Collectors as arrears of land revenue. Penalties for defaults in payment of PF dues should made more stringent. Defaults should be made Cognizable under the IPC. Arrears of PF should be made the first charge on the assets of an establishments/ factory at the time it would up.⁹⁷

(iv) The PF accumulations should be invested in securities yielding higher interest as far as possible consistent with the security and safety of funds, to enable the members to get higher rate of interest.⁹⁸

(d) Recommendations on the Maternity Benefits:

A scheme of Central Fund may be evolved for maternity benefit on the lines suggested for WMC. Pending the creation of this fund the

⁹⁶ Ibid, Recommendation No. 13.60

⁹⁷ Ibid

⁹⁸ Ibid, Recommendation No. 13.61

Maternity Benefit Act, 1961, should be adopted in all States as early as possible.⁹⁹

(e) Recommendations on the Lay-offs And Retrenchment Compensation:

A long-term solution for the contingency of unemployment lies in adopting a scheme of unemployment insurance for all employed persons. The present provisions for retrenchment and lay-off compensation should continue during the transition period.¹⁰⁰

(f) Recommendations on Integrated Social Security:

(i) The aim should be to work gradually towards a Comprehensive Social Security Plan by pooling all the social security collections into a single fund from which, different agencies could draw for disbursing benefits according to needs.¹⁰¹

(ii) It should be possible over the next few years to evolve an Integrated Social Security Scheme, which will, with some marginal addition to the current rate of contribution take care of certain risks not covered at present. This will be limited to the benefits of, PF and retrenchment/family pension and Unemployment insurance.¹⁰²

⁹⁹ Ibid, Recommendation No. 13.26

¹⁰⁰ Ibid, Recommendation No. 13.66(iii)

¹⁰¹ Ibid, Recommendation No. 13.72

¹⁰² Ibid, recommendation No. 13.75

2.2.3.2 The National Commission on Labour, 2002

The Government of India has decided to set up a National Commission on Labour consisting of the Chairman and some members¹⁰³, to decide on the following terms of references:

(a) To suggest rationalization of existing laws relating to labour in the organized sector; and

(b) To suggest an “umbrella” legislation for ensuring a minimum level of protection to the workers in the un-organized sector. While developing the framework for its recommendations, the Commission may take into account the following: -

(i) Follow up implications of the recommendations made by the Commission set up in May 1998 for review of various administrative laws governing industry;

(ii) The emerging economic environment involving rapid technological changes, requiring response in terms of change in methods, timings and conditions of work in industry, trade and services, globalization of economy, liberalization of trade and industry and emphasis on international competitiveness and the need for bringing the existing laws in tune with the future labour market needs and demands;

(iii) The minimum level of labour protection and welfare measures and basic institutional framework for insuring the same, in the

¹⁰³ **Chairperson:** Shri Ravindra Varma **Full Time Member.** Dr. B.R. Sabade **Part Time Members** Shri Sunil Shastri, Shri Sudharshan Sarin, Shri Sanjeeva Reddy, Shri Jitendra Vir Gupta, Smt. Ela R. Bhatt, Shri Arvind R. Doshi, Shri Hasubhai Dave and **Member Secretary:** Shri N. Sanyal

manner which is conducive to a flexible labour market and adjustments necessary for furthering technological change and economic growth; and

(iv) Improving the effectiveness of measure relating to social security, occupational health and safety minimum wages and linkages of wages with productivity and in particular the safeguards and facilities required for women and Handicapped persons in employment.

(v) The Commission will make its recommendations as soon as practicable but not later than 24 (twenty-four) months from the date of publication of the resolution in the Gazette of India. It may, if it deems fit, submit interim reports for any specific problem(s).

(c) The Commission will devise its own procedure. It may call for such information and take such evidence, as it may consider necessary. The Ministries/ Departments of the Government of India will furnish such information and documents and render such assistance as may be required by the Commission.

(d). The Government of India trusts that the State Government/Administrations of Union Territories, Public Sector Undertakings, Organizations of Employers and Workers and all other concerned organizations will extend to the Commission their fullest cooperation and Assistance.

The Commission appointed a **“Study Group on Social Security”** which consisted of the Chairmen and some members.¹⁰⁴ Reports by the Study Group on Social Security was submitted on 05.09.2001. The

¹⁰⁴ Chairperson: Shri R. K. A. Subrahmanya. Members 1. Dr. M. G. Diwan 2. Shri S. Mahendra Dev 3. Shri A. D. Nagpal 4. Shri N. Krishnaji 5. Dr. B. P. Guha 6. Mrs. Mirai Chatterjee 7. Shri B. L. Verma

National Commission on Labour, 2002 recommended the following points under the Chapter VIII related to Social Security.

(a) Recommendations in General

(i) The NCL accepts the need to consider social security as a fundamental right.

(ii) Considering all the conceptual issues as well the demographic profile of the country. We feel that no single approach to provide social security will be adequate. The problem has to be addressed by a multi-pronged approach that would be relevant in the Indian context.¹⁰⁵

(iii) The Study Group on social security constituted but our Commission felt that it might not be possible to ratify all the conventions of the ILO immediately, but it is desirable to plan for their eventual ratification, by upgrading laws and practices, beginning with the Minimum Standards Convention. The Commission endorses the view of the Study Group.¹⁰⁶

(iv) The Task Force on social security recommended that wage ceiling and employment threshold can and should be uniform with a provision for raising the wage ceiling and its eventual removal and lowering employment threshold and its ultimate remove. The Commission also agrees with it.¹⁰⁷ Casual and contract workers

¹⁰⁵ Ibid, Recommendation No. 8.51

¹⁰⁶ Ibid, Recommendation No. 8.78

¹⁰⁷ Ibid, Recommendation No. 8.93

may be covered for limited benefits at reduced rates of contribution as recommended by various committees and the ILO.¹⁰⁸

(v) The Study Group has suggested a review of the decision to impose a ceiling for purposes of reimbursement, and the level of ceiling and to consider the desirability if its withdrawal. The Commission agrees with this suggestion.¹⁰⁹

(vi) The Study Group felt that in evolving an Integrated and Comprehensive System of social security in India, one should have a broad vision and one should develop a structure which will encompass the whole population with its diverge needs. It cannot be a single scheme but has to be a combination of schemes catering the needs of different target groups with different needs and different paying capacities. The Study Group has expressed the view that in India, there already exists a three-tier system, which can be expended and consolidated.¹¹⁰

(vii) The system envisaged by the commission comprise of four tier

- Social Assistance Program financed form the exchequer and wholly based on tax revenue.
- Schemes, which are partly contributory and partly subsidized by the estate.
- Wholly contributory social insurance scheme, and
- Voluntary scheme.¹¹¹

(viii) A Social Security Fund of India and Social Security Fund of each State may be set up.¹¹²

¹⁰⁸ Ibid, Recommendation No. 8.109

¹⁰⁹ Ibid, Recommendation No. 8.112

¹¹⁰ Ibid, Recommendation No. 8.406

¹¹¹ Ibid, Recommendation No. 8.407

(ix) There will be three kinds of Social Security Schemes:

- Social Insurance type of contributory scheme.
- Subsidized insurance/welfare fund type of partly contributory and partly socially assisted schemes, and
- Social Scheme, which will be wholly non-contributory.

(x) A provision should be made for payment of education allowances to all employees by amending the existing laws regulating employment and conditions of service of employees.¹¹³

(xi) Welfare Funds can be transformed into instruments of social security by expanding the coverage of funds; broadening the range of benefits; modifying the financial arrangements for providing benefits and decentralizing the administration of the funds.

(xii) It is the responsibility of the State to provide a basic level of subsistence by an appropriate social security measures to those who have no employment and no source of income. The Central Government should consider introducing a National Scheme of Unemployment Relief to the unemployed persons subject to a mean test.¹¹⁴

(xiii) It is suggested the introduction of National Widow Pension Scheme with a training program to help the younger ones to be self-sufficient.¹¹⁵

¹¹² Ibid, Recommendation No. 8.433

¹¹³ Ibid, Recommendation No. 8.182

¹¹⁴ Ibid, Recommendation No. 8.294

¹¹⁵ Ibid, Recommendation No. 8.332

(xiv) Appropriate Scheme would need to be designed for the health care as well as long term care of the elderly.¹¹⁶

(xv) Ceiling on the amount to be paid for maintenance of dependants under the Cr PC may be removed and it may be left to the courts to decide the amount depending on the facts of the case.¹¹⁷

(xvi) A Comprehensive Plan of action for social protection of disabled is necessary. It should include removal of the disabilities; reservation of the jobs, feasibility of extending this to employment in private sector May b e considered.¹¹⁸ A national pension scheme for physically handicapped should be introduced.¹¹⁹ A National Scheme for payment of pension to leprosy affected person and the rate of pension being raised to Rs. 200/ pm.

(b) National Policy on the Social Security

(i) It is high time that a national policy on social security is formulated and a national plan to achieve the objectives set out in this policy evolved. It is necessary to create a small but strong agency in the Central Government, which will be concerned with the horizontal and vertical coordination of social security planning, monitoring and review.¹²⁰

(ii) We strongly recommended the constitution of a high-powered National Social Security Authority, preferable under the Chairmanship of the Prime Minister of India. The functions of the

¹¹⁶ Ibid, Recommendation No. 8.351

¹¹⁷ Ibid, Recommendation No. 8.356

¹¹⁸ Ibid, Recommendation No. 8.364

¹¹⁹ Ibid, Recommendation No. 8.365

¹²⁰ Ibid, Recommendation No. 8.414

Authority will be mainly to formulate the national policy on social security and to cooperate the Central and State level programs.¹²¹

(iii) We would suggest a Dept of Social Security with Ministry of Labour. This Dept would provide policy inputs and secretarial service to the National Authority, coordinate, monitor and review specific programs aiming various Ministries and the States. Similar arrangements can be made in the state.¹²²

(iv) The Commission recommends the establishment of a Comprehensive Social Security System covering various existing programs of different Ministries/Depts. However, to begin with functional integration of all social security programs in organized sector could be attempted, pending a review of the need for administrative integration.¹²³

(v) The unification of administrative responsibility, in respect of the existing social security legislations is both necessary and desirable.¹²⁴

(vi) The mechanism of delivery should be based on two key principles:

- It should be decentralized and as close to the beneficiaries as possible; and
- It should be tripartite or multipartite involving workers, employers, governments and other stakeholders.¹²⁵

¹²¹ Ibid, Recommendation No. 8.415

¹²² Ibid, Recommendation No. 8.416

¹²³ Ibid, Recommendation No. 8.417

¹²⁴ Ibid

¹²⁵ Ibid, Recommendation No. 8.421

(vii) It is recommended for constitution of District/Area Level Committees, which may be tripartite or multipartite as the need demands with necessary. Secretarial assistance.¹²⁶ Services should be delivered at the doorsteps of the beneficiaries.¹²⁷

