Social security administration in India-study of provident funds and pension scheme

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SOCIAL SECURITY ADMINISTRATION IN INDIA
A STUDY OF PROVIDENT FUNDS AND PENSION SCHEME

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CONTENTS

PREPHASE

Social Security is becoming a distinct part of the social policy of India. Successive governments in India have promised many a benefit to all those in need of social security. Many programs of Social Security have come and gone. The Employees Provident Fund Organisation which is the largest Social Security organization in terms of its coverage for Old Age income and survivor benefit programmers for the industrial workers has covered over 30 Million people working in the business houses in India. Nevertheless, coverage of total population, at least total working population, has been the demand of the social security thinkers and economists in the liberalized economy of India. Responding to the need of covering entire workforce in a viable and feasible and looking for options of such programs, it is felt that the administrative arrangements currently available for old age income and survivor benefits programs should be reviewed and remedial measures suggested before suggesting any additional programs. Thus I have taken up to study the Social Security Administration in India with special reference to Provident Funds and Pensions, examine the feasibility of covering entire working population including workers in the informal sector, and suggest restructuring the administration. I have tried to review and analyze current arrangements, suggest improvements and also suggest a comprehensive social security program for the informal sector.

In the happy moments of submitting my study, I can not afford to forget the personalities who have been supportive and encouraging in my endeavours to accomplish this task. I would like to place on record the guidance and support extended to me all these years by all of my well wishers. However, it would be ungraceful if I do not mention the names of those who have been very close to my heart and never felt that they are different from me.

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I welcome suggestions to improve my work and will be happy if the researchers, policy makers and economists feel that my work is useful for them in any way.

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CHAPTER I

INTRODUCTION AND DEFINITION OF SOCIAL SECURITY

Social Security is becoming a distinct part of Social Policy of our country and the time has come to give serious thought to ever-increasing Social Security needs of the population. There are diversified views on extension of Social Security coverage. Some say it should be limited to only working population and to their families and while others say that the entire population should be covered under social security programmes.

In this background it is proposed to examine and understand the concept and objectives of Social Security, Social Security schemes in general and the administration of provident fund, pension schemes available in the country in particular, their administrative arrangements like coverage, implementation of the legislation, benefit delivery etc. It is also proposed to attempt to suggest the methods to strengthen the administrative arrangements available for benefit dispensation.

Social Security schemes like Public Distribution system, Integrated Rural Development Programme; Jawahar Rozgar Yojana; Prime Minister Rozgar Yojana etc. are not touched purposefully for they are independent and distinct topics and need separate and depth study. Our study mainly deals with Provident Funds and Pension Schemes of Social Security from the administration/organisational point of view.

MEANING AND DEFINITION OF SOCIAL SECURITY

A human being has to live until his death. The journey from the date of birth to date of death can be understood as sustenance; alternatively, the living. To accomplish this 'task' of living one has to have enough economic provision or support, either earned on his own or provided by some body else. When some body provides this, it is called dependency. Definitely, there are two phases in one's life where, where one is dependent on other person or on the society . The first phase- from the date of birth until the date when he/she becomes fit to start earning his own living. This phase, we may call ' first phase of dependency' The second phase of dependency is the phase when a person ceases to work/ earn or retires from active work life. We may call it old age. There are intermediate phases of dependencies like: disability, sickness, employment injury; unemployment, loss of employment or other contingencies that might interrupt the working life of an individual. Children, non-earning women, unemployed widows are predominantly dependent on earning members of the family. Traditionally family provided this support. We also see such support provisioning by social groups, membership institutes, markets and ultimately by the state. Thus, failure in support provisioning or inadequate support provisioning by one institute makes other institute responsible for the welfare of the individual.[1]This provisions made by the society for trouble free living of these persons may be understood as social security. Historically, we see the families, groups; guild, churches, and the states make this provisioning. As the states have grown, the priorities of the states have grown. As the priorities of the states have grown re thinking on such provisioning has started. One – questioning very basic concept of state providing support in terms of affordability, and the second efficiency in providing in accordance with expectations of the beneficiaries. (A brief outline of evolution is bulleted in Box- I.2). Along with the affordability and efficiency another question arises is the question of extension of provisioning in terms of coverage. We need to understand the levels of efficiency of the available systems, extent of coverage, coverage gap, and find suitable policy options and approaches to strengthen the delivery systems.

If we look at the definitions side of the Social Security, there is no commonly accepted definition of the term "SOCIAL SECURITY". According to the I.L.O. Social Security means " the result achieved by a comprehensive and successful series of measures for protecting the public (or a large sector of it) from the economic distress that, in the absence of such measures , would be caused by the stoppage of earnings in sickness, unemployment or old age and after death; for making available to that same public, medical care as needed; and for subsiding families bringing up young children" (ILO, Geneva, 1958) again ILO redefines Social Security as " protection given by society to its members through a series of public measures from economic and social distress that otherwise would be caused by stoppage of or substantial reduction of earnings resulting from sickness, maternity, employment, injury, unemployment, invalidity, old age and death; the provision of medical care and the provision of subsidies for families with children (ILO Geneva 1984, p.3).

ILO further defines Social Security as - "the security furnished through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide for by his own ability or foresight alone or even in private combination with fellows" (ILO, 1984, P.83).

This outlook is true only in the case of developed countries characterized by full employment or near full employment with a large percentage of population working in industries. Naturally, the needs of such people are different from those of the people in

[1] Social Security from "Poor Laws to Pension Reforms", P. Mahdava Rao, 2002 (draft)

developing countries. An employed person is worried about continuity of his income in all eventualities.

The primary concern of an unemployed in the first place is to secure some employment with a wage to sustain himself.

According to Dr. Amartya Sen and Jean Dreze "The basic idea of Social Security is to use social means to prevent deprivation and vulnerability to deprivation (Sen And Dreze 1991).

Clarifying this view Robin Burgers and Nicholas Stern say:

"Deprivation and vulnerability are integral to the lives of many in poor countries. In developed countries unfavorable outcome in economic activity frequently means real hardship but in poor countries they often lead to death or destitution. For many severe deprivation is not a matter of an unfortunate fall from a previously more comfortable position but a chronic state arising, for example, from the absence of any asset or resource that can ensure adequate livelihood can be made more secure against adversity and deprivation. Accordingly, we define the objective of Social Security as being the prevention by social means of very low standards of living irrespective of whether there are the results of chronic deprivation or temporary diversity. The term Social Security may then be viewed as a means of success in meeting this objective" (Robin Burgers and Nicholas Stern, 1991, p.43).

“Social Security is the security that society furnishes through appropriate organisation against certain risks to which its members are perennially exposed. These risks are essential contingencies against which the individual of small means cannot effectively provide by his own ability or foresight alone or even in private combination with his fellows. The mechanics of social security therefore consists in counteracting the blind injustice of nature and economic activities by rational planned justice with a touch of benevolence to temper it”. (NATRSS, 1998, p-3)

SCOPE OF SOCIAL SECURITY

Following the widespread adoption of the institutional definition of social security in developed countries, this concept was extended to developing countries as well. However, such an application was problematic as large informal sectors, incomplete structural transformation and high levels of poverty characterize developing countries, particularly in South Asia. The dualistic economic structure that characterises these economies implies very different conditions of employment in the traditional and modern sectors. Based on these conditions, Dreze and Sen (1989) argued that the provision of social security in developing countries needed to be viewed from a broader perspective and 'essentially as an objective to be pursued through public means rather than as a narrowly defined set of particular strategies'. This definition appears to be similar to the concept of Freedom from Want envisaged in the Beveridge Committee Report. The suggestions by Dreze and Sen of this approach extended the scope of the term social security and several other researchers followed it. Thus, Ahmad (1991), Burgess and Stern (1991), as well as Guhan (1992) emphasised the tackling of persistently low incomes as an important objective of social security. This is in contrast to the more restricted view of social security mainly as a means of preventing a sharp decline in income stressed originally in the ILO definition. The scope of the term social security was thus expanded to include not only contingency related measures but also several programmes aimed at improving endowments, exchange entitlements, real incomes and social consumption (Guhan, 1994). The emphasis on measures to tackle persistent poverty through enhanced income levels was important in adapting the definition to the context of low-income countries with high levels of poverty.

The distinction between various connotations of the term social security has been maintained in the literature by referring to the conventional ILO set of measures as protective (or formal) social security and the latter as promotional social security. The promotional category is rather broad and its scope is often ambiguous. A package containing both protective and promotional measures is often referred to as the wider concept of social security.

For the purpose of our study, we may consider one comprehensive definition, based on the above discussion as proposed by P. Madhava Rao "The Economic Security, including opportunities created and building capacities, institutional as well as individual, for utilization of such opportunities for economic security provided by the society as a whole or by the institutions in it like families, communities, social groups, markets, individually or collectively for the 'social well being' of an Individual for his journey from the date of birth to the date of death". (P. Madhava Rao, 2002). With this understanding of Social Security we proceed further with understanding social security arrangements in India.

SOCIAL SECURITY IN INDIA

In India, the first National Commission on Labour has endorsed the ILO's definition of Social Security and observes: Social Security envisages that the members of a community shall be protected by collective action against social risks causing undue hardships and deprivation to individuals whose prime resources can seldom be adequate to meet them.

(Report on National Commission on Labour 1969) ILO Social Security (minimum standard) Convention 1952 defines Social Security to mean :

"The result achieved by a comprehensive and successful series of measures for protecting the public (or a large sector of it) from the economic distress that, in the absence of such measures, would be caused by stoppage of earnings in sickness, unemployment or old age and after death; for making available to that same public medical care as needed; for subsidising families, bringing up young children."

STRATEGIES

After going through the above meanings, definitions and concepts of Social Security, it can be understood that there are several strategies or methods to secure the people socially and economically. These strategies can broadly be divided into –

(a) Social Insurance
(b) Social assistance
(c) Employers liability
(d) National Provident Funds
(e) Universal Schemes

(a) **Social Insurance** : Social Insurance is compulsorily a contributory employment utility approach whereby the benefit liability is passed directly or indirectly on length of employment or period of contribution. The periodic cash payments provided on the occurrence of a specified social security contingencies are usually related to current or past earnings of contribution period. Benefits are financed entirely or largely from specified contributions paid by the employee or their employers or both in a publicly supervised fund. Risks and resources are pooled in a social insurance program. The social insurance thus attains the objectives of poverty prevention and attacking contingent poverty.

(b) **Social Assistance**: By its very meaning it is an assistance to the citizens of a particular country/state. This is a means tested approach whereby benefits are provided in prescribed categories of need. Determination by a state of categorization criteria subjects to a means test. A periodic flat rate cash payment are designed to bring a resident's total income up to community accepted minimum level. In this strategy of social assistance the entire cost of the social security is paid from the general revenues of Government. Thus the social assistance gains the objectives of poverty alleviation.

(c) **Employers Liability** : This strategy of social security is aimed at involving the employer in providing social security benefits to his employees whereby employers are required by law to provide benefits like employment injury, sickness, Pension, Provident Fund, maternity to their employees and their dependents. Employers may be required to be insured against their social security risks with public or private insurance carriers. This also attains the objectives of attacking contingent poverty.

(d) **National Provident Funds**: The fourth in the approach to provide social security to its citizens is the approach of Provident Funds where the nation designs a scheme of compulsory savings whereby covered employees and their employers pay regular contribution to a publicly administered or supervised fund. These contributions are credited to a separate account maintained for each employee. The balance in their accounts attracts interest and is payable in Lump sum upon the occurrence of a specified contingencies. Again this strategy attains the objective of poverty prevention.

(e) **Universal Schemes** : The universal schemes are not linked to income, employment or any other means. These universal schemes are usually financed from general revenues. These programmes are mainly governmental programmes and include old age pension for persons of a certain age, pension for disabled workers, widows, widowers, orphans and family allowances. There are also programmes in this category of strategy that are financed in part from contributions from worker and employer even though they receive substantial support from general revenues. The objectives of these strategies are again poverty alleviation.

OBJECTIVES OF SOCIAL SECURITY

The meaning of the Social Security as discussed above clearly indicates the objectives of Social Security in the developing countries. These objectives are to ensure:

1. Support in the event of unemployment or non employment for young orphans, destitute women, incurably sick, old persons when there is none to take care of them.
2. Showing or providing work to those who can work which includes job security and income guarantee.
3. Standardisation of income for maintenance of life at an optimum level.
4. Protection against fall in income due to any contingency.

EVOLUTION OF SOCIAL SECURITY IN INDIA

Coming to modern India the history of Social Security can be divided into two phases - (1) the history of social security in colonial India and (2) history of social security in independent India .

During the period of colonial India- if we look back to the period of pre - 1919 i.e. pre-world war I period, the then Indian Government started sensing the necessity to have social security benefits to the working class or working population when the factory system started growing with the establishment of Cotton mills in Bombay in 1851 and Jute mills in Bengal in 1855. The conditions prevailing in these factories were inhuman. The working hours were excessive, provisions for safety were nil. Workers welfare, holidays, leave, medical care were taboos to talk about by the working class of that period. When the Industrialists faced problems of their existence with the growing accidents in the industries and factories and the resultant fear psychosis developed among the workers leading to unrest among the working population, they felt that there should be some sort of sops to be given to the working class. This ultimately resulted in the enactment of Fatal Accidents Act 1855 on the model of English Fatal Accidents Act 1846. This act has its own limitations. Provisions of the Act were highly inadequate. Moreover, the Act does not permit certain dependants viz. brothers, sisters to claim compensation. The rate of compensation was also very much inadequate and uncertain.

The period between 1919 and 1941 is worth noting in the history of social security in the colonial India. World War I had a tremendous impact on the attitude of Government and society towards labour. With the cessation of hostilities the world turned to peace and reconstruction which gave birth to the establishment of ILO. ILO adopted as many as 17 conventions and which later increased to 28 social security conventions. But of all the convention the convention no.102 concerning the minimum standard of social security is significant. It is a comprehensive instrument covering almost every branch of social security provided in minimum standard in respect of benefits payable in large number of contingencies like sickness, unemployment, old age, death, employment injury, invalidity etc. India has however ratified only the following five conventions viz. -

1) Workmen's Compensation (Accident) Convention 1925 (No.17)
2) Workmen's Compensation (Occupational Disease) Convention 1925 (No.18)
3) Workmen's Compensation (Occupational Disease) Convention (revised) 1934 (No.42)
4) Equality of treatment (Accident) Convention 1925 (No.19)

5) Later in 1962 the Equality of treatment (social security) Convention was ratified.

The period from 1920 in the history of working class is worth noting. This is the beginning of Trade Unionism in India. Workers started organising themselves for redressal of their grievances. In India as well as in several other countries the agitations launched during 1920 have led India to the passing of Workmen's Compensation Act, 1923. Though this Act was passed on 5.3.1923 it came into force from 1.7.1924. The object of the act was to "eliminate the hardship experienced under the common system, by providing prompt payment of benefits regardless of fault and with a minimum of legal formality." (Law Commission of India, sixty second report on the Workmen's Compensation Act, 1923, 1974, p.6.). After this Act, the Government of India enacted the Provident Funds Act, 1925. It was made applicable to Railways and Government Industrial establishments. During the same period i.e. in 1929 the Government of Bombay adopted the Maternity Benefit Act followed by the Central Provinces in 1930. On the recommendation of the Royal Commission on Labour, Ajmer Merwar in 1934, Delhi in 1937, Madras and United Province in 1938 passed maternity benefit legislation. In addition to these provincial legislations the Central legislation passed was for the Miners with the enactments of Mines Maternity Benefits Act 1941. These legislations provided for the payment of Maternity benefit to the women employed in Mines. Another legislation aiming at abrogating the doctrine of common employment and assumed risk was passed in 1938 by enacting Employers Liability Act 1938. If we look at the recommendations of the Royal Commission on Labour which enquired during 1929 into the working conditions on Industrial Labour the concern for the welfare of the workers and provisions against old age can be understood in its own words -

> “Industrial life tends to break down the joint family system. Those workers who, at the beginning of their industrial career, own a plot of land, are often unable to retain possession, and with the passage of the years the connection with the village became loosened. Workers in the mines are unable to save out of their low earning against old age. Those in intimate touch with the life of the workers know something of their misery in which they pass their old age. The necessity for making some provision against old age need to be emphasised. A few employers, railway administration and government department have made provisions for some of their workers, either by means of a PF or by instituting a system of pension. It is appreciated that in this report it is impossible to make provision for meeting every contingency in the life of the worker, but the importance of this matter being

generally admitted, they feel it incumbent to recommend that until such time as it is found practically to institute either general scheme of old age pension or Provident Funds for industrial workers, Government should, wherever possible, encourage employers by financial grants or other means to inaugurate schemes of this nature for their employees."

The Royal Commission on Labour also dealt with payment of gratuity to Railway employees. In its report, it observed :

The limitation now placed upon the grant of gratuity to a subordinate on retirement or resignation after 15 years qualifying service should be modified to permit his voluntary withdrawal from service, if so inclined, without any qualification except that of adequate previous notice of his intention.

The third phase of development of Social Security moment in colonial India started from 1942, with the third Labour Ministers' Conference. India could not afford to ignore the development of Social Security plans in other countries. The Beveridge Report of British Social Insurance and Allied Services in England, Wagmur-Murray, Diongal Bill in USA and Marsh plan (Report on social security) in Canada have compelled colonial Indian Government to shake their stupor and come out with some meaningful legislative measures for social security. In the Beveridge Committee Report (1942), Social Security was defined as “Freedom from Want”. Though this was the original, the actual emphasis was more in tune with the contingency oriented approach: Social Security was a term that was used to denote the securing of income in place of regular earnings when such earnings were disrupted due to contingencies such as unemployment, sickness, death of the earning member of the family or accident. It also included the provisions made for retirement through age, against loss of support by the death of the breadwinner and meeting of exceptional expenditures such as those connected with birth, marriage and death. However, in actual implementation, social security provision was restricted to only three measures, viz., children’s allowances, comprehensive health and rehabilitation services, and maintenance of employment, which implied avoidance of mass unemployment (Beveridge Committee Report, 1942, p.120). Thus "the Third Labour Ministers" Conference 1942 placed the tentative scheme for sickness insurance and decided to advance loan to run the scheme in cotton, jute textiles and heavy engineering industries" (Aggarwala, A.N,1963,p.256).

Later in March 1943 Government of India appointed a committee presided over by Professor BP Adarkar, an officer on special duty, for the purpose of formulating a scheme of health insurance for Industrial workers. This was followed by the appointment of a high powered committee with Sir Joseph Bhose as its Chairman Known as "Health Survey and

Development Committee" "to make a broad survey of the present position in regard to health conditions and health organisation in British India and to make recommendations for future development". This committee and its findings were helpful in formulation of the scheme by Adarkar Committee, which submitted its report on August 15, 1944. The highlights of both the committees were the problems of national health. Prof. BP Adarkar's scheme was later examined by experts of ILO, Mistach and R. Rao in 1945 with a few modifications in respect of a scheme of health insurance in three main areas viz. (a) separation of administration of medical and cash benefits: (b) integration of maternity benefits and workmen's compensation in the health insurance schemes and (c) extension of the scheme in all perennial factories under the Factories Act as well as to non-manual workers. The scheme was endorsed by the ILO experts.

After these colonial Indian legislations on social security, the history of social security of free India started right from 1946 although India became independent only on 15th August, 1947. The interim government formulated a five year programme for the welfare of the labour class. The main features of the programmes were:

1) Organisation of Health Insurance Scheme, applicable to factory workers to start with.
2) Revision of workmen's compensation Act.
3) A central law for maternity benefit.
4) Extension to other classes of workers of the right, within specific limits to leave with allowances during the sickness (Report of National Commission on Labour, 1969).

The year 1947 also witnessed the enactment of Industrial Disputes Act empowering the industrial worker to raise an industrial dispute regarding the payment of gratuity. Thus gratuity became a legal right. Adarkar Committee report with the endorsement of ILO has given birth to the enactment of Employees' State Insurance Act, 1948, providing compulsory health insurance.

The popularly known 'Rege Committee' of 1944 which was asked to investigate the question of wages and earning, employment, housing and social conditions generally, made a survey of labour problems in different industries. The committee covered interalia, the question of relief in case of old age and death in relation to retired benefits such as Provident Fund, gratuity and pension. The committee observed:

"The whole problem of provision against old age or death of breadwinners legitimately falls within the sphere of social security, and it is a matter for consideration whether either the initiation of management of scheme of provident fund, gratuities and pensions should be left to employers themselves. Of course, so long as there are no schemes of social security introduced in a particular industry or area, the existing private scheme of provident fund, etc. should be allowed to continue under the management of the employer. The existing schemes in this connection do not appear to be very liberal......The absence of social security measures like provident funds, gratuities and pension in most concerns has largely contributed to the migratory character of Indian labour and is one of the most important causes of the larger labour turnover in the factories. Though some of the larger employers have instituted tolerably good schemes, the number of such cases and pensions are rather rare.....A few employers have instituted gratuity and pension schemes. The amount of gratuity generally amounts to half a month's wages for every completed year of service put in. In almost all the cases the gratuity is payable only to deserving workers of proven good behaviour, the sole judge of the deservedness being the employer himself. Hence, there is always scope for discrimination and the trade unions bitterly complain that their members are discriminated against. The rate of gratuity is progressively reduced if the period of service is less than 20 years.....".

After examining the above facts, the committee concluded:

"Our investigation shows that only a few enlightened employers in the country have made some provision for safeguarding the future of their operations when they retire, and of their dependents when they die, by way of either provident fund or gratuity scheme. The large bulk of industrial workers, however, remain uncovered and it is distressing that a worker who has toiled for 20 to 30 years in a factory should become destitute in his old age. We think that just as employees of governments and of local bodies have something to fall back upon during old age, so also industrial labourers should be protected by a similar provision requiring employers to have pension schemes. The incidence of death is probably much more serious in this country than the incidence of old age in view of the low expectation of life. There is little or no provision against the contingency of the premature death of the breadwinner. As the average industrial worker is too poor to insure his life with commercial companies and as such insurance is not always technically profitable, this field may best be reserved for state insurance of some kind."

From the foregoing it is very clear that the Rege Committee not only recognised some of the retirement benefits, but also highlighted the importance of retirement benefits as one of the measures of social security. The Coal Mines Provident Fund and Bonus Act, 1948 seeks to ensure the economic security of coal mine workers after they retire from active service and of their dependants in case of premature death. The preceding laws in the direction of miners welfare were coal mines Labour Welfare Fund Ordinance, 1944 Coal Mines Labour Welfare Fund Act 1947, and Mica Mines Labour Welfare Fund Act 1946.

Another phase of Social Security started in India after it became a republic India on 26th January 1950. The Constitution of India has various provisions that stress provision of socio economic security. (Appendix 2.) A perusal of the contents indicates that several constituents that facilitate the provision and effectiveness of the wider concept of socio-economic security are included as individual fundamental rights: equality before the law, prohibition of discrimination on the grounds of religion, caste, sex, place of birth, equality of opportunity in public employment and abolition of untouchables. The right against exploitation was stipulated through the prohibition of traffic in human beings and forced labour and prohibition of children in factories. In addition to fundamental rights, the Constitution includes Directive Principles of State Policy referring to the state's responsibility in ensuring a social order for the promotion of welfare of the people and securing adequate means of livelihood. It is stipulated in these Principles that the health and the strength of workers be safeguarded and children protected from exploitation. Furthermore, the Directive Principles also includes the right to work, access to elementary education, public health and nutrition, and to public assistance in certain cases such as unemployment, old age, sickness and disablement. Provision of just and humane conditions of work and maternity relief is also within the ambit of the Directive Principles as is free and compulsory education. The Directive Principles further state that the economic interests of scheduled castes and scheduled tribes be promoted. It is evident that the Constitution and Directive Principles together set forth a vision that is in consonance with socio-economic security in the sense of Freedom from Want stressed by the Beveridge Committee Report. Thus, the Constitution of India did provide the scaffolding for the provision of social security in the country. However, the provision was not considered a fundamental right, presumably in view of the practical difficulties in implementing them. Nonetheless, it is amply clear that the provision of socio-economic security was considered an important obligation that the government had to fulfill in ensuring equality and social justice for the deprived sections of the population. The implementation of the vision enshrined in the Constitution depended on the policies that the governments at the central and state levels followed in subsequent years.

The Directive Principles of State Policy contain directions aimed at physical, social and moral improvements of Labour. Act 41 seeks to make effective provisions for securing public assistance in case of unemployment, old age, sickness, disablement and other cases of under served want. The Five year plans that followed enactment of Constitution have emphasised the need for Social Security Schemes to achieve the desired result. The plan wise observations and recommendations are the following:

The planners summed up the basic objectives of the First Five Years Plan in the following terms:

The plan has two main objectives : (1) a better standard of life for the people and (2) social justice. The objectives of the Plan reflect the idealism of the community and are derived from the Directive Principles of State Policy embodied in the Constitution.

While the first two plans outlined the schemes of social insurance to cover a limited number of urban wage-earners, the Third Plan sought to break new ground of social assistance. Thus the Third Five Years Plan states:

> It would be desirable to make a modest beginning in respect of three groups of persons, the physically handicapped, old persons unable to work, and women and children, where they are altogether lacking in the means of livelihood and support. Assistance for them will have to come from voluntary and charitable organisations, municipal bodies, panchayatsamitis and panchayats and voluntary organisations. With a view to enabling these organisations to develop their activities with the help of local communities and giving them a little support, it might be useful to constitute a small relief and assistance fund.

Regarding the welfare funds the Third Five Year Plan states that "special welfare funds have been constituted for financing welfare measures for workers in the coal and mica mining industries. They are meeting very real needs. Similar funds are proposed to be created for workers in the manganese and iron ore mines".

The Fifth Five Years Plan found that "stray progress is being achieved in social security measures'. It reiterated the suggestion of the Committee on Perspective Planning appointed by the Employees' State Insurance Corporation that the Employees' State Insurance Scheme should carry out a 5-year phased programme of extension of additional categories of establishments, including smaller factories, shops and commercial establishments, mines and other establishments. The Plan also stated that the scope for integrating certain important social security measures is being studied.

The Sixth Fives Years Plan report marked the progress made in the social security scheme in India. It recommended that the provident fund scheme should be gradually extended to smaller establishments and to rural areas. Similarly, effort should be made to remove the difficulties of limitation of financial and physical resources of the State Governments and to extend the coverage to new areas. The planners also suggested that as "welfare and social security service overlap in areas of medical care and income security during sickness and disability, it will be conducive to efficiency and economy if services in such common areas can be integrated".

In the Seventh Five Years Plan, the main thrust was on implementation of the National Policy on Education (NPE), which was formulated in 1986 and revised in 1992. The National Literacy Mission was launched in 1988 in pursuance of this policy. 16 A main feature of union government policy for education has been the provision of 'free' education, which implies exemption from fees in elementary schools though other expenses amount to a considerable amount.17 Subsidies for school feeding programmes and several centrally sponsored programmes such as Operation Blackboard18 have been the main features as far as elementary education is concerned. In the case of health, the National policy on Health announced in 1983 set the tone for various measures aimed at achieving Health For All by the year 2000.

The Eighth Five Years Plan gave considerable importance to enhancing social capabilities in pursuance of the objective of human development, which was considered the 'ultimate goal' of the Plan.

The Ninth Five Years Plan spoke about 'the possibility of setting up of a separate Department of Social Security within the Ministry of Labour with a strong Research and Development wing to facilitate and accelerate the development process and achieve extension of social protection to all sections of the working population would be explored'

The Tenth Five Years Plan has extensively dealt with the social security. It has emphasized the need to develop social security programs, particularly pension programs for the unorganized secotor in a phased manner during the plan period itself.

With the support of consecutive five year plans and with the help of the Directive principles of State Policy, in pursuit of objectives of Social Security and keeping in view the recommendations of Rege Committee, the Government of India have enacted many legislations for the social security of working class in India. The major ones in this direction are : Employees' Provident Funds and Miscellaneous Provisions Act, 1952, which provides the institution of compulsory Provident Fund in which both the employee and employer would contribute. The Miscellaneous Provisions were added during 1971 with Employees Family Pension Scheme 1971, during 1976 with Employees' Deposit Linked Insurance Scheme. But Amendment of 1995 with an ordinance of 16th October, 1995 the Employees' Provident Funds and Miscellaneous Provisions Act underwent a major change. Employees' Pension Scheme 1995 was introduced scrapping Employees' Family Pension Scheme. The pension component in the Employees' Provident Funds Act, 1952 hitherto was a miscellaneous provision has become a major provision with this amendment and Provident Fund has virtually become a Miscellaneous provisions.

Other legislations in the direction are : Assam Tea Plantation Provident Funds Act, 1955; Seamen Provident Funds Act, 1966, Industrial Disputes (amendment) Ordinance 1953, providing lay off and retrenchment compensation to workers. Coal Mines Family Pension Fund 1955, J&K Employees' PF Act 1961, Maternity Benefits Act 1961, Payment of Gratuity Act, 1972, Group Insurance Scheme for Agricultural Labour 1987 etc. The list of all the schemes drafted goes very long. However, all of these have been carved out of the principle of social insurance, social assistance and compulsory savings.

History of social security in India is incomplete if we do not discuss the conditions precedent to the enactment of these legislations and the compelling need to have institutionalized programmes for social security.

The population statistics and the working class component in it clearly indicate the need to have comprehensive Social Security programs for the vast majority of the vulnerable groups. Geographically, India has a total area of 3288 Thousand Square Kilometers and a population of 1015 Million (2001 provisional). According to 1991 census, the rate of the working population to the non-working population was 38:62 and as per 2001 census, it is 39:61

The component of main and marginal workers and their sex ratios are as under -

	MALE	**FEMALE**
Main	23,83,31,447	7,23,05,438
Marginal	3,44,90,941	5,36,95,489

The Rural-Urban composition of the workers is

		1991	**2001**
Rural	:	24,90,28,944	30,77,86,020
Urban	:	6,51,02,426	9,10,37,295

The Eighth Plan (Planning Commission1998) projected further growth of population at the rate of 1.78% per annum. The projections were:

1991-1996 925.13 Million

1996-2001 1006.20 Million

2001 1015.02 Million (Registrar General of India,2001)

However, the provisional population figures of 2001 census have even crossed the projections.

Way back on 1st April 1992, the labour force was estimated at 319 Million. Thus the backlog of open employment according to the weekly status was estimated to be 17 Million on April 1, 1992. According to the National Sample Survey about two percent of these recorded as employed by weekly status had work for half or less than half the time. They are therefore, included in the estimates of backlog for the purpose of employment planning. Thus, the number of persons in the labour force on April 1, 1992 who will be looking for full time new employment is estimated to be around 23 Million. (Social Security Association of India 1994). The tenth Plan mid-term review document however estimated the labour force to be 399 Million during 2004-05 with a growth rate of 1.8 percent during the plan period.

The labour force was expected to increase by about 35 Million during 1992-97 and by another 36 Million during 1997-2002. Thus the total number of persons requiring employment will be 58 Million during 1992-97 and 94 Million during the period year period 1992-2002 (Social Security Association of India).

As per data from Registrar General of India, it is observed from Table-I.1 that while the total population increased from 837 million to 1,015 million between 1991 and 2001, the number of workers during the corresponding year increased from 314 million to 399 million. In percentage terms between 1991 and 2001, the population increased by 21.2 percent and the workers by 27.2 percent. While the net addition of male population between 1991 and 2001 was to the order of 91 million (20.8 percent) the net addition of male workers was 49 million, registering an increase of 21.8 percent. It would, however, be interesting to note that the percentage increase in the female workers between 1991 and 2001 was a whopping 40.6 percent when the female population during the corresponding period increased by 21.7 percent. One of the most striking features of the data in Table-1 is that out of the net addition of 85 million workers between 1991 and 2001 Censuses, 60 million (about 70 percent) came from marginal worker category. Among the females, the net accretion of 36 million total workers, 28 million (77 percent) were marginal workers. The whopping increase of male marginal workers from very low figures of about 3 million in 1991 to 35 million (more than ten-fold increase) is particularly important.

The significant shift of workers from agricultural sector to non-agricultural sector between 1991 and 2001 is quite evident from the data in Table-2. In 1991, about 67 percent of the total workforce was working in agricultural sector and at the Census 2001; the share of agricultural workforce came down to about 59 percent. If one were to look at the rural areas only - the share of agricultural workers decreased from 81 percent in 1991 to 73 percent in 2001. One of the most striking features of the data in Table-I.2 is the decrease in absolute numbers of male cultivators by more than four million between 1991 and 2001 coupled with huge increase in the number of male agricultural labourers (10 million). Out of the net accretion of workforce population of 85 million between 1991 and 2001 Census, 54 million (63 percent) came from the category 'Other Workers' followed by 21 million (25 percent) from the category 'Agricultural Labourers'. Even in rural areas about 60 percent of the net addition of workforce came from non-agricultural sector. Among the male workforce in rural areas more than three-fourths of the addition between 1991 and 2001 was in non-agricultural sector.' (Registrar General of India, 2002).