(viii) It is reported that many public social security institutions, in their efforts to match their services with those of the private sector agencies, are experimenting with outsourcing the service. India has established such agencies; they have not been given necessary autonomy or authority. The administrative arrangements with these agencies need to be reviewed and reformed. They could also be permitted to subcontract their services to voluntary organization.¹²⁸

(c) Recommendations on the Workmen Compensation

(i) The term workman may be replaced with term employee, so as to make the Worker's Compensation Act applicable to all categories of employees. The term employees may be defined to mean any person employed in any employment specified in Schedule II. The entries in Schedule II may be reviewed so as to make it applicable to all classes of employees progressively; and restrictive clauses, wherever they occur in the schedule may be omitted.¹²⁹

(ii) The W MC Act should be converted from as employers liability scheme to a Social Insurance Scheme, its coverage should be progressively extended to more employments and classes of

¹²⁶ Ibid, Recommendation No. 8.422

¹²⁷ Ibid, Recommendation No. 8.423

¹²⁸ Ibid, Recommendation No. 8.424

¹²⁹ Ibid, Recommendation No. 8.96

employees and the restrictive clauses in Schedule II of the Act should be re moved.¹³⁰

(d) Recommendations on the Employees State Insurance

(i) The National Health Policy assigns a major role to health insurance to supplement the public services. The running of the medical services by the ESIC parallel to the National Health Services might have been a historical necessity at the time when the ESI was introduced. The object and the scope of the scheme need to be reviewed in the current context when public as well as private medical services have increased.¹³¹

(ii) It does not seem possible to extend the existing composite scheme of the ESIC to all sections of work force and the all parts of the country in the near future. The Corporation has, therefore, to take a decision to delink the employment injury and maternity benefit from the medical benefits, and to extend the application of ESI Scheme for the purposes of these benefits through out the country. Alternatively, separate social insurance scheme continuing to these benefits will have to be evolved.¹³²

(iii) The Study Group of the Commission on Social security has strongly urged that the benefit structure of the ESI scheme be unpacked; and provision be made for extension of the scheme for one or more benefits separately or in groups. The Study Group further suggested that immediate steps be taken to extend the scope of the Act for purposes of employment injury benefit and maternity benefit throughout the country without waiting for the

¹³⁰ Ibid, Recommendation No. 8.97

¹³¹ Ibid, Recommendation No. 8.103

¹³² Ibid, Recommendation No. 8.104

corresponding provision for medical benefit. The Commission agrees with the views of the Study Group.¹³³

(iv) When constrain on extension of the ESI Scheme are removed, there would be no justification for retain the other restrictions on the application of the Act. If necessary, there may be a ceiling on wage for purpose for contributions and benefits.¹³⁴

(v) Exemptions may be granted from the ESI in cases where establishments provide similar or superior benefits. Since the ESI scheme is a contributory scheme; the rates of contribution should be fixed on an actuarial basis, and be free from collective bargaining.¹³⁵

(vi) The Study Group has suggested a review of the decision to impose a ceiling for the purposes of reimbursement, and the level of the ceiling, and to consider the desirability of its withdrawal. The Commission agrees with this suggestion.¹³⁶ The management of the ESI scheme should be professionals, while a tripartite body may be entrusted to a body of experts who should constitute the governing body.¹³⁷

(vii) The ESI Scheme has provisions for payment for funeral expenses .It is suggested that the term emergency expenses so as to include care of the sick and elderly members should substitute it. Insurance companies are required to develop two or more plans providing coverage for the major risks faced by people leaving it to

¹³³ Ibid, Recommendation No. 8.126

¹³⁴ Ibid, Recommendation No. 8.108

¹³⁵ Ibid, Recommendation No. 8.111

¹³⁶ Ibid, Recommendation No. 8.112

¹³⁷ Ibid, Recommendation No. 8.113

individuals to choose from among them according to their capacity.¹³⁸

(viii) The ESI has an improvement role to play in supplementing the public medical service. It is therefore, necessary to take all possible measures to improve its working and its expansion.¹³⁹

(ix) Social insurance schemes are contributory, and their viability depends upon the rate (s) of contributions received and the quanta of benefits paid out. Different packages of benefits with different rates of contributions should be designed to suit the capacity of the contribution to pay.¹⁴⁰ The Commission feels that the schemes should be benefit defined.¹⁴¹

(e) Recommendations on the Employees Provident Fund

(i) A law to place all the provident funds under a common regime sectors to be called for.¹⁴² The PF Act may be made applicable to all classes of establishments subject to such exceptions as may be considered necessary for specific reasons.¹⁴³ Regarding applicability of the Act, the Task Force on social security has recommended that the employment threshold should be brought down to 10 immediately, to 05 during next 3-5 years, and to one within a short time frame thereafter. The Commission agrees with these suggestions.¹⁴⁴

¹³⁸ Ibid, Recommendation No. 8.242

¹³⁹ Ibid, Recommendation No. 8.316

¹⁴⁰ Ibid, Recommendation No. 8.427

¹⁴¹ Ibid, Recommendation No. 8.430

¹⁴² Ibid, Recommendation No. 8.115

¹⁴³ Ibid, Recommendation No. 8.117

¹⁴⁴ Ibid, Recommendation No. 8.118

(ii) Our Study Group has suggested that the special dispensation granted to cooperatives is not warranted and should be removed we endorse this view.¹⁴⁵

(iii) The Study Group constituted by us, commissioned a quick study to see weather the coverage of casual and contract labour has served the purpose for which it was intended. The study revealed that the provisions to cover persons employed on casual or on contract basis were operating largely to the disadvantage of the workers. Although the EPF Scheme requires that every employee should be provided with a passbook, the organization has failed to supply this. But with the introduction of computerization, such problem can be tackled.¹⁴⁶

(iv) We suggest that EPFO organize an enquiry into the working all exempted funds by an independent agency and review the entire scheme of granting exemption from the provisions of the Act.¹⁴⁷

(v) Considering the likely expansion of the coverage of the scheme under the EPF Act, there seems to be a greater need for decentralizing the administration of the schemes. One way to decentralize the administration is to authorize more and more employers to administer their own provident funds, the EPFO acting as a regulatory authority.¹⁴⁸

(vi) It is suggested that the Act be amended so as to do away with the distinction between different classes of establishments for purpose of the rate of contribution. This is, however, without

¹⁴⁵ Ibid, Recommendation No. 8.120

¹⁴⁶ Ibid, Recommendation No. 8.122

¹⁴⁷ Ibid, Recommendation No. 8.126

¹⁴⁸ Ibid, Recommendation No. 8.128

prejudice to the suggestions made elsewhere to provide for different packages of contributions and benefits classes of employees.¹⁴⁹

(vii) The EPFO should streamline the procedure for tackling the defaulting employers speedily and to recover the arrears promptly.¹⁵⁰ We suggest that the EPFO should have its own mechanism for investment of its balances, investment patterns should be liberalized and government may consider issuing of indexed bonds of investment of PF balance.¹⁵¹ The Commission is of the opinion that the provision for pre-mature withdrawal of funds should be restricted.¹⁵² There can be no justification for permitting premature final withdrawal in case of resignation.¹⁵³

(vii) Proposals to integrate the Payment of Gratuity Act with the Employee Deposited Linked Scheme and also to introduce an unemployment insurance scheme as part of the scheme should be implemented soon.¹⁵⁴ It is desirable than an independent valuer and not actuary who designed the Employee Insurance Scheme, does 03 yearly or 05 yearly valuations.¹⁵⁵

(ix) All the ambiguities in the interpretation of the Employee Pension Scheme may be referred to the Actuary and the scheme be amended suitably as per his advice.¹⁵⁶

¹⁴⁹ Ibid, Recommendation No. 8.129

¹⁵⁰ Ibid, Recommendation No. 8.130

¹⁵¹ Ibid, Recommendation No. 8.132

¹⁵² Ibid, Recommendation No. 8.136

¹⁵³ Ibid, Recommendation No. 8.137

¹⁵⁴ Ibid, Recommendation No. 8.138

¹⁵⁵ Ibid, Recommendation No. 8.147

¹⁵⁶ Ibid, Recommendation No. 8.148

(x) The payment of Gratuity Act may be integrated with the EPF Act, and converted into a Social Insurance Scheme.¹⁵⁷ The Payment of Gratuity Act should be applicable to all establishments to which EPF Act applies.¹⁵⁸ The scope of the Payment of Gratuity Act should be co-extensive with that of EPF Act.¹⁵⁹

(xi) An Integrated Insurance Scheme providing for gratuity, unemployment benefit, lay-off, and retrenchment compensation may be evolved, and entrusted to the EPFO for its implementation.¹⁶⁰ An unemployment insurance scheme should play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustment programs and other economic reforms.¹⁶¹

(xii) The Scheme should preferably be implemented through the EPFO and be applicable to all establishments and employers to which EPF Act is currently applicable.¹⁶²

(xiii) The Unemployment Scheme should be financed by tripartite contribution to be determined actuaries.¹⁶³

(f) Recommendations on the Maternity Benefit

(i) The existing provisions of the benefit should be extended so as to be applicable to all women workers.¹⁶⁴ There are many classes of establishments where women are being employed increasing, to

¹⁵⁷ Ibid, Recommendation No. 8.149

¹⁵⁸ Ibid, Recommendation No. 8.150

¹⁵⁹ Ibid, Recommendation No. 8.152

¹⁶⁰ Ibid, Recommendation No. 8.160

¹⁶¹ Ibid, Recommendation No. 8.175

¹⁶² Ibid, Recommendation No. 8.176

¹⁶³ Ibid, Recommendation No. 8.177

¹⁶⁴ Ibid, Recommendation No. 8.100

which the Maternity Benefit Act is not applicable. We recommended that those classes may be brought within the scope of this Act on priority basis by the National Industrial classification.

(ii) The quantum of the Maternity Benefit may be raised to a minimum Rs 2000.¹⁶⁵ The Commission endorses the suggestion that crèches must be provided to enable all workingwomen to leave their children under proper care, in a safe environment removing the burden from the shoulders of their siblings.¹⁶⁶

(f) Recommendations on the National Social Assistance Program

This program has served the long felt need for uniform national minimum standards for providing social assistance to weaker sections of the society. More benefits may be added to this program in due course of time.¹⁶⁷ Apart from this program, there are several schemes under which social assistance is being provided. All programs should be integrated to maximize coverage, avoid overlapping and ensure basic minimum to all.¹⁶⁸

¹⁶⁵ Ibid, Recommendation No. 8.280

¹⁶⁶ Ibid, Recommendation No: 8.281

¹⁶⁷ Ibid, Recommendation No. 8.274

¹⁶⁸ Ibid, Recommendation No. 8.276

2.3 Development of Social Security: International Scenario

The ILO describes three stages of social security in its modern evolution. According to the study on Social security¹⁶⁹ the ILO considered the following three stages in the historical development of the subject at the International level

(a) Charity: The initial response was paternalistic private charity and poor relief. These were provided for the indigent. But the harsh conditions and stigma made this form of provision politically unacceptable.

(b) Social Insurance Schemes: As a reaction against the 1st phase, in the II phase social insurance schemes were developed based on compulsory premia that entitled the participants to pensions and sick pay. In time, these programs were expanded to include wider coverage and more contingencies.

(c) Prevention and Universality: In the third stage, the concepts of prevention and universality were introduced with the aim of maintaining and enhancing the quality of life.

Some of the leading agencies like the ILO and the International Social Security Association have been promoting and propagating the social security matters at the international level. Some selected countries like the United States of America, the United Kingdom, Japan, China, Sweden, and Norway have also been contributing in such progress. The highlights of the social security protection movement at the world level are given below.

¹⁶⁹ International Labour Organization Publication on Social Security 1984, Page-17

2.3.1. The International Labour Organization (ILO)

The ILO is the first international body that is not expressly concerned with political questions, but also to the problems of industry and with the conditions under which ordinary men throughout the world. It is a social experimental institution making the World continuously conscious that the unjust condition of working population may affect the world peace. The ILO came into existence with effect from 11 Apr 1919 in Paris by the Treaty of Peace, with its commitment to democracy, social justice, and human rights. The first International Labour Conference assembled in Washington on April 29, 1919 in an atmosphere of understanding, goodwill and service.

While the League of Nations was succeeded by a new organization named the United Nations Organization. The ILO survived the war and evolved a new relationship in the right of changing world, politic and philosophy. The reappraisal and readjustment of the ILO was undertaken in 1944, when the conference held its sessions at Philadelphia in which 41 States participated. The ILO detached itself from the League of Nations and in Dec 1946, and became a specialized agency of the UNO.

It is an organization of peace and social justice. It is firmly committed to the motto that **“there can be no peace, without social justice and no social justice without peace”**. So is the cardinal principle of its Constitution. Article 01 of the Constitution lays that Poverty anywhere constitutes a danger to prosperity everywhere. Universal and lasting peace can be established only if it is based upon social justice. Therefore, the ILO’s meaning, nature and activities center around three words namely Peace, Social Justice, and Labour. The Declaration of

Philadelphia in 1944 reaffirmed the fundamental principles of the ILO as under¹⁷⁰.

- Labour is not a commodity;
- Freedom of expression is of association to sustained progress;
- Poverty anywhere constitutes a danger to prosperity anywhere;
- The war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerned international efforts, in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussed and democratic discussion with a view to the promotion of the common welfare.

Further the Article 3 of the Constitution of the ILO also sets forth some specific objectives on the social security as mentioned below.

- Full employment and raising of standards of living;
- Policies in regard to wages and caring hours and other conditions of work calculated to ensure a just share of the fruits of progress to all and minimum living wage to all employed and in need of protection;
- The extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
- Adequate protection for the life and health of workers in all occupations;
- Provision for child welfare and maternity protection.

The total member states of the ILO as on 31st December 2002 were 174. The Conference has adopted 184 Conventions and 191

¹⁷⁰ Article 1 of the I L O Constitution.

Recommendations till December 2001¹⁷¹. The Constitution of the ILO provides for three main organs as mentioned below.

2.3.1.1 General Conference:

It is the supreme law making and parliament organization of the ILO. Its main function is to provide a forum and platform for discussion and deliberation on international labour problems and thereby formulate international labour problems standards in the shape of Convention and Recommendations, which are collectively known as International Labour Code. The conference also adopts Resolution on the current or future work of the organization. The Governing Body fixes the agenda for the Conference, invariable includes following three standing items,

- The Reports of the Governing Body and Director General;
- Financial and budgetary matters; and
- The information and report on the application of the Conventions and Recommendations and items relating to subjects considered suitable for formulation of International standards as well as matters connected with 'Technical Assistance' for general discussion at regular intervals. The 90th Sessions of the ILC of the ILO was held at Geneva from 03 to 20th Jun 2002. The Indian Tripartite Delegation to the ILO Conference consisting of Government Officials, Representatives of workers as well as employers was led by Sri Munni Lal the Minister of State for Labour.¹⁷²

¹⁷¹ www.ilo.org

¹⁷² Ibid

2.3.1.2 The Governing Body:

The Governing Body of the ILO is the composition of the Executive Council, consists of 56 members of whom 28 represents governments, 14 represents employers and 14 workers and further, the non governmental delegates are chosen by internal rather than national group. The period of office of the Body is 03 years ¹⁷³. The body has the general responsibility of coordinating the work of the organization. It meets several times a year to take discussion on question of policy and programs of the ILO. At the end of every 03 years the General Conference holds fresh election and the body is reconstituted. The 285th Session of the Body was held at Geneva during 07-22 Nov 2002.¹⁷⁴

2.3.1.3 The International Office

It is the Secretariat, Operational HQ, and Information Bureau of the ILO. Initially the Office was established in London in 1920, but the Governing Body decided to shift the International Labour Office to Geneva in June 1920. The Director General heads it and responsible for management of the office. He also acts as the Secretary General of the ILC and represent the organization as required at the UN General Assembly, Economic Social Council (ECOSOC) and other meeting of other inter-governmental organizations as well as represents meeting of executive heads of the United Nations Organization and specialized agencies including Administrative Committee, on coordination (ACC), and Inter-Agency Consultation Board. The Main functions of the International Labour Office are as shown below:

¹⁷³ Article 7(5) of the ILO Constitution

¹⁷⁴ www.ilo.org

- To organize, compile reports and provide secretariat services for the International Labour Conference, the Governing Body and other conferences, meeting, committees;
- To prepare the first draft of the International Labour Standards and promote their effective application;
- To assemble and disseminate information;
- To undertake research and enquires;
- To Publish the results;
- To implement operational programs and also to carryout cooperation projects.

The International Labour Office publishes various journals like International Labour Review (04 issues per year), Year Book of Labour Statistics (annual), Social and Labour Bulletin (quarterly).

2.3.1.4 Promotion and Development of the Social Security: the role of the ILO

The social security concept is well established and international recognized in modern world. The recognition of the subject at international level is due to sincere effort of the ILO. This Institution provided such a platform for labour related subjects, which consists in counteracting the random injustice of natural and economic forces by rational and planned measures. The ILO has adopted 20 Conventions and 10 Recommendations dealing with various social security measures. The following are the main Conventions and Recommendations on the subject.

(a) The ILO on the Workmen's Compensation:

- **Convention No. 17: Workmen's Compensation (Accident) Convention, 1925.** It provides for the payment

of compensation for employment injury to all employees except those employed in agriculture. Ships and fishermen. It is in force in 47 countries.

- **Convention No. 18: Workmen's Compensation (Occupational Diseases), Convention, 1925.** According to it, each member State is to provide compensation to workmen incapacitated by occupational diseases or in case from such diseases, to their dependants, which shall not be less than the rate prescribed by the national legislation for injury resulting from industrial accidents. Convention No.18 is now enforced in 52 countries including India.
- **Convention No.19: Equality of Treatment (Accident Compensation) Convention, 1925.** It provides for equality of treatment for nationals and foreign workers in respect of accident compensation.
- **Convention 42: Workmen's Compensation (Occupational Diseases). Convention, (revised) 1934.** It includes the provisions of compensation to workers, incapacitated by occupational diseases in case of death from such disease, to their dependents. Certain Occupational diseases were included in the Revised Convention.
- **Convention No.121: Employment Injury Benefits Convention, 1964.** This Convention recommends compensation should be given in case of any disablement arising out of employment injury in the course of employment.

- **Recommendations No 23: Compensation (Jurisdiction) 1925.**
- **Recommendation No 24: Workmen's Compensation (Occupational diseases), 1925.**
- **Recommendation No 25: Equality of Treatment (Accident) Compensation, 1925.**

(b) The ILO on the Sickness Insurance:

- **Convention No.24: Sickness Insurance (Industry), 1927.**
This Convention provides for compulsory Sickness Insurance for workers in industry, commerce and domestic servants.
- **Convention No.24: Sickness Injury (Agriculture), 1927.**
This Convention provides for compulsory Sickness Insurance for manual and non-manual workers employed by agriculture undertakings.

(c) The ILO on the Invalidity, Old Age And Survivor's Insurance:

- **Convention No. 35: Old Age Insurance (Industry), 1933.**
- **Convention No. 37:Invalidity Insurance (Industry), 1933.**
- **Convention No. 39:Survivor's Insurance (Industry), 1933:**

These Conventions (35, 37, 39) provides for provisions of the Pension, Insurance i.e. insurance against old age, invalidity and death of the breadwinner, for persons

employed in industrial and commercial undertakings. It also includes the liberal profession, outworkers and domestic workers.

- **Convention No.36 :Old Age Insurance (Agriculture), 1933**
- **Convention No 38: Invalidity Insurance (Agriculture), 1933.**
- **Convention No.40: Survivor's Insurance (Agriculture), 1933**

These Conventions (36, 38, 40) provides for the Pension, Insurance for manual and non-manual workers employed in agricultural undertakings and for domestic workers employed in the households of agricultural employers..

- **Convention No. 128: Invalidity, Old Age and Survivor's Benefits, Convention, 1967.** Pension insurance against old age, invalidity and death of the breadwinner, for persons employed in industrial domestic workers and commercial undertakings. Certain other commercial and industrial professions were included in such protection.

- **Recommendation No.29: Sickness Insurance, 1927**

(d) The ILO on the Unemployment Provision:

- **Convention No. 2: Unemployment Convention, 1919.** This provides for establishment of free public employment agencies, under the control of central authority and advised by representatives of employers and workers. The member nations should also submit the statistical data concerning employment at intervals of not more than three month.

- **Convention No.44: Unemployment Provision, 1934.** The Convention provides for benefit or allowances to the involuntarily unemployed by means of insurance or assistance.
- **Convention No. 102: Social Security (Minimum) Standards Convention, 1952.** The minimum possible covered under the convention for extension of benefits is 50% of all employees employed in industrial work place, employing 20 or more employees.
- **Recommendation No.44: Unemployment Provision, 1934.**

(e) **The ILO on the Maternity Benefits:**

- **Convention No 03: Maternity Protection 1919.** It includes the provisions of Six weeks maternity leave before and after confinement to women employed in industrial undertakings. Cash and medical benefits are also to be provided out of public funds or means of a system of insurance.
- **Convention No 103: Maternity Protection (Revised), Convention, 1952.** The Convention was revised in 1952 and some other professions were included in the beneficiaries. The benefit of maternity leave was enhanced to 12 weeks and extendable to maternity sickness arising out of pregnancy.

2.3.1.5 Foundation for the Propagation and Promotion of the Social Security:

The ILO has taken the following steps, since its foundation for the propagation and promotion of the Social Security in the World.

(a) Standard Setting:

The ILO in 1950s played a decisive role in developing world wide awareness and acceptance of the new and much broader concept of social security based on principles of universality of protection, adequacy of coverage and unification of individual branches, with in the framework of a national system¹⁷⁵.