The shrinking opportunities for employment are also demonstrated through tenth plan mid term evaluation document for the period 2000-3

Table I.1

Shrinking employment as per planning commission

Years	Public Sector	Private Sector	Total
2001	191.38	86.52	277.89
2002	187.73	84.32	272.06
2003	185.80	84.21	270.00

Source: Ministry of Labour, DGE&T and 10^{th} plan Mid Term Review Planning Commission Government of India

Table I.2

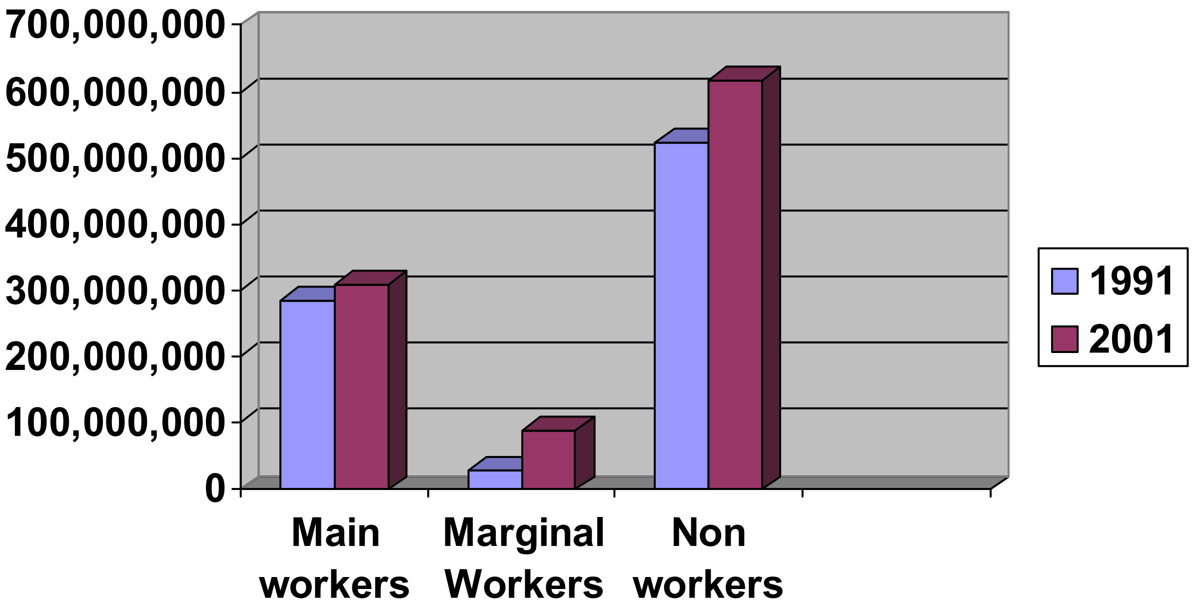
Total population, total workers, main workers, marginal workers and non-workers - India, 1991 and 2001 along with net accretion (provisional)

Total Rural Urban	Persons Males Females	Total population	Total workers	Main workers	Marginal workers	Non-workers
1	2	3	4	5	6	7
			1991			
Total	Persons	837,321,481	313,673,305	285,520,542	28,152,763	523,632,124
	Males	434,573,535	224,031,569	221,329,139	2,702,430	210,533,766
	Females	402,747,946	89,641,736	64,191,403	25,450,333	313,098,358
Rural	Persons	621,937,726	248,689,854	221,994,248	26,695,606	373,231,820
	Males	320,839,126	168,370,713	166,067,847	2,302,866	152,460,213
	Females	301,098,600	80,319,141	55,926,401	24,392,740	220,771,607
Urban	Persons	215,383,755	64,983,451	63,526,294	1,457,157	150,400,304
	Males	113,734,409	55,660,856	55,261,292	399,564	58,073,553
	Females	101,649,346	9,322,595	8,265,002	1,057,593	92,326,751
			2001			
Total	Persons	1,015,181,142	398,823,315	310,636,885	88,186,430	616,357,827
	Males	525,121,841	272,822,388	238,331,447	34,490,941	252,299,453
	Females	490,059,301	126,000,927	72,305,438	53,695,489	364,058,374
Rural	Persons	732,690,763	307,786,020	227,873,626	79,912,394	424,904,743
	Males	376,512,348	197,270,364	167,812,785	29,457,579	179,241,984
	Females	356,178,415	110,515,656	60,060,841	50,454,815	245,662,759
Urban	Persons	282,490,379	91,037,295	82,763,259	8,274,036	191,453,084
	Males	148,609,493	75,552,024	70,518,662	5,033,362	73,057,469
	Females	133,880,886	15,485,271	12,244,597	3,240,674	118,395,615
			Net accretion			
Total	Persons	177,859,661	85,150,010	25,116,343	60,033,667	92,725,703
	Males	90,548,306	48,790,819	17,002,308	31,788,511	41,765,687
	Females	87,311,355	36,359,191	8,114,035	28,245,156	50,960,016
Rural	Persons	110,753,037	59,096,166	5,879,378	53,216,788	51,672,923
	Males	55,673,222	28,899,651	1,744,938	27,154,713	26,781,771
	Females	55,079,815	30,196,515	4,134,440	26,062,075	24,891,152
Urban	Persons	67,106,624	26,053,844	19,236,965	6,816,879	41,052,780
	Males	34,875,084	19,891,168	15,257,370	4,633,798	14,983,916
	Females	32,231,540	6,162,676	3,979,595	2,183,081	26,068,864

Note: The figures exclude the data for the entire Kachchh district of Gujarat State and Jammu & Kashmir State as whole.

Graph I.1

Growth of Workers and Non Workers over 1991 levels



(Source: Census 2001 Registrar General of India-2002, New Delhi)

Table I. 3

Total workers (main +marginal) and their categories - India, 1991 and 2001 along with net accretion (provisional)

Total / Rural / Urban	Persons / Males / Females	Total workers (Main+ Marginal)	Cultivators	Agricultural Labourers	Household Industry workers	Other Workers
1	2	3	4	5	6	7
		1991				
Total	Persons	313,673,305	124,561,676	85,859,820	7,542,315	95,709,494
	Males	224,031,569	89,546,597	46,959,264	4,626,603	82,899,105
	Females	89,641,736	35,015,079	38,900,556	2,915,712	12,810,389
Rural	Persons	248,689,854	121,109,230	81,205,554	5,391,850	40,983,220
	Males	168,370,713	86,783,952	43,915,003	3,234,906	34,436,852
	Females	80,319,141	34,325,278	37,290,551	2,156,944	6,546,368
Urban	Persons	64,983,451	3,452,446	4,654,266	2,150,465	54,726,274
	Males	55,660,856	2,762,645	3,044,261	1,391,697	48,462,253
	Females	9,322,595	689,801	1,610,005	758,768	6,264,021
		2001				
Total	Persons	398,823,315	126,028,625	107,199,148	16,166,260	149,429,282
	Males	272,822,388	85,305,291	57,159,394	8,193,196	122,164,507
	Females	126,000,927	40,723,334	50,039,754	7,973,064	27,264,775
Rural	Persons	307,786,020	123,120,257	102,892,449	11,534,858	70,238,456
	Males	197,270,364	83,052,540	54,570,311	5,555,658	54,091,855
	Females	110,515,656	40,067,717	48,322,138	5,979,200	16,146,601
Urban	Persons	91,037,295	2,908,368	4,306,699	4,631,402	79,190,826
	Males	75,552,024	2,252,751	2,589,083	2,637,538	68,072,652
	Females	15,485,271	655,617	1,717,616	1,993,864	11,118,174
		Net accretion				
Total	Persons	85,150,010	1,466,949	21,339,328	8,623,945	53,719,788
	Males	48,790,819	-4,241,306	10,200,130	3,566,593	39,265,402
	Females	36,359,191	5,708,255	11,139,198	5,057,352	14,454,386
Rural	Persons	59,096,166	2,011,027	21,686,895	6,143,008	29,255,236
	Males	28,899,651	-3,731,412	10,655,308	2,320,752	19,655,003
	Females	30,196,515	5,742,439	11,031,587	3,822,256	9,600,233
Urban	Persons	26,053,844	-544,078	-347,567	2,480,937	24,464,552
	Males	19,891,168	-509,894	-455,178	1,245,841	19,610,399
	Females	6,162,676	-34,184	107,611	1,235,096	4,854,153

Note: The figures exclude the data for the entire Kachchh district of Gujarat State and Jammu & Kashmir State as whole.

Box-I.1
INDIA FACTS

❖India is the second most populous country in the world with- 1015.18 mil (2001) and 894.0 mil (1994) showing a growth rate of 1.95 percent per annum.

❖ The people above age 60 years are growing at a much rapid pace- annual rate of growth of 3.8 percent per annum (75.9 million in 2001 and 55.3 million in 1991)

❖ Life expectancy at birth for females is 63.93 years while for male it is 62..95 years(2000 Estimates)

❖Out of a total labour force of 363.33 million (year 2000), the workforce was 336.75 million. The figures in 1994 was 335.97 and 315.84 million respectively.

❖ Number of poor (below poverty line or BPL) is 260 million (1999-00) which was 26% of total population. In 1993-94 about 320 million (36%) people below poverty line. 25% (2001 est.)

❖The per capita income (at 1993-94 prices) was Rs. 10754 as against Rs. 8489 in 1995-96. GDP - per capita: purchasing power parity - $2,500 (2001 est.)

❖In the year 2001 there were 3.26 million central government employees,7.42 million employed by state governments, 6.19 million in the Quasi government bodies and 2.21 million in local bodies.

❖Only 27 million (8-9 percent of workforce) is employed in private organized sector in year 2000.

❖Persons in the organized sector are covered under one or another schemes providing old age income security. About 11% of working population Covered.

In this background it is not unreasonable to have a comprehensive Social Security Schemes for Indian working class and other unprotected lot. Therefore the eighth plan acknowledges that poverty levels are based on a conventional concept of poverty line in terms of monthly per capita expenditure and consumption distribution as available from National Sample survey. Views vary on the concept of the poverty line and the method of estimating poverty. But there has been a decline in the poverty since the middle of 1990.

In his pre-phase to the eighth plan, Sri Pranab Mukherjee the then Dy. Chairman of the Planning Commission has said -

> "A third of our population lives in the conditions of poverty denied of the basic minimum needs. We cannot have the ambivalent attitude of the developed market economies which can afford to provide social security to its people. We do not have those kinds of resources. So we have to move with caution. Those very processes, which stimulate growth sometimes tend to neglect the poor. I would like to quote the Prime Minister who summed up the issue in the following words : "There is however one danger which we must recognise and guard against in the opening up process. This could lead to wider disparities within the society. To meet this situation we have to enable the underprivileged sections also to derive the benefit of new opportunities. This processes would naturally need something to fructify. Until that happens there has to be a bypass arrangement whereby benefits reach the lowest rungs of the Social Pyramid directly from the state. We are doing this (8th plan Document)".

PROBLEMS OF THE AGED AND AGING

The Demographic ageing and status of aged in it is major concern for any policy maker, before we go into the details of the findings, here once again we will have a look at the aged.(Table I.3)

While the increasing labor force in the country and the decrease in the organized labor in proportion to the growth is a major challenge to the social security systems in the country, the growth of the aged population which is either dependant on the young or unemployed or working for food during the evening yeas of their life is another challenge to the social security systems in the country.

As there is no correct definition to the aged, we consider for our study population above the age of sixty as aged. This can be safely taken as the retirement age in the organized employment in the country is between 58 years to 60 years on majority.

According to the data available from the decennial census the number of aged has increased from about 19.8 million in 1951 to 56.7 million in 1991 or by 189 percent over 40 years period. Their share of population increased from 5.5 to 6.8 percent. However in effect, nearly 72 percent of the increase in the number of the aged has to be attributed to population growth, where as the balance 28 percent has been due to the aging of the population.

Table I.4

STATUS OF AGED PERSONS

No. (in millions) and Percentage of the Aged (60 and above) in India (incl. J&K) According to the census Data for 1961-2001.

Sex/Data Source		**Census Year**			
	1961	**1971**	**1981**	**1991**	**2001**
Males					
Unsmoothed					
Number	12.36	16.87	22.02	29.63	37.76
Percent	5.6	5.9	6.2	6.7	7.0
Smoothed					
Number	10.61	14.78	21.31	29.28	
Percent	4.7	5.2	6.0	6.7	
Females					
Unsmoothed					38.85
Number	12.35	15.83	21.14	27.56	7.8
Percent	5.9	6.0	6.4	6.8	
Smoothed					
Number	10.71	13.47	20.41	27.17	
Percent	5.0	5.1	6.2	6.7	
Both Sexes					
Unsmoothed					
Number	24.71	32.7	43.16	57.19	76.62
Percent	5.6	32.7	6.3	6.8	7.5
Smoothed					75.9
Number	21.32	28.25	41.72	56.45	7.8
Percent	4.9	5.2	6.1	6.7	
Sex Ratio					
Un-smoothed	1001	1066	1042	1075	1028
Smoothed	991	1097	1044	1078	1030

Sources: Census of India 1961, 1971, 1981, 1991, 2001.

State Profile 1991, India Registrar General and census Commissioner, India.

Here we should not forget one thing. Majority of the people in India do not know their actual age, therefore the statisticians or the demographers adopt a technique of smoothening the age. To illustrate the smoothed data in 1961 and 1971indicated the number of the aged in India as a whole to be 21.32 and 28.25 millions or about 14 percent less than the reported figure of 24.71 and 32,70 million respectively. In 1981, the reported and the smoothed differed to 3.3 percent. The smoothing for the population for 1991 age distribution has lowered the number of the aged only 1.3 percent and their share in the population from 6.8 to 6.7 percent. The percentage of total aged population (above 60 years of age) reached to 7 percent in 2001. It has crossed the projected figures of 70.57

Table I.5

United Nations Projections of Population (Medium Variant) for the Ten Most Populous Countries, Percentage of Population Aged 0-14 and 60 and above and the Ageing Index, 1995 and 2020.

Country	**1995**			**2020**			**Ageing Index (60+as percent of 0-14)**	
	Pop. (mill.)	0-14 (%)	60+ (%)	Pop. (mill.)	0-14 (%)	60+ (%)	1995	2020
China	1220.2	26.3	9.3	1448.8	19.6	14.2	0.35	0.72
India	929.0	35.0	7.2	1272.6	24.0	11.1	0.21	0.46
USA	267.1	22.2	16.4	322.3	19.7	22.8	0.74	1.16
Indonesia	197.5	32.9	6.7	263.8	23.5	1.1	0.20	0.47
Brazil	159.0	31.6	7.1	208.5	23.3	13.1	0.22	0.56
Russian Fed.	148.0	21.1	16.8	135.0	15.9	22.9	0.80	1.44
Pakistan	136.2	42.7	4.8	247.8	33.5	7.1	0.11	0.21
Japan	125.1	16.2	20.1	123.8	14.2	31.3	1.24	2.20
Bangladesh	118.2	41.6	5.0	171.4	27.3	7.9	0.12	0.29
Nigeria	111.7	45.5	4.5	214.6	39.2	5.5	0.10	0.14

Source: United Nations, 1996. World Population Prospects: The 1996 Revision. Annex. II & III:Demographic Indicators by Major Area, Region and country, New York

The process does not end here; the constant aging process will disturb the mood of the policy makers if we look at the projections of the aged in the population in the years to come. If we assume a closed population unaffected by immigration or emigration, persons in the age group 60 and above over the next 25 years will be survivors of those who are already in the age group of 35 and above.

Table I.6

India: Projected Figures of the Population Aged 60 and Above, 1996-2026

(a) (Persons in Millions and % to total population in parenthesis)

Year	Males	Females	Persons
1996	32.33	29.99	62.32
	(6.67)	(6.67)	(6.67)
2001	36.21	34.36	70.57
	(6.91)	(7.03)	(6.97)
2006	41.83	39.99	81.91
	(7.41)	(7.55)	(7.48)
2011	48.86	47.06	95.92
	(8.05)	(8.23)	(8.14)
2016	57.36	55.60	112.96
	(8.84)	(9.05)	(8.94)

(b)

1996	31.02	32,81	63.83
2001	36.42	38.52	74.94
2006	42.68	45.33	88.01
2011	50.30	53.41	103.71
2016	60.20	63.86	124.06
2021	72.58	76.93	149.52
2026	87.16	92.20	179.36
2031	103.35	109.47	212.82

Source : Census of India, 1991, Population Projections for India and states, 1996-2016, Registrar General, India, New Delhi, 1996.

According to these population projections summarized in the table (I.5) above, the number of persons aged 60 and above is expected to rise from 54.5 million in 1991 and 62.3 million in 1996 to 70.6 million in 2001, 81.8 million in 2006, 95.9 million in 2011, and 113.0 million in 2016. In other words, while the total population is projected to increase by 49 percent from 846.2 million in 1991 to 1263.5 million in 2016, the number of the aged is likely to grow by 107 percent over the 25-year period. The share of the aged in the total population will rise to 8.9 pent. Unlike during 1951-1991, the contribution of the changing age structure to the growth in the number of the aged will be a major factor accounting for 55 percent of the projected growth.

Keeping all these facts in mind and the real need of population, Government of India in pre-independent and post-independent periods have formulated many social security schemes and enacted many legislations. One of such legislations is the Employees Provident Funds and Miscellaneous Provisions Act 1952. This provides with an institution of Old-Age Income and Survivor Benefit Programme for the workers in the Industry and business, both in public and private sector. A time has now come to review and reform this piece of social security program in accordance with the growing needs of the population.

Today we have old age income and survivor benefit programmers in the shape of pensions, provident funds, gratuity, group insurance and social assistance. However a large number of people are covered only under Employees provident funds and Miscellaneous Provisions Act 1952. As discussed elsewhere above, we have a look at these programmes quickly (Diagram next page)

a) Pension Provident Fund and Deposit Linked Insurance Programmers for Industrial workers and others in accordance with the provisions of Employees Provident Funds Act 1952

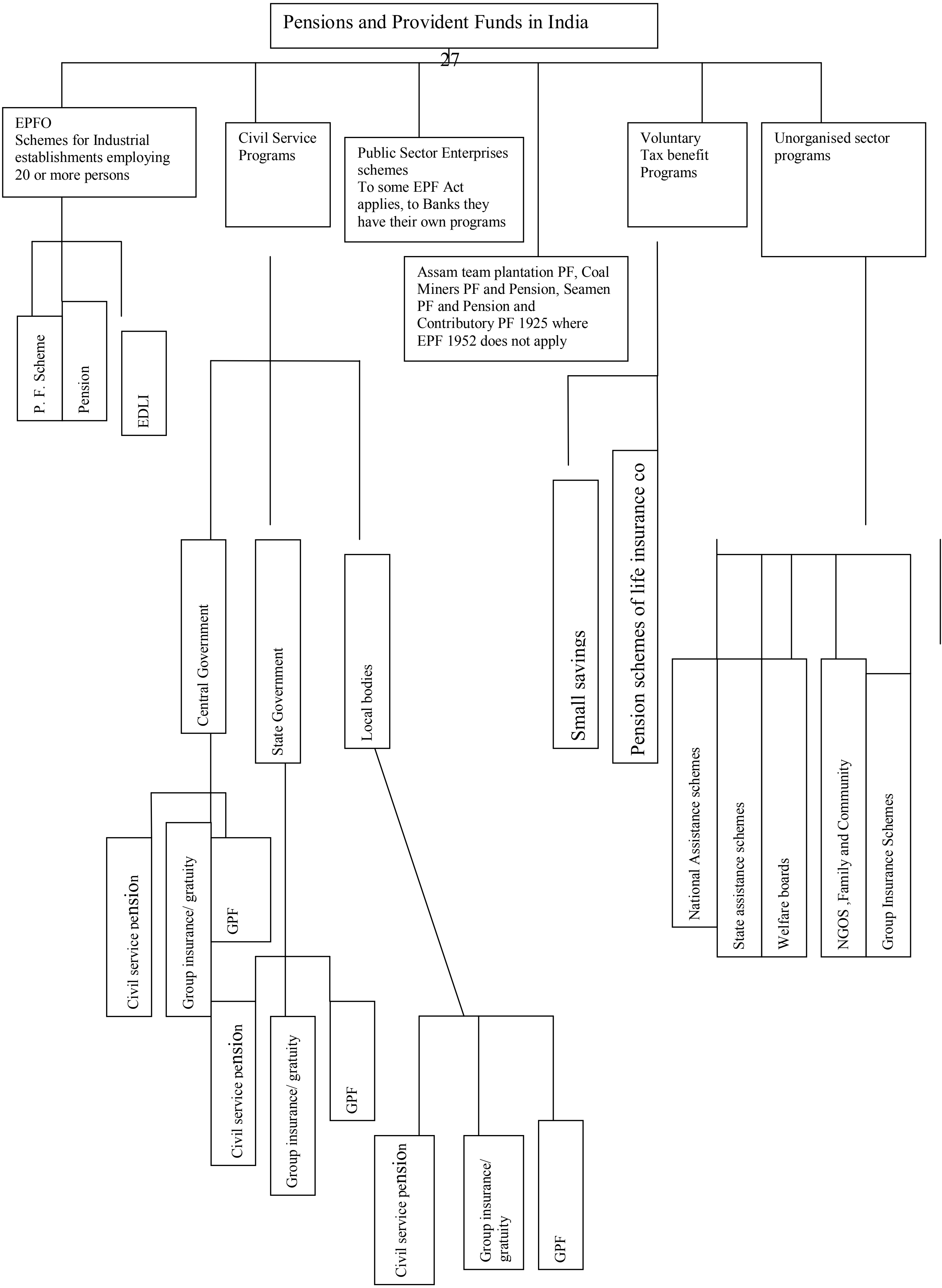
b) Programmers of Pension, Gratuity, General provident fund for Civil Servants in Central Government, State Government and Local Bodies

c) Occupation specific programmers like Assam Tea plantation workers, Coal miners

d) Public Sector workers for Banking Industry and non banking industry

e) Voluntary programmers for tax relief like life insurance and public provident funds

f) Social Assistance old age pensions by the center and the states


Pensions and Provident Funds in India
EPFO
Schemes for Industrial establishments employing 20 or more persons
P. F. Scheme
Pension
EDLI
Civil Service Programs
Central Government
State Government
Local bodies
Civil service pension
Group insurance/ gratuity
GPF
Civil service pension
Group insurance/ gratuity
GPF
Civil service pension
Group insurance/ gratuity
GPF
Public Sector Enterprises schemes
To some EPF Act applies, to Banks they have their own programs
Assam team plantation PF, Coal Miners PF and Pension, Seamen PF and Pension and Contributory PF 1925 where EPF 1952 does not apply
Voluntary
Tax benefit
Programs
Small savings
Pension schemes of life insurance co
Unorganised sector programs
National Assistance schemes
State assistance schemes
Welfare boards
NGOS ,Family and Community
Group Insurance Schemes

Box. I.2

EVOLUTION OF SOCIAL SECURITY IN A NUTSHELL
Growth of Man
∗Early man lived in caves
∗He took protection by hiding himself from the nature
∗No man was dependent on another man. Every man individually hunted his food and consumed it. Sharing and caring among adult human beings was considered instinctive behaviour
∗Death of man was considered as natural as it is
∗Death of man did not lead any other man into destitution
∗Therefore situation of taking care of one by another did not arise.
∗Gradually man started living in groups
∗Group formation was necessary to fight with wild animals and to protect themselves from nature
∗This group formation lead to the institution of family and dependency
∗Side by side recognition of individual earnings and private property came into being
∗This lead to emergence of a slave class and master class and ultimately in its finer shape into kingdoms and states- and haves and have not s
∗Here we will not identify them as democratic states or authoritative states with modern definitions.
Growth of Security needs
∗Along with the states, man's quest to explore the nature has grown
∗Man's quest to grow and establish himself as an economic stronghold grew
∗Man started crossing the borders in pursuit of his commercial existence needs
∗In these pursuits he had to face the nature and its destructive strengths like Storms, Eruption of Volcanoes, high tides in the sea and ship wrecks etc.
∗All this lead to several things – man's dependency on another man- growth of poorer class – states responsibility to take care of its subjects grew.
Growth of welfare
∗Family taking care of the individual in the family- the first form of support and transfers
∗Guilds on contribution basis to its members
∗Charity by the population
∗Food and other care to the poor by church even before poor laws were enacted in great Britain
∗We see some forms of social security or a kind of social transfers to the needy in the above institutions.
Growth of welfare state
∗At one point in time states were primarily concerned about law and order, military affairs, and the protection of rank and privilege.

✶With growth of industrialization, growth of urbanization and resultant movement of people and disintegration of extended families, a necessity has arisen for taking care of aged, invalids, destitute and incurably sick
✶Now the state is primarily concerned with the distribution of well being- how this can be explained?. Different approaches have been taken, but problems have remained.
welfare/Social policy
✶" social policy is the use of political power to supersede, supplant, supplement, or modify operation of system in order to achieve results which the economic system would not achieve on its own"-T.H. Marshal
welfare/ social policy goals
✶Redistribution of wealth
✶Income and standard of living maintenance
✶Helping disadvantaged social groups. Regions etc
✶Public safety net
✶Economic governance
✶Poor relief
Growth of Social Security
✶Great Britain took the lead in passing the poor laws in 1850s followed by some North East European countries under which the churches established poor homes to house the destitute.
✶ In Great Britain, the poor laws provided minimum food and shelter for those who had nothing.
✶benefits provided by the parishes were non contributory
✶On fast days food which was not required by the monks was distributed free among poor.
✶ The destitute were divided into two groups: (a) The able bodied poor were to be set to work; (b) Only those unable to work were to be given any form of cash relief.
✶ the principle method used by the monasteries to provide relief for the poor was to build an institution in or adjacent to the monastery grounds knows as "hospice" refuge or group home which catered for the homeless, the sick and the aged.
✶finances were obtained from a compulsory earmarked tax levied on property owners; those who were poor because of sickness, invalidity or old age received society's grudging protection
✶those who were poor because of personal attributes, the able bodied unemployed (idlers, beggars and vagabonds) the thrift less and the spend thrift received society's contempt and indignities of indoor relief
✶the poor law tradition itself a legacy of some three hundred years, has had an indelible impact on the form of social security
✶ Poor law involved loss of civic rights and compulsory separation of husband and wife in the poor house.

Growth of welfare state-different thoughts
∗Welfare state is a function of the logic of industrialism
∗Traditional modes of providing welfare were no longer effective
∗Welfare states have to be created to save modern capitalism from an uprising of the impoverished masses who were the main victims of the industrialization
∗By expanding institutions of Democracy such as the extension of suffrage to to the poorer classes, the pressure of the ballot forced the politicians to respond by devising mechanism to improve the lives of ordinary citizens.
✶Empirical evidences do not prove clearly the above thoughts. Welfare states often originated in the conservative authoritarian states such as imperial Germany under Bismarck. It tended to lag behind in liberal states like US and Switzerland. Story of leftist states is entirely different.
welfare state-different Models
✶Corporatist welfare regime
✶Liberal welfare regime
✶The Social Democratic welfare regime.
Corporatist welfare regime
∗Ordered system of self governing interest associations that fulfill quasi public roles is called corporatism.
∗In the continental Europe where church and authoritarian conservative state was strong these welfare model emerged.
∗In order to accomplish the goals of maintaining order and the status of the conservative states social insurance funds were set up that reward work performance and status.(on the lines of Medieval guild system and 19th century mutual aid societies)
∗Social insurance funds provided varying levels of benefits depending on labour associations.
Liberal welfare regime
∗Liberal welfare regime is characterized by means tested programmes
∗Politically powerful middle / commercial class
∗Liberal / anti state political tradition
∗Dominant position of the market
∗Immigrant society or society with high potential to advance socially
∗Weak state
∗Protestant tradition.
Social Democratic welfare regime
∗Social democracy has been the dominant political force in developing the Universalistic welfare state that pervades all aspects of people's lives.
∗Concept of social right has been recognized and the enjoyment of benefit does not depend on the performance of the individual in the market.
∗Extreme service orientation is seen like day care, elder care, home help etc.
∗Universal access regardless of contribution, yet independently targeted depending on need.

Growth of Social Security- after welfare states
∗The economic support that is provided for social well-being of an individual in the event of loss of income or being incapacitated for earning for any reason is traded as social protection in the European Union where as Social Security is treated as and restricted to the federal social insurance system in the United States.
∗This is distinct from “welfare” which in Europe is called social assistance.
∗In the countries like Denmark and the United kingdom the reduction of poverty historically been a central aim of social security.
∗Poor laws did not make any impact on persons with no means of income
∗There was a pressing demand on the governments
∗Compulsory social insurance was first created in between 1883 and 1889. Sickness insurance to which employees could be compelled to contribute began in 1883. Employment injury insurance operated by Employers' Trade Associations came in 1884. Invalid and old age insurance administered by provinces followed in 1889.
∗The example of Germany was followed in Europe and elsewhere and after the end of the Second World War, Social Insurance was introduced in many countries in Africa, Asia and the Caribbean area.
Growth of Social Security-ILO
∗The Trade Union Conference in Berne during 1917 had interalia demanded that every country should have a compulsory insurance scheme for all workers.
∗The World War I (1914-18) had tremendous impact on the attitude of Government and Society towards labour.
∗ The same has given an opportunity to ILO to formulate its programmes right from 1919. ILO has contributed for international standards of Social Insurance
∗ ILO in its very first year of inception i.e. 1919 adopted the Maternity protection convention 1919 envisaging payment of maternity benefit. Later between 1921-1941 it adopted as many as 17 conventions.
Growth of Social Security- Role of ILO
∗The Land mark convention is convention 102 of ILO of 28 June !952 which sets minimum standards of social security. ILO went ahead of setting standards for different branches of social security, like
∗Maternity Protection convention 1952
∗Equality of Treatment Convention 1962
∗Employment injury Convention 1964
∗Invalidity, Old Age, and survivor benefit convention 1967
∗Medical care and sickness Convention 1969
∗Maintenance of Social Security rights Convention 1983
Social Security- Evolutionary stages- A re look
∗The oldest institution of social security is the extended family
∗The industrial revolution in the Europe 200 years ago disturbed rural extended families and created an urban poor class

∗When individual was unable to take care of his own needs society realized the importance of protecting the individual and his family
∗In Great Britain the poor laws were enacted to provide minimal food and shelter in a workhouse. The conditions were so harsh that they are not acceptable today
∗· Compensation by employers
∗· Medieval guilds, mutual aid or mutual benefit societies.
∗· Private insurance ,Life insurance
∗· Private savings are the stages of evolution of social security
Social Security- Strategies
✶· Social insurance
✶· Social assistance
✶· Employers liability
✶· National provident funds
✶ Universal schemes
Social Security- In India
✶Promotional Social Security Schemes
✶Protective Social Security Schemes
Promotional Social Security
✶Food and Nutritional Security
✶Employment security
✶Health Security
✶Education Security
✶Women Security
Protective Social Security
✶Provident funds and pensions for the working class
✶Health insurance for the workers
✶Work injury benefits
✶Maternity benefits for working women
✶Gratuity for working class.
Legal frame work required for Social Security
✶Legal liability approach **(Intervention of courts)**
✶Contractual liability approach **(Pre decided obligations)**
✶Statutory liability approach **(Mandatory provisions)**

CHAPTER -II

REVIEW OF LITERATURE

In addition to what has been stated above, we will review available literature here.
The literature available in India on Social security is very limited. Literally, there has not been any scientific research done on social security in any university worth reviewing. Prof. B.N. Sharma has conducted one research study on Employees state Insurance Corporation way back in 1988, which had earned him a Ph.D. After that in no university in India Social Security has been the subject of research at Ph.D. level. Neither has it gone into the academics of Indian universities. However, there are some papers published by one German foundation, (Frederic Ebert Stiftung) in association with the Social Security Association of India run by some retired officers of Employees Provident Fund Organization and The Employees State Insurance Corporation (ESIC). In addition to these there are some individual efforts made by Professors like S.Mahendradev, and Alok Sharma . Gandhi Labour Institute, Ahmedabad has also conducted one seminar on social Security for the Unorganized where some policy issues were discussed, some papers by the researchers on Social Security for the Unorganized Sector, and some occasional articles in the Economic and Political Weekly.

The literature available in India and elsewhere in the world centers on the policy changes required and the strengthening of the administrative structures and arrangements for dispensation of benefits of social security. The available literature, in India, centers on the social security programs for the unorganized and on the Social Assistance programmes designed for poverty alleviation only. (Ironically, there are no definitions of Organized or unorganized workers are available in India which are commonly acceptable and which can be taken as a standard one. Critiques, Authors, and Social Scientists are using these terms as they are without much emphasis on the definition part. The first National Commission on Labour (1966-69) defined unorganized labour as those who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments and position of power enjoyed by employers because of the nature of industry etc. Nearly 20 years later the National Commission on Rural Labour (NCRL: 1987-91) visualised the same scenario and the same contributory factors leading to the present status of unorganized rural labour in India.

The famous word net dictionaries (See Box II.1) also give a near meaning of what the National Commission on labour had attempted.

Box II.1

unorganised
adj 1: not having or belonging to a structured whole; "unorganized territories lack a formal government" [syn: unorganize [ant: organized]

2: <u>not affiliated in a trade union; "the workers in the plantwere unorganized" [syn: unorganized, nonunionized, nonunionised</u>]

organized

adj 1: formed into a structured or coherent whole; "organized religion"; "organized crime"; "an organized tour"[ant: unorganized]

2: methodical and efficient in arrangement or function; "how well organized she is"; "his life was almost too organized" [ant: disorganized]

3<u>: being a member of or formed into a labor union; "organized labor"; "unionized workers"; "a unionized shop" [syn: organised, unionized, unionised]</u>

Source: *WordNet (r) 1.7*

Without going into the analysis of this statement, the available statistics and on these sectors have been considered. It is purposefully not considered to go into the minute details of definitions of these sectors for it requires a great deal of study and argument; moreover, these usages are in vogue and every body understands them the way they need to be understood. Employment related Social Security programmes are aimed at reducing contingent poverty and they are understood to be the programmes for the Organized Sector. We go ahead with this understanding without major attempts on the definitions of Organized and the Unorganised.

As we have seen no attempt has so far been made to study the benefits available for contingent poverty in the organized sector, their adequacy, implementation programs, administrative arrangements there for and the policy issues involved in developing comprehensive social security both for the organized and the unorganized put together. The literature available on the unorganized sector also does not make concrete proposals to the policy makers on the social security systems to be developed for the unorganized.. Many a problem hides behind the technical jargon and statistical tables and do not give a blue print for a national policy on social security for implementation. Many thinkers felt and perceived the inadequacy of the conventional type of Social Security. Pointing out the inadequacy of the conventional type of Social Security Schemes for Developing countries, The Director General of ILO says;

> "Social Security Schemes in developing countries generally apply to wage earners in stable jobs in an Industrial Urban setting. Other categories of workers and especially the overwhelming majority of the working population; who live in rural areas remain uncovered. Thus the gap between the relatively well off and poor may well be increased rather than diminished by such schemes. Many schemes inherited from colonial regimes benefit those who occupy a commanding position in the power structure including the military and civil service, the prosperous and better educated in other occupations. Some assistance schemes such as family benefits are patterned on schemes in the developing countries devised for very different demographic situations. Moreover, when social protection schemes are financed by state revenue derived from indirect taxes which is sometimes the case, part of the cost of the benefits paid to the already better off bears more heavily on the poorest". (ILO, 1995,p.57)

The attack or criticism on Social Security programmes does not end with this. Ms. Lynn Villa Corta in her paper titled social protection in Asia and the pacific (Frederic Ebert Stiftung, New Delhi, 1994, pp.32-42) says:

"Some Social Security institutions particularly in developing countries had been for bad management, lack of modern techniques, Training and other deficiencies which resulted in complaints from the beneficiaries. In some regions Social Security had acquired a bad name because of these deficiencies." Ms. Corta has seen the social security situation from the angle of the administration. Her paper, however, does not suggest any social security policy to extend the benefits to the large majority of the uncovered lot. Her paper speaks of modernization of existing administration.

B.S. Ramaswamy in a paper presented at a seminar on Development of Social Security programmes in developing countries had highlighted two main problems in the administration of Social Security programmes in India. The first was that there was inadequate appreciation of the nature of social insurance on the part of the beneficiaries and to a certain extent on the part of the administrators. There was a tendency to equate the insurance schemes with provident fund schemes and to expect the refund of or a return on the contributions made in respect of the insurance schemes. Ramaswamy further stated that the functional responsibility for providing medical care to the insured persons and their families was with the State Governments in addition to their own schemes. The result was inadequacy of doctors, non-maintenance of equipment and non-availability of medicines and in short total dissatisfaction on the part of the beneficiaries. Rmaswamy's concern was mainly of inadequacy of medical benefit administration. It does not go beyond this area of social security. His understanding of social insurance appears to be requiring comprehension for it does not speak of components of social insurance and the difference between the institutions of provident fund.

In the same seminar talking on the possibilities of extending Social Security to entire population, B.N. Som the then Central Provident Fund Commissioner expressed the view that in discussing the question of extending Social Security to the entire population one was drifting from one utopian world to another confounded utopia. He pointed out –

"For the last decade or so and more particularly during the last three or four years the Social Security system all over the world was under great strain. The ILO was consulting the World Bank and the I.M.F about the future of Social Security. The message from these international organisations that whatever schemes were introduced, they should be affordable and sustainable with reference to the capacity of the national economy. Many countries were passing through recession and the pace of Social Security funding had slowed down with the result that some countries were thinking in terms of dismantling Social Security; others were thinking in terms of reducing the level of benefits to the minimum, and leave higher protection to private efforts. Thus, a situation had arisen where the entire concept of Social Security as well as the programmes called for a serious review. It was paradoxical that in this situation one should be discussing the question of extending Social Security to whole population". (B.N.Som 1994, p.342)

It is clear from the foregoing that the issues of Social Security are multidimensional. While discussing at length the adequacy of the available benefits; some also speak of the sustainability of the schemes and their problems of funding. The argument for coverage of entire population looks unsustainable in the views of Director General, I.L.O. who feels that coverage of already better offs bears more heavily on the poorest.

The issue regarding extending the protection to unorganised and rural lot is more serious than adequacy of benefits to the already enjoying segments.

In the view of B.N. Som, most of the discussions about the future of Social Security revolve around the financial troubles that Social Security Schemes are suffering all over the world from the decade of 70s. While the social security practitioners think that social security for the entire population is some thing which should be thought of more cautiously considering the burden on the national economies and the burden on the poorer sections of the society, Prof Amartya Sen and Jean Dreze say that the focus of the social security is to enhance and protect people's capabilities to be adequately nourished, to be comfortably clothed, to avoid escapable morbidity and preventable mortality. The average experience of poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is ever present in the lives of many more. The decline may result from changes in personal circumstances or from fluctuations in the social surroundings. Therefore, we may understand the social security as "the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining standard of living arising from a number of basic risks and needs. (Dreze, Jean and Amartya Sen, 1991, p.4),

If we consider this view, the earlier views need to be adequately answered in the interests of larger population becoming deprived of a decent standard of living and the governments need to be suggested policies strategies to program the schemes that address the issues of all affected by inadequate arrangements of social security.

In an Inaugural address, at an International Conference on "Social Security Policy: Challenges before India and South Asia" held on 1 November 1999 Shri K.C. Pant, the then Deputy Chairman, Planning Commission said, "In the broader context, social security is needed by all vulnerable groups. The most vulnerable group consists of those who have neither physical endowments nor financial resources for gainful employment and therefore they do not have the purchasing power to afford a minimum standard of living. Even though India has achieved self-sufficiency in food production at the national level, food and nutrition security at the household level is yet to be achieved. This is the new challenge. In recognition of this fact, a targeted Public Distribution System was introduced with the objective of providing the people access to food at prices they could afford, particularly in deficit and inaccessible regions of the country with a concentration of the poor. In addition, pre-school children and pregnant and lactating mothers receive supplementary nutrition through the ICDS, and a new mid-day meal programme has been introduced to provide nutritional support to school going children. In order to enhance incomes of the rural people supplementary wage employment programmes like Jawahar Rozgar Yojana and Employment Assurance Scheme are in operation. These schemes ensure that in the lean agricultural season, casual manual employment is available in public works to those who are in need of work. Schemes like Prime Minister's Rozgar Yojana (PMRY), Integrated Rural Development Programme and the Swarna Jayanti Rozgar Yojana (SJSARY) encourage self-employment. While the first scheme is to provide self employment to the educated unemployed, the last scheme is for the urban areas". " Social Security is one of the important dimensions of the development process. It assumes a place of special significance in the developing countries, where poverty, destitution and income inequalities abound in large measure. While growth is an important precondition for expanding the scope of social security, no less important is the need for adopting special social security policies." Professor Pant, however, has not stated any thing specifically about the old age pension or provident funds for the vulnerable people. Neither has he recommended any organizational set up for the delivery of benefits of social security.

The studies conducted by ILO in India have focused on the social security for the workers in the unorganized sector. In one of its papers, the author of the paper Wouter Van Ginneken has stated "The availability of contingent social security in India is extremely skewed in favor of public employees and workers in the organized sector who constitute only 10 percent of the workforce. The poor in the unorganized sector, who are the bulk of the workforce- dependent on self –employment and casual labour – have recourse only to limited social assistance schemes implemented by state Governments with widely varying levels of effectiveness. In the organized private sector employment, formal social security schemes suffer from shortcomings in coverage, access, and efficient delivery. They also largely leave out casual or contract employees who fall outside the purview of the organized private sector and who are nearly three times the number of the employees within this sector. (Wouter Van Ginneken, 1998, p.78)

The proceedings of the seminar organized by the Gandhi Labour Institute, Ahmedabad, speak about the social security for the unorganized; the proceedings say, "There is an urgent need to identify various groups of unorganized workers and low-income group of self-employed persons and their social security needs on the basis of their occupations, earnings and work environment. The aim is to identify the need-based social security measures for different groups. This being an important prerequisite, a detailed survey should be undertaken at the national level, or at least in selected areas to identify the largest groups of unorganized labour and self-employed low-income groups, which need early attention for the provision of social protection measures. The survey should cover both the rural labour and the urban informal sector. Available secondary data should be appropriately used in these studies." The outcome of the seminar seems to be suggestive of a comprehensive social security scheme for the unorganized however; it does not describe much about any clear policy of social security for the country.

While discussing on the coverage of unprotected lot under various social security programs Sanat Mehata, the then Labour Minister of Gujarat State says "The recent developments at the national level, such as insurance cover under group insurance scheme for landless agricultural labourers, extension of insurance cover for IRDP beneficiaries and introduction of Jawahar Rozgar Yojana as also the insurance augmentation scheme for the urban poor, which is under contemplation of Govt. of India, will go a long way, not only ameliorating the economic conditions, but would also constitute a basis for providing social security to the poor beneficiaries through extension of group insurance scheme –a vital economic measure. Setting up of a separate Group Insurance Corporation, will be step in the right direction and will, no doubt, give an impetus to the whole strategy and open up new horizon for the future in the direction of reaching to and providing adequate social security to the millions of rural and the urban poor". (Sanat Mehata, 1992, p.22)

Mehta recommends an Insurance Corporations for extending social security benefits for the rural and urban poor. He however does not recommend any concrete funding source for the benefit design. I L O also went in the same direction without concretely saying what actually be done to cover vast majority of uncovered lot in its own words, ILO says

'The social security package, as gleaned from the study, seems to indicated that either as adjuncts or components of welfare activities, the programmes and measures broadly connoting the concept of social security, however sporadic have acquired a fair degree of responsibility, though the total effort might seem wholly inadequate if judged in the context of the enormous proportion of the population still excluded from the ambit of social security protection. Social security measures for the informal sector are indeed noteworthy steps in filling the vacuum bit by bit and in building an infrastructure environment for social security development. (International Labour Organization1988, p.57).

B.N. Raja Hans, the General Secretary of Hind Mazdoor Sabha in his paper on social security for the workers states, "The workers in the unorganized sector are compensated very poorly for the efforts they put into add the national wealth. There is a dire need to improve their compensation and provide them a cover of social security benefits.

Though the minimum wages Act of 1948 was enacted to provide some protection to the sweated labour it has not served its objectives because of various constraints. Some of them are as follows:

i.) The act does not cover all the sweated industries in any state.

ii.) The wages fixed are often very low and keep the earners below the poverty line.

iii.) The revision of wages is not regular.

iv.) Only some scheduled industries in each state are expected to pay a special allowance to meet the rising prices. This does not apply to all the industries.

v.) Lastly, the wages statutorily fixed are not always paid and the machinery for enforcement is very ineffective.

All these factors need to be taken into consideration while fixing the compensations of the unorganized workers. Apart from compensation or remuneration which is available to the workers in the unorganized sector, they get very little or almost no other benefits like social security, medical aid or old –age pension .

It is therefore, necessary that a charter of demands for the unorganized workers be drawn, on the basis of which they should try to pressure the Government. Some of these demands are indicated here.

a) The minimum wage should be more than the poverty line expenditure worked out in the seventh plan.

b) The minimum wage of all the unorganized workers should be linked with the cost of living index.

c) A medical benefit scheme like the ESI should be organized for the members of the families of the unorganized workers.

d) A voluntary provident fund scheme should be organized for these workers with equal contribution from the worker and the Government. (B.N. Rajhans, 1992,p.72.)

Rajhans however, does not speak of old age pension and its funding aspects in his paper. The old age pension is the only ultimate technique of social security for it addresses economic problems of a person's life during the evening years of life.

Prof. Indira Hirway went to the extent of saying that "One important question, however, is regarding integration of poverty issues in these programmes. It will be useful, therefore, to examine the present set of social security programs from this point of view.

It is recognized that social security measures are an essential component of anti – poverty programs as: a) the poverty of the population in the bottom-most deciles, which is mainly due to destitution, can be eased only by appropriate social assistance schemes. b) The poverty of the un/under employed also can be eradicated by guarantee of work, and c) the poor can be supported in vulnerable situations (i.e. old age, sickness, and death) and protected from exploiters through appropriate social security measures. In other words it is an income guarantee or income security to the labour force. (Indira Hirway, 1985,p.76). On the other hand, Professor Mahendra Dev says that the social security programs would be successful only when utilization of funds is proper and which is possible with the improvements in the literary standards of the population. In his own words, "It is true that there is a need for increase in social expenditure for a poor country like India. Nevertheless, merely increasing funds is not enough if our aim is to reach the poor effectively. Between allocation of funds and effective utilization of the existing funds, more weightage should be given to the latter. Education for the poor seems to be a crucial parameter for the success of social security programs in India. (S.Mahendradev, 1996, 200.).

H.C. Mehata, the then Secretary of Life Insurance Corporation of India, proposes a corporation for social security on the lines of LIC. He says, "We would like to touch upon a few basic requirements in the matter of insurance of the weaker sections. The foremost need is to organize the unorganized. There has to be a nodal agency, which may be a statutory body or a voluntary organization. It would be the sole point of contact for LIC, and should be in a position to provide reasonably authentic data of the members. Collect premiums and prefer claims as and when they arise. It is also necessary that the benefit reach the target groups for whom it is meant. For this purpose, certain awareness has to be created among the beneficiaries about the benefits available especially where semi-literate and illiterate persons living in far-flung villages are concerned. (H.C.Mehata, 1994, pp.90-97). Mehata however does not go beyond the levels of the Life Insurance Corporation of India. The Life insurance corporations of India although takes care of post- retirement needs of the population or the benefits of the survivors of the deceased insurer this type of security is based on the individual savings and government intervention is not required and neither is there any social responsibility cast among the insurers directly. Insurance growth is directly proportional to the salesmanship of the agents who are also equally interested in their commission more than on the social security products. While commenting on the social security for the unorganized the general secretariat of the social security association of India says "the association recognizes their existence and feels that there should be a social policy for the unorganized. Interestingly it does not recommend what that policy should contain". It further says, "This is the sector where neither the employer nor the employees are organized and the activities are not well regulated; the workers do not derive any benefit in any practical form from protective legislation. The sector is distinguished from those activities in which workers are protected in an effective manner by legislation such as manufacturing enterprise-providing services including commerce, the public service, and the public utilities. The distinction is based on the extent of social protection. The workers in the organized sector are regarded as socially protected and those in the unorganized sector as socially unprotected. The socially un-protected workers tend to be poor and constitute a high priority target group for social policy and action." The General Secretariat of the Social security Association of India-1994, p.259)

The International Labour Organization has conducted several projects in India on various issues of importance on of the projects was for the social security for the informal sector in India. The Project Director says, "The challenge for many developing countries is to design for informal sector workers social security schemes that are effective in protecting against poverty, and that at the same time promote productivity and employment. Workers are generally willing to contribute to social insurance if they feel that they get value for money, if the benefits correspond to their priority needs and if the system that administers the benefits is trustworthy. If these three conditions are fulfilled and workers contribute wholeheartedly to social security systems, there is no problem with labour costs, employment or productivity. With regard to social assistance, the issue is more political and has to do with the overall willingness of society to show solidarity to those who are in most cases unemployable, such as old-age pensioners, widows and incapacitated people. (W.V. Ginnekan,,1997,p.107) ".Patric Heller in his study of workers situation in Kerala, India has observed, "While overly vague and even somewhat arbitrary, the organized/unorganized dichotomy does capture the fundamental distinction of the dualistic character of labor markets in the developing world. The organized sector is characterized by the contractual relations of a class-based social organization of production, closely linked with the development of the modern state. Workers in this sector enjoy legal protections and institutional conditions that are favorable to collective action (which may be of a more or less autonomous character). The organization of production in the unorganized sector, however, is rooted in a configuration of social relations largely beyond the reach of the bureaucratic state and modern political institutions. With large reserves of cheap and untapped labor, workers have little or no capacity for pursuing their collective interests.(Patric Heller, 1999, p.20)

The social policy now obtaining in India is in the direction developing an institution of social security for the unorganized sector. The committee appointed by the Ministry of social justice and empowerment under the chairmanship of S.A. Dave, the former Chairman of the Unit Trust of India has submitted its report to the Government of India suggesting various reforms in the current socials security programs. The Project is called “Old Age Social and Income Security” OR the “Project OASIS in brief”. The report inter- alia suggested that there should be private players in the Pension Market, Individual savings approach to the Social security to be an ultimate alternative for the vast majority of the unorganized workers who would be encouraged to save/contribute five to eight rupees a day out of their daily wages to a pension fund, and the government subsidy towards pension fund should be diverted to a more beneficial developmental projects. The labour Ministry interestingly opposed the recommendations saying that the recommendations are a threat to the Social Security principles.

Commenting on the recommendations of the Project OASIS, a freelance journalist PSM Rao says, “The prominent among the proposals was creating a pension fund for the central government employees from October 2001, with a clear intention to evolve it into a contributory pension on the plea that there was a heavy burden on the exchequer towards pension payment, which was equal to a high one per cent of the Gross Domestic Product. Similarly, the government was anguished at a high 11 per cent payment of interest on the provident fund balances of about 20 million employees who had been covered under the Employees Provident Scheme. It was therefore, proposed to reduce it to 9.5 per cent. That the government was over enthusiastic in curtailing the old age benefits was evident in the E P F organization's (its central Board of trustees) proposal, recently sent to the government, expressing its willingness (and therefore capacity) to allow 10.25 per cent instead. While there is a wide spread discontentment on the benefits provided by the EPF, they being inadequate related to the needs and contribution, particularly under its Pension (EPS) scheme, the OASIS suggests, rather unsolicited, further reduction in the benefits. The committee was never asked to examine the need to reduce the benefits available under the existing scheme to the people in the organized sector. Its job, if it understood it properly, was to suggest means to help those millions in the unorganized sector who had no security in the old age. It utterly failed in this job by suggesting meaningless and impractical solutions and wasted its time commenting on the existing scheme.” (The Telegraph, 28 May.2001).

P.S. Srinivas in his report submitted to the World Bank has stated, "Funds had been set at 12 per cent per annum. This rate was largely independent of market rates. Since provident funds finance a significant portion of the government's budget deficits [Gillingham and Kanda 2001], such an administratively determined rate was a convenient way for the government to obtain low-cost financing in an environment of high market interest rates. In an environment of low market interest rates however, such administratively set rate created an unacceptably high floor on the government's cost of funds." He further states while speaking on the investment of funds by the Employees provident Fund organization "These examples mean that the current investment regulations of the EPF severely limit the ability of contributors to accumulate significant retirement savings. If alleviating poverty in old age is an important objective of mandatory retirement savings programmes such as the EPF, then investment restrictions have an adverse impact achieving this objective. The crisis that is likely to be brought on by the in-vestment restrictions is one of significantly lower retirement savings than that obtainable through an improved investment regime"

Much before India achieved independence, the popularly known 'Rege Committee' of 1944 which was asked to investigate the question of wages and earning, employment, housing and social conditions generally, made a survey of labour problems in different industries. The committee covered, interalia, the question of relief in case of old age and death in relation to retired benefits such as Provident Fund, gratuity and pension. The committee observed:

> "The whole problem of provision against old age or death of breadwinners legitimately falls within the sphere of social security, and it is a matter for consideration whether either the initiation of management of scheme of provident fund, gratuities and pensions should be left to employers themselves. Of course, so long as there are no schemes of social security introduced in a particular industry or area, the existing private scheme of provident fund, etc. should be allowed to continue under the management of the employer. The existing schemes in this connection do not appear to be very liberal......The absence of social security measures like provident funds, gratuities and pension in most concerns has largely contributed to the migratory character of Indian labour and is one of the most important causes of the larger labour turnover in the factories. Though some of the larger employers have instituted tolerably good schemes, the number of such cases and pensions are rather rare.....A few employers have instituted gratuity and pension scheme. The amount of gratuity generally amounts to half a month's wages for every completed year of service put in. In almost all the cases the

gratuity is payable only to deserving workers of proven good behavior, the sole judge of the deservedness being the employer himself. Hence, there is always scope for discrimination and the trade unions bitterly complain that their members are discriminated against. The rate of gratuity is progressively reduced if the period of service is less than 20 years.

After examining the above facts the committee concluded

"Our investigation shows that only a few enlightened employers in the country have made some provision for safeguarding the future of their operations when they retire, and of their dependents when they die, by way of either provident fund or gratuity scheme. The large bulk of industrial workers, however, remains uncovered and it is distressing that a worker who has toiled for 20 to 30 years in a factory should become destitute in his old age. We think that just as employees of governments and of local bodies have something to fall back upon during old age, so also industrial labourers should be protected by a similar provision requiring employers to have pension schemes. The incidence of death is probably much more serious in this country than the incidence of old age in view of the low expectation of life. There is little or no provision against the contingency of the premature death of the breadwinner. As the average industrial worker is too poor to insure his life with commercial companies and as such insurance is not always technically profitable, this field may best be reserved for state insurance of some kind."

This committee has made some meaningful observations, which ultimately lead enactment of current legislations like Employees Provident Fund scheme, which has a limited application of coverage of only the workers/ employees in the selected industrial and other establishments. The main purpose of our study is the study of the administration of the provident fund and pension schemes only. The organization although grown vertically and horizontally, is under utter criticism on its approachability and its out reach to the targeted population. The details of the study will however be in the main chapters of this study.

It can be seen from the foregoing literature reviewed, (excepting some of the observations of the Rege Committee) that the thinkers and writers on the social security have conveniently forgotten to suggest a national policy of social security to the government, which takes care of the millions of the working population. The glaring gaps in the available literature are:

a) The literature does not clearly state any national policy for the Social Security.

b) There is no comprehensive study available on the existing schemes of social security,

c) The adequacy of the available benefits has nowhere been discussed.

d) The organizational setup to extend the social security for the entire working population has nowhere been suggested,

e) Neither are there any recommendations and proposals to strengthen the current administrative arrangements,

f) Even for the Unorganized sector too there is no working solution given by many authors excepting in the approach paper of this writer.

g) Only the Rege Committee made some meaningful suggestions, which of course lead to the establishment of the schemes like employees provident fund. However, the recommendations of the committee have not been paid full attention for the reasons not clearly known.

The Planning Commission also many times felt the need to have carefully drafted social security programs. When the planning for the country has been taken up for the overall growth of the country in terms of economic and social well being of population and work force within the population, the very first five years plan had envisaged establishment of programmers for old age income and survivor benefits. The plan document says “The man-days lost on account of sickness and disability constitute a heavy drain not only on the slender resources of the industrial workers but also on the industrial output of the country. Lack of social security impedes increased production, leads to larger labour turn-over and prevents building up of a stable and efficient labour force”. The plan document further says “In all advanced countries the worker is protected against various types of risks such as, sickness, unemployment, old age, employment injury, maternity, invalidity, etc. In India also, some of the risks to which a worker is exposed have been covered by the Workmen’s' Compensation Act and the Maternity Benefit Acts of the various State Governments.” “. Another measure which can provide for the future of the workers is the institution of provident funds. The Central Legislature has recently passed the Employees' Provident Fund Act, 1952. A scheme under that Act has also been published and its implementation is expected to take place shortly. The Act at present applies to six major industries employing 50 or more persons— Textiles, Iron and Steel, Cement, Engineering, Paper and Cigarettes.

As soon as experience is gained and the scheme is placed on a sound basis, it should be extended in gradual stages to all the industries employing 50 or more persons during the period of the Plan. A programme for its extension should be drawn up."

Interestingly during the very next plan period, that is during second plan period the planning commission felt integrating all the programmers to lay strong approach to social security provisioning in the country. The Plan document says "The possibility of combining the different social security provisions at present in force into an overall social security scheme is being explored. A unified scheme will have the advantage of reducing overhead costs and from the savings so effected it may provide a more diversified set of benefits. Decentralization of the administration of such a unified scheme would prove advantageous to its beneficiaries. Wherever feasible, workers disabled by industrial accidents should be provided with alternative employment" However, such integration has so far not seen the light of the day. The third plan further went to saying "A Study Group on Social Security had recommended the integration of existing social security schemes and the conversion of the various Provident Fund schemes into a statutory scheme for old age, invalidity and survivorship pension-cum-gratuity. Urgent consideration has now to be given to the various aspects of the question of integration, so' that the entire scheme takes shape as early as possible. The social security approach has so far extended mainly to wage earners in organised industry. There are some groups whose condition casts for closer attention on the part of the community. In the past. on account of the traditional values associated with the small community and the joint family, a great deal of relief was available to those who were unable to provide for themselves. For a long period to come. in one form the another, the community, the group and the family must continue to be the main sources of assistance. Progressively, however, the State and local bodies, both urban and rural, will need to participate in schemes undertaken by way of social assistance and social security. Even at this stage, it would be desirable to make a modest beginning in respect of three groups of persons—the physically handicapped, old persons unable to work, and women and children-where they are altogether lacking in the means of livelihood and support. Assistance for them will have to come from voluntary and charitable organisations, municipal bodies, Panchayat Samitis and panchayats and voluntary organisations. With a view to enabling these organisations to develop their activities with the help of local communities, and giving them a little support, it might be useful to constitute a small relief and assistance fund. Details of the proposal should be considered further in cooperation with States and voluntary organizations"

The fourth and the fifth plans have not made any significant suggestions; however, the sixth plan reiterated its interest in integrating the programs. The plan envisaged in unequivocal terms that “As welfare and social security services often overlap in areas of medical care and income security during sickness and disability, it will be conducive to efficiency and economy if services in such common areas can be integrated”

The seventh plan, while recognizing the importance of providing social security for the unorganized sector. It says “The emerging nuclear family is exposed to severe economic and social strains, as the traditional mechanism of social security and adjustment in time of crisis and conflict has almost been eroded. Hence stress would be on further strengthening the supportive services to the family.”

Pranab Mukherjee, the then Deputy Chairman, Planning commission of India in the Eight-plan document stated, "A third of our population live in the conditions of poverty denied of the basic minimum needs. We cannot have the ambivalent attitude of the developed market economies, which can afford to provide social security to its people. We do not have those kinds of resources. So we have to move with caution. Those very processes, which stimulate growth sometimes, tend to neglect the poor. I would like to quote the Prime Minister who summed up the issue in the following words: "There is however one danger which we must recognize and guard against in the opening up process. This could lead to wider disparities within the society. To meet this situation we have to enable the under privileged sections also to derive the benefit of new opportunities. These processes would naturally need something to fructify. Until that happens there has to be a bypass arrangement, whereby benefits reach the lowest rungs of the Social Pyramid directly from the state. We are doing this (8th plan Document)".

Even the ninth plan document also spoke ““During the ninth plan period endeavour would be made to announce a National policy on Social Security in order to ensure compulsion and direction. The possibility of setting up of a separate Department of Social Security within the Ministry of Labour with a strong Research and Development wing to facilitate and accelerate the development process and achieve extension of social protection to all sections of the working population would be explored. The process for evolving of an integrated comprehensive scheme of social security by combining in a single legislation, the provisions of all the existing social security schemes would also be addressed. This is expected to lead to simplification of procedures, elimination of duplication of administrative machinery and cost-effectiveness. The existing social security schemes would be reviewed for their efficient and cost effective functioning and to ensure high level of workers’ satisfaction. The emphasis would be on automation and computerization, human resource development and effective public relations besides restructuring of the organisations to undertake vastly expanded responsibility when the schemes are extended to the entire working population. A well-formulated scheme of social security for the unorganized rural labour would be designed to provide protection in contingencies resulting in stoppage or diminution of income. The existing welfare schemes of the unorganized sector being widely scattered and fragmented, attempts would be made to properly integrate these schemes. Labour regarding social security for the workers in the rural unorganized sector would be examined. The role of social security in the context of restructuring of economy would be re-examined. The public relation system in the two social security organisations not being very effective, campaign would be organized for education about these programmes and training programmes would be attempted for employers, employees and for their organisations. For improving the efficiency of the social security organisations proper Human Resource Development system would be evolved, use of computers would be increased an improved, public relations would be made more effective and arrangements would be made for better data storage system and net-working. Wherever considered necessary, research and development programmes in the area of social security would be undertaken.

Pending the establishment of a separate Department of Social security, the possibility of creation of an R&D wing in the Ministry would be explored.

A task force consisting of experts in the filed of social security would be constituted which will examine all the issues indicated above. The recommendations of the task-force would be open to a national debate and responses would be invited from all concerned interests, academicians, social scientists and others before giving effect to the approach indicated above."(Planning Commission, 1999.).

The 10^{th} Five Year plan has extensively dealt with social security. It has emphisised on convergence of various social security schemes run by different ministries. At the same time the plan document lays stress on the unorganized sector. In its own words "The present pension system is confined to organised sector, which covers less than a tenth of the labour force employed. And even in the organised sector, there is no mechanism to generate earmarked resources for pension payments. Employers, who are mainly government and public sector, have severe financial limitations. And the organised sector pension systems, including those for the private corporate sector establishments, are designed for a single life-long employer-employee relationship. These features curtail the possibility of any significant expansion of coverage of workers by the pension system. 3.5.75 In the unorganised sector, there are a large number of self-employed persons with a reasonable level of income, but do not have a mechanism for earning a risk-free and reasonable return on their savings for retirement. And the low-income groups have no credible institution, where they can save during their active working life and earn an assured return for income support during retirement. Moreover, there is no prospect of a single employer employee relationship in the unorganised sector, whether for the self-employed or for the wage employed. The self-employed persons and the low-income wage employed frequently take recourse to informal market, where the failure rate is high. In keeping with the announcement in the Union Budget 2001, Insurance Regulatory & Development Authority (IRDA) is preparing a road map for a pension system for the unorganised sector so that a self-sustaining pension system for unorganized sector can be introduced." The second national commission on labour, which has submitted its report after 43 years of the first national commissions report very clearly mentioned that:

- There is a need to consider social security as fundamental right. State should bear the responsibility to provide a basic level of social security, leaving room for partly or wholly contributory schemes.
- The benefit structure of the Employees State Insurance (ESI) scheme should be unpacked.
- Immediate steps should be taken to extend the scope of the Act for the purposes of employment injury benefit and maternity benefit throughout the country.
- A law to place all the provident funds under a common regime.
- An integrated insurance scheme providing for gratuity, unemployment benefits, lay off and retrenchment compensation may be evolved, and entrusted to the Employees Provident Fund Organisation (EPFO). (Report of the second National Commission on Labour, 2002).

In view of all these, we propose to study the social security administration in India with special reference to Provident funds and pensions. The study also proposes to recommend the alternative arrangements for comprehensive social security and strengthening the administrative setup.

Summary and Conclusions

The literature so far reviewed however, does not go in to the details of the functioning of the organizations established for the delivery of Social Security Benefits for attacking contingent poverty. There are several stray comments on the efficiencies of the organizations but empirical approach to examining the shortfalls is not seen. Some international writers like Prof. Mukul Asher and P.S.Srinivas have only commented on the investment patterns in practice in the Employees Provident Fund Organization without going into the details of the mandate before such organizations and their social responsibility. There are many recommendations on extending the benefits to a large number of the unprotected working class. Ironically none of the above recommendations have seen the light of the day nor do we find any road map to approach the un protected and uncovered lot. Concrete suggestions to improving the administrative arrangements are also not seen in the literature reviewed. However, we can infer from the literature that the reforms to social security systems in India are an urgent need in terms of their administration, benefit delivery, coverage of target population and sustainability of funding. We therefore, try to examine the programs to arrive at some policy conclusions addressing the objectives of social security, with special reference to provident funds and pension, keeping in view the limitations to review all other programs.