The 26th Session of the International Labour Conference, held in Philadelphia in 1944, marked an important land mark in starting the standards of Social Security, while declaring the aims and purposes of the ILO's, It recognized its solemn obligation to further among the nations of the world, programs which will achieve, inter alias, “ the extension of social” Security measures to provide a basic income to all in need of such protection and comprehensive medical care.” Following this declaration the conference adopted two Recommendations 67 and 69 one of which deals with income security and other with medical care¹⁷⁶

The Social Security (Minimum Standards) Convention No. 102, adopted by the International Labour Conference in 1952, was another landmark in social security setting. This Convention sought to considerate insurance and to give it a new structure where as, each of the previous conventions dealt with the particular branch of social insurance. The

¹⁷⁵ Mishra B.N, Dr, International Social Security System, Page 18

¹⁷⁶ Hallen.G.G, Dynamics of Social Security, Page, 58

Convention No. 102, was based on the principle of a general system of social security comprising the whole population and covering all contingencies and benefits viz, medical care, sickness benefits, unemployment and injury benefit, family allowances and maternity, invalidity and survivors benefit. The various conventions and recommendations on social security have had profound influence on the development of national legislations for social security as well as evolution of schemes in different countries to provide specific protection. In many developing countries, such standard helped to further consolidate and widen the coverage and improved categories of benefits in their social security schemes. While in developed countries they brought about the realization of gap between what is necessary and what is in fact available in terms of social security in such countries.

The ILC Conference at its 50th Session held in Geneva from 01 to 23 Jun 1966, adopted the conclusion of its social security committee for a proposed new convention supplemented by a Recommendation, revising the pre-war convention No. 35-40 concerning, old age, invalidity and survivors pension.

The ILC Conference in 2001 (ILO 2001) placed the extension of social security high on the ILO's agenda and asked it to launch the **“Global Campaign on Social Security and Coverage for All”**. The Conference considered that with the advent of globalization and structural adjustment policies, social security had become more necessary than ever, and that the highest priority should be given to policies and initiative to extend social security protection to those who have none.

The ILC at its 91st Session in 2003¹⁷⁷ (ILO 2003) launched the **Global Campaign on social security and coverage for all**. The principal

¹⁷⁷ www.ilo.org

aims of the campaign are to show that there are cost effective ways of extending social security and of developing new mechanism especially approaches to low-income developing countries. The campaign supports these national and international efforts in three different ways.

- By testing and developing various mechanisms to extend social security, in a process of experimentation and dialogue; account will be taken of the great variety of contexts and national experience;
- By providing technical assistance: The ILO is already assisting more than 30 countries with the help of donor governments, and institutions; future technical assistance will focus on diagnosis training, strengthening institutions, policy discussion and policy advice; and
- By disseminating information and publication organizing workshop and information policy, makers and public on progress made and on issues to be resolved¹⁷⁸

2.3.1.6 Research and Studies conducted by the ILO

Research and study are important function, which supplement the activities of the ILO, in the legislative and operational fields. The International Labour Office at Geneva is a clearinghouse of information on social security as on other subject. The ILO has conducted a series of technical studies pertaining with different forms social security matters and giving a detailed legislation (National) and its practical viability. The Most important research and studies, published are as follows¹⁷⁹

¹⁷⁸ International Labour Review Vol 142 (2003) No. 3- Extending Social Security Policies for developing countries By, WOUTER Van GINNEKEN, ILO Geneva, page 292

¹⁷⁹ Hallen.G.C, Dynamics of Social Security, Rastogi Publication Meerut/Delhi, 1967, Page 62-64

- Compensation for industrial accident (1933).
- Compulsory sickness Insurance (1927).
- Compulsory Pension Insurance; comparative analysis of national law and statistics, (1933)
- Actuarial Technique and Financial organization of social insurance 1940. In 1950, the ILO, published a major report entitled, “International Survey of Social Security”, which contained a comparative analysis and summary the national social security legislation in force at the time, in 45 countries. For the purpose of compiling social security statistics, ILO prepared a minimum program of social security statistics (1960), which was completed shortly after wards by a scheme of statistical tables for the practical application of a minimum program of social security statistics 1961.

The International Institute for Labour Studies was established in Geneva in 1962. The institutional work is directed towards public policy rather than technical studies. The institute is also designed to meet the need of research workers of various academic disciplines devoting themselves to studies on labour and industry. The ILO brings out the following regular publications:

- International Labour Review (04 issues per year).
- Year Book of Labour Statistics (Annually).
- Bulletin of Labour Statistics (Quarterly).
- Labour Law Documents (formerly legislative series) Published (Annually).
- Social and Labour Bulletin (Quarterly). And
- International Labour Document (12 Issues per year).

2.3.1.7 Technical Cooperation

The idea of international technical cooperation is a new concept originating under the aegis of the United Nations and its specialized agencies. There was the need of restructuring the ILO's programs to meet the challenges of proper utilization of human resources needed for rapid economic growth of developing countries in the wider context of their economic and social development. ILO's operational program with the appointment of David A Morse, as the Director General of the ILO in 1948, Since 1950, fellowship and internship program has been established for study in various fields, technical conferences, training institutes, and seminars all supply assistance to the ILO's members.

The ILO has also launched cooperative program of technical assistance with the United Nations and its specialized agencies, like the FAO, WHO, and UNESCO, before 1966, the regular budget for technical assistance of the ILO was provided under the two UN Programs namely, Expanded Program of Technical Assistance (EPTA) and the Special Fund of the UN. After 1966, these two activities which were carried on so far separately and jointly were consolidated and streamlined to the practical needs of developing countries- the new agency being the Governing Council of United Nations Development Program (UNDP)

(a) Classification of Technical Cooperation

The technical cooperation of ILO, in the areas of social security can be classified as follows¹⁸⁰

¹⁸⁰ Introduction to social Security, A workers Educational Manual, IL Office, 1970, Geneva, Page, 206-207

- Analysis of the demographic social and economic background with recommendations for introduction of social security schemes and establishment of an order of priority among such schemes.
- Preparation of social security legislation and formulation of appropriate rules and regulations for introduction of new schemes which already exist;
- Preparation of actuarial studies and advice on social security financing.
- Advice on administrative or accounting methods, procedures, mechanism or computer techniques, and assistance in staff training.
- Assistance in the planning and organizations of medical services under social security schemes;
- Advice on policies for the adoption of existing programs to the need of the rural population or to low income self employed persons.

(b) Methods of Technical Cooperation in Social Security

The ILO employs three main methods to conduct its operational activities to provide technical cooperation namely¹⁸¹

- The assignment of experts, including regional advisors to country concerned;
- The grant of fellowship for training period;
- The organization of regional seminars or training courses to enable participants to study various aspects of social security with the help of international and national context.

¹⁸¹ Ibid.

(c) Important Cases of Technical Cooperation

Some of the cases of technical cooperation are as under:

- The majority of the African nation asked ILO to send experts to collaborate in the development of new social security programs, which were in harmony with social, economic, and administrative context of the countries after their independence. The ILO experts participated in elaboration of new social security legislation in 1961 in Congo, in preparation of regulation and setting up of the services for administration of the social security scheme.
- A Team of ILO expert in 1964 made a general survey of existing social security scheme in Algeria, for the purpose of facilitating the study for a complete reform in such scheme and formulated suggestions regarding the orientation to be given to security policy in the country. The ILO furnished similar services to some of the countries of Africa, included Ethiopia, Ghana, Nigeria Sudan, and Tanzania.
- In September /October, 1976, technical advice was rendered to Burma on administrative and financial organization of social security scheme and helped was extend for effectively launching pension insurance scheme. Again in Jun 1979, technical advice was also given on legislation and administrative aspects of Pension Insurance Scheme.
- Expert assistance in Jan/Feb 1976 to Sri Lanka in reviewing the working of the Employees Provident Fund and possibility of extending the benefits of the fund to agricultural seasonal and casual workers.

- Actuarial and financial advice on the employment injury benefit scheme was given to Thailand in April 1913. From Sep, 1978 assistance in planning of Health Insurance Scheme is also continued.

Over the years ILO's contribution in the fields of social security have been significant, especially in developing countries. Its standard setting, research and technical cooperation, activities have been geared up in planning and implementation of social security programs with economic and administrative reasons of the countries.

The ILO is currently examining the feasibility of a “ **GLOBAL TRUST FUND OR GLOBAL SOCIAL NET**”, which by providing basic social security, aims to lift people in the poorest countries out of poverty faster. The objective is to provide over next 10 to 20 yrs some form of social security to approximately 100 Million people who are now excluded from all forms of it. The main benefits support through such a trust would be combined national and community initiatives to provide basic health and anti-poverty income support benefits. The financing is expected to be provided by voluntarily social security contributions from countries. Existing social administration institutions in the recipient countries would run the programs¹⁸².

¹⁸² International Labour Review Vol-142 (2003), No 03- Extending Social Security Policies for developing countries- By Wouter Van GINNEKEN, Page- 289-290,

2.3.2 The International Social Security Association (ISSA)

The name of the International Insurance Conference was changed to the International Social Security Association in 1947, and this was the beginning of the new era in the social security. The members of the association included government departments, central institutions administering social security or one of its branches of mutual benefits system. The motto of this association is to cooperate, at international level in protecting, promoting and development of social security throughout the World. The Association has given its slogan” **No Peace Without Justice And No Justice Without Social Security**”.

2.3.2.1 The Role of the ISSA

The International Social Security Association plays the following role in the promotion and development of the social security.

- Promoting social security in every form throughout the world and encouraging its adaptation to national, regional and international economic and social realities in order to respond to the genuine needs of populations, while taking due account of the diversity of cultural and historic contexts.
- Providing institutions administering social security in the various countries with any support necessary for developing in an appropriate manner the schemes for which they are responsible, and responding to their preoccupations arising from the practice of social security.
- Encouraging dialogue and mutual support among the various institutions managing social security throughout the world

- Establishing a genuine dialogue with national, regional and international authorities responsible for financial and economic policies with a view to encouraging the necessary incorporation of appropriate measures of social protection into these policies
- The ISSA organizes **Technical Conferences** with a view to allowing better access to overall social security problems and the interplay of its different sectors and branches. These conferences examine analytical and comparative studies at the international level, with concrete supporting examples, in order to arrive at practical solutions. These will allow member organizations to devise their own solutions and strategy adapted to their needs. Among the **themes** dealt with during the recent period are:

***Social benefits and employment: Complementary policies for more effective social security:** Under this more general theme, such questions were handled as effectiveness of social security benefits, variability of retirement practices and their impact on labour market development, combating unemployment through job creation and the development of a secondary labour market.

***Social security as an instrument for social cohesion: possibilities and limitations.** Under this more general theme such questions were handled as new patterns of sharing responsibilities in the field of social protection, especially as regards changing the responsibilities of the State and the social partners, or even shifting responsibilities towards the individual. The limits and threats to social cohesion implied by restrictive measures in social security schemes were also examined.

2.3.2.2 The Activities of the ISSA

(a) **The Association 's Activities:** It included the following subject matters.

- **Organization of international technical meetings, roundtable discussions and seminars on social security:**

The technical work consists of technical information service and the central technical work undertaken by the Parliament Technical Committee in which problems of the principal branches; or aspect of social security schemes are examined and discussed.