Box. II. 2
Key recommendations of Second National Commission on Labour

Labour Laws

- Provisions of all the laws governing labour relations such as the Industrial Disputes Act,1947, the Trade Unions Act, 1926, other specific Acts governing industrial relations in particular trades, state level legislations on the subject should be consolidated into a single law called the Labour Management Relations Law or the Law on Labour Management Relations.
- Amendments to Industrial Disputes Act: repeal of Chapter V (B); higher compensation tore trenched workers; and automatic time bound (60 days) permission for closure of units employing 300 or more workers; etc.
- Changes in the Contract Labour Act, 1970:social security and remuneration to contract workers at par with the lowest paid worker in comparable grade skilled, semi- or unskilled; flexibility to adjust the number of workers based on economic efficiency; freedom to hire contract workers for non core activities; etc.
- Enactment of special law for small-scale units. The threshold limit for an establishment to be regarded as small will be 19 workers.
- A policy framework for workers in the unorganised sector that ensures generation and protection of jobs, protection against exploitation of their poverty and lack of organisation, protection against arbitrary dismissals, denial of minimum wages and delay in payment of wages. The system of welfare should include access to compensation for injuries sustained while engaged in work, provident fund, medical care, pensionary benefits, maternity benefits and child care.

Social Security

- There is a need to consider social security as fundamental right. State should bear the responsibility to provide a basic level of social security, leaving room for partly or wholly contributory schemes.
- The benefit structure of the Employees State Insurance (ESI) scheme should be unpacked.
- Immediate steps should be taken to extend the scope of the Act for the purposes of employment injury benefit and maternity benefit throughout the country.
- A law to place all the provident funds under a common regime.
- An integrated insurance scheme providing for gratuity, unemployment benefits, lay off and retrenchment compensation may be evolved, and entrusted to the Employees Provident Fund Organisation (EPFO).

Skill Development

- Competency based continuing certification system , applicable to the labour force in both organised and unorganised sectors and establishment of competencies for various occupations for this.
- Setting up of block level vocational training institutions in order to undertake development of rural areas.
- In the industry-institute interactions in ITIs, the role of industry is merely advisory. It should be supplemented with managerial inputs.
- Setting up of a labour market intelligence system for better matching of demand and supply of marketable skills.
- Fiscal incentive to industry and other providers of training.
- Establishment of a Skill Development Fund in order to provide for retraining of workers rendered surplus/retrenchment/ VRS etc. and for training of labour in unorganised sector.

CHAPTER III

AN OVERVIEW OF EMPLOYEES' PROVIDENT FUNDS AND EMPLOYEES' PENSION SCHEMES

In this Chapter, we discuss the Employees Provident fund and Pension Schemes established in pursuit of the policies of the government of India for an institution of Social Security in the form of old- age income and survivor benefit scheme.

A new era has begun in the history of Social Security in India with the enactment of Employees Provident Funds and Miscellaneous Provisions Act, 1952, during the very First Five Years Plan period. The institutionalized protective approach to social security has also begun with this act for the people who, in majority, were in private sector. The income security in event of fall in wage due to old age, retirement and other types of cessation of employment was the prime motto of this legislation. Provident Fund is a form of retirement benefit other than gratuity. In the provident fund scheme both the employees and employers share the burden of security or protection.

Prior to this legislation there were legislations like Provident Funds Act, 1925 with a restricted application, Coal Mines Provident Funds and Bonus Scheme 1948 limited to coal miners. However, the experience of these Acts only led to the passing of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

On 4th of March, 1952 when it was enacted in the parliament the preamble said " - An Act to provide for the institution of provident funds, pension fund and deposit linked insurance fund for employees in factories and other establishments". Thus the Employees Provident Funds and Miscellaneous Provisions Act, 1952 came into operation. The Act has been amended exhaustively by Act 33 of 1988. The Scheme also underwent numerous amendments. The new schemes like Employees' Family Pension Scheme was introduced in 1971 and Employees' Deposit Linked Insurance Scheme was introduced in 1976. The major break through in the direction of final social security was achieved with the replacement of Employees Family Pension Scheme 1971 with Employees Pension Scheme 1995.

The Employees Provident Fund and Miscellaneous Provisions Act contains 22 sections and four schedules in all. Section 2 has one subsection (section 2A), section 5 has seven subsections (5A, AA, B, C, D, DD and E) Section 6 has four subsections (6A, B, C & D). Section 7 has 17 subsections (A to Q), Section 8 has seven subsections (A B C D

E F G) Section 14 has six subsections (A, AA, AB, AC, B, C) Section 16 (1) (16A), Section 17 three (17-A, AA and B) and Section 18 has one subsection 18A.

In terms of number of sections the Employees Provident Funds and Miscellaneous Provisions Act is the smallest social security legislation in the country extending largest social security coverage and benefits in the world. The Section 5, and subsections of section 6 provide framing of Provident Fund, Pension and Deposit Linked Insurance Schemes and their placing before the parliament. The operational part of social security schemes in India are taken care of by the schemes, while the Act provides statutory base for these schemes.

The Act can broadly be divided into two major parts on the basis of their importance.

One - its application and formation of machinery to implement the provisions.

Two -the framing and enforcement of provident funds law.

The schedules take care of other provisions like -

Schedule I (section 2(i)&4) : List of industries to which the Employees Provident Funds and Miscellaneous Provisions Act 1952 applies.

Schedule II (section 5(1-B)) : Matters for which provisions may be made in a scheme.

Schedule III (Section 6-A(5)) : Matters for which provisions may be made in the pension scheme.

Schedule IV (Section 6-C) : Matters to be provided for in the Employees Deposit Linked Insurance Scheme.

The applicability of this Act is restricted to the establishments/industries enlisted in the schedules. The Act made a modest beginning of applying itself to only six classes of establishments in the country in 1952. Today it applies to 180 classes of industries and other establishments. As per Section 1(3), it applies (subject to provisions contained in section 16)

(a) to every establishment which is a factory engaged in any industry specified in Schedule I and in which twenty or more persons are employed; and

(b) to any other establishment employing twenty or more person or class of such establishments which the Central Government may, by notification in the official gazette specify in this behalf;

Subsection 4 to the section 1 provides the application of the Act to the establishments not covered by above two subsection but voluntarily willing to extend social security benefits to their employees and if the majority employees are also willing for the benefits.

The act thus centers around applicability of the Act to the establishment as per the qualifications prescribed in the various sections of the Act as well as the list in the schedule of establishments. The other sections like Section 7, Section 8, Section 14 and Section 16-17 etc. are the enforcement procedure code for the Provident Fund enforcement for the benefit of the employees. The benefits available under the Employees' Provident Fund their extension, administration etc. are discussed in the schemes framed under section 5 of the Employees' Provident Fund Act and thus the benefits available to the employees are not discussed in the Act. The Act is a statutory document that empowers the Government to establish an institution of Provident Funds for the benefit of the employees in various establishments enlisted in the schedules of the Act. Therefore, the study of Employees Provident Funds is incomplete without the study of the schemes framed there under.

The schemes framed under the Employees Provident Funds and Miscellaneous Provisions Act are -

(a) Employees' Provident Fund Scheme (EPF) 1952

(b) Employees' Deposit Linked Insurance Scheme (EDLI) 1976

(c) Employees Pension Scheme (EPS) 1995

The Employees Pension Scheme 1995 is an amendment to the existing Employees' Family Pension Scheme 1971. The Family Pension Scheme was taking care of only the Family Pension benefits of the deceased employees. Whereas the Employees' Pension Scheme 1995 provides the pension benefits to the member in event of retirement/resignation including Family Pension to the dependent on the members in event of his /her death.

(a) <u>Employees' Provident Fund Scheme 1952</u>

The scheme is arranged in ten chapters. As usual, Chapter I deals with preliminary issues like applications of the schemes and definitions. Chapter II deals with Board of Trustees, Executive Committees and Regional Committees etc. as per the provisions made in the Act. Chapter III deals with the appointment and powers of the commissioners and other staff of the Board of Trustees. The administration of the Act and Scheme is done through the details given in this chapter and the officers to administer such benefits as are detailed in the schemes is done through the officers appointed under this chapter. The Chapter IV deals with the membership of the fund. While the EPF & MP Act through Section I makes application of the Act to the establishments, this chapter of the scheme details about the qualification of the members to the fund and other related issues of the membership like exemption, transfer of accumulations, classes of employees entitled and requiring to join the fund etc. The chapter V deals with the contributions to be paid by the employee as well as the employer. Chapter VI deals with declaration, contribution cards and returns. The provisions in this chapter mainly pertains to the response required by the employer for smooth administration of the fund by the Central Board of Trustees and its Officers. Chapter VII deals with the administration of the fund A/c. and its audit. Chapter VIII deals with nominations, payments withdrawals from the fund. Chapter VII and VIII are the chapters where the entire gamut of benefit administration in the EPF and MP Act takes place. While Chapter VII deals with the administration of accounts that is maintenance of A/cs., payment of interest, investment of money belonging to EPF budgets etc. Chapter VIII deals with available benefits to the employees, their mode of payment, forms required to claim the benefits and procedures to extend the benefits to the employees. (Details of the benefits available for the employees are discussed elsewhere in this paper). Chapter IX deals with other Miscellaneous Provisions under the scheme and preparation of annual reports etc. Chapter X deals with the special provisions in respect of newspaper establishments and Cine Workers.

The organisational set-up of the Central Board of Trustees as per Chapter II, the administrative arrangements as per Chapter III and working of the organisation will be discussed in detail in the next chapters under different heads along with critical analysis of the working of the Central Board of Trustees, EPF. In this chapter we will detail only the major provisions regarding the benefits available under the EPF Scheme and pension scheme.

Membership: All the employees employed in a covered establishment are eligible to become the members of the fund under the EPF Act.

Contributions : As per paragraph 29 of the scheme every employer has to deduct 12% of the wages of employee towards contribution to the fund and add his contribution of another 12% and deposit with the Provident Fund Commissioner within the prescribed time.

These contributions are maintained in the office of Regional Provident Fund Commissiners and benefits are paid as per the provisions made in the scheme. There are three types of benefits viz.

(a) Payment of pension in the event of retirement, death etc. through the funds diverted from the contributions of Provident Fund under Employees Pension Scheme 1995.

(b) Withdrawal benefit in event of leaving the employment by resignation, retirement or death.

(c) Advances in the nature of withdrawals during the service of an employee for various purposes like House Building Advance, Medical, Marriage of children and dependants, in abnormal conditions like natural calamities, advances to Physically Handicapped members, advances for the purpose of post-matriculation examination etc.

The accumulations when paid after retirement or on cessation of membership will be paid along with an interest which currently is 9% calculated at monthly rests and the Provident Funds also qualify rebate in Income tax of the employees who are the Income tax assessed.

As discussed in the foregoing paragraphs, the Provident Fund legislation is a Social Security legislation of protective type which takes care of the fall in income due to contingencies arising out of leaving the employment, death of the employee, resignation of the employee, closure of the establishments and removal of the employee from the service for the reasons beyond his control or within in his control. Another provision made in the Provident Fund Act and Scheme as per Section 10, is the amount standing to the credit of any member in the fund shall not in any way be capable of being assigned or charged and shall not be liable to attachment under any decree or order of any court in case of any debt or liability incurred by the member and neither the official assignee appointed under the Presidency Towns Insolvency Act, 1909 nor any receiver appointed under the Provincial Insolvency Act, 1920 shall be entitled to or have any claim on such amounts and the same provisions apply for the pension amount at the credit of the member at the time of his death and it will be paid to his nominee and other persons entitled to as per the Act. This section of the Act will speak the true spirit of the Provident Fund Act while not parting with the money of the employee even in event of any mischief done by him and depriving him of the benefits of security. The idea of the policy makers is the vulnerable nature of the family members of such employees who become insolvent on their own with their own activities and ultimately become a burden for themselves as well as to the family. The provision, therefore, takes care of the social security needs or sustenance needs of the family in event of such action of the employees by not attaching the amounts of Provident fund or choosing it to paying off the debts made by the employee.

Section 11 of the Provident Fund Act also envisages that the priority of payment of contributions over other debts i.e. the employer should first deposit the Provident Fund dues with the Provident Fund Commissioner before paying of any of his debts. This section makes a compulsion on the part of the employer to take care of his employees before making any payments of his own dues other than PF dues.

Looking into the welfare of the members of the Provident Fund, the Employees' Provident Fund Act made certain other provisions to protect the interest of the workers in its section 7, 8, 11, 14 . In section 7, from sub-section (a) onwards the enforcement of Provident Fund Act is envisaged. Section 7(a) delegates enormous powers to the authorities under the Employees' Provident Funds Act like Assistant Commissioners, Regional Commissioners, Additional Central Provident Fund Commissioners and Central Provident Fund Commissioners to determine the money due from the employers and to act as a court for the purpose of determination of such dues that are escaped from the views of the Provident Fund Commissioners. The Provident Fund Commissioners in these section have been vested with the powers that have been vested in a court under code of civil procedure code for trying a suit in respect of -

(a) Enforcing the attendance of any person or examining him on oath.

(b) Requiring the discovery and production of document.

(c) Receiving evidence on affidavit.

(d) Issuing commission for examination of witnesses and any inquiry made for the above purpose shall be deemed to be a judicial proceedings within the meaning of section 193, 228 and for the purpose of Section 196 of Indian Penal Code.

Section 7(c) provides the authority to the commissioners to determine the escaped amounts.

Section 7(Q) directs the employer to pay simple interest at the rate of 12% p.a. on the amounts due from him if he does not pay well within the time.

Section 8 and its sub-sections deal with the recovery procedures even in event of default by the employer and Section 14 deals with penalties and section 14 and its sub-sections deal penalties, damages to be levied on the employers who are committing offences of non-complying with the provisions of Employees' Provident Funds Act.

Thus the Employees' Provident Fund Act and Employees' Provident Fund Scheme centers around the Enforcement of the Act for the welfare of the workers and administration of benefits extended through the Act respectively.

EMPLOYEES' PENSION SCHEME 1995

As discussed above, the Employees Provident Funds Act was enacted during the first plan period. The very Five Year Plan, the second five years plan recognizes the importance of a pension scheme and states “It needs to be examined whether the present provident fund contributions could be converted so as to form a basis for a suitable pension scheme” However, this vision took more than 35 years to materialize. Employees' Pension Scheme provides social security in the evening years of life of a person. It is the final stage of social security when a person reaches to the stage of non-earning by deploying his physical resources i.e. his bodily resources then he needs some continued economic support for sustenance. Such supportive care is taken care of by the pension schemes world over. The concept of old age pension was brought to India by the British because they brought the British bureaucrats to India to rule Indian people. When the benefits of pension were available to the British bureaucrats in Britain they were compelled to give such benefits to those who have been brought to India in the Indian bureaucracy. Gradually such pension benefits as were given to the British were made applicable to Indian bureaucrats too. After independence the same procedure continued to apply to the employees in Government. But no such facility was available for the employees working in the private sector and other public sector undertakings.

The introduction of Provident Fund Schemes be it Coal Mines Provident Fund or Provident Fund Scheme under the Act of 1925 or under the Act of 1952 has given a security to the people leaving the employment on various conditions. But such schemes do not provide any continued economic support after leaving the employment excepting the accumulated contributions along with the interest in their accounts. These provident funds were based on the system of defined contribution benefits but gave only lump sum at the end of service or retirement. The meager savings of lifetime when reached the hands of the retired worker, he had already made several commitments to spend his lifetime's savings in the Provident Fund account thereby leaving nothing for his sustenance after retirement. The worker became again dependent on the society or on his/ her children. The introduction of Family Pension Scheme 1971 has further improved the condition of the dependants of Indian workers in event of death of the earning members. But this was also not an absolute method of social security for the working class. After going through the various pension schemes available world over and the need to have continued economic support after leaving the employment by the workers the Government of India felt that there should be a pension scheme carved out of the contributions of the employer for the welfare of the employees. Thus the Employees' Pension Scheme 1995 came into being on 16.11.1995 with the diversion of 8.33 percent of the Employers' share of Provident Fund contribution to a separate pension fund in place of the old Employees' Family Pension Scheme. The pension system is a defined benefit system, which guarantees a defined monthly benefit linked to the salary of the worker on retirement throughout his remaining life. The members of the old Family Pension Scheme are automatically the members of the new scheme. In addition, willing non-members of the old scheme can also become the members of the new scheme by paying required contributions under the new scheme. The new scheme provides pension benefits in the form of defined retirement benefits and benefits to the survivors and dependents of the deceased worker.

Thus the Employees' Pension Scheme 1995 provides several benefits to the employees covered under the Scheme. These are -

(i) Superannuating benefit

(ii) Retirement benefit

(iii) Short service benefit

(iv) Minimum benefit

(v) Total and permanent disability/invalid pension.

(vi) Family pension in the case of death while in service of after retirement:

  (a) Widow pension

  (b) Children pension

  (c) Orphan pension

(vii) Return of capital

(viii) Withdrawal benefit

CONTRIBUTION AND FUNDING MECHANISM

The Employees Pension Scheme 1995 works on the principle of fully funded defined benefit system. In the defined benefits systems, the fund is always available to pay the liabilities of all the pensioners irrespective of the contributions being received from the current contributors. This works on the Social Insurance model where all the risks and resources are pooled. Independent actuaries appointed by the Employees Provident Fund Organization, periodically value the fund periodically to maintain actuarial equilibrium. The benefits are based on the formula taking into account the individual number of contribution or insurance years and the individual amount of earnings during the same period. The formula-bound amount is guaranteed to each person who meets defined entitlement conditions.(Social Budgeting, ILO, 2000 p.283).

The contribution mechanism is an amount equal to 8.33% of the salary of the worker is diverted from the employer's share of his Provident Fund contribution. The salary ceiling for the contribution is currently Rs.6500/- per month. However if any employer is willing to contribute on the entire salary of the worker irrespective of this ceiling may do so. The pension will also be calculated on the entire salary on which the contributions had been paid.(Employees pension Scheme, 1995, Para 11(3).

The ceiling of 6500/- has been set by the Government with a view to limiting the economic burden on the smaller establishments which may not be able to contribute on higher wages at the same time making them partners of welfare policy within their means. However the bigger and well off establishments may contribute on entire salary of the worker or extend the benefit to the workers who's salary on the date of employment itself is above Rs6500/- P.M. and who is otherwise an excluded employee for the purpose of coverage under the Employees provident Fund and miscellaneous Provisions Act 1952.

In addition to the employers' contribution, the Central Government also contributes at the rate of 1.16 per cent of the wages of the employee on which the Provident Fund contributions have been paid by the employer.

This ceiling of a wage of Rs6500/- is not specially kept for the Employees Pension Scheme 1995, it is the wage ceiling for the coverage under the Employees Provident Fund and miscellaneous Provisions Act 1952. The pension contribution is a diversion from the employers' share of Provident Fund contribution.

The pensionable salary has a direct relation with this ceiling. The pensionable salary is also called the insurable earnings. These earnings or the pensionable salary is the salary on which the contributions have been paid. However while calculating the pension benefit the pensionable salary is taken as the average of last 12 months salary immediately preceding retirement or exit from service. As discussed above if any employer has paid contributions on the salary that is more than the ceiling, average of that salary on which contributions have been received will be computed as pensionable salary irrespective of the ceiling. In such cases the worker will receive a pension up to a maximum of 60 percent of his last salary drawn if had contributed for 40 years OR 50 percent of his last salary drawn if he had contributed for 33 years.(Employees Pension Scheme, Para 11(3).

RATES OF PENSION

The Pension is calculated with a formula as under:

$$\text{Pension} = \frac{\text{Average Pensionable Salary} \times \text{Pensionable Service}}{70}$$

The pension granted as per this formula without any other additions is called the formula pension (Employees pension Scheme. 1995)

(i) Superannuating Pension : This pension in the case of Employees' Pension Scheme is equal to 50% of average salary (Basic + DA) during last twelve months of service for 33 years. If service is more than 33 years, pension will increase and can go up to 60% of salary. (in all the cases where the word average salary is used it is the average pensionable salary or the salary on which contributions have been paid) (EPS 1995, Para 12).

(ii) Retirement Pension: This pension is available to those who go out of employment on their own or retire from service before attaining the age of superannuating. Short service pension is available to those who have completed 10 years of qualifying service but have not completed 20 years. Advanced pension is also payable on completing the age of 50 years but subject to reduction factor of 3% for every year falling short of 58 years. (EPS 1995, Para 12).

(iii) Minimum Pension: This is in the case of existing member of Family Pension Scheme which was replaced by Employees' Pension Scheme 1995 with effect from 16.11.1995. This pension is payable: (EPS 1995, Para 12).

AGE	SERVICE	MINIMUM PENSION (PER MONTH)
BELOW 48	24 YEARS	Rs.800/-
48 - 53	24 YEARS	Rs.600/-
53 and above	24 YEARS	Rs.500/-

Same age group but the service is less then 24 years the Pension is Rs.450/-, Rs.325/-, Rs.265/- respectively per month.

For service beyond 16.11.1995 pension is worked out according to formula but it will not be less than Rs.635/-, Rs.438/- and Rs.335/- respectively plus past service benefit from –

Salary up to Rs.2500/- p.m.	Rs.80/- to Rs.150/-
above Rs.2500/- p.m.	Rs.85/- to Rs.170/-

(iv) Permanent Disability/Invalidity Pension : This pension is equal to full pension as per formula, subject to minimum of Rs.250/- p.m.

(v) Family Pension :

(a) Widow/Widower pension :

If a person dies while in service, provided that at least one months contribution has been paid into pension fund, the widow/widower is eligible to monthly pension which would have been payable as if the member had retired on the date of death of

Rs.450/- or the amount indicated in Table C attached to the Scheme, whichever is more.

Family pension or Widow/Widower pension is also payable in case a member dies after leaving service before attaining the age of superannuating but before starting payment of regular pension.

In such cases it is paid in the following manner.

"Monthly members pension which would have been admissible as if a member had retired on date of death or Rs.250/- p.m. or amount in Table C whichever is more"

In the case of death after superannuating and commencement of payment of monthly member pension, the Widow/Widower pension will be equal to 50% of monthly member's pension payable to a member on date of death subject to a minimum of Rs.250/- p.m.

In the case where there are two or more widows, family pension is payable from the eldest to youngest surviving widow i.e. as per the date of marriage. On her death it shall be payable to the next surviving widow, if any, pension is payable till death of the widow or remarriage whichever is earlier.

(b) Children Pension

(i) This pension is payable in case of death of a member this pension is in addition to widow/widower pension and payable to a maximum of two children at a time up to their attaining the age of 25 years. It is calculated @ 25% of normal widow/widower pension subject to a minimum monthly pension of Rs.115/-.

(ii) If the deceased member is not survived by a widow or widower but is survived by children below 25 years of age or if the widow/widower pension is not payable due to death or remarriage, orphan pension is payable @ 75% of widow/widower pension for each orphan subject to a minimum of Rs.170/p.m.

(iii) Another benefit given to the bachelors is they can nominate anybody to receive the pension equivalent to widow/widower pension in event of their death.

(vi) Withdrawal benefit : This is payable in the case of member not attaining the eligible service for entitlement of pension on date of exit or at age 58. He/she is eligible for withdrawal as per the table appended to the Employees pension Scheme 1995.

(vii) Return of Capital : This is another benefit available under Employees' Pension Scheme. But at the initial stage member has to opt for a reduced pension. It operates as under :

(a) If a member opts to draw 90% of original pension during her/his life, on death of the member, the nominee will get 100 times the original pension.

(b) If a member opts for 90% of original pension during his life and 80% of original pension is drawn by the widow/widower on his/her death the nominee will be paid 100 times the original widow pension.

(c) There is a third option in the Employees' Pension Scheme i.e. if the member opts to draw 87.5% of original pension for a fixed period of 20 years and the pension will cease thereafter. The member, if he is alive, after 20 years, otherwise his nominees will be paid a sum equal to 100 times of the original pension at the end of 20 years.

We will examine some of the calculations for various pension schemes here under

PENSIONABLE SALARY SOME IMPLICATIONS

Pensionable salary is calculated as per Para 11 of the Employees pension Scheme 1995. This is the deciding factor for pension for various cat4goris of pension under the scheme

The term “Salary” would mean “Pay / Wages” on which contribution is due. Pensionable salary is an important factor for calculation of monthly member pension based on Pensionable service (Service on or after 16.11.1995) rendered by the member. Pensionable salary is the average monthly pay of the member drawn in any manner including piece rate basis during the contributory period of service of 12 months preceding the date of exit from the membership of the Fund.

The current ceiling for salary for the purpose of contributions is Rupees Six thousand Five Hundred per month. Maximum Pensionable Salary shall be limited to Rs.6,500/- (from 1.06.2001) per month. However, Pensionable Salary may be Higher than this ceiling if Employer and Employee opt to make Pension Contribution on Higher Salary and paid pension contributions also at 8.33 % of higher salary every month from the date of commencement of the EPS or from the date salary exceeds Rs.6, 500/- whichever is later. In that case Pensionable salary (average salary) and consequently pension shall be based on such higher salary**.**

Periods during the span of 12 months for which no contributions have been received or are receivable due to non eligibility for wages is to be excluded. In such cases, Pensionable Salary shall be equivalent to total wages drawn during twelve months span divided by actual number of days for which wages drawn and multiplied by thirty.

Here there is a small anomaly. Neither the scheme nor the system checks the cases where there is a very low salary on which contributions have been paid for years together and suddenly the salary is hiked for the purpose of paying contributions during the last year of service there by making a member eligible for grater amount of pension. This kind of situation has not so far been addressed by the Employees Provident Fund Organization. We will have a look at an example how an average pensionable salary is calculated.

Here we will examine some examples and calculations of different kinds of pensions allowed under the Employees pension Scheme 1995, in addition to what has been detailed in the above paragraphs. Some points may look as a repetition, but the repetition is deliberate. All the tables (from III.1 to III.22) and worksheets are compiled based on the provisions of the Employees Pension Scheme 1995.

For example : The average monthly pay is calculated as under:

Date of Exit: 28.03.1997

Period reckoned 1.04.1996 to 28.03.1997

Table III.1

(An example for calculation of pensionable salary)

S.No	Month	Actual No. of Days	Amount Rs.
1	4/96	31	6500
2	5/96	20	4335
3	6/96	Nil	---
4	7/96	15	3250
5	8/96	31	6500
6	9/96	15	3250
7	10/96	30	6500
8	11/96	25	5500
9	12/96	Nil	---
10	1/97	15	2500
11	2/97	31	5000
12	3/97	28	5000
	Total	241	48335

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Average pay = 48335 /241 = 200.56 X 30 = 6016.80

Rounded to = Rs.6017/-.

In case of monthly paid employees, weekly holidays need not be shown as non-contributory service.As regards piece-rated employees, the average total wage is required to be reckoned with reference to the total wages earned during the period of 12 months divided by 365 days and 30 will multiply the product. However, where there is no wages earned for the entire month that month may be treated as period of non-contributory service.

No average pay need be calculated for arriving.

a). At the widow pension, which shall be calculated on the pay at the day of death

b). The withdrawal benefit which shall be calculated on the pay at the day of exit from Employment.

c). Return of Contribution which shall be calculated on the pay at the day of exit from Employment.

Formula for calculating Monthly Member's pension where actual service alone is eligible service = Actual Service (-) Non-Contributory Service = Pensionable Service

In the case of a new entrant the amount of monthly superannuating pension or retiring pension, as the case may be, shall be computed in accordance with the formula namely: -

$$\text{Monthly Member's Pension} = \frac{\text{Pensionable Salary x Pensionable Service}}{70}$$

EXAMPLE:

(i) Pensionable Salary : Rs.6500/-

(ii) Pensionable Service : 40 years (+2 years weightage)

(iii) Retirement Age : 58 Years

$$\text{Pension} = \frac{\text{Pensionable salary x (Pensionable Service+2)}}{70}$$

$$= \frac{6500 \text{ x } (40 + 2)}{70}$$

= Rs.3500/-Per Month

<u>COMPUTATION OF PENSION FOR EXISTING MEMBERS:</u>

In respect of those falling under the category of 'existing members', the monthly member's pension is computed as under: -

(a) Pensionable Service Pension benefit as per the prescribed formula.

And

(b) Past service pension benefit

The aggregate of (a) and (b) above will be <u>Monthly Member's Pension.</u>

While reckoning the Monthly Member's Pension, the following factors are considered:

i) age of the member as on 16.11.95

ii) years of past service

iii) salary

iv) Quantum of Past service benefit as on 16.11.95

v) Factor to multiply the past service pension, for period between 16.11.95 and date of attaining 58 years age;

vi) Minimum quantum prescribed for – factor pension;

- Pension with 24 years of past service
- Pension with service less than 24 year

To determine the age as on 16.11.95, the existing members are divided into 3 categories:

(1) Not attained the age of 48 years

(2) Attained the age of 48 years but less than 53 years; and

(3) Attained the age of 53 years or more

The years of past service is grouped into 4 categories i.e.

(i) up to 11 years

(ii) More than 11 years but up to 15 years

(iii) More than 15 years but less than 20 years

(iv) Beyond 20 years

The Salary as on 16.11.95, was divided into two groups, i.e.,

(i) Salary upto Rs.2500/- per month

(ii) Salary more than Rs.2500/- per month

Table III.2

The Past Service benefit payable on completion of 58 years of age of 16.11.95

	Years of Past Service	Salary upto Rs.2500/- Per Month	Salary more than Rs.2500/-per month
(1)	(2)	(3)	(4)
(i)	Upto 11 years	80	85
(ii)	More than 11 years but up to 15 years	95	105
(iii)	More than 15 years but less than 20 years	120	135
(iv)	Beyond 20 years	150	170

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Wherever the member completes the age of 58 years after 16.11.95, the quantum of Past service pension benefit, given in the Table above will be multiplied by the factor given in Table 'B' corresponding to the period between 16.11.95 and date of attainment of 58 years of age.

The minimum Pension prescribed at different stages is as (Table III. 3) under in superannuating cases (after attaining age of 58 years): -

Table III.3
Minimum past service benefits

Category	Age at 16.11.95	Minimum for Formula Pension	Minimum for 24 yrs Past Service	Minimum for Service less than 24 yrs
(1)	**(2)**	**(3)**	**(4)**	**(5)**
X	Less than 48 yrs	635	800	450
Y	Between 48 yrs and less than 53 yrs	438	600	325
Z	53 yrs and above	335	500	265

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III. 4
Pension for a worker of age below 48 as on 16-11-1995

S.No.	Particulars	Details
1.	Name of the member	**X**
2.	Date of birth	30.11.1947
3.	Date of joining FPF membership	08.08.1971
4.	Date of exit	30.11.2005
5.	Age at Exit	58 years
6.	Age as on 15.11.1995	47 years
7.	Pay as on 15.11.1995	Rs.5000/-
8.	Past Service period	24 years
9.	Pensionable Service Period	10 years &14 days (less than 11 years)
10.	Pensionable Salary	Rs.6500/-

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III. 5
Pension for a worker of age below 48 as on 16-11-1995
(Worksheet-1)

(a) Past Service Pension for 24 years under Para 12(3)(b)(iv) – multiplied by Table 'B' Factor for less than 11 years.	**- 170 X 2.720 = 462.00**
(b).Pensionable Service – 10 Years Pension payable higher of formula pension or Rs.635/- {Age below 48 Yrs on 15.11.1995}	**- Rs.6500 X10 / 70 = Rs.929/-**
(minimum assured eligible formula pension Rs.635/-)	
Pension Payable as above (a) + (b)	**- Rs.462 + 929 = Rs.1391/-**
But Minimum pension assured On attaining age 58 years with 24 yrs Past Service membership.	**= Rs.800.00**
Pension payable is more than the minimum pension Assured (Rs.800/-) under para 12 (3)(b). As such MMP payable in this case w.e.f. 01.12.2005 is	**= Rs.1391.00**

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.6

PENSION COMPUTATION FOR 'Y' Category [PARA 12(4)]

S.No.	Particulars	Details
1.	Name of the member	**Y**
2.	Date of birth	30.11.1942
3.	Date of joining FPF membership	01.08.1971
4.	Date of exit	30.11.2000
5.	Age at Exit	58 years
6.	Age as on 15.11.1995	52 yrs 11mts 14 Days = 52 yrs
7.	Pay as on 15.11.1995	Rs.5000/-
8.	Past Service period	24 yrs
9.	Pensionable Service Period	5 yrs 0 mts 14 days = 5 yrs
10.	Pensionable Salary	Rs.6500/-

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.7

(Worksheet-2)

(a) Past Service Pension for 24years under Para 12(3)(b)(iv)-multiplied by Table 'B' Factor for less than 6 years.	**- 170 X 1.689 = 287.00**
(b).Pensionable Service – 5 Years as per formula subject to minimum of Rs.464/- Rs.438/- {Age between 48 – 53 Yrs on 15.11.1995}	**- Rs.6500 X 5 / 70 =**
(Minimum assured eligible formula pension = Rs.438/-)	
Pension Payable as above (a) + (b)	**- Rs.287 + 464 = Rs751/-**
But Minimum pension assured On attaining age 58 years with 24 yrs Past Service membership.	**= Rs.600.00**
Pension payable is more than the minimum pension Assured (Rs.600/-) under para 12 (4)(b). As such MMP payable in this case w.e.f. 01.12.2000 is	**= Rs.751.00**

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.8

PENSION COMPUTATION FOR 'Z' Category [PARA 12(5)]

S.No.	Particulars	Details
1.	Name of the member	**Z**
2.	Date of birth	30.11.1937
3.	Date of joining FPF membership	01.08.1971
4.	Date of exit	30.11.1995
5.	Age at Exit	58 YEARS
6.	Age as on 15.11.1995	58 YEARS
7.	Pay as on 15.11.1995	Rs.6500/-
8.	Past Service period	24 yrs 3mts14 days 24 years
9.	Pensionable Service Period	0 years 0 mts 15 days Nil
10.	Pensionable Salary	Rs.6500/-

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.9

(Worksheet-3)

(a) Past Service Pension for 24 years as per | - 170 X 1.049 = 178.00 **Para 12(3)(iv) -multiplied by Table 'B' |** **Factor for less than one year. |**
(b).Pensionable Service – 15 days Pension payable – Rs.0/-(ZERO) **after rounding off of 15 days, Pensionable service is nil.** **As such no Pensionable service pension.**
Pension Payable as above (a) + (b) Total - Rs.178 +0 = Rs.178/-
Total pension entitlement being less than minimum pension prescribed (for 24 yrs Past Service) Rs.500/- pm. The actual pension payable for 24 years in this case is Rs.500/- w.e.f. 01.12.1995.

(Compiled based on the provisions of the Employees Pension Scheme 1995).

The Pension is payable monthly, from the date following the date of attaining 58 years of age in case of superannuating, even though he may continue in service.

Table III. 10

PENSION COMPUTATION FOR 'X' Category [PARA 12(3)]

X Erstwhile Family pension member who has not attained 48 years on 16-11-95

S.No.	Particulars	Details
1.	Name of the member	**X**
2.	Date of birth	16.02.1949
3.	Date of joining FPF membership	02.03.1985
4.	Date of exit	30.09.2000
5.	Age at Exit	51 years 6 months14 days 51 years
6.	Age as on 15.11.1995	46 years 9 months 46 years
7.	Pay as on 15.11.1995	Rs.2450/-
8.	Past Service period	10 years 8 months 13 days 11 years
9.	Pensionable Service Period	4 years 10 month 13 days 5 years
10.	Pensionable Salary	Rs.3750/-
11.	Years to age 58	11 years 3 months 0 days (Less than 12 Years)

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.11
(Worksheet-4)

(a) Past Service Pension for 11 years under Para 12(3)(b)(i) – multiplied by Table 'B' Factor for less than 5 years.	**- 80 X 2.992 = 239.00**
(b).Pensionable Service – 5 Years Pension payable higher of formula pension or Rs.335/- {Age below 48 Yrs on 15.11.1995}	**- Rs.3750 X 5 / 70 = Rs.268/-**
(minimum assured eligible formula pension Rs.335/-)	
(c)Pension Payable as above <u>(a) + (b)</u>	**- Rs.239 + 335 = Rs.574/-**
But Minimum pension assured On attaining age 58 years with 24 yrs Past Service membership.	**= Rs.500.00**
Since the amount of Pension is more than Rs.500, The amount arrived at (c) above should be taken	**= Rs.574/-**
<u>Less:</u>	
Deduction for early pension : Discount @ 3 % For shortfall for 58-51 yrs i.e. 7 years X 3 % On reducing balance Per year of short fall. (deduction on reduced balance method)	**=574X80.82 = Rs.464.00**
The amount of pension payable shall be Rs.464/- per month for life from the date following the date of retirement i.e. 01.10.2000.	

Table III.12

PENSION COMPUTATION FOR 'Y' Category [PARA 12(4)]

'Y' Ex Family pension member- age 48-53

S.No.	Particulars	Details
1.	Name of the member	**Y**
2.	Date of birth	15.06.1943
3.	Date of joining FPF membership	01.07.1978
4.	Date of exit	31.05.1998
5.	Age at Exit	54 yrs 11 mts 15 days 54 yrs
6.	Age as on 15.11.1995	52 yrs 5 mts 52 yrs
7.	Pay as on 15.11.1995	Rs.3500/-
8.	Past Service period	17 yrs 4 mts 17 days 17 yrs
9.	Pensionable Service Period	2 yrs 6 mts 14 days 3yrs
10.	Pensionable Salary	Rs.5000/-
11.	Years to Age 58	5 yrs 6 mts 29 days (less than 6 years)

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III. 13
(Worksheet-5)

(a) Past Service Pension for 17years under - 135 X 1.689 = 228.00 **Para 12(3)(b)(iii)-multiplied by Table 'B'** **Factor for less than 6 years.**
(b).Pensionable Service – 3 Years - Rs.5000 X 3 **as per formula subject to minimum of --------------- = Rs.214/-** **Rs.335/- {Age between 48 – 53 Yrs on 15.11.1995} 70**
(Minimum assured eligible formula pension = Rs.335/-)
(c) Pension Payable as above (a) + (b) - Rs.228 + 335 = Rs563/-
(Minimum pension assured on attaining the age | **of 58 years with 24 yrs Past service membership) | =Rs 500/-**
Since the amount of Pension is more than Rs.500, **the amount arrived at (c) above should be taken = Rs.563/-**
<u>Less:</u>
Deduction for early pension : Discount @ 3 % =563X88.54 = Rs.498.00 **For shortfall for 58-54 yrs i.e. 4 years X 3 %** **On reducing balance Per year of short fall.** **(deduction on reduced balance method)**
The amount of pension payable shall be Rs.498/- per month for life from the date following the date of retirement i.e. 01.06.1998.

Table III.14
CALCULATION OF DISABLEMENT_MEMBER PENSION-EXAMPLE -2

S.No.	Particulars	Details
1.	Name of the member	**D**
2.	Date of birth	01.07.1970
3.	Date of joining EPS membership	16.11.1990
4.	Date of exit	06.11.1999
5.	Age at Exit	29 yrs
6.	Age as on 15.11.1995	25 yrs
7.	Wages as on 15.11.1995	Rs.2500/-
9.	Pensionable Service Period	3 yrs 4 mts 12 days 3yrs
10.	Pensionable Salary	Rs.3000/-
11.	Years to Age 58	28 yrs 7 mts 24 days
12	NCP Days under Actual service	7 mts 8 days

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III.15

Pension calculation:

(a) Formula pension Para 12(2)

Pensionable Service	-	**06.11.1999** **16.11.1995** ----------------------------- **20.11. 03.**	
NCP Days	-	**08.07. 0** -----------------------------	
	-	**12.04. 3** -----------------------------	**= 3 years**
3000 X 3 ----------- **70**	=	**128.57 [i.e.] =Rs.129/-**	

<u>(b). Past service benefit under FPF'1971:</u> **(worksheet-6)**

Salary Rs.2500/-
Past Service 5 years
Pension as per Table under 12(3)(b) - Rs.80/-
Table 'B' Factor as per 12(3)(c) - Less than 4 years 1.396
Rs.80/- X 1.396 = 111.68 rounded off to Rs.112/-
(c). Total Pension Payable (a) + (b) = 129+112 =241.
But minimum pension as per para 15 is Rs.250/- per month.
The member opted for Return of Capital
Explanation 3 under para 13(3).
Reduced Pension @ 1 % per year falling short of 50 years – 250 X 1 % = 2.5X21=Rs.52.50
Reduced pension Rs.250 – 52.50 = 197.50=198 **198.00** **Less: ROC option 3(12.5 % of Rs.198) 24.75** **---------** **173.25 = Rs.173/-** **--------**
Disablement monthly pension = Rs.173/- w.e.f.07.11.199 to 07.11.2019 (for 20 yrs)
Return of Capital Payable by further reducing @ Rs.1,000/- per year which falls short of 50 years **Entitled ROC 25000** **Reduction for 21 yrs=1000x21 21000** **--------** **Return of Capital 4000** **Payable --------**

(Compiled based on the provisions of the Employees Pension Scheme 1995).

CALCULATION OF REDUCED PENSION UNDER PARA 13(1) – AFTER COMMUTATION OF PENSION AND ON EXERCISING OPTION FOR RETURN OF CAIPTAL:

In such cases (i.e. after commutation of pension), the reduced pension as provided under Para 13(1) shall be calculated on the original monthly pension. The following example will illustrate:

a) Original Monthly pension under Para 12 Rs. 600

b) Amount of pension commuted under Para 12A Rs. 200

c) Amount of commuted value of pension
Rs.20,000
(200 X 100 = 20,000)

d) Balance of original monthly pension (600-200) Rs. 400

e) Reduced pension under Para 13(1) for ROC (Reduction
For option-I at the rate of 10 % of original pension) Rs. 340
(600-200-60=340)

f) Pension in payment (on commutation and Return of Capital Rs. 340

g) ROC as per the option exercised
(400 X 100 = Rs.40,000 {Option 1 & 3})
(400 X 90= Rs.36,000 {Option 2})

h) Spouse pension on death of Member pensioner Rs. 300
[50% of original monthly pension as at (a)]

For the existing member pensioner in payment as on 16.11.1998, the payment of pension is to be regulated as per the example shown above on filing the option for commutation on or after 16.11.1998.

RETURN OF CAPITAL TO THE DISABLED PENSIONERS – IN THE CASE OF PENSION COMMENCING BEFORE ATTAINING THE AGE OF 50 YEARS – APPLYING THE REDUCTION FACTOR.

Explanation 3 under Para 13(1) of the Employees' Pension Scheme, 1995 provides that in the case of a member who is eligible for permanent total disablement pension, and where the payment of such pension is commenced before his attaining the age of 50 years, the options shall also be admissible. But in such cases the actual pension payable shall be reduced by 1 % and the return of capital shall be further reduced by Rs.1,000/- for every year by which the age of commencement of pension falls short 50 years.

Example:

- ❖ Consider a disabled Pensioner aged 35.
- ❖ Original Pension Rs.500/- - opted for ROC.
- ❖ ROC Pension in normal course would have been Rs.450/- and ROC as Rs.50,000/-
- ❖ In case of Disablement Retirement Reduction in
  ROC = Rs.450 x .01 x (50-35)= Rs.67.50
- ❖ ROC Pension Payment = Rs.450 – Rs.67.50 = Rs.382.50
- ❖ Return of Capital = Rs.50,000 – (50-35) x Rs.1,000 = Rs.35,000

This will mean that a pension in payment is to be reduced by 1 % and the Return of Capital is to be further reduced by Rs.1,000/- per year falling short of years to 50 years of age.

Table III.16

CALCULATION OF WIDOW PENSION IN CASE OF DEATH WHILE IN SERVICE

S.No.	Particulars	Details
1.	Name of the member	**AA**
2.	Date of birth	10.09.1955
3.	Date of Death	31.01.2002
4.	Age at Exit	46 years
5.	Age as on 16.11.1995	40 years
6.	Pay as on 16.11.1995	Rs.3969/-
7.	Past Service period	21 years
8.	Pensionable Service Period	6 years
9.	Pensionable Salary	Rs.5918
10.	Years to Age 58 (from 16.11.95)	11 yrs 7 mts 8 days.12 years

(Compiled based on the provisions of the Employees Pension Scheme 1995).

III. 17

(Worksheet-7)

(a) Past Service Pension for 21 years under Para 12(3)(b)(i) – (Multiplied by Table 'B' (for less than 7 yrs) 1.858 x 170).	**-**	**= Rs.170.00 = Rs.316.00**
(b) Formula pension	**$\frac{5918x6}{70}$**	**=Rs.507.00**
(a) + (b) -	**316+507**	**=Rs.823.00**
In case of Death of the member while in service 1). Amount of monthly member pension as above 2).Amount indicated in Table "C"(As amended on 27.09.2001) 3). An amount of Rs.450.00 (Precribed minimum Widow pension)		** =Rs. 823.00 =Rs.1996.00 =Rs. 450.00**
Higher of 1 or 2 or 3		**=Rs.1996.00**
Widow pension payable is Rs.1996/- Children pension payable (25 % of Widow pension of Rs.1996/-) is Rs. 499/-(per Child) Orphan pension payable (75 % of Widow pension of Rs.1996/-) is Rs.1497/-(Per Orphan)		

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III. 18

DEATH AFTER THE DATE OF EXIT

Para 16(2)(a)(ii)

Before attaining the age of 58 years	With 10 years eligible service	Widow pension shall be Equal to MMP which would have been admissible as if the member had retired on the date of death or Rs.450/- or the amount indicated in Table "C" which ever is more
	Without 10 years eligible service	

Table: III.19
CALCULATION OF WIDOW PENSION IN CASE OF DEATH AFTER EXIT FROM EMPLOYMENT

S.No.	Particulars	Details
1.	Name of the member	**BB**
2.	Date of birth	01.02.1955
3.	Date of Exit	21.02.2000
4.	Date of Death	02.03.2000
4.	Age at Exit	45 years
5.	Age as on 16.11.1995	40 years
6.	Pay as on 16.11.1995	Rs.3500/-
7.	Past Service period	15 years
8.	Pensionable Service Period	4 years
9.	Pensionable Salary	Rs.5000
10.	Years to Age 58 (from 16.11.95)	12 yrs 10 mts 29 days. Or 13 years

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table III. 20(Worksheet-8)

(a) Past Service Pension for 15 years under - **Para 12(3)(b)(i) – (Multiplied by Table 'B'** **(for less than 5 yrs) 1.536 x 105).**	**= Rs.105.00** **= Rs.161.00**
(b) Formula pension $\frac{5000\times4}{70}$	**=Rs.286.00**
(a) + (b) - 161+286	**=Rs.447.00**
In case of Death of the member after exit from employment **1). Amount of monthly member pension as above** **2).Amount indicated in Table "C"(Prior to amendment dated. 27.09.2001)** **3). An amount of Rs.450.00 (Precribed minimum Widow pension)**	 **=Rs. 447.00** **=Rs.1750.00** **=Rs. 450.00**
Higher of 1 or 2 or 3	**=Rs.1750.00**
Widow pension payable is Rs.1750/- **Children pension payable (25 % of Widow pension of Rs.1750/-) is Rs. 438/-(per Child)** **Orphan pension payable (75 % of Widow pension of Rs.1750/-) is Rs.1313/-(Per Orphan)**	

(Compiled based on the provisions of the Employees Pension Scheme 1995).

After commencement of Pension -------	Widow pension shall be 50 % of Monthly M embers' Pension subject to minimum of Rs.450/- per month

ALCULATION OF WIDOW PENSION - DEATH OCCURRED AFTER SUPERANNUATION / AFTER COMMENCEMENT OF PENSION.

ASSUMING MEMBER'S PENSION	**Rs.1600/- p.m**
Widow pension (50 % of member's Pension)	**Rs. 800/- p.m**
(Children Pension will be paid in addition to Widow Pension maximum up to two children at a time)	

Note: The amount payable under Table-C will be restricted to Rs.1750/- even where the salary on which pension contribution paid exceeds Rs.4200/-

QUANTUM OF PENSION:

Monthly children pension for each child, shall be equal to 25 % of the Pension admissible to the Widow of the deceased member subject to a minimum of Rs.150/- per month.

Table: III.21

CALCULATION OF CHILDREN PENSION

This is paid in addition to widow pension maximum upto two children	
Rate of Pension	25 % of widow Pension for each child
Assuming that widow pension is	Rs.880 per month.
If the widow has two children paid	Rs.220/- to each child. upto 25 years will be
(Minimum children Pension = Rs.150/-)	

(Compiled based on the provisions of the Employees Pension Scheme 1995).

Table: III. 22

CALCULATION OF ORPHAN PENSION

Widow Pension	**-**	**Rs.800/- per month**
Widow dies leaving two orphans aged 12 & 8		
Orphan Pension		**75 % of Widow pension to each orphan**
Orphan Pension = 75 % of 800		**Rs.600/- per month per orphan.**
(Minimum Orphan Pension per child Rs.250/- per month)		

(Compiled based on the provisions of the Employees Pension Scheme 1995).

MONTHLY ORPHAN PENSION – 75% OF THE WIDOW PENSION – PAYABLE TO EACH OR TO BE DIVIDED BETWEEN THEM

As per Para 16(4)(a) read with Para 16(4)(b), 75% of the Monthly Widow Pension is to be paid to each of the orphan, subject to a minimum of Rs.250/- per month per orphan

THE QUANTUM OF NOMINEE PENSION WILL BE EQUIVALENT TO THE WIDOW PENSION

The quantum of nominee pension will be equivalent to the widow pension, as under:-	
In case of death while in service	**- Equal to MMP or Rs.450/- or Amount in Table C whichever Is more.**
Death after the date of exit with 10 years eligible service before 58 yrs of age	**-**

Death after the date of exit without 10 years Eligible service before 58 yrs of age	**- Not entitled for monthly pension under para 12. Entitled to ROC as provided under Para 13(1)-(in lieu of pension)**

(Compiled based on the provisions of the Employees Pension Scheme 1995).

If a member is not entitled to a pension at the date of exit then his beneficiary cannot receive a pension under Para 16(5)(b). Nominee will not receive pension, but his/her benefit shall not be less than Capital Value of notional Pension otherwise payable to the member.

EXAMPLE-1:

Date of Joining : 1.12.1995;
Date of leaving : 1.1.1996;
Salary Rs.5,000/-
Date of death : 15.2.1996
Notional pension should be based on the Scheme formula: Rs.5000 x 1/70=Rs.71. So, nominee beneficiary will get Rs.71 x 100 times =Rs.7100/- as Capital Value of Pension.

EXAMPLE-2:

Date of Joining : 07.12.1988;
Date of Leaving : 15.12.1996;
Date of death:01.04.1997
Salary Rs.5000/-
Past Service Pension = Rs.85/-
Pensionable Service -Pension = Rs.5000X1/70 = Rs.71/-.
Notional Pension Payable = Rs.85+Rs.71 =Rs.156/-.
Thus, nominee beneficiary will get as Capital Value of Pension=Rs.156 X 100 =Rs.15,600/-

EXAMPLE-3:

Date of Joining : 15.01.1996;
Date of Exit : 01.01.2005;
Date of death:01.08.2005
Salary Rs.5000/-
Past Service Pension = Rs.0/-
Pensionable Service -Pension = Rs.5000X9/70 = Rs.642/-.
So, Nominee beneficiary will get Rs.642 X 100 = Rs.64,200/- as Capital Value of Pension.

These are the some of the calculations for various pensions detailed in the Employees Pension scheme.

As discussed above the Employees' Pension Scheme came into being with effect from 16.11.95. This pension scheme is introduced in place of existing Family Pension Scheme which became operational since 1971. The Employees' Pension Scheme provides for compulsory coverage of existing members of Family Pension Scheme and for new entrants to the Employees' Provident Fund after 16.11.95. It is also applicable to those who ceases to be member of the Family Pension Scheme 1971 between 1.4.93 to 15.11.95 and who opt to join the scheme provided they deposit in pension fund the withdrawal benefits received by them if any with interest. The another provision in the pension scheme is it enables the members of the Employees' Provident Fund who did not join the Family Pension Scheme 1971 can now opt to join the pension scheme after depositing the past period contributions with interest within six months.

The members of the Employees' Pension Scheme do not contribute anything from their wages or salary towards this pension scheme. However, 8.33% of the Employers' share of Provident Fund contribution will be diverted to the Pension fund and the remaining percentage of Employer contribution i.e. 3.67 and 1.67 in 175 and 5 industries respectively as well as entire Employees' Share remains in the Provident Fund. Moreover, the entire past Employees' Share up to 15.11.95 will also remain in the PF A/c. The Government of India makes a contribution equivalent to 1 1/6% of the wages.

The administration of pension scheme is taken care by Employees' Provident Fund Organisation and the administration set-up of the pension scheme as well as Provident Fund scheme is discussed elsewhere in the following chapters. With the introduction of the Employees' Pension Scheme the objectives of the social security are expected to be achieved to a great extent at least to the organised sector in the country where the EPF & MP Act applies. This legislation has made provision for the Old age income and survivor benefits. As discussed in the earlier Chapters, the schemes provide for income maintenance by guaranteeing a minimum continuous income in event of retirement, destitutions, widowhood etc. Further the Employees pension scheme is a long awaited scheme for the Government of India was unable to enact a law of pensions for Industrial workers as per the recommendations of the Rege committee in the initial years of Independence itself due to its economic impact on the government and on the Industry. Now that a number of countries world over have pension systems for their work force and there has been a constant demand for a third benefit from the Industrial workers in India, the Government of India has come out with this scheme. The scheme extends a helping hand to the workers of small means in the evening years of their life after retirement. Senior citizens of the country need not work again to earn their living once they had worked during their youthful days in nation building. The pensions scheme also makes an old person live in dignity without any dependence on the economic support extended by his /her sons and daughters or by relations or by the charity organisations. Neither is he required to worry about the vicissitudes of the money market during his old age to invest whatever little money he saves during his lifetime in the defined contribution system or in his personal savings. In many cases, it is not possible to invest the lump sum that is paid at the time of retirement of the worker who is particularly in the very low pay brackets.

Summary and Conclusions

Both the Employees Provident Fund Scheme and the Employees pension Scheme are beneficial legislations. While Employees Provident Fund Scheme provides an accumulation for the Old and for the survivors to enable them to meet immediate cash requirements at the Old Age, the Pension scheme guarantees continuous post retirement income to the workers and to their dependents in event of the death of the worker thereby protecting him from the contingent poverty. The pension is however limited to the benefit formula linked to insurable earnings or pensionable salary on which contributions paid. This some time may be very small amount in comparison with the last salary drawn as the contributions were collected on ceiling of Rs6500/- P.M. The only implication is in case of workers earning wages above Rs.6500/- P.M. and if their employers are not paying contributions on entire salary, the pension is calculated on the pensionable salary on which contributions have been paid. This will not go with the principles of income maintenance in event of retirement. Nor does it guarantee a decent living after retirement if there are no other savings by the worker. However, the Provident Fund Scheme is a defined contributions scheme where as the Pension Scheme is a Defined Benefit Scheme. These schemes enable the aged persons who were in low salary brackets live in dignity. The schemes are designed to attack contingent poverty among the vulnerable groups within the working class. The contingencies like old age, death of the workers, widowhood, closure of establishments and disablement are taken care of by these legislations. The contingencies like Medical requirements and sick ness are under other legislations like Employees State Insurance Act 1948.

CHAPTER IV

WORKING OF EMPLOYEES' PROVIDENT FUNDS & PENSION SCHEMES ADMINISTRATIVE ARRANGEMENTS

In this chapter, we discuss the administrative arrangements for delivery of benefits that are guaranteed by the Employees Provident Funds and miscellaneous provisions Act 1952 and schemes framed there under.

The organisational set up suggested by the Employees' Provident Fund Act, 1952, Scheme 1952 takes care of the following activities:

- Coverage and registration
- Collection and recording of contributions
- Compliance and Enforcement
- Investment of funds
- Award and payment of benefits

The organizational arrangements and workforce deployed for these activities are discussed in the paragraphs of relevant chapters hereafter.

All these five types of activities complete the process of implementation of Provident Fund and Pension legislations right from bringing the beneficiary under the purview of the Act and giving benefits to him.

The administration of the provident funds and pension scheme is entrusted to an autonomous and statutory body called Central Board of Trustees, Employees Provident Fund, which came into existence in October 1952. In the day-to-day usage the organisational set up is called the Employees' Provident Fund Organisation.

The Central Board of Trustees is a tripartite body and is a body corporate having perpetual succession and common seal and can sue and be sued. The composition of the board has the representation of all concerned, like Employer, Employees and Government. While being under the administrative control of the Union Ministry of Labour, the Central Board enjoys autonomy. But the policies of the Central Board are always in conformity with the general policy goals of the State. The Central Board of Trustees is therefore entrusted with the duties and responsibilities of administering the schemes of Provident Fund & Pension.

COMPOSITION OF THE BOARD

As per Section 5-A of the Act the Central Government has constituted the Board of Trustees consisting of the following persons as members, namely:

(a) A Chairman and a Vice-Chairman to be appointed by the Central Government.

(aa) The Central Provident Fund Commissioner – Ex Officio member

(b) Not more than five persons appointed b y the Central Government from amongst its officials;

(c) Not more than five persons appointed by the Central Government representing Governments of such states as the central Government may specify in this behalf;

(d) Ten persons representing employers of establishments to which the scheme applies, appointed by the Central Government in this behalf; and

(e) Ten persons representing employees in the establishments to which the scheme applies, appointed by the Central Government after consultation with such organisations of employees as may be recognised by the Central Government in this behalf.

Thus, the Central Board is a board consisting of a large number of forty three (43) members including Chairman & Vice-Chairman.

DUTIES AND RESPONSIBILITIES OF THE CENTRAL BOARD.

The Schemes framed under Employees' Provident Funds & Misc. Provisions Act, 1952 the Central Board administers schemes viz. Employees Provident Fund scheme, 1952 Employees Deposit Linked Insurance scheme, 1976 and Employees' Pension scheme, 1995.

The tenure of the Board is five years. Main functions of the Board are:

- Administering the Funds created and vested in the Board and performs other works incidental thereto.
- Maintaining accounts of Income & Expenditure in prescribed form and manner.
- Delegation of powers for administration of the schemes.
- Submitting audited accounts with comments and annual report of performance of the Organisation to Government.

EXECUTIVE COMMITTEE

The Executive Committees is a statutory committee which is constituted from amongst the members of the Central Board of Trustees by the Central Government under section 5AA of the act to assist the central Board of trustees in the performance of its functions relating to administrative matters. The term of the committee is two and half years. It consists of

- ➢ Chairman (Labour secretary Govt. of India)
- ➢ Central Government representatives'
- ➢ State Government Representatives
- ➢ Employees' Representatives
- ➢ Employers' Representatives

The functions of the Committee are:

- Opening of Sub-Regional Offices
- Approval for purchase of land and estimates for constructing office buildings and staff quarters.
- Creating Group 'A' posts
- Crating of new regions/up gradation of exiting regions
- Hiring of building on monthly rent exceeding Rs.50, 000/-
- Consideration of the Investment policy and making appropriate recommendation to the Board on liberalisation of investment pattern.
- Specifying work norms for staff and officers of the Organisation.
- Framing/amending of the rules relating to method of recruitment, pay and allowances and other conditions of service of the officers and staff of the Employees' Provident Fund Organisation.

In addition to Executive Committee, there are subcommittees to assist Central Board as well as Executive Committee in proper implementation of the provisions of the Provident Fund & Pension Schemes; like

- Finance & Investment Committee
- Committee on Exempted Establishments
- Committee on Special Reserve Fund
- Building & Construction Committee
- Pension Implementation Committee

The working of the schemes is also monitored by:

- Parliamentary Consultative Committee and,
- Regional Committees.

Parliamentary Consultative Committee

This Committee is constituted by the Parliament as and when they feel like. The latest one was constituted on 21 August.1996. After review of performance, the Committee submits its report.

Regional Committee

Para 4 of the Employees' Provident Fund Scheme, 1952 provides for constitution of Regional Committees for each state to advise the Central Board of Trustees on matters connected with the administration of the scheme in the state and in particular on

- Progress of recovery of Provident Fund Contributions and other charges.
- Expeditious disposal of prosecution
- Speedy settlement of claims
- Annual rendering of accounts to member of the Fund, and
- Speedy sanction of advances

There are 18 Regional Committees under Para 4 of Employees' Provident Fund Scheme, 1952. The term of the Regional Committee is three years.

As stated elsewhere the Central Board administers the Provident Fund & Pension Schemes through its offices i.e. the offices of Employees' Provident Fund Organisation, which has a corporate Headquarters at New Delhi, Zonal, Regional, Subordinate Regional Offices all over the country. We will examine in detail the structure and functioning of Central Regional & Subordinate Regional Offices in the following paragraphs. Before that we will examine Central Government control over Central Board of Trustees.

Control of central Government over Central Board of Trustees.

Although Central Board of Trustees, Employees' Provident Fund is a body corporate or a statutory body, it is dependent on Central Government for majority of its functioning other than finances. The Administration of fund is neither funded nor financed from the general revenues of Government of India, neither is it met from the consolidated fund of India. On the other hand, Central Board collects Administration charges as a percentage of total wages paid by employer of covered establishment to their employees. This amount is spent for its day-to-day administration. This expenditure is analysed elsewhere in this chapter.

Table IV.1

AREAS OF CENTRAL GOVERNMENT CONTROL OVER CENTRAL BOARD

1.	Central Government may notify coverable establishments	Section 1(3)(b)
2.	Central Government may authorise officers of the Board for any work/duty under the Act	Section 2(99)
3.	Central Government may add industries to schedule I	Section 4 (1)
4.	Central Government may draft & Frame a Scheme for establishment of Provident Funds	Section 5(1)
5.	Central Government may notify the constitution of Central Board	Section 5A
6.	Central Government will appoint members of the board	Section 5A(1)
7.	Central Government will specify the manner and form of maintenance Account of Income & Expenditure after consultation with controller and Auditor General of India	Section 5A(5)
8.	Central Government will receive a copy of Annual report	
9.	While fixing the scales of pay and other allowances and benefits to the employees of the board, no departure should be made from the scales benefits/rules applicable to the equivalent cadre of Central Government without prior sanction of and approval of Central Government.	Section 5 D-7
10.	Central Government will notify the constitution of Executive Committee	Section 5AA*1)
11.	Central Government appoints Chairman and Central & State Govt. representatives on the Executive Committee	Section 5AA2(a&b)
12.	The Central Government will appoint Central Provident Fund Commissioner and Financial Advisor Chief Accounts Officer	Section 5-D(4)
13.	Consultation with UPSC necessary for appointment of officers at the first instance	Section 5-D(4)
14.	Prior approval of Central Government is necessary to make departure from Central Government Rules	Section 5D7
15.	In case of doubts in determining equivalent posts/corresponding scales Central Board shall refer the matter to the Central Government whose decision is final	Section 5(D)(7)(a)
16.	Rate of contribution is decided by the Central Government	Section 6
17.	Central Government may frame a Pension Scheme	Section 6-A

18.	The Central Government may by notification modify the schemes (P.F./Pension/EDLI)	Section 7
19.	Central Government may constitute Appellate Tribunal	Section 7-D(`1)
20.	Make appointments/fill up vacancies in the Tribunal	Section 7-M
21.	Central Government may authorise APFCs to recover the arrears of PF & other dues	Section 8-F(4)
22.	Central Government may authorise APFCs to recover the arrears of P.F. & other dues	Section 13
23.	Central Government authorise any officer by notification in the official gazette to recovery damages from employers	Section 14-B
24.	Central Government may by notification in the official gazette exempt whether prospectively or retrospectively or retrospectively pertain classes of establishments	Section 16(2)
25.	Central Government will decided the investment pattern for both the exempted establishments and un-exempted establishments	Section 17
26.	Central Government may from time to time, give directions to Central Board as it may deem fit	Section 20
27.	Central Government has the power to make rules	Section 21
28.	Central Government has the power to remove difficulty in case of giving effect to any provisions of the act	Section 22
29.	The decision of the Central Government on the issues of disqualification of trustees is final i.e. The central Government has got to be referred to when a question of disqualification arises	Para 8 of the EPF Scheme
30	The Central Government may remove from office any trustees of the Chairman	Para 9 of the EPF Scheme
31.	Appropriate Government may exempt class of employees from the operation of all or any of the provisions of the scheme	Para 27 (A)(1)
32.	The class of employees exempted as aforesaid, will pay inspection and other charges and invest fund in such manner as the Central Government may direct.	Para 27(A)(2)
33.	Central Government, in exceptional cases, allow acceptance of transfer of securities from the authority making the transfer to the fund at the price for which they were actually purchased.	Para 28(27)
34.	Central Government may authorise any officer to recover penal damages from Employers	Para 32 (A)
35.	The financial Institution i.e. Bank for investment of Provident Fund monies is approved by the Central Government	Para 52 (1)
36.	Expenditure from the Fund for the purpose other	Para 53(1)

	than the payment of the sums standing to the credit of individual members of the fund requires previous sanction of the Central Government.	
37.	The expenses incurred by the Central government in connection with the establishment of the fund shall be treated as a loan and such loan shall be repaid from the Administrative Account	Para 55
38.	Budget is sanctioned by the Central Government and the Central Government may make such modifications in the budget as it considers desirable before sanctioning	Para 58(1) & (2)
39.	Rate of interest paid to the members of the Provident Fund is determined by the Central Government	Para 60(1)
40.	Central Government has the powers to issue direction to the State Government, Central Board or any authority under this Act/Scheme	Para 78(1)
40.	Central Government has the powers to issue directions to the State Government, Central Board or any authority under this Act/Scheme	Para 78(1)
41.	PENSION SCHEME Central Government shall contribute at the rate of 1.16 per cent of the pay of members of the EPS subject to a maximum pay of Rs.6500/- p.m.	Para 3(2)
42.	Form and manner of maintenance of Pension Account by the Commissioner shall be approved by the Central Government	Para 29
43.	Valuation of the Employees' Pension Fund and review of the rates of contribution and quantum of the pension and other benefits will be decided by the Central Government.	Para 32
44.	Exemption from the operation of the appropriate Government i.e. State Government or the Central Government.	Para 39
45.	Where any doubt arises with regard to any proportion of the scheme the Central Government will interpret it	Para 41

From the foregoing paragraphs it can be seen that

- The fund is administered by the Board
- Work force is appointed by the Board
- Subscribers/Members of the fund are serviced by the Board
- Establishments are inspected and the act is enforced on the establishments by the Board

However, the ultimate administrative and financial control is with the Central Government. The Central Government declares rates of contribution, scales of benefits, investment pattern, rates of interests, whereas the board does the expert technical work.