- **Exchange of information, comparison of experience and mutual technical assistance among its members.**

It is through regional activities, which are undertaken in relation to particular needs of the members, organization, which are divided for the purpose into different regions namely Asia, Africa, America, Oceania, and Europe.

- **Research and investigation into social security questions:**

It includes the organization of research meetings, enquires, and studies concerning social security problems.

- **Publication and distribution of documentation on social security:**

The ISSA publishes the following journals -

***International SS Review** published in English, French, and German. The subject matters include articles, studies and latest information on the development of social insurance throughout the World. The journal is published on quarterly basis.

***The World Bibliography of Social Security'** is published quarterly.

***Current research in Social Security'** ' is published in every three years in English, French, German, or Spanish. The journal contained summaries of research projects in Social Security'.

***Automatic Data Processing Information Bulletin'** is published three times in a year in English, German, French, and Spanish. It is published at irregular intervals.

***Social Security Documentation'** Series- on Africa in English and French, European Series in English, French, German, or Spanish, Asian News Sheet in English, and French.

***The Association also published technical reports, which includes reports adopted by the General Assembly (UNO) on various Social Security matters.**

***Collaboration with other international organization in the fields of Social Security**

(b) Examples of the ISSA Activities:

The main examples of its activities are under.

- (i) The Association organized a Regional Training Seminar for Social Security Officials. This seminar was held in New Delhi from 04 to 14 Dec 1978. The training seminar was designed for participation of social security officials at senior and middle

management level. Nine social security organizations from six countries (Burma, India, Indonesia, Korea, Malaysia, & Pakistan) responded to the invitation of the ISSA to participate in the seminar. There were in all 20 Participants besides several observers from various social security institutions. The following subject matters were discussed.

- Introduction to the principles of social security with particular reference to the past development and future trends in Asia.
- Problems of administration of the Social Security Schemes.
- Provisions of health care benefits through social security schemes with special reference to Asian context.
- Management information system and data collection application of computer techniques to social security administration.
- The administrative structure and practices in employment accident insurance schemes.

(ii) It organized a seminar for senior social security officials of the English speaking Caribbean, in cooperation with the Inter- American Center for social studies (CICSS), a specialized body of the Inter-American Permanent Committee of social security (IPCSS). It took place in Mexico City from 12th to 23rd Feb 1979. The Experts of the seminar examined the subject like introduction to the principles of social insurance and social security, planning techniques for social security policies, financial organization of social security, budget and organization of social security.¹⁸³

(iii) The ISSA organized Regional Research Meeting on ' Changing Family Patterns and Social Security Protection in Industrialized and

¹⁸³ The International Social Security Review ILO Geneva, No. 03, 1979, Page 111-112

Developing countries' at the invitation of the Australian Dept of Social Security in Canberra from 05th to 08 Mar, 1979. Basic strategies of social protection, social service and social security, increasing emphasis of pension as a technique of income maintenance in old age and to surviving in view of changing family pattern etc.

(iv) The Seventh Meeting of the Study Group on Rehabilitation took place on 04th September 1979, with participation of more than 70 delegates from the ISSA member organizations of 45 Countries, as well as representatives of several international organizations interested in rehabilitation. The subject discussed was as under.

- The employment and occupational status of disabled persons under going rehabilitation, or of those already rehabilitated,
- Problems of training personnel for medical and vocational rehabilitation.

(v) At the invitation of the National Provident Fund of Nigeria, the Fourth meeting of the ISSA on PF took place at Laos during 04-06 December 1979. There were 28 participants from number of organizations, namely Fiji, India, Kenya, Malaysia, Solomon Islands, Uganda, Tanzania, and Zambia. The following subject matters were discussed,

- Decentralization of PF administration;
- Survey on capital investment practices of Provident funds;
- Experiences gained in the conversion of provident funds;
- Problems posed by migrated workers to PF administration;
- Future activities of ISSA Committee on Provident Funds.

(vi) Regular surveys on developments and trends in social security throughout the world enable the ISSA:

- To develop and update various databases concerning social security schemes throughout the world and their evolution.
- To publish the quarterly periodical 'Trends in social security' containing information on recent changes made to social security systems and on proposed reform.
- To carry out a wide-ranging triennial study on the most significant problems and developments relating to social security at the international level. This study, which is presented at each ISSA General Assembly, provides a balanced collection of analytical and descriptive data on:
 - The most important developments which have actually occurred as regards social security in specific fields and/or regions, and/or concerning special problems relating to one or more social risks and/or to one or more types of social protection schemes
 - The most significant social security trends not yet applied in practice but which could conceivably lead to considerable changes or major reforms
 - Innovative and significant approaches to resolving social security problems, such as pilot or experimental projects
 - Regional activities intended for the member organizations of the various regions of the world: Africa, Americas, Asia and Pacific, Europe
- These permit zeroing in intensely on the technical and administrative social security problems in each region and responding to their specific needs.

In this context, the ISSA organizes regional conferences intended for all member organizations of a region. These conferences examine reports aimed either at presenting the overall problems involved in a given subject, at providing a brief comparative analysis concerning the salient points of a specific problem, or at highlighting certain significant national experiences. Among the themes examined during the recent period are:

- **For Africa:** improving the management of social security institutions; the administration of social security by the social partners in a framework of sound governance; informing the public to make social security better known.
- **For America:** administration and financial management; main aspects of financial investments; organization and management of pension schemes
- **For Asia and the Pacific:** reform of pension systems; links between pension reforms, insurance and financial markets; health care reforms, and costs of such care.
- **For Europe:** assuming the risk of dependency: its role for families and its impact on social security; the resurgence of poverty and the struggle against exclusion; the diversification of working patterns: an opportunity for social security?
- **Technical or experts' meetings** intended for a group of countries, or a group of specialists in a given field, permit going deeply into more specific social security questions in a more restricted and accordingly more interactive and less formal setting. Among the **subjects** dealt with during the recent period, all regions combined, were:

Questions pertaining to the privatization of social security; legal aspects of social security reforms and the adaptation of institutional structures; methods of financing retirement pensions;

problems in investing social security funds; managing human resources; developing social security for the self-employed; evaluating reforms and strategies aimed at promoting reintegration into the labour market of the long-term unemployed and disabled persons; controlling health expenditures and improving the quality of care.

- **The International Research Conference on Social Security:** Social security in a long life society was held from 5 to 7 May 2003 in Antwerp, Belgium. The Conference is organized by the ISSA, at the invitation of the Belgian Minister of Social Affairs and Pensions, Mr. Frank Vandenbroucke.

This Conference, the fourth in a series of International research conferences, constitutes a unique forum bringing together leading international researchers on social security with key policy and administrative decision makers within social security organisations worldwide to exchange information and experience. A prospective view is taken so as to raise relevant emerging issues requiring research, and to provide an international forum for their debate and discussion.

It may also be mentioned that for Comprehensive Social Security for workers and extension and improvement of social security throughout World, the ILO and ISSA should act in collaboration with various international organizations such as relevant agencies of the United Nations Organizations, the WHO, the European Economic Community, the Organizations of the USA, the League of Arab States, Rehabilitation International Council of Social Welfare, coordination and cooperation of work pertaining to all aspects of social security have been the notable and

remarkable achievement does the International Social Security Association.¹⁸⁴

2.3.2.3 Official launching of the ISSA Initiatives

(a) The International Social Security Association Initiative, Rome:

It was officially launched on 09 December 1999 in Rome at an International Symposium, organized by the Association at the invitation of the National Social Insurance Institute (INPS) and the National Insurance Institute for Employees of the Public Administration (INPDAP) of Italy. The symposium was held under the patronage of the President of the Italian Republic and was opened by the President of INPDAP, Dott. Rocco Familiari, the President of INPS, Prof. Massimo Paci, and the President of ISSA, Mr. Johan Verstraeten. A list of distinguished speakers addressed the symposium. Their contributions focused on contemporary issues in their respective national social security systems as well as on the future prospects for social protection schemes - whether public or private, to respond to the needs of individuals in the 21st century.

Globalization of the economy, demographic and social changes have resulted in a great deal of thought being devoted to the objectives and means of social protection. In recent years numerous projects for reform have called into question the extent and operation of existing social security systems. Recent reforms have tended towards new forms of social protection, which would favour market mechanisms and would compromise collective guarantees for protecting living standard. In face of the questioning to which it is being subjected, how can social security remain faithful to the ideals which governed its establishment: social justice and solidarity. How can it continue to meet its primary objective: protecting the individual against economic privation and social exclusion.

¹⁸⁴ www.issa.int/

Since its creation, the ISSA has never ceased contributing to the promotion and development of social security with the aim of improving the situation of populations on the basis of social justice. It plays a key role at the international level by providing social security managers, deciders and social partners with solid and objective data to permit them to know as precisely as possible the consequences of their choices concerning the future direction of social security development. Situated at the crossroads of the differing currents relating to social protection, it occupies a prominent place in the worldwide social security debate.

(b) The ISSA Stockholm Initiative 1999:

Given the increasing polarization of the debate concerning the future of social security, the ISSA launched the Stockholm Initiative under the title *The Social Security Reform Debate: In Search of a New Consensus*. The objective was to promote a dialogue on questions relating to social security and on how to adapt social security systems to changes in the economy and the needs of society, in order to arrive at a new consensus. The deliberations centered on the reform of retirement systems.

The Stockholm Initiative was a success and aroused in the ISSA member organizations the desire to take a new step forward. The ISSA Initiative therefore comes within the framework of a lengthy task which will see the development over the next two years of several activities around a common theme: the quest for security in an unstable environment wherein the social contract between the State and its citizens is often called into question. The ISSA Initiative is basically a response to the idea that, in situations involving crucial needs, insured persons expect to be able to receive social security benefits by virtue of their coverage.¹⁸⁵

¹⁸⁵ Ibid

2.4 The Social Security Schemes in other Countries

A numbers of nations have significantly contributed toward the development and promotion of the social security at the international scenario. These nations have played a leading role in the propagation of the social security protection movements. Some of the nations like USA, Japan, UK, Sweden, and Germany provided a platform for the social security development. The highlights of the social security progress in some selected countries are mentioned below.

2.4.1 The United States of America

In Jan 1935, President Franklin Roosevelt proposed to congress for long-range economic security recommendations embodied in the report of a specially created Cabinet Level Committee on Economic Security. An identical enactment was introduced in House and Senate and there followed the passage of the Social Security Act, on Aug 14, 1935. It was the first major step, taken to establish a Unified Social Insurance System in the country. The Act provides insurance protection for the workers and their family members against the loss of income through old age or death.

The Social Security program was extended to cover farm and household employees and other persons in 1950. The programs on social security have been characterized by rapid expansion, significant improvement and widespread public acceptance. The following social security programs provide certain benefits to workers and their families.