WORKING AND ORGANISATIONAL STRUCTURE OF CENTRAL BOARD

The Corporate Headquarters at New Delhi is a policy making implementing and controlling office. It has functions of Training and development of Manpower and vigilance over the affairs of the Organisation. The Central Provident Fund Commissioner who is the Chief Executive Officer and ex-officio Secretary to the Central Board of Trustees sits at the Corporate Headquarters.

The Central Provident Fund Commissioner is assisted by

1) Financial Advisor & Chief Accounts Officer
2) Additional Central Commissioner (Human Resources)
3) Additional Central Commissioner (Pension)
4) Additional Central Commissioner (Customer Service Division)
5) Additional Central Commissioner (Compliance)
6) Additional Central Commissioner (I.T.)
7) Additional Central Commissioner (Vigilance)

All the Additional Central Commissioners have other officers and staff to assist them in their day to day administration.

The authority is fully centralised at the level of headquarters office or central office. (Both usages are in vogue). There are four zonal headquarters headed by Additional Central Commissioner

	Zone	Headquarters		Region
1.	North Zone	New Delhi	1.	New Delhi
			2.	Haryana
			3.	Punjab
			4.	Himachal Pradesh
			5.	Uttar Pradesh.
			6.	Uttaranchal
2.	West Zone	Mumbai	1.	Maharahstra
			2.	Gujarat
			3.	Goa
			4.	Rajasthan
			5.	Madhya Pradesh
			6.	Chattisgarh
3.	South Zone	Hyderabad	1.	Tamil Nadu
			2.	Andhra Pradesh
			3.	Karnataka
			4.	Kerala

4.	East Zone	Calcutta	1.	West Bengal
			2	North East
			3.	Bihar
			4.	Orissa.
			5.	Jharkhand

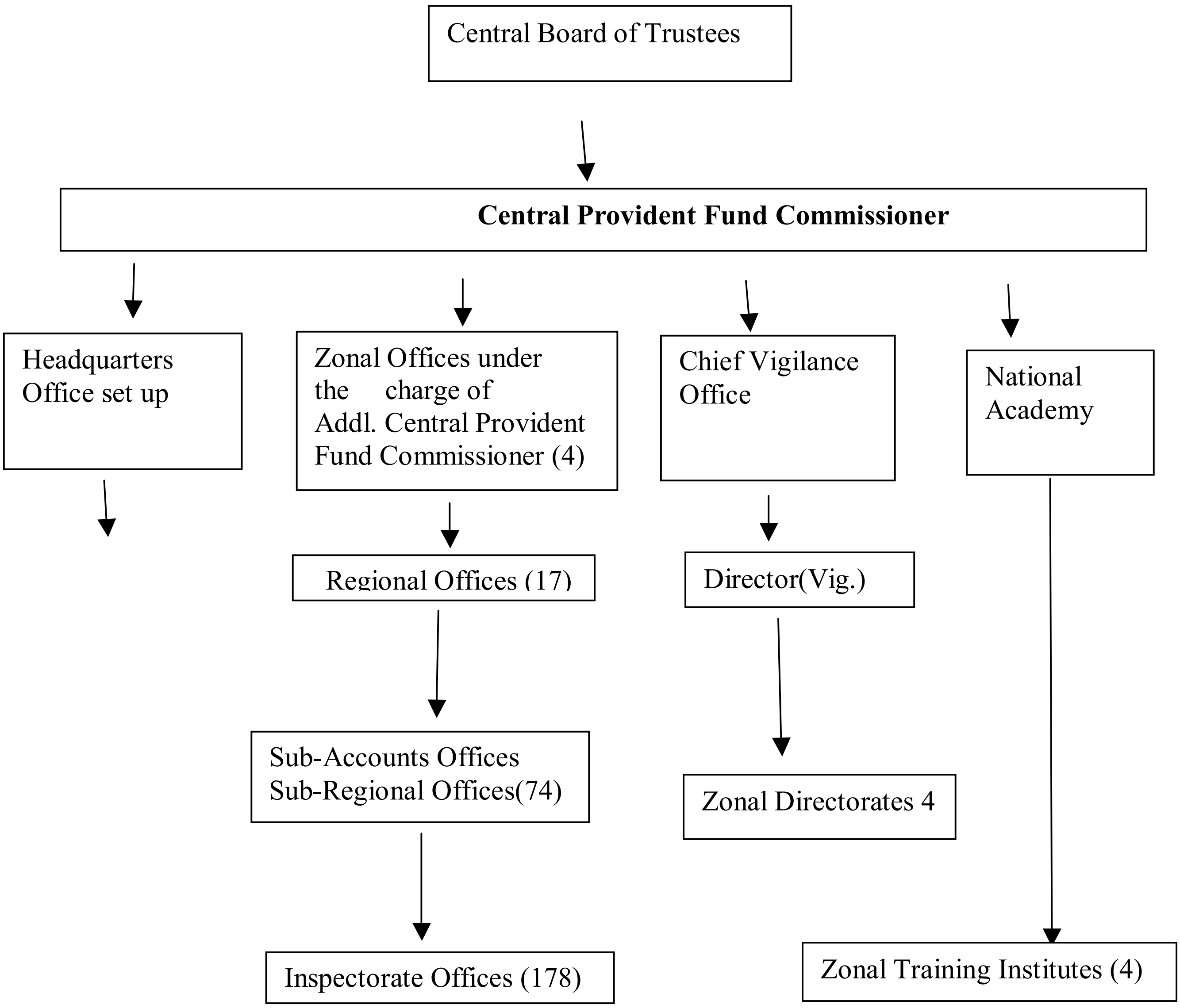
The Training and Development activity as well as vigilance activity of the organisation is also sub divided on Zonal basis to cater to the needs of staff posted in the regional and subordinate Regional Offices within the zone.

The Training activities are looked after by the National Academy for Training & Research in Social Security, New Delhi

- The Vigilance Wing of the Organisation also has four Zonal Directorates reporting to the Headquarters.

Chart-IV.1

ORGANIZATIONAL CHART



The Zonal Offices under the charge of the Additional central Commissioner are the link between field offices i.e. Regional Offices and the Headquarters. They do not directly deal with the provident fund subscriber, employer. They are mainly monitoring offices. The business of the organisation is taken care by the Regional and Sub-Regional Offices, while the inspectorates are again a link between the employer and the Regional Office.

<u>The Regional Offices</u>

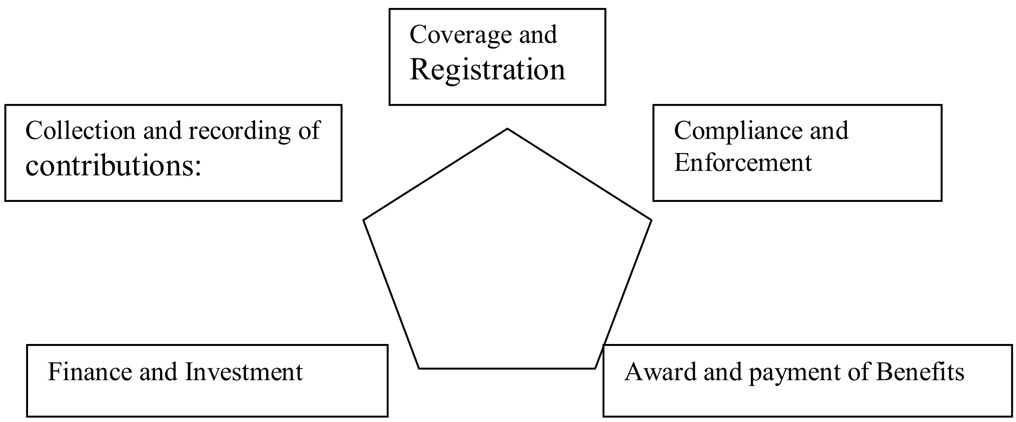
1. Andhra Pradesh
2. Assam(for North Eastern States)
3. Bihar
4. Chattisgarh
5. Delhi
6. Goa
7. Gujarat
8. Haryana
9. Himachal Pradesh
10. Jharkhand
11. Karnataka
12. Kerala
13. Madhya Pradesh
14. Maharashtra & Goa
15. Orissa
16. Punjab
17. Rajasthan
18. Tamil Nadu
19. Uttaranchal
20. Uttar Pradesh,
21. West Bengal

The Regional Offices are mainly Headquarters Offices for the Regional and field offices for the area of their location. Based on concentration of Industries and Industrial workers, the subordinate Regional Offices are opened. The subordinate Regional Offices are purely Policy implementing offices. They are spread all over India. In addition to these we find subordinate Accounts Offices attached to the regional Headquarters at the State Headquarters.

The main work areas of these Offices are:

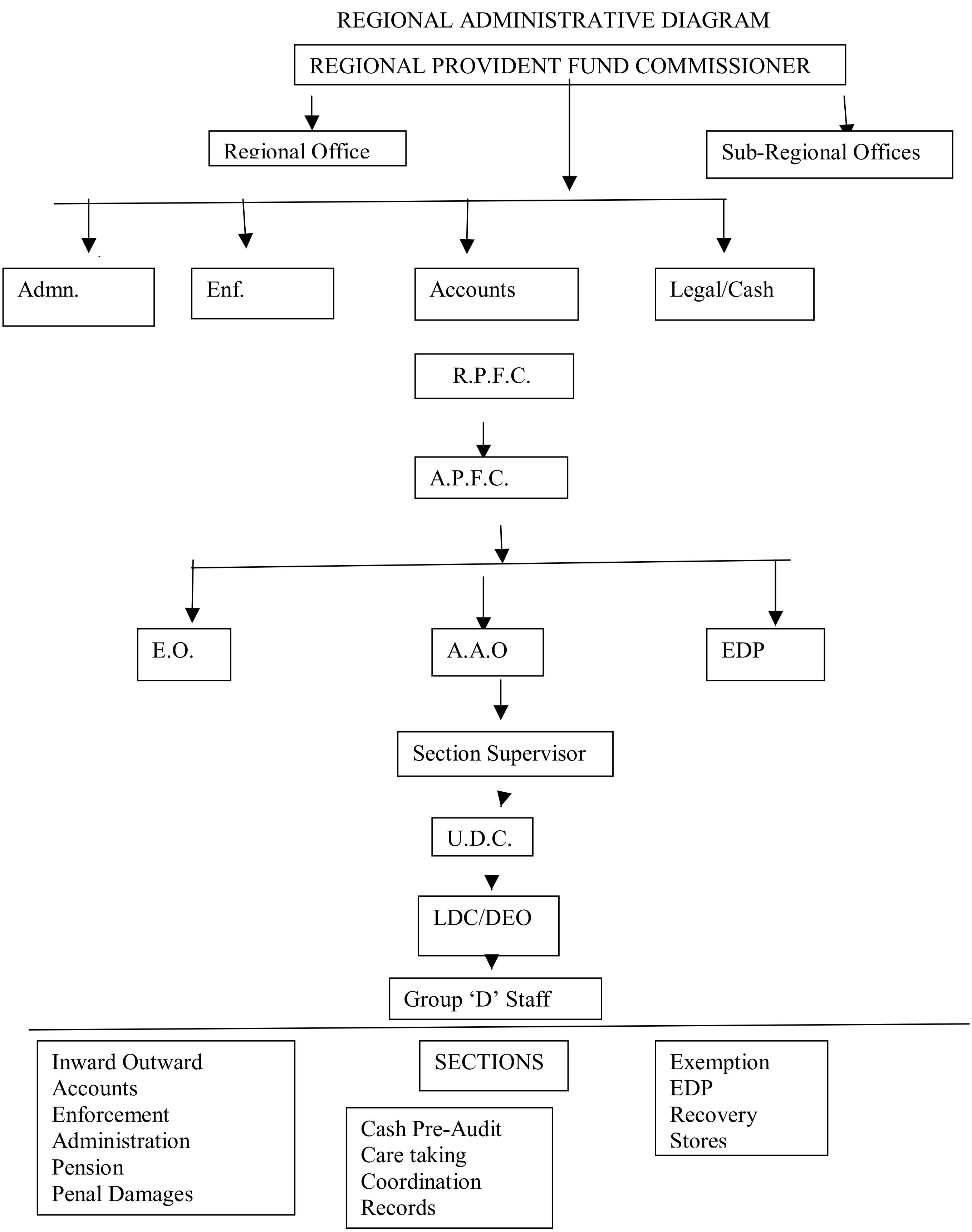
- **Coverage and registration:** The activity of coverage and Registration is coverage of Establishments i.e. bringing the Establishments under the purview of the Act and giving them the identification number to enable them to start depositing contributions. The Registration process also includes the registration of workers by assigning them an account number and opening ledgers, establishment wise and member wise. The enforcement section monitors coverage part while the accounts section under takes the registration job.
- **Collection and recording of contributions:** The activity of collection includes monitoring of the payments by the establishments and their recording in the member wise and establishment wise ledgers. As per the Act, the payment of contribution is automatically made into State Bank of India and there is no other machinery of collection is envisaged, however, non-payment of contributions attracts the action by the organization. Thus, again here the accounts, cash, and enforcement branches come into operation
- **Compliance and enforcement**: As the very name suggests it is the job of the enforcement section to oversee the compliance position of various establishments covered and covering all the coverable establishments.
- **Award and payment of benefits:** This is the benefit dispensation job of the offices. The benefits include timely settlement of claims, payments of advances, and issue of accounts slips/ annual statement of accounts to the members. The accounts groups in the offices oversee this function.

IV .2



The Administration Pentagon

Chart-IV.3


REGIONAL ADMINISTRATIVE DIAGRAM
REGIONAL PROVIDENT FUND COMMISSIONER
Regional Office
Sub-Regional Offices
Admn.
Enf.
Accounts
Legal/Cash
R.P.F.C.
A.P.F.C.
E.O.
A.A.O
EDP
Section Supervisor
U.D.C.
LDC/DEO
Group 'D' Staff
Inward Outward
Accounts
Enforcement
Administration
Pension
Penal Damages
SECTIONS
Cash Pre-Audit
Care taking
Coordination
Records
Exemption
EDP
Recovery
Stores

Thus, the original work of this piece of beneficial legislation is taken care of by the Regional & Sub-Regional Offices. . The chart shown above gives an idea of the administrative arrangements in Regional Offices/Sub-Regional Offices.

The total work force deployed in all these offices for the above work as on 31.3.1999 is

Table-IV.2

DETAILS OF MAN POWER

Offices	**Sanctioned strength**	**In position**
Group 'A'	613	534
Group 'B'	5091	1743
Group 'C'	15698	14511
Group 'D'	2440	2236
	20656	**19024**

Source: compiled by the author-Base EPFO data

Table-IV.3

The position of sanctioned staff/officers strength vis-à-vis staff officers in position

During last 10 years

Sl.No.	Position as on	Sanctioned strength	New		Staff in position	Shortage
			Sanction	Recruits		
1.	31.3.1990	5618	554		14530	1088
2.	31.3.1991	16528	910	607	15137	1391
3.	31.3.92	17720	1192	692	15829	1891
4.	31.3.93	18174	454	1070	16899	1275
5.	31.3.94	18758	584		16863	1895
6.	31.3.1995	19442	684	402	17265	2177
7.	31.3.96	19672	230	218	17483	2189
8.	31.3.1977	20265	593	129	17612	2653
9.	31.3.1998	20455	190	191	17803	2652
10.	31.3.1999	20656	201	1221	19024	1632
Averages			5592	499.3		1884.3

Source: Compiled by the author-base EPFO data

From the above details, it is seen that the organisation is suffering from shortage of staff on sanctioned strength during the past ten years. The staff in position was never as per the sanctioned strength. But continuous additional sanction has been there all these years. The average new sanction in the last ten years is 559.2 staff members. The average recruitment is 499.3 during the last ten years. Again average staff shortage is 1884.3. Although there has been regular additional sanction, staff in position never reached sanctioned levels.

The staff sanctioned strength of 1991 crossed only in 1993 and sanctioned strength of 1992 was crossed only during 1998. The efforts made by the organisation to sanction additional staff in tune with the business were never successful.

Benefits and Remuneration available to the staff

All the officers and the staff of the Employees Provident Fund Organization are entitled to the salary and other benefits as applicable to the Central Government Employees. The Pay revisions and the Dearness Allowance is paid to the employees as and when revised to the Central Government Employees.

In addition to the benefits available at par with the Central Government Employees, the staff of the Employees Provident Fund Organization is also entitled to other benefits like:

- **Staff Quarters constructed in all most all the locations of the offices**
- **Medical facilities without any restrictions on the Hospital Treatments and Fixed Medical allowance every month.**
- **House Building and other advances for purchase of conveyance without any budgetary limits**
- **Productivity linked Bonus to all the staff members**
- **Children Educational Allowance and Merit Scholarships to the Children of the Employees**
- **Recreational Facilities and Staff Welfare Funds Sports Clubs and Annual Sports Events**
- **Holiday Homes and Guest Houses**
- **Departmental Examinations for Out of Turn Promotions**
- **Officially Leased Accommodation for the Group- A officers.**
- **Air Travel Facility for certain category of officers, the equivalent cadre of which in the central Government are not entitled for such facility**

- **Residential Telephone for all the officers above the level of Assistant P.F. commissioner**
- **Free News Paper at the residence for all the officers**
- **Departmental Canteens in all the Offices.**

These facilities are listed only with a view to examining whether the staff members after enjoying all these benefits are able to give out their best to serve the subscribers.

Financing Administration

The general revenue of Central Government does not finance the Administration of Employees' Provident Fund and Pension Scheme. Neither is it met from the consolidated fund of India.

Para 49 of EPF Scheme, 1952 says, "A separate account shall be kept called the "Central Administration Account" for recording all administrative expenses of the Fund may be authorised to levy".

Para 39 of the Scheme says " The Central Government may, in consultation with Central Board and with regard to the resources of the Fund available for meeting its normal administrative expenses, fix the percentage of administrative charges" and these administrative charges as per Para 38 (1) are payable by the employer.

Para 54 of the scheme further says:

"(1) **Expenses of Administration:-**All expenses relating to the administration of the Fund including those incurred on Regional Committee shall be met from the Fund.

(2) All expenses of administration of the Fund, including the fees and allowances of the trustees of the central Board and salaries, leave and joining time allowances, traveling and compensatory allowances, gratuities and compassionate allowances, pensions, contributions to provident fund and other benefit fund instituted for the officers and employees of the Central Board, the cost of audit of the accounts, legal expenses and cost of all stationery and forms incurred in respect of the Central Board, cost and all expenses incurred in connection with the construction of office buildings and staff quarters shall be met from the Administration Account of the Fund.

(3) The expenses incurred by the central Government in connection with the establishment of the Fund shall be treated as a loan and such loan shall be repaid from the administration Account".

Thus, the administration of the Provident fund and Pension Fund is financed by the levies on covered establishments (Schedule II) which is an extension of Section 51-B, of the

Act empowers the Central Government to draft a Scheme and made a provision therein about the administration and Administration Charges. In other words, the Administration of this area of social security is dependent on the employers of the work force covered under the EPF & M.P. Act, 1952. It is thus a statutory obligation cast on the employers to pay administration charges, decided by the Central Government and collected by Employees' Provident Fund Organisation through its Regional & Sub-Regional Offices.

The present rate of administration charges is 1.10 paise per 100 Rupee of total wages paid by the employer to their employees in the covered establishments. Before 22.9.1997 this rate was 0.65 ps. Per Rs.100. This is treated as Income in the Administration Account, in addition to receipt of Interest on the investment of surplus funds from the same account.

Income and Expenditure in the Administration for the last 10 Years i.e. 1989-90 – 1998-99 is as under. (Tables IV.4, IV.5, IV.6)

Table- IV.4

ADMINISTRATION INCOME & EXPENDITURE OVER THE YEARS

(Rs. In Crores)

Year	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99
Income[2]	**68.42**	**96.87**	**101.29**	**125.4**	**120.72**	**169.72**	**167.91**	**221.96**	**253.99**	**374.05**
Expenditure[3]	**54.94**	**61.37**	**73.01**	**91.12**	**101.06**	**118.57**	**139.61**	**157.76**	**216.04**	**264.17**

Source: Compiled on the basis of EPFO data

Table-IV.5

% GROWTH OVER PREVIOUS YEAR

Year	89-90	90-91	9192	92-93	93-94	94-95	95-96	96-97	97-98	98-99
Income	**42.77**	**41.58**	**4.56**	**23.79**	**-3.73**	**40.59**	**-1.06**	**32.16**	**14.43**	**47.26**
Expenditure	25.77	11.7	18.98	24.79	10.9	17.32	17.74	13.00	36.94	22.28

Source: Compiled on the basis of EPFO data

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[2] Amount collected as administration charges from the employers including the inspection charges.

[3] Amount spent by the organization on its day to day activities to administer the scheme, benefits not included.

Table-IV.6

EXPENDITURE RATIOS

(In % ages)

Year	89-90	90-91	9192	92-93	93-94	94-95	95-96	96-97	97-98	98-99
Expenditure	**80.30**	**63.35**	**72.08**	**72.66**	**83.71**	**69.86**	**83.14**	**71.07**	**85.06**	**70.62**

Source: Compiled on the basis of EPFO data

Table IV.7

ANALYSIS OF ADMINISTRATIVE EXPENDITURE

Rs. In Crores

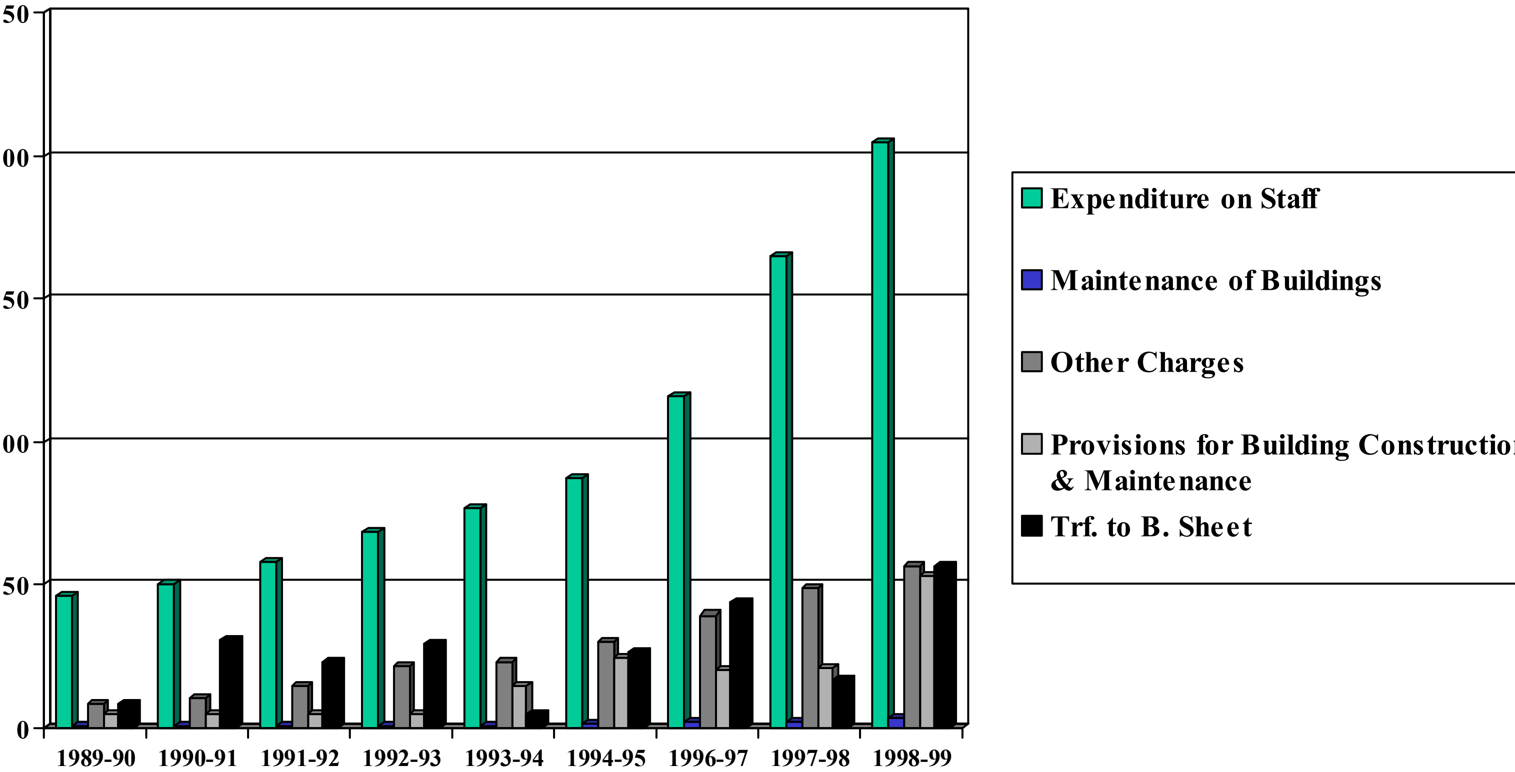
	1989-90	90-91	91-92	92-93	93-94	94-95	96-97	97-98	98-99
Expenditure on Staff	**46.26**	**50.47**	**57.9**	**68.6**	**76.95**	**87.11**	**116.16**	**165**	**204.32**
Maintenance of Buildings	**0.46**	**0.5**	**0.55**	**0.64**	**0.83**	**1.27**	**2.16**	**2.13**	**3.44**
Other Charges	**8.22**	**10.4**	**14.55**	**21.8**	**23.28**	**30.19**	**39.4**	**48.85**	**56.42**
Provisions for Building Construction & maint .	**5.12**	**5.07**	**5.03**	**4.97**	**14.8**	**24.44**	**20.1**	**21.25**	**53.13**
Trf. to B. Sheet	**8.36**	**30.43**	**23.25**	**29.3**	**4.78**	**26.71**	**44.00**	**16.72**	**56.74**
Total Receipts	**68.42**	**96.87**	**101.29**	**125.40**	**120.72**	**169.72**	**221.96**	**253.91**	**374.05**

Source: Compiled on the basis of EPFO data

Graph IV-1

ANALYSIS OF ADMINISTRATIVE EXPENDITURE

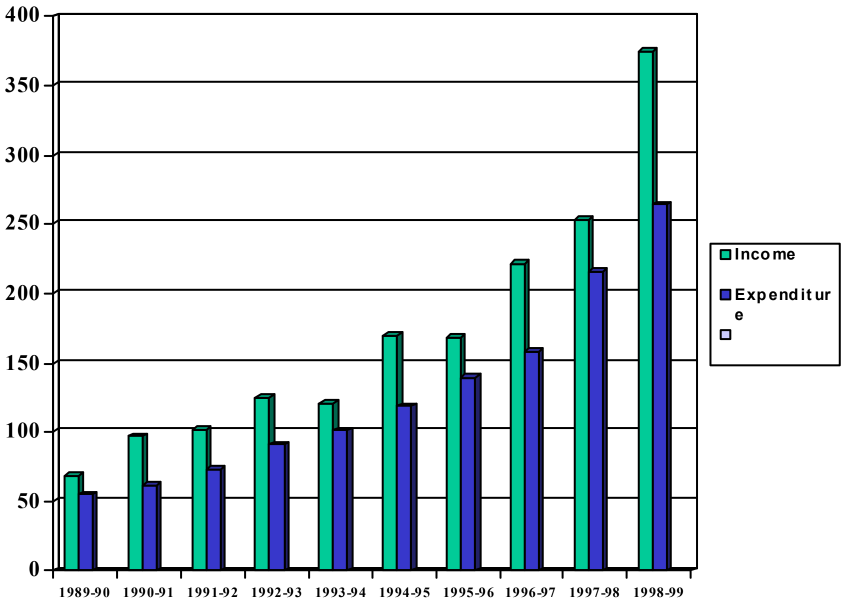
Rs. In Crores



Graph IV-2

Administration Income and Expenditure

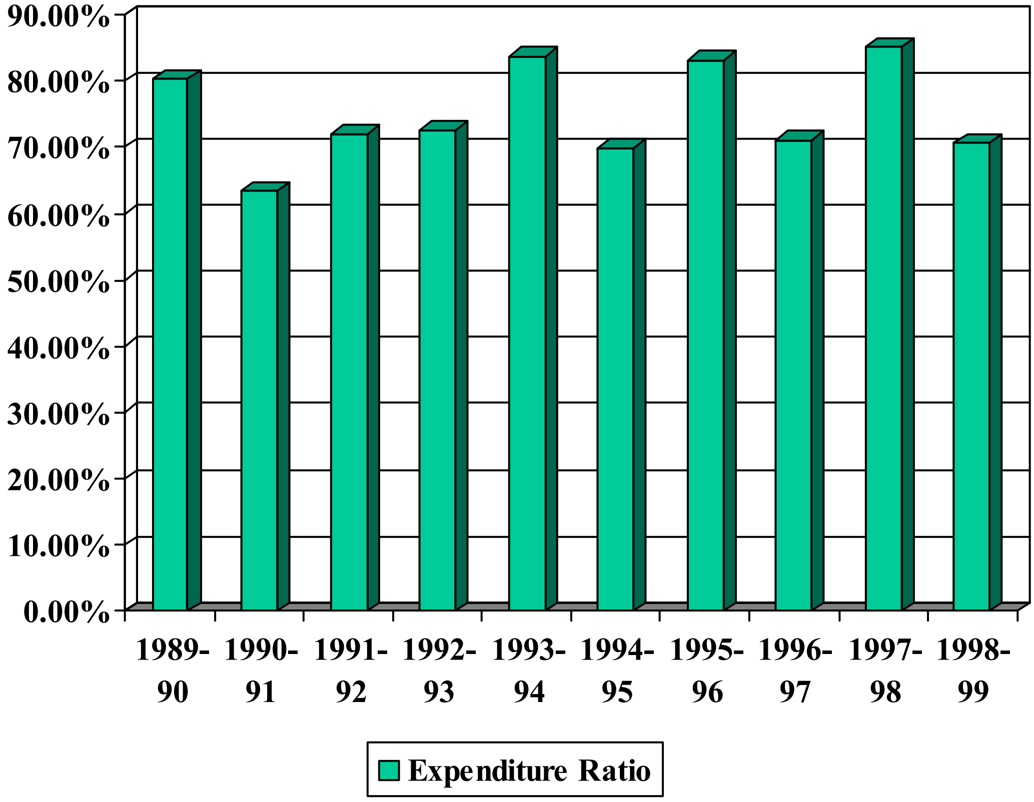
Rs. In Crores



Graph IV-3

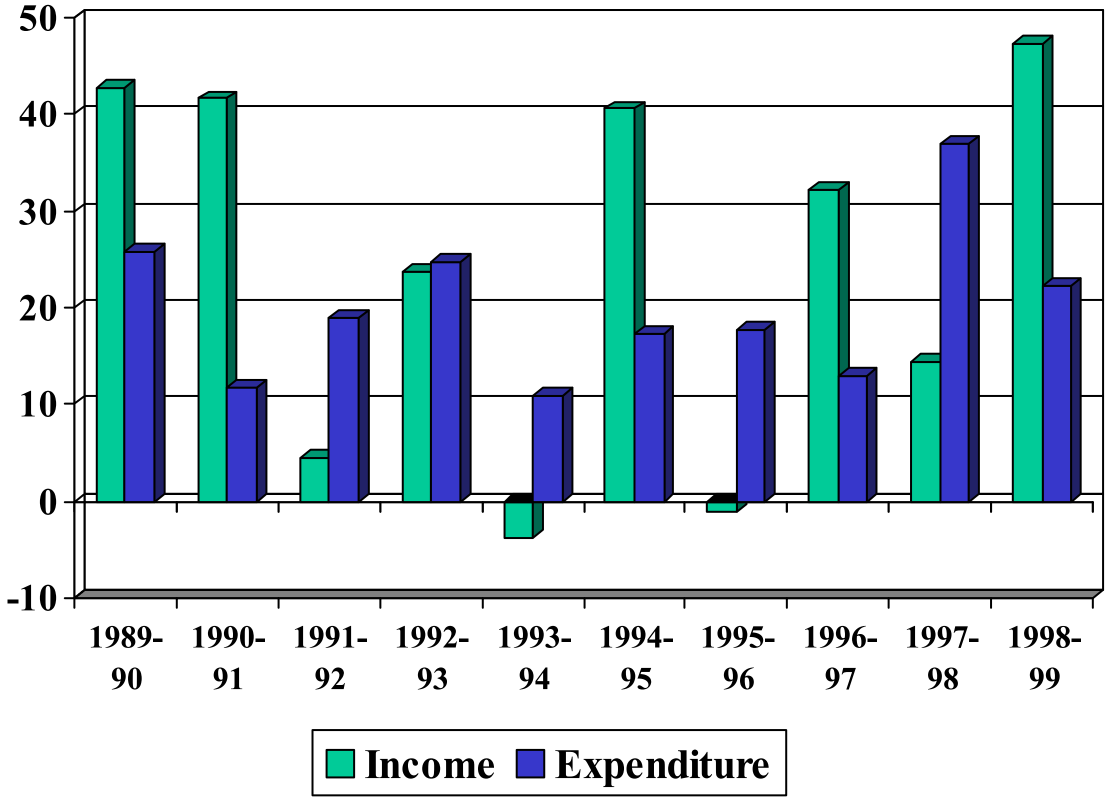
Administration Expenditure Ratio

(In % ages to income)



Graph IV-4

% Growth Over Previous Year



(All the above graphs: Source: Compiled on the basis of EPFO data)

On a quick perusal of Income Expenditure Trends of Administration Account, it appears that both income and expenditure are showing a growth every year. Nevertheless, there is no consistency in the growth. During 1989-90, 90-91. 94-95. 98-99. The Income registered a growth of more than 40% over the previous year, whereas years 93-94 and 95-96 were very bad, as the income has shown a negative trend. During 90-91 it was below 5% over previous years collections. The sudden spurt during 1998-99 is attributable to upward revision in the rates of Administration Charges with effect from 22nd September 1997. During 1994-95, the income growth not only came out of negative trend of previous year, but reached 90-91's growth levels registering 40% growth over previous year. In real terms the income crossed Rs.154 crores. It can be concluded that the income in the Administration Account is increasing but with no consistency. We will discuss the circumstances leading to this trend later.