(a) OASI- The Old Age and Survivors Insurance programs pays monthly cash benefits after a worker retires or dies;

(b) DI- Disability Insurance program pays cash benefits to a worker becomes disabled;

(c) HI- Hospital Insurance or Medical Part A – provides hospital care of the aged and long term disabled;

(d) SMI-Supplementary Medical Insurance or Medical Part B, programs pays for part

Of the costs of physician's services, out-patient hospital service and other related medical and health services for voluntary insured, aged and disabled individuals; and

(e) HI (M)-Health Insurance Medicare covers persons over 65 yrs of age and persons, who have been disabled for at least 2 yrs.

The benefits are earned right and it is enforced by the fact that workers pay earmarked social security taxes to get current fundamental benefits. The contributory nature of the program encourages a responsible attitude towards it. The coverage of the program is universal and compulsory. The Secretary of Health and Human Service has overall responsibility for administration of the Schemes except the collection of social security contributions, which is carried out by the Internal revenue Service of the Dept of the Treasury.

The Unemployment Insurance program in USA was created in 1935. These Programs are designed to provide benefits to regularly employed members of the labour force who became involuntarily unemployed and who are able to willing to accept suitable employment.

This compensation is administered by the each state with the Federal Government setting standards. The benefit of a typical receipt is 50% of previous earning and can be collected up to 06 months. The outlays of the Scheme in 2003 were \$ 39 Billion.¹⁸⁶

Low Income Home Energy Assistance Program (LIHEAP) established under the XXVI of the Omnibus Reconciliation Act of 1981 and has been in effect since Fiscal Year 1982. The scheme is administered at the federal level by the Dept of Health and Human Services, Subsidized Housing is also provided by the Dept of Housing and Urban Development (HUD) and natural school lunch program is designed to help and safeguard the health and well being of the nation and children by assisting the states in providing an adequate supply of food for all children at a moderate cost¹⁸⁷

The Social Security is the largest social insurance program in the USA, with expenditures in 2003 of US \$ 470 Billion or 22 per cent of the total federal government spending. It includes not only annuities for retirees and survivors but also a separate program of disability insurance that accounts for some 15% of the total social security outlays. The retirees and survivors benefits are financed by a pay roll tax, currently 10.6% of the wages up to \$ 87,900 (in 2004) and divided equally between the employers and employees. The payroll tax of the income tax revenue that results from taxing a portion of the benefits received by higher income individual, bringing the current program receipts was to pay 10.9% of taxable pay roll. In addition to the 10.6% pay roll tax for old age and survivors insurance (OASI) program, there is a 1.8% payroll tax for the disability (with no limit on the taxable wage) for Medicare brings the total pay roll tax to 15.3%.

¹⁸⁶ www.ssa.gov/

¹⁸⁷ Ibid

The Medicare drug legislation was enacted in 2003, Medicare beneficiaries will pay the first \$ 250 a year in drug expenses followed by a 25% coinsurance rate to a maximum benefit limit. Patients must then pay 100% of the drug cost up to \$ 3600 in out of pocket payments (in 2006). Above that Medicare will pay 95% of any additional drug costs.

Recently, the Congress enacted legislation to shift the incentives away from excessive health insurance. The new Health Saving Account (HAS) rules enacted as part of 2003 Medicare legislations allow individual, or their employers to deposit up to \$ 5,000 of pretax income in to health saving account, if they have a health insurance policy with an equally large deductible and with protection against catastrophic expenses. The individual forgives the advantage of the tax-free income in the form of the employer paid premium, but gets an even large tax-free income in the form of the health saving account contribution. The HSA create a strong incentive to choose policies with high deductibles instead of the current comprehensive low deductible and low insurance policies¹⁸⁸.

2.4.2 The United Kingdom

England has a tradition of social assistance as old as the poor laws of the Elizabethan period. The first recognition of sole responsibility for the poor and destitute came in 1601; when the Poor's laws were adopted. No country has made a more courageous attack on the problem of poverty as the UK.

The Workmen's Compensation Act of 1897 made earnings related compensation subject to limits payable to those incapacitated as a result of

¹⁸⁸ Ibid

an injury sustained at particular types of work. Compensation was paid directly by employers. Right to Compensation could be established through the courts. By 1906 such compensation was available in most spheres of employment. In 1908, the Old Age Pension Act 1908 allowed for the provision of a means of tested pension albeit a small one, to people aged over 70. The National Insurance Act, which introduced compulsory insurance against unemployment for workers in specific industries, followed this in 1911 and against the medical costs and earnings cost for low paid workers during periods of sickness. Benefits were available as of right in return contributions without any test or examination. They were financed by contributions made by those covered by these employers and an exchequer supplement. The 1934 Unemployment Act introduced a means tested benefit for those unemployed but not covered by national insurance.

The social security schemes were considered imperfect in themselves and not comprehensive or coordinated as a whole. In 1942 a detailed investigation into the existing social security programs and suggestions for their reform were published. But this report was not comprehensive.

A committee headed by Sir William Beveridge in 1941 accordingly looked into the question of social insurance and allied services. The major goal of Beveridge was the abolition of Want and this was to be achieved by a social security system, which would protect the individual from cradle to the grave. Some of the highlights of the **Beveridge Report** are given below:

2.4.2.1 Basic Features of William Beveridge Plan:

The Beveridge Report was based on the principle that the state, in co-operation with the individual citizens should make itself responsible for a comprehensive service of social security designed to combat the find

giants in the path of social progress, namely want, disease, ignorance, squalor and idleness.

The main object of this report was to provide as far as possible a unified system of economic maintenance to cover the needs arising from a variety of causes. Sir William Beveridge based his plan on an unfortunate, which could be supplemented or varied to deal separately with the question of children and adult dependents but treated man and his wife together while making special provisions for divorce or separation and widowhood. He rejected the policy embodied in many foreign social insurance schemes of making both contributions and benefits vary with the wages of the workers and set out from the ideas of a National minimum which the state was to ensure as far as possible to everybody in all the contingencies of life¹⁸⁹ The Beveridge plan was based on three basic assumptions. These assumptions were described as,¹⁹⁰

(a) Children's Allowances:

Children should receive some allowances by the right of childhood and that these allowances be graded according to age. They should not be subjected to any conditions with reference to these to which the parents may put them nor should they be subject to any means test. These costs should be borne by the state out of revenue. Hence, they were to be non-contributory.

(i) This service was provided by Government, medical practitioners and by private bodies. There was the National Health Insurance Scheme started in 1912. In 1941, it covered about 23 million people or about half of Britain's population. There were also maternity and child welfare

¹⁸⁹ Cole. G.D.M, Beveridge explained what the Beveridge Report on social security means, Vora & Co. Publishers Lt. Bombay page 21

¹⁹⁰ William Beveridge, Social Insurance and Allied Services London. HMSO 1942 P-120 Para (301)

schemes administered by different authorities. Then, there were the poor law, school medical service etc. However, there was no co-ordination in these schemes. The Beveridge plan assumed that it should be state's obligation to render all necessary financial assistances to persons in diseases and disability. The state should prevent conditions, which bring diseases and disabilities. Medial treatment should be available to persons irrespective of ability to pay. It must be paid by the community because the productive power is reduced in its absence and idleness increased.

(b) Avoidance of Mass Unemployment

The Beveridge plan assumed that the State should take necessary steps to prevent Mass unemployment by providing unconditional unemployment benefits for short periods, other wise the cost of sickness and unemployment benefit may be ruinous. It was estimated that normally 8.5 Percent of the population in Britain or 15 lakh of people would remain unemployed.

(c) Fundamental Principles

The Beveridge Report stated the following fundamental principles, which guided the comprehensive character of the proposed social security plan: ¹⁹¹

- Flat rate of subsistence benefit;
- Flat rate of contribution;
- Unification of administrative responsibility
- Adequacy of benefit;
- Classification

However, the flat rate of benefit and contribution were in existence in social insurance scheme.

¹⁹¹ Ibid – P-121 – Para 303

The four other principles marked a complete depart are from those on which the existing schemes rested, range of persons covered, the principles of classification, suggested the division of the entire population into six class according to working age below and above working age in the manner noted below¹⁹²

- **Employees:** Whose employment is under contract of service (includes salaried as well as wage earning employees without any income limit)
- **Other gainfully occupied person** (includes all employers; as distinct from salaried manager & also all persons working on their own.)
- **Housewives of working age** (i.e. housewives not gainfully employed and below pension able age)
- **Other persons not gainfully occupied of working age** (This includes both persons living without work on independent income and persons disabled from working from any cause)
- **Persons below working age** (i.e. below the school leaving age, wherever, it may be fixed)
- **Retired Persons above working age** (i.e. not including persons of pension able age who continue to work.

(d) Contribution

According to the plan every citizen was required to contribute in his appropriate class according to the social security that he needs or as a married women, will have contribution made by the husband, Each will be covered for all his needs by a single weekly contribution on one insurance document and all benefits would be paid from a social insurance fund built up by contributions from the insured persons, from

¹⁹² Ibid: P-122, Para 310 to see details P-314-319 of the Report

their employees if any and from the state”. Those in the Classes I, II and IV were required to contribute to the scheme to gather with the state; and in the case of persons in Class I, their employers were also to contribute. These contributions were to differ from class to class according to the benefits provided and were to be higher for men than for women so that persons in class III, who were not in paid employment could obtain benefits¹⁹³.

(e) Benefits Under The Plan

- **Class I-** In return for the contributions, the scheme proposed that persons falling in Class I would receive benefits for unemployment and disability, pension on retirement, medical treatment and funeral expenses.
- **Class II-** These person would receive all these benefits except unemployment and disability benefits during the first 13 weeks of disability.
- **Class III-** Persons in this class, would get a maternity grant, provision for widowhood, and separation and retirement pensions and housewives who were in paid work would receive benefit for 13 weeks in order they could give up work before and after child birth.
- **Class IV-** they would receive all these benefits except unemployment and disability benefits. As a substitute for unemployment benefit, training benefit will be available to persons in all classes other than Class I to assist them to find new live hoods if their present ones fail.

¹⁹³ Ibid, P-137-139

- **Class V-** those in this class were to be covered by children's allowances.
- **Class VI-** those persons in this class would receive retirement pensions.

All classes were to be covered for comprehensive medical treatment and rehabilitation and for funeral expenses.¹⁹⁴

Further it was provided in the scheme that unemployment benefit, disability benefits, retirement pension, (after a transition period) and training benefits were all to be given without any limit as to their duration at the same rate, irrespective of previous earning, a rate which would provide for by itself the income necessary for subsistence in all normal cases. For a man and his wife, who were not gainfully employed, a joint rate was proposed. In case of there being no wife or she being gainfully employed a lower single was proposed. Where there was no wife but a dependant above the age for children's allowances, there would be a dependant allowance. Disability, even if due to industrial accident or disease was to be treated like all other disability for the first 13 weeks, if it continued thereafter, disability benefit at a flat rate was to be replaced by an industrial pension related to the earnings of the individuals, subject to a minimum and maximum. Medical treatment covering all requirements was provided for all citizens by a separate National Health Service organized under the Health Dept. Post medical rehabilitation treatment was also like wise to be provided to all persons capable of profiting by it.