The Expenditure for Administration of the Fund also growing rapidly over years but there also we find no consistency in the growth of expenditure. One thing worth noting is, it is always kept within the means. It has never crossed the income levels even during the years of negative trend like 1993-94 and 1995-96. And more growth than the Income during the years like 91-92, 92-93, 97-98. Although there was a tremendous growth of income during 1998-99, the expenditure also crossed the receipt levels of previous year only during 1998-99. This has never happened during the last ten years. This is attributed to increase in salaries and payment of arrears to staff members on the recommendations of Central Fifth Pay Commission.

<u>Analysis of Income & Expenditure Trends</u>

The graphs (IV-1,IV-2, IV-3, IV-4) above show that there were fluctuations in income and during the year 90-91, 91-92, 93-94. The Income have not shown any encouraging trend. This trend is mainly attributable to the investment income but not to the receipts or collections in the administration account. The administration account is mainly credited with the administration charges received from the employer as mentioned supra, and there has no tangible shortfall in that account. However, the shortfall in investments and resultant yield on investment shows a telling effect on entire income scenario of the organisation.

Let us therefore have a look at the trend of Income and the Expenditure in the Administration account as detailed in the table IV.8 here under. (Rupees in Crores)

Table-IV.8

INCOME AND EXPENDITURE TRENDS (Rs. In Crores.)

Year	Adm.Charges collected	Interest On Investment	Other Income	Total Income	Total Expenditure	Amount Transferred to Balance Sheet	Cumulative Investment
1	2	3	4	5	6	7	8
1989-90	60.98	2.79	4.65	68.42	60.06	8.36	50.57
1990-91	71.79	2.10	22.98	96.87	66.44	30.43	73.68
1991-92	82.77	6.96	11.56	101.29	78.04	23.25	102.66
1992-93	96.44	16.03	12.93	125.4	96.09	29.31	132.22
1993-94	107.57	3.11	10.04	120.72	115.94	4.78	123.95
1994-95	123.21	19.05	27.46	169.72	143.01	26.71	160.87
1995-96	144.09	11.64	12.18	167.91	159.60	13.31	
1996-97	170.08	13.60	38.28	221.96	177.96	44.00	236.35
1997-98	197.22	17.96	38.81	253.91	237.19	16.72	264.87
1998-99	300.83	15.51	57.71	374.05	317.33	56.72	339.34
1999-00	418.61	37.32	27.32	483.25	356.27	126.98	451.32
2000-01	459.42	37.02	48.77	565.21	381.88	183.33	602.47

(Compiled on the basis of Annual Reports of EPFO)

From the above it is very clear that the investment portfolio is not properly maintained during the years 90-91, 91-92 & 93-94. It is also seen that the cumulative investments just nearer to the receipts during all these years despite the fact that there has been a steep increase in the expenditure. It is informed that the payment of arrears due to adoption of Central Fifth Pay Commission salary scales to the staff members has increased the expenditure. But although there was a spurt in expenditure during 1997-98 & 1998-99, this spurt would not be there until next Pay Commission and payment of salaries would stabilize after 1998-99.

This trend in expenditure made the Organisation double the administration charges levied from the employers. Previously it was 0.65 Paise for Rs.100/- wages. Now it is Rs.1.10 for Rs.100/- wages paid.

The reasons attributed to double the administration charges levied on employers appears to be un-scientific in as much as they helped only to meet less controlled administrative income. The increase in the administrative charges levied on employers has not shown any tangible growth on investments. But helped to pay salaries to the staff of the organisation. Secondly doubling the rate of Administration Charges has not doubled the receipts. This will be examined elsewhere. If the organisation does not function properly or officers and staff do not work dedicatedly just for one year the entire staff would starve, since there are no other reserves than the investments made in administration account.

Service cost and staff deployed for service.

The Employees' Provident Fund Organisation is a service Organisation. While the Employees' Provident Funds & Misc. Provisions Act, 1952 comes into operation on its own volition, the Employees' Provident Fund Organisation implements the provisions of the Act and Administers the provisions of the schemes framed for the benefit of the working class. Thus, the Employees' Provident Fund Organisation serves the working class by implementing the law enacted for their welfare. The entire amount of money spent by the organization on their employees and provisions for the employees and all the administrative expenditure is for the purpose of delivering the benefits to the covered subscribers of the schemes. In other words, the income earned or the expenditure spent is for the welfare of the working class only. Therefore, let us discuss the cost of service in the Employees' Provident Fund Organisation. We will also examine the income generated over the years for this service.

Table-IV.9

ADMINISTRATIVE EXPENDITURE AND SERVICE COST

Year	**Total subscribers** Lakhs	**Subscriber Per staff**	**Total Staff**	**Total Income Rs. Cr.**	**Cost Rate %**	**Total Expenditure Rs. In Crs.**	**Cost per subscriber Rupees**
1989-90	105.31	725	14530	68.2	80.28%	54.94	52.16
1990-91	113.30	748	15137	96.87	63.35	61.37	54.16
1991-92	120.78	763	15829	96.87	12.07	73.01	60.44
1992-93	127.67	755	16899	101.29	72.66	91.12	71.37
1993-94	134.44	797	16863	125.40	83.71	101.06	75.17
1994-95	141.66	821	17265	169.72	69.86	118.57	83.70
1995-96	147.36	843	17483	167.91	83.14	139.61	94.74
1996-97	157.53	894	17612	221.96	71.07	157.76	100.14
1997-98	168.16	945	17803	253.99	85.05	216.04	128.47
1998-99	190.11	999	19024	374.05	70.62	264.17	138.95
Averages		829			75.18		86

Source: Compiled by the researcher: Base EPFO data

The average staff deployed over the years for service works out to one employee for 829 workers serviced by Employees' Provident Fund Organisation. The cost of service although looks on an increasing trend on an average it is iRs.86 per worker serviced. This again constitutes 75.18% of the income earned on an average for the last 10 years under examination. When a major portion of income is spent to give service to these covered working class or subscribers, it should only be seen whether the service levels are satisfactory for the working class. Further it should also be examined whether staff posted in service of these working class is really coming to the expectations of the policy makers if not what are the impediments and how the organisational structure or work procedures affecting satisfactory levels. These are discussed in the following chapter under various heading of work area.

Summary and Conclusions

The Employees Provident Fund organization as we have seen above is a body corporate with independent Board. Several committees for its effective functioning assist the Boards. The organization has Zonal, Regional, and Subordinate Regional Offices for effective benefit delivery and to have decentralized administrative network. However, the autonomy of the Board is far from reality for there are more than 45 areas where central Government controls the day today functioning of the Board. Functional autonomy is therefore not there for the Board. Board thus is not able to take some policy decisions for the simple fear of Central Government's interventions.

The staff of the organization has a good number of facilities in comparison with their counter parts in the Central Government. For many benefits, the budget is not a constraint for them. For all the administrative expenditure, the organization solely depends on the administrative charges collected from the employers of the covered establishments who will pay @ Rs.1.10 Ps. Per Hundred Rupees wages paid as administration charges. This was 0.65 Paisa just two years ago. The entire organization functions in five basic areas of administration viz. Coverage and Registration, Compliance and Enforcement, Receipt and Record of Contributions, Finance and Investment, and Award and Payment of Benefits. It is seen that the organization is not able to contain its expenditure on administration. The service cost is constantly growing every year. It should be seen whether the staff members of the organization are able to deliver the services in tune with the facilities available to them and whether the service delivery requires more work force or modernization.

CHAPTER V

ASSESMENT OF PROVIDENT FUND & PENSION SCHEMES AND THEIR OPERATIONAL DIMENSIONS

In chapter IV, we have discussed the administrative arrangements available for extending Provident Funds and Pension benefits. We have identified five areas, which are taken care of by the administration like:

(a) Coverage and registration
(b) Collection and recording of contributions
(c) Compliance and enforcement
(d) Investment of Funds
(e) Award and payment of benefits.

The above five areas will speak of three main areas of administration of this piece of beneficial legislation. The three main areas are:

(i) Bringing the people under the purview of the legislation and collection of contributions and giving effect to the legislation
(ii) Properly investing the funds in accordance with the provisions of law to see that the assurances of the legislation are properly reached to the beneficiary and
(iii) The third area is delivery of benefits. This is the main area where every worker or a subscriber is more concerned.

In our assessment, we will take up the above five areas one by one without condensing them to three areas. We will discuss the progress made in every area and the shortcomings side by side keeping broader policy recommendations in view.

The review of all the five areas will complete the process of implementation of provident funds and pension legislations enlightening on the areas of concern.

To arrive at the conclusions and to examine the reasons why the organization is functioning as it is observed during the study, stakeholders like officials of the Employees Provident fund organization, Union leaders in the Employees Provident Fund Organization, Employers from various establishments, Members of the Provident Funds and their opinion leaders have been interviewed. The places of interview were the offices of the organization and their facilitation centers across the country, the National Academy for Training and Research in Social Security New Delhi, where a large number of officers and the representatives of various establishments participate in various training programs, and the corporate head quarters of the organization.

The details of the interviews conducted and the target audience and their numbers are tabulated as under.

CHART V.1

DETAILS OF INTERVIEWS CONDUCTED

Officials (200)	**Non Officials(200)**	**Union Leaders/Staff (50+450=500)**	**Beneficiaries (9500)**
Issues	Issues	Issues	Issues
Reasons for delay in settlement of claims	Reasons for default	Reasons for delay in settlement of claims	Opinion on pf office
Reasons for non compliance	Opinion on the EPF organization	Reasons for non compliance	Problems faced by them in drawing back their money
Reasons for non coverage of establishments	Reasons for non compliance	Reasons for non coverage of establishments	Reasons for non compliance by the establishments
Reasons for rejection of claims	Reasons for non submission of returns	Reasons for rejection of claims	Reasons for non-cooperation with the employer.
Reasons for growing grievances	Reasons for no submission of claim forms	Reasons for growing grievances	
Reasons for non issue of accounts slips on time	Reasons for non-extension of membership to eligible employees.	Reasons for non issue of accounts slips on time	
Reasons for slow process		Reasons for slow process	
Reasons for non recovery of dues on time		Reasons for non recovery of dues on time	
For non assessment of dues on time		For non assessment of dues on time	

V(a) Coverage and Registration

Here, we will discuss the need for registration procedure within a contributory social security system - The employees Provident Fund and Pension Scheme and how the procedures are working and the progress made in the coverage and registration.

The study inter-alia discuses:

- Work force in the country

- Registration procedure
- Registration of employer
- Initial Registration
- Allocation of Registration numbers
- Registration of workers
- Working of Registration system
- Coverage over the years

Social Security is predominantly an urban concept and so is the case with Employees Provident Funds & Misc. Provisions Act. Therefore, the Registration system for extending the benefits of Provident Funds & Pension or the study of it suffers from two limitations. First, it is the Employees' provident Funds & Misc. Provisions Act under which workers are covered and the benefits are extended. Therefore, the study is limited to the working population only. Social Security benefits for entire population are not discussed due to this limitation. Secondly, the workers of only those establishments covered where the Employees' Provident Funds & Misc. Provisions Act is applicable. That is we will go with an initial understanding that the entire workforce in the country is not extended the benefits of the Employees' Provident Fund & Pension schemes.

The Provisions of the Act as per section 1.3(a) & (b) & 1(4) detail the areas of applicability of the Act as:

(a) to every establishment which is a factory engaged in any industry specified in schedule I and in which (twenty) or more persons are employed and

(b) to any other establishment employing (twenty) or more persons or class of such establishments which the Central Government may, by notification in the Official Gazette, specify, in this behalf:

Provided that the central Government may, after giving not less than two months' notice of its intention so to do, by notification in the Official Gazette, apply the provisions of this Act to any establishment employing such number of persons less than (twenty) as may be specified in the notification.

(4) Notwithstanding anything contained in sub-section(3) of this section or sub-section (1) of section 16, where it appears to the Central Provident Fund Commissioner, whether on an application made to him in this behalf or otherwise, that the employer and the majority of employees in relation to any establishment have agreed that the provisions of this Act should be made applicable to the establishments, he may, by notification in the Official

Gazette, apply the provisions of this Act to that establishment on and from the date of such agreement or from any subsequent date specified in such agreement.

The Schedule of industries identifies the industries & establishments to which the Employees' provident Funds & Misc. Provisions Act, 1952 applies.

Thus the benefits under Employees' Provident Funs & Misc. Provisions act, 1952 neither:

- Extended to the whole population nor
- To the entire working population

To be eligible for the benefits under the Act, one has got to be employed in an industry/factory/establishment listed in the schedule and that establishment must be employing not less than 20 employees.

The third invisible limitation- The Act is employer centric as it applies first to the Employer and later covers the Employees.

With these limitations in mind, we will proceed further.

Employment scenario in the country

As we said above, the Employees' Provident Funds & Misc. Provisions Act, 1952 is employer centric; we will first examine the employers i.e. the establishments. The Data collected is from whatever available or compiled by D.G. Labour statistics, Census reports; sample surveys, Ministry of Law Justice & Company Affairs. We could find three categories of establishments as (Table V.1) below:

Table V.1

Categories of Establishments

	Category	(Available Figures 1996-97)
	Companies limited by shares	5.02 lacs
	Enterprises registered	25.00 lacs
	Small scale industries	29.14 lacs

In addition, no category is independent of the other. Companies include enterprises registered, small-scale industries/enterprises may include companies & small-scale industries, and small industries may include company's enterprises.

As per time series data available, (Table V.2) we should have a look at the joint stock companies working as per the annual report of Ministry of Law, Justice, and Company affairs.

Table V.2

JOINT STOCK COMPANIES AT WORK
(as on 31st March each Year)

Category	**1980-81**	**1990-91**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Companies Ltd. by shares	62001	224452	275664	305625	353292	409142	715
i) Government	851	1167	190	203	1199	1216	1217
ii)Non- Govt.	61150	223285	74474	304422	352093	407926	497498
Companies with unlimited liability	176	317	337	349	375	392	401
Companies Ltd by guarantee and Assns. not for profit	1478	2132	2262	2350	2416	2506	2577
Foreign companies	300	489	529	565	619	679	700
Total	63955	227390	278792	308889	356702	412719	502393

Source: Annual Report on the Working and Administration of the Companies Act, 1956, Ministry of Law, Justice and Company Affairs, March 1996

Therefore, available statistics of all the three categories have been considered. Here in the joint stock companies, alone we see a continuous growth in the number of companies. The number of companies 2,27,390 in 1990-91 rose to 502393 in 1996-97. However, as the statistics are silent whether some small-scale industries are included in this list we will also consider the small scale industries, and because the Employees provident Fund and the Miscellaneous Act 1952 does not differentiate any industry on the basis of its above categorization but on the basis of their employing 20 persons or more.

Table V.3

ESTIMATES OF PRODUCTION & EMPLOYMENT

(Small Scale Industry)

Sl. No.	Year	No.of Units Registered (Lakh Nos.)	Employment (Lakh)
1.	1988	15.76	107.00
2.	1989	17.12	113.00
3.	1990	18.23	119.60
4.	1991	19.38	124.30
5.	1992	20.82	129.80
6.	1993	22.46	134.06
7.	1994	23.84	139.38
8.	1995	25.71	146.56
9.	1996	27.24	152.61
10.	1997	29.14	158.91
11.	1998	30.80	171.60
12.	1999	32.10	178.50
13.	2000	33.70	185.60

Source: Report 1995-96 Ministry of Industry. Economic Survey 1996-97 &2001-02

The numbers of establishments under small-scale industry are 29.14 lakhs employing 185.60 lakh persons as on 31-3-2000. The growth of employees as well as establishments is constant and there has never been a fall in the employment strength. There has been a growth of 48.51% of employees on 1987-88 figures.

Now, the question of workers in the organized and in the unorganized sector and their participation in the National Economy.

Table V.4

EMPLOYMENT IN THE ORGANISED SECTOR

(IN LACS)

Year	Public sector	% Change on a previous year	Private sector	% Change over previous year	Total	% Change over previous year
1989	185.09		74.53		259.62	
1990	187.72	1.42	75.82	1.73	263.54	1.50
1991	190.57	1.52	76.76	1.24	267.33	1.44
1992	192.10	0.79	78.46	2.35	270.56	1.23
1993	193.26	0.62	78.51	0.06	271.77	0.44
1994	194.45	0.61	79.30	1.01	273.75	0.73
1995	194.66	0.11	80.59	1.60	275.25	0.50
1996	194.29	0.21	85.12	5.62	279.41	1.49
1997	195.59	0.66	86.86	2.04	282.25	1.21
1998	195,40	-0.09	88.35	1.71	283.75	0.31
1999	194.20	-0.61	87.00	-1.55	281.20	-0.90
2000	193.10	-0.56	86.50	-0.57	279.60	-0.57
2001	191.40	-0.88	86.50	0	277.90	-0.61

Source: Director General Employment & Training, New Delhi

In addition to these statistics, we should jointly consider the value added by these sectors and their participation rates. The table (V.5) below shows the value added by the organized and the unorganised to the GDP.

Table V.5

VALUE ADDED FROM ORGANIZED AND UNORGANIZED SECTOR

Year	% of Organized	% of Unorganised
1980-81	30.0	70.0
1981-82	31.5	68.5
1982-83	33.6	66.4
1983-84	33.6	66.4
1984-85	34.7	65.3
1985-86	35.1	64.9
1986-87	36.8	63.2
1987-88	37.0	63.2
1988-89	35.8	64.2
1989-90	36.3	63.7
1990-91	36.2	63.8
1991-92	36.7	63.3
1992-93	36.5	63.5
1993-94	37.7	62.3
1994-95	38.3	61.7
1995-96	40.3	59.7
1996-97	38.7	61.3
1997-98	39.4	60.6
1998-99	39.1	60.9

Source: Central Statistical Organisation, National accounts statistics –2001.

In all the three categories (joint stock companies, small-scale industries and the enterprises), the growth of industries or establishments and the workers over there has shown an increasing trend. The growth of industry has contributed much towards the gross domestic product over the years and net national products. Particularly the unorganised sector that does not have any formal social security net has contributed 59.7% to 70% to the net national product over the years. The value added by the organised sector has been between 30% to 40.3%. However, the organized sector that has formal social security protection never crossed 8% of the total working population over the years. Interestingly in the organized sector we see more workers in the Public sector than the in private sector where as the contribution to the GDP is more from the private sector. The gross fixed capital formation is also more from private sector than by the public sector in terms of percentage in G.D.P. From the year 1988-89 the public sector contribution has shown a declining trend. It was 10.1% against 11.6% by private sector. It has come down to 6.5% in the year 1998-99 against 14.9% of the private sector contributions. Private sector contribution even crossed 16% in the year 1995-96, 96-97, 1997-98. Thus, it should be seen whether the coverage of the workers is in tune with their contribution to the economy of the country. However, the employment scenario in the country and the provision of jobs to the educated is some thing different.

Employment in India.

The number of job seekers registered with Employment exchanges increased from 36.69 million at the end of December 1994 to 36.74 million by the end of December 1995, thereby registering a growth of 0.1%. In March 1996, the number of job seekers stood at 36.83 million and this number further increased to 37.070 million by September 1996.

At the end of December, 1995 there were 895 employment exchanges all over India, which include 80 University Employment Information and Guidance Bureau. The number of Employment exchanges increased to 914 by September 1996. During, 1995 the placements affected were 214.9 thousands in the corresponding period over the previous year.

The Employment Exchanges (Compulsory Notification of vacancies) Act, 1959 applies to all establishments in the public sector and such establishments in the private sector as are engaged in non-agricultural activities and employing 25 or more workers. Under the act, it is obligatory for the employers to notify vacancies (other than those exempted in the Act) occurring in their establishments to the prescribed Employment Exchanges and to render certain periodical returns on employment and vacancies in their establishments.

Table V.6

STATUS OF THE LIVE REGISTER

(Thousands)

Year	No. of Emp.Exch.	Registration	Vacancies Notified	Placement	Live Register	% Increase over pre,year
1985	800	5821.5	674.7	388.5	26269.9	11.6
1986	821	5535.4	623.4	351.3	30131.2	14.7
1987	835	6011.7	600.9	334.4	30247.3	0.4
1988	840	5963.2	543.3	328.5	30050.2	-0.7
1989	849	6575.8	600.2	289.2	32776.2	9.1
1990	851	6540.6	490.9	264.5	34631.8	5.7
1991	954	6235.9	458.6	253.0	36299.7	4.8
1992	960	5300.6	419.6	238.7	36258.4	1.3
1993	887	5532.2	384.7	231.4	36275.5	1.3
1994	891	5927.3	396.4	204.9	36691.5	1.1
1995	895	5858.1	385.7	214.9	36742.3	0.1
1996	914	4584.1	330.0	173.3	37738.3	2.7
1997	934	6322.0	393.0	275.0	39140.0	3.71
1998	945	5852.0	359.0	233.0	40090.0	2.42
1999	955	5966.0	329.0	221.0	40371.0	0.70
2000	985	6042.0	285.0	178.0	41344.0	2.41

Source: Director General Employment and Training

Table V.7

EMPLOYMENT ASSISTANCE RENDERED BY EMPLOYMENT EXCHANGES TO THE EDUCATED JOB SEEKERS

(IN MILLION)

Education Level	Registration			Placement		
	1992	1993	1994 Jan-June	1992	1993	1994 Jan-Jun
Matriculates	2.29	2.11	0.97	0.06	0.043	0.024
Above Matriculation but below degree	0.90	0.92	0.44	0.03	0.021	0.009
Graduates & Post Graduates	0.68	0.63	0.33	0.04	0.031	0.013
All Educated Job-seekers	3.88	3.66	7.75	013	0.095	0.046

(Source: Annual Report 1996-97, Ministry of Labour.)

The Act covered 0.21 million of establishments. Of these 0.16 million establishments were in public sector and 0.05 million in the private sector.

The growth of employment in the organized sector of the economy between 1990 and 1998 has been of varying trends. We see a continuous fall from 1991 to 1995, although there was a marginal increase during 1994. Even if there was a growth of 1.49 per cent over previous year during 1996, it has again fallen to 1.21% and 0.31% during 1997 & 1998 respectively. The growth of employment in private sector over the period from 1990-1998 is registered a growth of 16.49% while it was only 4.15% in public sector. This is mainly attributable to the liberalization on economy and resultant casualisation and outsourcing of employment.

Registration Provisions

The extension of benefits to the employee depends of the qualification of his employer for being covered under the Employees' Funds and Miscellaneous Provisions act, 1952. This has been the approach from the very beginning of the concept of social security in the world. With same background, considering peculiar conditions prevailing in a few specific categories, the Government of India have enacted the Employees' Provident Funds & Misc. Provisions Act, 1952. thus, the Act initially applied to factories and establishments falling in 6 (six) specified industries i.e.

(2) Cement
(3) Cigarettes
(4) Electrical Mechanicals & General Engineering Products
(5) Iron & Steel
(6) Paper
(7) Textile

In addition to this classification there was some more conditions of eligibility for these establishments like

(a) The establishment must have completed 3 years of existence and
(b) Have employed 50 or more persons

With the growth of industry and stabilization of Indian economy, the list of industries/factories/establishments has been enlarged to 180 as on 1-4-2001 and the period of existence of 3 years has been given a go bye gradually. Today the only two qualifications to be eligible to be covered for an establishment are

(a) It should be engaged in any activity listed in the schedule of 180 industries/establishments and
(b) It should be employing not less than 20 persons

Satisfying one of these conditions does not entail one establishment or the workers/employees working thereat for the benefits under the Act.

Even if the establishment is coverable, the condition for an employee to be coverable is that he/she should be drawing wages less than Rs.6500/- p.m. on the date of coverage. (Para 2(7) of Employees' Provident Funds & Misc. Provisions Act, 1952).

The chronological event in the change of wage limit for membership can be better displayed as under:

Table V.8

WAGE LIMIT FOR COVERAGE

Period	Wage limit	Time taken to revise
01-11-1952 to 31-05-1957	Rs. 300 P.M.	4 years
01-06-1957 to 30-1201962	Rs.500 P.M.	5years 6 months
31-12-1962 to 10-12-1976	Rs.1000 P.M.	14 years
11-12-1976 to 31-08-1985	Rs.1600 P.M.	9 years
01-11-1985 to 31-10-1990	Rs.2500 P.M.	5 years
01-11-1990 to 30-09-1994	Rs.3500 P.M.	4 years 10 months
01-10-1994 to 31-3-2001	Rs.5000 P.M.	6 years 6 months
01-04-2001 onwards	Rs.6500 P.M.	

Source: Compiled on the basis of EPFO data

These wage limits have been imposed with a view not to burdening the small employers with high labour costs and at the same time encouraging them to participate in the welfare policy of the state. However, if any employer is willing to pay the contributions on the wage more than this limit and if the employee also consents to this effect he may do so. It is the limit for the employees' pension scheme also. The only implication is in case of workers earning wages above Rs.6500/- P.M. and if their employers are not paying contributions on entire salary, the pension is limited to the pensionable salary on which contributions have been paid. This will not go with the principles of income maintenance in event of retirement. Nor does it guarantee a decent living after retirement if there are no other savings by the worker.

In addition to the wage limits, other conditions imposed on employees to become eligible for membership over the years are (Para 26 of the EPF Scheme, 1952).

Table V.9

CONDITIONS OF ELIGIBILITY

From the inception of the EPF scheme in 1952 till 2nd Dec.1971	Completion of one year's continuous service or has actually worked for not less than 240 days within a period of one year or less whichever is earlier
From 03-12-1971 to 09-08-1974	Completion of one year continuous service or have actually worked for not less than 140 days within a period of one year or less or has been declared permanent in any such factory or other establishment whichever is the earliest
From 10-8-1974 to 30-01-1981	Completion of six months continuous service or has actually worked for not less than 120 days within a period of six months or less or has been declared permanent in any such factory or other establishment whichever is the earliest
From 01-11-1990 onwards	From the date of joining the factory/establishment

REGISTRATION OF EMPLOYER

Thus, it can be seen from the above that the approach to extend the benefits of provident fund and pension to the working class begins with the identification of the employer at the first place and the employee at a later stage. As on date, there are 180 classes of establishments (list appended) to which this act applies and the employees working in these establishments provided their number, crosses 20 on any day are entitled to the benefits provided further that their wage on the day of coverage has not crossed the limit of Rs.6500/- p.m. The employees drawing wage above, this limit on the date of coverage are excluded from the purview of the provisions of the Act. It is thus, the employees working predominantly in the organized sector, and whose employer is stable to pay contributions are extended the benefits.

Administrative Arrangements for coverage

The administrative set up detailed in Chapter IV oversees the implementation of the Employees' Provident Funds & Misc. Provisions Act, maintains the accounts, issues coverage notices, books the employers who do not extend the benefits as per law. This work is done through 260 offices of Employees' Provident Fund Organisation.

Initial Registration & Allocation of Registration number

Nowhere in the E.P.F. & M.P. Act, 1952, is the procedure of Registration provided. As per section 1 of the Act, the Act applies to the establishments fulfilling the conditions laid down by the act as detailed in the foregoing paragraphs. However, for administrative convenience, the establishment is identified with a registration number, with a prefix of the state code. In the usage of Employees' Provident Fund Organisation, this is called code number. For example, establishments in Andhra Pradesh have AP/1234, and the members in that establishment have the registration Number as AP/1234/1 here AP is Andhra Pradesh 1234 is the establishments code and the ‘1’ is the member’s identification.

The initial Registration is however done by the Employees' Provident Fund Organisation for the establishment starts contributing on its own application or by identification by the organization. In the first case, the establishments, which have completed the condition of eligibility, come before the P.F. Commissioner for a code number to enable them to deposit the contribution in the State Bank of India. In the second case Provident Fund Commissioner through his field staff identifies the establishments, which are coverable under the Act, and brings them under the purview of the Act either with persuasion or with coercion.

Once the registration of establishment is over, the registration of members starts. Initially, the registration number to the members is given by their employers, on the basis of the code number given to them by the Employees Provident Fund organization The initial number given by the employer remains throughout the employment in that particular organization or establishment. The employees joining after the date of coverage will be, however, given the registration number by the Employees Provident Fund organization.

There is a third approach to registration under section 1(4) of the Act. The employer voluntarily comes up for extending the benefits of social security, who is otherwise not coverable under the Employees’ Provident Funds & Misc. Provisions Act, 1952. These types of establishments are notified under the Act. Once notified all the provisions of the Act are automatically apply to these establishments.

The Registration number thus given to the establishments and the workers working there in are state specific and the establishment specific respectively. The registration number given to the workers does not have universal utility. Once the Employee/worker leaves the employment in one establishment and joins other, his amounts are transferred to another establishments account but will be given in a separate identification number based on the number given to his new establishment.

The registration of the employer is complete once the number given by the Commissioner is communicated to the establishment. It is the case with the registration number of the employee as well. Certain establishments are exempted from the purview of the scheme as per section 17 of the Act. They manage their own provident funds within the general guidelines of the statute and under the supervision of the Employees provident fund organization. We will study them separately in another chapter.

Coverage over years

The table (V.10) hereunder details the coverage of beneficiaries under the Employees' Provident Funds & Misc. Provisions Act, 1952 over the last 10 years under Un-Exempted & Exempted Area. The maintained by Employees' Provident Fund Organisation and by the Exempted Trusts where the establishments have been permitted to maintain their own accounts. The exemption from the provisions of the scheme has been provided in the Act under Section 17 and its sub-section. The simple reason is, that these establishments provide benefits and other the services to the members of the fund on the floor of the establishment where the members are working without compromising on the level of benefits and other service that are provided in the Act and the Schemes framed there under. Another reason why the establishments have been granted exemption is to avoid the delay in the coverage and registration process of the eligible employees regular and the casual and the contract. In the case of unexempted establishments, it depends on various factors like willing ness of the Employer and the vigilance of the enforcement machinery of the organization. However, we will discuss the details of the exemptions and the factors influencing coverage under in exempted sector in the following chapters.