(i) Cash Benefits under the Plan is mention below.¹⁹⁵

¹⁹⁴ Ibid, P- 127-129

- **Funeral Benefits** (All Classes): 20 Pounds for adult, 15 Pounds for age between 10 and 21 yrs; 10 Pounds for age between 3 and 6 and, 06 Pounds under the age of 3.
- **Disability Benefit** (Classes I & II): 24 Pounds for single adult, plus 16 Pounds for wife or, adult dependant; 40 Pounds for married couple, 16 Pounds for gainfully occupied woman; 20 Pounds for single person between 18 and 21, 15 Pounds for boys and girls between 16 and 18; waiting period of 3 days unless disability last for all least 4 weeks.
- **Industrial Disability Pension** (Class I): Varying rates, subject to maximum of 60 Pounds a week.
- **Unemployment Benefits** (Class II, III, & IV): Same as Disability Benefits but limited up to 26 weeks.
- **Maternity Benefit** (Class II): 36 Pounds a week for 13 weeks
- **Maternity Grant** (Class I- IV): 04 Pounds
- **Marriage Grant** (Class I&II): 01 Pound for each 40 contributions paid up to 10 Pounds.
- **Widows Benefit** (for those under 60 yrs): 36 Pounds for 13 weeks (subject to safeguarding of existing rights)

¹⁹⁵ GDH Cole, *Beveridge Explained; what the B R of Social Security means*, Vora and Co Publishing Ltd Bombay, P-20

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- **Guardian Benefits** (for widows, etc under the age of 60 yrs with dependant children): 24 Pounds subject to deduction for earnings.
- **Retirement Pensions** (after 20 yrs): For men at 65 or women at 60yrs, single person-24 Pounds, married couple —40 Pounds;(irrespective of age of wife, but depending on her not being gainfully occupied), rates to be increased by 01 Pounds and 02 Pounds respectively for every year for which retirement is postponed beyond the statutory age.

***Retirement Pension (transitional):**

***Person already insured for pension-** rates rising from 14 Pounds (single) and 25 Pounds (joint) in first year to full rates over 20 years, by two yearly increments of 01 Pound and 1/6 Pound.

***Persons not at present insured-** No pensions till 1954, then 14 Pounds and 25 Pounds as above, but rising to full rate only after payment of 20 yrs contributions.

***National Assistance:** As required to fill gaps subject to test of needs.

(f) Qualifying Conditions

In order to be entitled to a benefit at full rates for themselves and for their dependents, insure persons were required to have made at least 48 contributions in previous years. In case of unemployment or disability benefit, no person would receive benefit until 26 actual contributions were

paid in respect of him. A person, who paid less than 48 contributions, will have his benefits at reduced rate or in duration¹⁹⁶.

(g) Workmen Compensation

Lord Beveridge found that the WMC Method of settling of claims in the courts was to the disadvantage both of workmen and of good industrial relations. The System did not give a man absolute security of compensation and the payments, he received were not entirely appropriate to his real needs. He recommended that provision for industrial accident and disease should be made through a scheme to be administered by the Ministry of Social Security; which should adjudicate on claims. It would be financed partly by contributions from employers or employees and partly by special levies on the most dangerous industries, and it would provide a short term weekly benefit for an initial period of incapacity of work, a pension related to loss of earnings, for contributory or partial disablement and special payment to industrial widows.¹⁹⁷

(j) Administration

The Administration of the Plan for social security as a whole, including social insurance, national assistance and voluntary insurance will be undertaken by Ministry of Social Security under a Cabinet Ministry. The Ministry will establish a network of regional and local security offices for the administration of cash benefits and assistance and for other work, connected therewith. The Ministry of Social Security will not be responsible for medical treatment which will fall within the sphere of the Health Depts, but there will be a Joint Committee of the Ministry of Social Security and of all departments concerned in health and welfare for promotion of measures designed to prevent disease and reduce the burden

¹⁹⁶ Hallen. G.C, Dynamics of Social Security, 1967, P-274, Rastogi Publication. New Delhi.

¹⁹⁷ Ibid, P 175

on the Social Insurance Fund. In the organization of Ministry, two points will be regarded as of outstanding importance¹⁹⁸.

(i) Decentralization and close contact with local agencies of all kinds in dealings with the varied needs of insured persons.

(ii) Selection and training of staff with special regard to their function in serving the public and understanding the human problems with which they will be concerned.

The Beveridge Report aroused intense interest and was accepted in general by the government as the basis on which the future social security structure should be built. In the immediate post war year a series of Acts introduced a new comprehensive system of social security, which became fully operative on 05th July 1948.

The Ministry of Social Security replaced the Ministry of Pensions in 1966, which merged with the Ministry of Health in 1968 to create the Dept of Health and Social Security. In 1971, the Joseph Plan focused attention on retirement pensions and in particular the role that ought to be played by the state at a time when occupational pension schemes were growing in their coverage. A new means tested benefit; Family Income Supplement was also introduced. The Social Security Pensions Act was [assed on 1975, to review benefits each March in the light of inflation which has occurred and which is expected.

The Social Security Act brought changes in the administration of Supplementary Benefit Scheme in 1980. Under the 1982 Social Security and Housing Benefit Act, the system of housing benefits was administratively rationalized from April 1983 and under this, provision

¹⁹⁸ William Beveridge: Social Insurance and Allied Services, 1942, Para 385, Page 145-146

was made for the first 08 weeks of sickness and injury for payment of statutory sick pay in place of existing sickness or injury benefits. Social Security expenditure in the year ending March 1981 totaled 22.4 Billion Pounds, around 10 percent of gross national product and 21 percent of total government expenditure. Social Security expenditure is divided conveniently into two categories, contributory benefits and non-contributory benefits. The principal contributory benefits are retirement pensions, unemployment, invalidity widow and sickness benefits. Non-contributory benefits include guardian's allowance, industrial disablement benefit and child benefit¹⁹⁹.

2.4.3 Japan

It was the first Asian country to establish Comprehensive Social Security Insurance System. The Health Insurance for employees of large corporations was established in 1922. This scheme represented an integration and institutionalization of the existing mutual aid association, programs within the companies to cover mainly factory workers. The Public Service Pension Law was enacted in 1923, for unification of separate systems for military personnel, civil servants, teachers, etc in the employment of the government. National Health Insurance in 1938, Seamen's Insurance in 1939, and the Employees Pension Program in 1941 followed this. The Constitution of Japan, 1947 under the article 25, provides the provisions for social insurance health service and social welfare. Workers Accident Compensation Law and workers unemployment insurance law were passed in 1947. In 1959 with a view to establish universal medical care and a pension for the whole nation, the national health insurance program was amended and a national pension program was introduced to include those not covered by existing health or

¹⁹⁹ Sharma. A.M, Labour Welfare and Social Security in India, 2003, P-191

pension programs²⁰⁰. The Children's Allowance Scheme was enforced in 1971. The Law of Unemployment Insurance 1947 was amended in 1975, to provide compulsory coverage for all industrial and commercial firms with more than 05 employees. Voluntary coverage is available for employees of smaller firms and agriculture workers. The government pays 25 percent of the benefit costs and the entire administrative costs, employees' pay 0.5% of earning, and employers' pay 0.8% of pay roll²⁰¹. The Medical Care Insurance and the pension insurance in the fields of social security projects have been high on the Government's list of priorities. Japan 's existing social security systems may be classified into the following categories:

- Public assistance;
- Welfare Services;
- Social insurance includes medical care, pension children's allowance, unemployment insurance, and workers accident compensation;
- Public Health, and
- Old Public Service Pension (1923) and aid for war victims.

2.4.4 The Union of Soviet Socialist Republic (USSR)²⁰²

Social security is an integral part of the basic policy of these countries. The Commonwealth Independent States (CIS) provides a classic example of socialist care. Article 12 and 112 of the Constitution

²⁰⁰ Public Information Bureau, Facts about Japan, Ministry of Japan, New Delhi, Oct, 1978, P- 01, code No- 5401

²⁰¹ Sharma. A.M, Aspect of Labour Welfare and Social Security in India, 2003,P 190

²⁰² Now as the Commonwealth Independence States (CIS)

guaranteed employment and payment for their work according to its quantity and quality. Article 119 guarantees the citizens the right to rest and leisure. Article 120 provides the right to maintenance in old age and also in events of sickness and disability, Article 121 gives right to education and Article 122 guarantees to women equal rights with men in spheres of economic, cultural, political, governmental and other public activities.

The CIS claims that Social insurance in the countries is extended to all workers and employers without any exception. In 1992, the New Economic Policy was announced and a Labour Code was put forward in the Constitution. The Labour Code provided for medical help, benefits in case of temporary disablement, payment of additional benefits like feeding of children, help of destitute and payment of funeral allowances and payment of pensions in case of incapacity, old age and death of wage earners.

The Social Insurance System in the countries, is supplemented by the Social Services, for example; free medical treatment for every body in hospitals, rest homes and sanatoria run, partly by trade unions and partly by the industrial enterprises and educational services provided for all and free of charge in primary stages etc. Also a special provision is that the maternity protection to unmarried mother and her child.

The All Union Central Trade Union Council is the Central Body in the system of social insurance. The Union has a separate Social Insurance Dept. The main function of this body is organization and control of all trade organs entrusted with the administration of social insurance, the establishment of an over all insurance budget, subject to approval of the executive government authority and the drafting of the Social Insurance.

The main highlights of the Social Security Measures in the CIS are follows:

- Employed person are insured;
- There is no provision for unemployment insurance in the countries, because the right to work is a fundamental right and unemployment has been legally abolished since 1930;
- Membership of the trade union is a precondition for availability of full insurance benefits. Non-members are entitled, to only half of the benefit;
- The Social Insurance Schemes are organized, administered and supervised by the Trade Unions;
- The Insurance premiums in social insurance, generally are not paid by the insured but by the employers;
- The Social insurance program, apart from being an institution for securing the welfare of working class, is an instrument of the state for development, mainly in the field of production. Persons dismissed from the place of employment are provided less social protection;
- The remarkable feature of the Social Security system is, that in case a worker is not satisfied with the administration of the benefits and intervention of trade unions to redress his grievances in that respect he can appeal to the local court for implementation of the guaranteed social security measures.²⁰³

²⁰³ Bhogoliwal. T.N, in Economics of Labour and Social Welfare, P-560-561

2.4.5 Federal Republic of Germany

Germany was among the pioneers, which considered social security as the basic needs of workers. It was Bismark who first tried to introduce a Comprehensive Social Security System in Germany for the protection of workers. In 1883, the compulsory sickness insurance Act was passed, The Old Age and Invalidity Insurance Act, was passed in 1889, after 5 years after Accident Insurance Act. Employers and workers were required to provide against certain contingencies by paying contributions.

The Social Security mechanism in the country was classified in to various branches, which made up the social insurance program. This scheme provided various benefits in the form of early detection of disease, sickness benefits, hospital treatment; care in curative or special establishments, home care, maternity benefits, death and benefits for dependants. The branches of the Social Insurance consist of the following categories: -

- Sickness Insurance
- Accident Insurance
- Unemployment Insurance; and
- Old-age Pension Insurance for wage earners and salaried employees.

The Occupational Safety Act was passed in 1974. According to this legislation, employers are required to appoint industrial medical officers and occupational safety specialists. Their duty was to assist the employers in their programs of health care and prevention of accident. There was also provision for payment of compensation by the Government For a chosen list of occupational diseases. So the occupational diseases are placed on

the same scale equal to the accidents²⁰⁴. The Pension Insurance Systems restore and improve the earning capacity to the insured persons and pensions to insured persons and their survivors. The National employment Service was responsible for occupational placement, vocational counseling etc. The Rehabilitation Benefits Alignment Act came into force on Oct 1, 1974, to promote rehabilitation of the handicapped by extending certain benefits to them. The Ministry O Labour and Social Affairs was responsible for the general supervisions of all the benefits.

2.4.6 China

Since 1951, China has had three branches of social security covering approximately 15% of the working population. The following are the branches of the social security in the country:

(a) The Old Age benefits:

These benefits are payable at age 60 yrs to men and at age 50 yrs and 55 yrs to blue collar and white collar female employed respectively. This is equal to 60% of the last month wage after 10 years of continuous service in the same enterprise. In addition, a supplement of 5-to-40% of the last month's wage is added to the basic monthly benefit, depending on the length of service, participation in revolutionary (pre-1949),- wars are/or outstanding performances. The total benefits may not exceed 100% of pre retirement earning. Since 1978, retirement has been mandatory at the age of 60 yrs for men and 55 for women. A monthly pension for total disability us payable in the same amount as the old age benefit, if the worker has at lest 10 yrs of continuous service and has reached a specified age of 50 yrs for men and 45 yrs for women.²⁰⁵

²⁰⁴ Sharma .A.M, Labour Welfare and Social Security in India, Page-189

²⁰⁵ Lillian LIU, Recent Social Security development in People Republic of China, Social Security Bulletin, Apr 1987, Vol-50, Page-76

(b) The Cash, Sickness, Maternity and Medical care:

The cash sickness benefit from 60% to 100% of wage (according to length of service) for the last 06 months of illness, and from 40% to 60% of wages thereafter. A cash maternity benefit of 100% of wage is payable by the employer for a total 56 working days before and after confinement. Medical care is provided either by the enterprises own clinic or paid for directly by the employers

(c) Worker's Compensation:

Workers with temporary work related illness and injuries receive 100% of earning plus subsidies equal to 2/3rd of their food expense, until recovery of determination of permanent disability. In case of permanent partial disability wages is payable depending on the degree of earnings loss due to disability. Compensation for total disability is paid monthly at 80% of pre disability wages, with an additional 10% of wages for constant attendance if necessary.

These programs cover employees (excluding short term contract workers) in state sector enterprises and in large urban collective workers covered by these programs represent the majority of China's urban force or about 15% of the total working population. All these programs are financed by the individual enterprise and employees doesn't contribute. Moreover there is no central administration for these social security schemes for employees in the state sector and large urban enterprise. At the national level, the Ministry of Labour and Personnel establishes the guidelines for in care maintenance program for state sector enterprises to be applied nationwide. The Ministry of Public Health supervises all hospitals and clinics providing medical care to covered employees.

2.4.7 New Zealand

The origin of social security in the country may be discovered in 1898, when the Old Age Pension Act was passed, to provide for the payment of pensions at the age of 65 yrs after 25 yrs residence in New Zealand. The scheme was subject to stringent means test and the means test is still a feature of social security in this country. The benefits of the Old Age Pensions were extended to widows and dependant children in 1911. The Pension Scheme was extended to veterans of the Maori Wars in 1912 and to miners unable to work because of phthisis in 1915. The blind pension was started in 1924. Family allowances in 1926, and Invalidity Pensions in 1936 were introduced in the country.²⁰⁶

The New Zealand Act of 1938 was enacted to provide for the payment of superannuating benefits and of other disabilities arising from age sickness, widowhood, orphan hood, unemployment or other exceptional conditions; to provide a system where by medical and hospital treatment will be made to persons requiring such treatment and further to provide such other benefits as may be necessary to maintain and promote the health and general welfare of the community.

The concept of the Comprehensive Social Security was introduced in the country. The concept was supported by the ILO's Recommendations (1944) on income security and medical care in the Social Security Minimum Standards Convention, 1952. In 1974 a Universal No Fault Accident Insurance Scheme was introduced. The Accident Compensation Act granted earnings related compensation to employed persons for loss or reduction of earning capacity from any accident regardless of whether or not it is connected with employment. The Accident Compensation

²⁰⁶ Hallen. G.C, Dynamics of Social Security, 1967, Rastogi Publication. New Delhi, P-274

Commission was established by the Act entrusted with paying cash benefits as well undertaking accident prevention and rehabilitation²⁰⁷.

2.4.8 Sweden

Sweden is one of the leading countries in the field of Social Insurance. This country provides different social insurance benefits to its people under old age, invalidity, and survivor's insurance, medical care and sickness insurance, industrial injury insurance, unemployment insurance and present case benefit. The Swedish system of Social Security doesn't provide any contribution from employers except in case of industrial injury insurance scheme. The social security scheme of the country aimed at benefiting the entire nation and not merely gainfully employed persons. Majority of the Swedish employees are covered by the state subsidized voluntary unemployment insurance scheme²⁰⁸.

The Unemployment Insurance Act was passed in 1973, which is administered by recognized unemployment funds supervised by the Employment Market Board. The country also introduces a new Act on Employment Injury from July 01, 1977. The Pension benefit from the employment injury scheme will cover part of the loss of income not compensated by the general pension scheme. The benefits are designed in principle to put the injured person in the same economic position as if he had not been injured. A special provision in Sweden in maternity benefits, to provide benefits to the unmarried mother and her child, who is also protected by the law, was provided.

There are two factors, which place the country in the forefront in the sphere of Social assistance. In the first place, various social security

²⁰⁷ www.dsw.govt.nz/

²⁰⁸ Mishra. B.N, Dr, International Social Security System, P-50

schemes are inter- connected and form a strong bulwark against the common risks to income security. Secondly, the social insurance scheme are strengthened and supplemented by well-organized provisions of social benefits like public health service, family, child, and youth welfare service; sound housing policy and public assistance²⁰⁹.

2.4.9 Norway

The Norwegian system of social security is perhaps the most established in the World today. The claim is substantiated by action. The system covers all the people by general legislation against of hazards of the old age, sickness, unemployment accidents and disability. It provides family benefits to all and protects certain classes in the society including fishermen, forestry, workers and sailors, in particular ways through special legislations. It is a well-established system and has passed the stage of political conflict. All parties and most groups even on political right with support the welfare state idea not only in principle, but also for the most part in its present form²¹⁰.

Most of the social security legislations were passed only in the present century. During the last century Norway had passed only Poor Relief Act, 1845 and all the rest of legislations in present century as shown below in brief:

- Health Insurance Act, 1909;
- Old Age Pensions Act 1936;
- Unemployment Insurance Act, 1938;
- War Pension, Act 1948;
- Family Allowances Act, 1946;
- Pension Plan for Seamen, in 1957;

²⁰⁹ Giri. V.V, Labour Problems in Indian Industry, P-275

²¹⁰ James A Strong, Norwegian Democracy, 1963, P-180

- Pension Plan for Forestry, 1957;
- Pension Plan for Fishermen, 1957;
- Survivors Benefits for children, 1957;
- Occupational Injuries Insurance Act, 1958;
- General Disability Insurance, 1960

It is quite clear from above discussion that it was only in the beginning of the 20th century Norway gave its concentrated efforts towards the economic protection of its people. In the 20th Century, Norway came forward with a view to provide more special security schemes. But they had to be shelved due to unfavorable economic conditions existing in the country at that time.²¹¹

2.4.10 A Birds Eye View:

The term Social Security was first officially used in the title of the Social Security Act, 1935 in USA. It appeared again in another legislation in 1938 in New Zealand. It was used in 1941 in the wartime document known as “Atlantic Charter”. The ILO was quick to adopt the term impressed by its value as a simple and arresting expression of one of the deepest and most wide spread aspiration of people all around the World. It adopted a Convention of Minimum Standards O Social Security in 1952, which has influenced a variety of social security measures all over the World.

The evolution of different sets of policies that made up formal social security in industrial countries like, USA, UK, Japan, China, Germany, and Norway, was a result of changing perception about who was vulnerable. These policies were also a political response to the need

²¹¹ Ibid, p- 181

for stability as was Bismarck introduction of social insurance in Germany. These social security policies differ among the industrial countries depending on the nature and objectives of the government in respective nations. Majority of the industrialized countries provided old age benefits, survivors benefits, child support, maternity, unemployment, sickness, prolonged invalidity or disability benefits.

Developing countries have had a variety of experiences with formal social security design to provide for such contingencies as sickness, old age, and unemployment. Since the government typically face budget constraints, the choice of policy is of central importance. But there has been tremendous progress despite these constraints in these countries. Over the years more and more categories of the population have been covered within its scope.

The era of charity and voluntary assistance had disappeared and every where social security appears as an institution creating subjective rights, carefully defined incorporated and protected as other human rights. Social Security Laws of various countries based on the general principle like universality, territoriality, reciprocity, coordination and cooperation, universal coverage, social justice and so. These social security principles were adopted according to the needs of a particular country, as the public policy on social Security largely depends on the economic, political as well as social structure of a country.

Appendix ‘A’

**PROPOSED ADMINISTRATIVE SET-UP OF THE INTEGRATED
SCHEMEBY STUDY GROUP 1957-58**

DIRECTOR GENERAL

1		2		3
Medical Commissioner		Insurance Commissioner		Director of Finance and Accounts
1	2	2	2	3
Deputy Medical Commissioner	Deputy Insurance Commissioner	Deputy Insurance Commissioner	Deputy Insurance Commissioner	Deputy Dte of Finance and Accts
Asst Med Comr (Regional)	(Benefits) (Regional)	(Contribution) (Regional)	(Contribution) (Regional)	Asst Dte of Finance (Regional)
Asst Medical Comr (Planning)	Asst Medical Comr (Medical)	Asst Insurance Commissioner (02)	Asst Insurance Commissioner (02)	Asst Dte of Finance (04)
Section Officers (2)		Section Officers (2)		Section Officers (4)
Branches		Branches		Branches

**PROPOSED ADMINISTRATIVE SET-UP OF THE INTEGRATED
SCHEME BY STUDY GROUP 1957-58**

DIRECTOR GENERAL	
4	5
Actuary	Dte of Administration
Deputy/Asst Actuary	Deputy/Asst. Director of Administration (3)
Section Officers (2)	Section Officers (4)
Branches	Branches

REGIONAL OFFICES IN STATES
Directors

Deputy Directors

Assistant Directors
(Insurance and Administration.)

Head Clerks Branches

Local Offices	Insurance
Managers & Staff	Inspector