Table V.10

COVERAGE OF MEMBERS OVER THE YEARS
UNDER EMPLOYEES' PROVIDENT FUNDS & MISC. PROVISIONS ACT, 1952

UN-EXMEPTED ESTABLISHMENTS								
Year	Estt.(Nos)	Members (in lakhs)				%Growth variations		
		Op,Bal	New	Left	Cl.Bal.	Mem	Est.	Out go
1989-90	192054	106.99	4.32	6.00	105.31	4.03	7.43	5.6
1990-91	204053	105.31	14.97	6.98	113.31	14.21	6.24	6.62
1991-92	209176	113.31	15.90	8.42	120.78	14.03	2.51	7.43
1992-93	220549	120.78	16.21	9.32	127.67	13.42	5.75	7.41
1993-94	233772	127.67	16.64	9.87	134.44	13.03	5.99	7.73
1994-95	247895	134.44	17.23	10.01	141.66	12.81	6.04	7.44
1995-96	261914	141.66	16.17	10.47	147.36	11.41	5.66	7.39
1996-97	274585	147.36	21.30	11.13	157.53	14.45	4.83	7.55
1997-98	296256	157.53	23.30	12.66	168.16	14.79	7.89	8.03
1998-99	315307	168.16	36.32	14.38	190.10	21.59	6.43	8.55
Totals*			182.36*	99.24*	84.79**	13.37	5.87	7.37

** Growth over the years. (Compiled on the basis of the annual reports of EPFO)

The table (V.10) above details the coverage of establishments and members of Provident Funds from 1989-90 to 1998-99. As on 31-3-1999 the total covered members under unexempted area by the E.P.F. Organisation are 190.10 lakhs. This was 105.31 lakhs as on 31-3-1990. The net growth on 1989-90 levels of coverage of members works out to 84.79 lakhs. During the same period, we observe an outgo of 99.24 lakh members. Even then, the average gross growth of members is recorded at 13.37% over the last ten years. Average of members left stands at 7.37% for the same period. The growth of members here is the members newly joined. Although on an average the members newly joined the fund is roughly double the average of members' left the fund, on net levels works out 7.76%, which is just 0.39 percentage points more than the people left the fund are. At the same time, we observe that there has been a constant fall in coverage levels over the previous years from 1991-92 to 1995-96. The growth of coverage of establishments, which is the primary requirement to bring in more number of establishments into the provident fund net has not been stable. However, there has been an average growth of 5.87% over the years under review. But the compliance administration in the Employees' Provident Fund Organisation proposes a net growth of 10% in coverage of members. If this is achieved there should have been an average net growth of 15.93% {Formula A =P (1+r/100)n } taking the total coverage of members to 277.10 lakhs as on 31-3-1999. This expectation goes with employment growth in India.

The scenario of the exempted establishments is further discouraging. The total number of establishments has marginally gone up from 2907 as on 31.3.1990 to 3123 as on 31-3-99. However, there has been sharp fall of membership from 1996-97 onwards. Ultimately, it stood at 41.09 lakhs as on 31-3-1999 against 45.79 lakhs as on 31-3-1996. on 1989-90 levels too the membership has shown a decline of 0.24 lakhs. Fall in covered employees over the previous years is observed in 1989-90, 1996-97, 1997-98, 1998-99. One thing attributable to this trend in the exempted sector is, the exempted sector is predominantly in public sector. The Public sector underwent various reforms during these years. Casualisation of Employment and out sourcing is observed in these establishments. (Tables VII.1, 2 and 3 in the Chapter VII on an overview of exempted establishments)

The Employees' Provident Fund & Misc. Provisions Act is applicable only when there was no pension or other better retirement benefits available to the employees working in the establishments. Therefore, out of total work force we should look at the work force where other legislations are not applicable. The table (V.11) below tells us the share of Provident Fund coverage in the total covered work force f as on 31-3-1999

Table. V.11

COVERAGE OF WORK FORCE UNDER VARIOUS SCHEMES.

A.

Non contributory Scheme	Members
Employees' of Central Govt.	41.76 lakh (4.276 M)
State Government	68.00 lakh (6.8 M)
Union Territories	1.63 lakh (0.163 M)
Total	111.39 lakh (11.139 M)

B.

Contributory schemes	
E.P.F. & M.P. Act	202.89 lakh (20.28 M)
Coal Mine P.F.	8.06 lakh (.806 M)
Assam Tea Plantation P.F.	7.56 lakh (0.75 M)
Seamen's P.F.	0.33 lakh (0.03 M)
J & K P.F.	1.45 lakh (0.14 M)
	220.29

A + B. 331. 68 lakh or 33.168 Million.

If we look at these figures of 1997, out of the total organized sector workers, 12.87 Million workers are covered by various other schemes, than Schemes under E.P.F. & M.P. Act. The total workforce in the organized sector during 1996-97 was 28.22 million. (Table V.4) Out of these, 12.87 Million workers have been covered by other schemes leaving 15.37 for E.P.F. & M.P. Act to cover. Nevertheless, the coverage under EPF & MP Act as on 31-3-1997 was 20.28 Million. That is 4.1 Million workers more than the left over workers in the organized sector. If we look from the angle of covered establishments, the total establishments covered during 1997 are 2,77,555, (Table V.10) whereas there were 4,12,719 companies working as per the report of Ministry of Law, Justice and Company Affairs. (Table V.2) Out of which 1216 were Government Companies. The small scale Industries were 2.14 lakhs employing 158.91 lakh persons. These statistics generate many doubts requiring in depth analysis of the available data as well as the systems of coverage and registration under the Employees Provident Fund Organization.

The doubts are:

(a) Whether EPFO has covered all the employees in the organised sector?

(b) Whether some people from the unorganized sector also covered?

(c) Whether the reporting by the EPFO is correct?

These doubts gain further strength when we look at the distribution of coverage of P.F. members among public sector, private sector as on 31-3-2000.(Table V.12)

Table V.12

COVERAGE OF MEMBERS- PUBLIC AND PRIVATE SECTOR WISE
As on 31 March 2000

As on 31st March, 2000	Establishments (Nos)			Members (Nos)		
Public Sector	Unexempted	Exempted	Total	Unexempted	Exempted	Total
(a)Central Government	747	344	1091	296266	1080029	1376297
(b)Union Territory undertaking	43	5	48	19447	2337	21784
(c)State Government	4083	286	4369	787309	1112070	1899379
(d) Local Bodies/ Municipal Committees	1217	16	1233	89929	105105	195034
Co-operative sector	4025	52	4077	328892	47268	376160
Total	10115	703	10818	1521845	2346809	3868654
Private sector	313621	2102	315723	18675574	1993013	20668587
GRAND TOTAL	323736	2805	326541	20167419	4339822	24537241

(Compiled on the basis of data from EPFO)

The doubts at ‘b’ above are true to the extent that EPFO has covered a few members from the unorganized sector also like Beedi, Match, and construction workers.

The doubt at ‘a’ appears to be wrong that the number of establishments being reported by Employees Provident Fund Organization as covered do not tally with the number of companies or small scale industries detailed in the table (V.11) above. So is the case with the number of subscribers or members. The E.P.F. & M.P. Act does not make any distinction between an un-organized sector and an organized sector. It only says that the act applies to the establishments employing 20 or more persons and falling in the list/schedule of establishments/industries. Apparently, there are many industries establishments particularly like Contractor employees, Hotels, Restaurants, Petrol Pumps, Construction workers, General Stores, Shops, Bakeries, Dry Cleaning Units, Garment Manufacturing Units, Plantations and more like these which require to be covered by the offices of the Employees provident fund organization. There are also certain establishments, which could not be covered for statutory reasons.

The doubt at ‘c’ also appears to be incorrect for reasons:.

It is a matter of concern that 158.91 lakh persons working in 2.14 Lakh small-scale industries do not find place in the organized workers’ statistics. This is one of the reasons why there is difference between the numbers of organized workers and their coverage..

The objectives of this piece of social security legislation are to cover as many workers as possible within the statutory limits.

Findings of Interviews with Officers and staff of E.P.F.O.

During course of research several offices of employees’ provident fund organisation across the country have been visited and interviews with the Commissioners and staff members have been conducted to ascertain the reason why there has been no growth of membership. During these interviews and visits, the officials have attributed several reasons why there has been non-growth of membership in tune with growth of workforce in the country like;

(a) No data bank for coverage of establishments is available with the Commissioners. The Commissioners are unable to build up their own data Banks of un-covered/coverable establishments. The compliance machinery with them is concentrating only on seeking compliance with already covered establishments. There is no system or arrangement with the Government or other departments like Labour Bureau, Ministry of Company Affairs, Income-tax, Sales tax act., ESIC, Customs and Central Excise, , Registrar of Companies Small Scale Industries, departments etc to have an exchange of Information. It is either voluntary compliance or some persuasion by the enforcement officers. Coverage drives are not conducted on regular basis. There is no uniform procedure by the Enforcement Officers. Coverage drives are not conducted on regular basis. .

(b) Schedule of Industries is an impediment. The E.P.F. & M.P. Act's approach to extend the benefit is employer centric and covers only the scheduled Industries. Many employers are trying to avoid coverage showing their activity as non-coverable activity Until recently that is before 1-4-2001, Courier services, Airlines and Sweeping Cleaning activities weren't coverable. At the same time, there is no negative list of establishments available with the organisation.

(c) Another major impediment is employees' strength. Establishments employing 20 or more persons are only coverable. Taking this cue, many establishments found under reporting their employees or casualsing their employment in such a way that the provisions of the Act do not apply. For example

(i) Hotels
(ii) Restaurants
(iii) General stores
(iv) Super Markets
(v) Garment Manufacturers
(vi) Nursing Homes
(vii) Hospitals
(viii) Shoe Making units
(ix) Beedi Rollers
(x) Brick kilns
(xi) Caterers
(xii) Motor Garages
(xiii) Whole Sale Business men
(xiv) Contractors
(xv) Builders etc.
(xvi) Petrol Pumps

and many other activities which cannot run without employing a minimum of twenty (20) persons

(d) Wage ceiling is reported to be another impediment. As on date employees drawing up to Rs./6500/- salary are only coverable under the Act. It was Rs.5000/- before the announcement made in the union Budget for the year 2001-2002. However, this does not appear to be a major impediment, for the employed class earning this amount of salary is (i) Less in number (ii) Aware of the Legal & Statutory provisions and majority have come under the purview of the Act voluntarily (iii) Establishments themselves started extending benefits to all drawing more than this salary automatically when the Act was made applicable to the establishments.

(e) Non-cooperative attitude of the employer is another impediment, attributed by the officials of the organization. EPF & MP Act, 1952 is a beneficial legislation. It comes into force on its own strength. Provident Fund Commissioners do not sell schemes. Therefore, they fully dependent on the employer to come forward and extend the benefits to the working force within their establishments, which are always not the case with majority of the employers. It is only big establishments started complying from the day beginning of their activities. In case of smaller establishments in majority of cases it has been the discovery of field functionary of EPFO. Avoidance of compliance is seen due to (i) Ignorance and (ii) to escape from the burden of payment of employer's share (iii) unwillingness of low paid employees to forego their share due to their immediate needs and thereby influencing the employers not to comply with the provisions of the E.P.F. & M.P. Act, 1952.

(f) It is also observed that in majority of the covered establishments underreporting of employees strength in going on. Sometimes it is with the ignorance of the field functionary and sometimes it is with the knowledge of the field functionaries. Non – extending of membership to the contractor employees by the establishments is another major problem observed. In major public sector organisations like Vizag steel Plant, Bharat Heavy Plates and Vessels, NTPC, BHEL, ONGC, HPL, IDL and in Private companies like Reliance, L&T and Gammon India the avoidance of contractor employees is seen.

The employment statistics and the companies' statistics do not match with statistics of coverage made over the years by the Employees Provident Fund organization. The officials of the organization have attributed this less coverage to the attitude of the employees as well as the statutory provisions that come in the way of covering the establishments employing less than 20 persons. The version of the workers and their leaders is some thing different as illustrated elsewhere. They attribute that the officials of the Employees Provident Fund organization compromise on several things and help the employers under report the employees' strength.

The case of Ma Kamakhya Nursing Home Siliguri (See Box V.I) is another example of how some employers try to avoid statutory coverage and interpret the law in their favour.

All of the above are ultimately resulting in non-coverage of employees working at least in the organized sectors.

Box V.I

How coverage is avoided?

Ma Kamakhya Nursing Home at Siliguri is a Nursing Home run by two doctors- Husband Wife. The Nursing home has a Pathological laboratory attached to it. Wife is specialized in pathology and the husband is specialized in cardiology therefore the wife takes care of pathological unit of the Hospital while the husband runs the Nursing Home. The Pathology occupies the ground floor of the Building, the first and the second floor of the building are occupied by the Nursing Home and the third floor is the residence of the doctors. On the day when the inspector of Employees' Provident Fund Organisation visited the nursing home was employing 17 persons and the pathology was employing 5 persons. The inspector found that there are more than 20 persons employed in the Nursing Home and therefore the Act is applicable to the establishment. The commissioner directing the Nursing home to start deducting the contribution towards Provident Fund for the employees of both the Nursing Home and the Pathology issued a coverage Notice. The Doctor then contested the coverage saying that;

a) The Nursing Home is only owned by him not the Pathological laboratory
b) He has sold the Pathology to his wife against the rent he had to pay her towards the premises of the Nursing home, which is on her name.
c) He wanted to remove some of the workers from his the pathology while selling it to his wife but on humanitarian grounds he has requested his wife to employ the same staff in her pathology.
d) His wife charges the fee from the patients for all the pathological investigations done for the patients of the Nursing Home
e) Thus two establishments are two separate and distinct entities and therefore do not meet the requirement of employing 20 persons at a time.
f) The establishments should not be clubbed together and covered as one unit.

Although the establishment is ultimately covered this is one of the typical example how some of the establishments avoid coverage on interpreting the law according to their need.

V (b). COLLECTION AND RECORDING OF CONTRIBUTIONS

The second area of social security administration's collection is recording contribution from the beneficiaries. That is the member of Provident Fund Scheme & Pension Schemes under EPF & mp Act, 1952. While the employer gives effect to the provisions of the Act and deducts the contributions from the wages of the employees working with him, the Commissioners of Provident Fund receive and record the contribution. The amounts are kept in the accounts maintained by Provident Fund Commissioners until the claim is finally settled.

Procedure for collection & Recording contributions

The Central Board of Trustees, Employees' Provident Fund has, as detailed; in Chapter IV, Regional, Sub-Regional and Sub-Accounts Offices spread all over India. These offices are pre-dominantly accounts offices. The work in these offices is receiving the contribution from employers, recording it in individual accounts, maintaining establishment-wise ledgers and settling the provident fund, pension claims of the members of the Fund.

The Procedure of deposit of the contribution is laid down in the EPF Scheme itself at Para 30 & 38 of the EPF Scheme.

Collection of contributions is an area in the administration which is directly affects the financial health of the organisation as well as affects the procedure of recording the contributions and issuance of statements of accounts. As per the provisions of the scheme the Provident Fund Commissioner need not wait to receive the contributions when the members prefer the claims. Even in the case of defaulting establishments also it is provided that the claims of the members should be settled first and the Commissioner should make the collection from the employer later. In other words, the member of Provident Funds/Pension is not responsible for non-deposit of the contribution. The employer has to deposit the contributions of both the employer as well as employees. Thus, non-collection of contribution eats into the funds of the organisation. Secondly, the member need not wait until the Provident Fund Commissioner collects the amount.

Therefore, it is always necessary that the commissioners gear up his machinery for timely collection of funds.

Table V.12(a)

COLLECTION OF CONTRIBUTIONS OVER THE YEARS (Rs. InCrores)

Year	**Exempted Sector**	**%Variation Over Previous year**	**Unexempted Sector**	**% Variation of previous year**	**Total**	**% Variation of previous year**
1998-90	1845.22	32.99	1313,32	26.63	2424.61	21.11
1990-91	2041,49	10.63	1625.33	23.75	3158.54	30.27
1991-92	2107.49	03.23	1922.74	24.45	4030.23	9.91
1992-93	2458.13	16.63	2208.29	14.85	4666.42	15.78
1993-94	2413.75	-1.81	2541.10	15.07	4954.85	6.18
1994-95	2281.02	-5.49	2795.87	10.03	5076.89	2.46
1995-96	2562.85	12.35	3203.02	14.56	5765.87	13.57
1996-97	3055.77	19.23	2915.29	-8.98	5971.06	3.55
1997-98	3174.70	3.89	3643.49	24.98	6818.19	14.19
1998-99	2841.36	-10.49	4954.18	35.98	7795.54	14.33
1999-2000	3904.14	37.40	5778.08	16.63	9682.22	24.20

(Source Annual reports of EPFO)

Table V.12 (b)

CONTRIBUTION DEFAULT

Rs. In Crores

S.No.	Year	Exempted	Unexempted	
			Default	% Variance over Previous year
1	1990-91	131.98	96.03	-1.99
2	1991-92	135.21	94.26	-1.84
3	1992-93	139.82	127.58	35.34
4	1993-94	196.09	164.90	29.25
5	1994-95	155.95	191.38	16.05
6	1995-96	196.85	239.04	25.00
7	1996-97	164.46	302.10	26.38
8	1997-98	177.80	286.17	-5.27
9	1998-99	234.87	338.31	18.22
10	1999-00	469.13	589.17	74.15
Variance over 190-91 levels				496.62

(Source Annual reports of EPFO)

From the above tables, {V 12 (a) &(b)} it is seen that the contributions from exempted sector have the trend of up and down. We see growth in 7out of 10 years and fall in 3 years Whereas in the un-exempted sector there is regular growth of contribution. But the rate of growth is varying. The default in payment of contributions both in exempted and un-exempted sectors is gradually increasing. There was a marginal shortfall in default in un-exempted sector during the years 90-91,91-92,94-95 and 97-98 over the previous years. If we look at the growth of contributions in exempted sector percentage wise, there has not been any tangible growth. Collection of contribution during 1998-99 registered a marginal growth of 154% over 1989-90 levels. However, the default alarmingly rose to 178.27% during the same period. In the un-exempted sector, the collection of contributions has registered a tremendous growth of 377% on 1989-90 levels whereas the default registered a growth of 243%. The default by the exempted sector constitute 6.66% or the total dues from them during 1989-90, which rose to 7.63% during 1998-99, whereas in the un-exempted sectors it was 6.99% in 1989-90 came marginally down to 6.83% in 1998-99. The percentages may look small but quantum wise Rs.338.31 crores was in default with respect to un-exempted sector. If we go by average collection per member, the amount represents 13.01 lakh members in the un-exempted sector alone, where the Employees P.F. Organisation is directly responsible to settle the claims of the members even if the employer does not make the payments. Further, accounts slips could not be issued unless the contributions are properly recorded. The computerization as well as the increase in the work force strength of the organisation could not show tangible progress. Particularly, we see an increase in the quasi-judicial work force that has all the authorities and powers to arrest the growth of defaults. There were only 300 officers to this authority in the cadre during 1989-90 which is now increased to 600 i.e. the cadre is doubled. Other major change during this period was, the recovery of statutory dues has been put into the hands of the organisation, which was previously looked after by the Revenue Authorities of respective State Governments.

We will discuss in detail about the recovery of contributions and other aspects of recurring compliance from the defaulting establishments under a separate head "Compliance and Enforcement" in this chapter elsewhere.

Problems in collection and recording of contributions.

To understand the problems in collection and recording of contributions, we have adopted direct interview method. We have interviewed:

(a) The Officers of EPFO

(b) The Union Leaders of EPFO

(c) The Employer of covered establishments

(d) The beneficiaries of the legislation i.e. the members of the fund.

Their versions have been taken to understand the situation from different angles.

(a) The version of Officers of EPFO.

1. Many employers are not submitting the returns on time
2. Many employees are becoming defaulters.
3. Some employers are closing their establishments. Their whereabouts are not known.
4. Default is due to coverage of contractor employees to some extent. The employers are not willing to cover contractor employees but the EPFO Officers are assessing the dues.

5. Employers are underreporting the employees' strength. When assessment orders are made, they are not willing to produce records.
6. Returns/reports submitted by them are incomplete and with full of factual errors.
7. Collection proceedings are disputed in courts.
8. The Acts of central/state governments bar recovery.
9. Factories are declared sick under BIFR.
10. Organisation is not fully computerized thereby process is becoming tardy.

(b) **Version of the Union leaders in EPFO**

(2) Employers are not submitting records on time

(3) Computers are not working and there are regular break down of computers

(4) Employers are submitting documents with full of mistakes.

(5) Staff in the organisation is over burdened.

(6) There is no provision now for overtime allowance, for overtime work

(7) Work distribution is not properly organized. Norms have not been properly fixed.

(8) Newly recruited Assistant P.F. Commisioners are unable to take stern action against defaulting employers.

(9) The Field staff is insufficient

(10) There are regular political interventions in case of big establishments.

(11) No proper co-ordination between EDP Centres and the Accounts groups

(c) Version of the employers

1. There is no proper system to preserve records in EPFO
2. PF 'Babus' want to avoid the work somehow.
3. Coverage of contractor employees is a problem
4. Assessments of dues made are sometimes arbitrary
5. The enforcement officers have their personal agenda. Dissatisfied inspectors are over reporting thereby leading to excess assessment.

6. Returns and reports being asked by the EPFO are very large in number
7. There is no proper co-ordination between EPFO & State Bank of India. Deposit of contributions is therefore not properly taken note of by the EPFO.
8. There is no proper guidance from the EPFO sometimes.
9. casual employees and low paid employees are not willing to be covered under the Act.

(c) <u>Version of Beneficiaries and their representatives.</u>

The beneficiaries of the provident fund have been interviewed at various facilitation centres in the offices of the organization

1. The employers and the EPFO officials have hands in glove.
2. P.F. Commissioners and Enforcement Officers are more interested in collections for themselves instead of the collection of statutory dues.
3. Employers are not extending the benefits to casual & seasonal workers.
4. EPFO Offices are not working properly – Babus are not found on their seats.
5. Employers are not submitting the reports/records on time.
6. Inspection by the enforcement officers some times are conducted from their home itself. They seldom visit the establishments.
7. EPF Officers are dependent on consultants engaged by the employers'
8. Employers are deducting the contributions from salaries but not paying to P.F. Office.
9. Some workers are not willing to join P.F. membership as they work only for few days.
10. P.F. Babus are very slow in working and the benefits are not extended on time.

If we look at all the four versions it appears that no further discussion is required on the issue. The version of all the four stake- holders leads to one ultimate point that is non-performance**.** However, if we look at the data collected from the offices and the data of workforce is collected from the other agencies as detailed in the foregoing paragraphs, it is conclusively proved that the non coverage is not just due to the statutory limitations but due to the inertia and various influences on the staff and officers of the employees provident fund organization.

ADMINISTRATIVE ARRANGMENTS FOR RECORDING OF CONTRIBUTION

The organisation has accounts groups headed by a Head Clerk for maintaining the accounts and benefit delivery. In each group there are 6 clerks looking after the needs of roughly 13,200 members. Two such accounts groups are headed by an Assistant Accounts Officer and ultimately, for each 1,00,000 members, there is an Assistant Provident Fund Commissioner, Accounts. These Accounts Groups have predominantly two portfolios. One to record contributions and distribute account slips, two – to settle the benefits. We are now concerned about only the recording of contributions.

It is seen, that the work of recording of contributions ends with issue of F.23 i.e. the account slips for which every member eagerly awaits every year to know his balance in his account. The position of issue of these accounts can be seen from the following tables.(V.13)

Table V.13

ISSUE OF ACCOUNT SLIPS (IN LAKHS)

Year	Members	Opening balance	Total issuable slips	Issued during the year	Pending	% Pending
89-90	105.31	147.20	279.55	143.02	136.53	48.84
90-91	113.30	136.53	279.78	162,44	117,33	42.89
91-92	120.78	117,33	273.53	182.40	91.13	33.31
92-93	127.67	91.13	262.64	174.88	87.75	33.41
93-94	134.44	87.75	265.79	168.69	97.10	36.53
94-95	141.66	97.10	272.35	151.45	120.90	44.39
95-96	147.53	120.90	321.23	213.74	107.49	33.46
96-97	151.53	107.49	312.97	206.42	120.6	38.53
97-98	168.16	106.55	317.16	211.50	105.66	33.31
98-99	190.10	105.66	394.91	290.63	104.28	26.40
Average	140.05	111.76	279.99	190.51	106.58	37.10

(Compiled on the basis of the Annual Reports of EPFO)

All through the 10 years under review the workload of issue of annual accounts by the organisation is more than the double of the live members reported by the organisation. Only during 1993-94 and 1994-95 we observe a very marginal decrease in the workload to the double of the working/live employees. The average of issue of annual accounts slips is190.51 lakh per annum. Pendency at the end of each year is also more or less equal to the opening balance. During the year 1993-94 and 1996-97 the pendency of Annual accounts to be issued is more than the opening balance. Performance wise, the issue of annual accounts registered a growth during years 1990-91, 1991-92 but again started falling from 1992-93 onwards till 1994-95. Again during 1996-97 there is a fall over the previous year.

One thing should be kept in mind while analyzing this. Computerisation of the area of issue of Annual accounts made a modest beginning during 1989-90. However, all the offices have been computerized by 1997-98. Even then, the computerization has not shown any feasible impact on the performance in this area of service to the members.

Further out of the randomly selected five states, (Table V.14) majority of the subscribers who had responded to the interviews, have stated that they have not received the account slips on time. It varies 10 years in West Bengal to delay of 1 year in Andhra Pradesh.

Table V.14

Details of interviews conducted

	State	No. of Interviews		No. of negative responses	
		Persons	Establishments	Persons	Establishments
1.	Andhra Pradesh	1500	50	40	2
2.	Delhi	2000	50	1200	28
3.	Maharashtra	2000	50	1600	40
4.	West Bengal	2000	50	1800	42
5.	North East Region	2000	50	1200	36

The reasons attributed by the officials of the EPFO for bad performance are many. They can be taken as they are for our observation:

1. Many employers are not submitting the returns on time
2. The EDP Centers are not working properly
3. On time technical assistance is not available to set right the problems of EDP Centers
4. Regional PF Commissioners have not been authorized to make purchases or to deal with any monetary transactions to rectify the defects in EDP Centers.
5. Technically qualified people have not been posted to operate the EDP Centers.

6. This area of Administration is centralized.
7. Employers are not making payment on time.
8. Some offices are suffering from staff shortage
9. Trade Unionism is gaining importance in the organisation and the activities of the Association is an impediment
10. Some amount of over reporting is there by the employees.

While the officers of the organisation say as above, the version of employees is something different.

(1) EDP Training is not given to staff members.

(2) Staff members are suffering from heavy work load

(3) Claim settlement is taking priority thereby directing the attention of the staff members from issuance of accounts slips.

(4) Records submitted by the employers are with full of errors and mistakes.

(5) Staff sanctions and Recruitment is not done on time.

(6) Work norms are not scientifically designed.

(7) Congenial work environment is not provided

(8) Officers are more interested in enforcement work, not in accounts work

(9) Newly recruited staff is not properly trained.

(10) Processing on computer is consuming much time. Manual Processing could have taken less time.

While the opinions/observations and reasons given by the officers & staff members as above are universal, we find none of these have been impediments for the offices in the state of Andhra Pradesh, Madhya Pradesh, Orissa and Haryana and in some smaller offices like Nagpur in Maharashtra, Jalpaiguri in West Bengal, Madurai in Tamil Nadu etc, if we take a quick look at the annual statements issued in the organization. (Table V.15) Some of the reasons attributable to this performance appear that the leadership of these regions and the motivational levels of the offices, regional culture prevailing in the state and the influence of the state government bureaucracy on the offices of the provident fund organization.

Table V.15

ISSUE OF ANNUAL STATEMENT OF ACCOUNTS TO SUBSCRIBERSDURING 1999-2000

Region	Workload as on 01-04.99	Issued of years Up to 1997-98	Issued of year 1998-99	Total during the year 1999-00 (3-4)	Pending due to Employers' fault	Pending Due to other Reasons	pending for issue on 31- 03-00 (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
AP	1929218	0	1929218	1929218	0	0	0
BR	582798	192570	390228	582798	0	0	0
DL	1116903	145798	888108	1033906	0	82997	82997
GJ	2788772	0	2784946	2784946	435	3391	3826
HR	965894	30450	909502	939952	0	25942	25942
HP	381990	242974	126373	369347	0	12643	12643
KN	1822380	37728	1282056	1319784	260802	241794	0502596
KR	1037599	141349	896250	1037599	0	0	0
MP	1442835	227042	1215793	1442835	0	0	0
MH	8308621	27-5328	2562328	5267656	1293130	1747835	3040965
NR	257029	109422	147607	257029	0	0	0
OR	83-339	347486	482853	830339	0	0	0
PN	1641815	266404	1359177	1625581	16189	45	16234
RJ	1116544	146841	905852	1052693	22835	41016	63851
TN	4387966	378929	3584686	3963615	220066	204285	424351
UP	2215825	626446	1185547	1811993	305883	97949	403832
WB	6296572	3718043	741381	4459424	0	1837148	1837148
TOTAL	37123100	9316810	21391905	30708715	2119340	4295045	6414385

Compiled on the basis of EPFO Data.

In the regions like Gujarat, Karnataka, , Maharashtra, Punjab, Rajasthan, and Tamil Nadu the employers fault is also one of the reasons why has there been a pendency. However in the regions like Delhi, Himachal Pradesh, Maharashtra, Rajasthan, West Bengal, the employers' fault is not the sole responsibility. The account slips pending are more than the accounts slips kept pending due to employers fault in these regions. In the regions like Himachal Pradesh and West Bengal, no employers' fault is reported; out of 17 regions seven regions have shown zero pendency, in similar conditions in the organisation. Coming to computerization of EPFO there is a gradual growth of computerization over the years.

Table V 16

EDP CENTERS AND MANPOWER

Year	No. of EDP Centers
1989-90	2
1990-91	7
1991-92	20
1992-93	28
1993-94	32
1994-95	47
1995-96	55
1996-97	85
1997-98	85
1998-99	92

Computer related manpower sanctioned on 14-7-1997.

Sl. No.	Name of the post	Sanctioned Strength	Filled	Vacant
1	Addl.CPFC(C&SM)	1	-	1
2.	Director	1	1	-
3.	Dy .Director)	1	-	1
4.	Asstt.Director	17	-	17
5.	Programmers	21	2	19
6.	Asstt. Programmer	63	16	47
7.	Supervisors	77	60	17
8.	Data Entry Operators	411	234	177

Source: EPFO Headquarters.

Although there is a growth in computerization (Table V.16) in the organisation, it appears that it does not have any tangible effect on the growth of performance.

Table V.17

COMPARISON OF COMPUTERISATION AND NON COMPUTERISATION PERIODS

Workload	Year	Slips issued	Slips pending	Staff
279.5 lakh(1923.6)	1989-90	143.0 lakh (984)	136.5 lakh	14530
371.23 lakh	1999-00	307.09 lakh (1572)	64.14 lakh	19534

(Figures in parenthesis are per staff member.)

If we compare both the situations of non-computerized year 1989-90 to the year 1999-2000, (Table V.17) where entire accounting system is computerized, the work load appears to have come down marginally by 23.6 accounts per staff member over 1989-90 levels. It has come down to 1900 during 1999-2000. Coming to the productivity it was 984 accounts per staff member during 1989-90. It is increased to 1572 accounts per Assistant. It further works out to 6.55 accounts per staff member per day (240 working days ;in a year i.e. 365 days (52 Sunday and 52 Saturdays + 17 CLs + 4 others), which was 4.1 accounts slips per staff members as per 1989-90 data.

As per the norms prescribed by the office through a series of experiments conducted by the National Productivity Council, one dealing Assistant should service 2200 live subscribers. The Accounts not only include live but dormant accounts also. Therefore, there is no norm for maintenance of accounts. However, we find that (Table V.18) the workload of live members works out to (201.97 lakh subscribers as on 31-3-2000), which is 1034 subscribers per assistant, that too in a computerized environment. In other words the employees posted in the Accounts sections of the organization have to maintain the accounts of the current subscribers and other dormant accounts. Maintenance of the accounts here does not mean regular posting of contributions in the ledger on day-to-day basis nor is it posting on monthly basis. It is simply generating accounts slips every year on the basis of the yearly data supplied by the establishments and processing the claims of the members who retire or submit claim forms for partial withdrawals or the dependent of he deceased members. It is also seen that the non-regular subscribers whose account is with EPFO is increasing over the years. For our quick analysis, we may look at the figures of 6 years readily available.

These figures have been obtained from the Employees Provident Fund organization's data bank. (The tables are given in the following pages for the convenience of reading and considering the size of the tables.)

Table V.18

DETAILS OF SLIPS ISSUED (IN LAKHS)

Year	Live members	Workload	Slips issued	Slips pending
1994-95	141.66	272.35	151.45	120.90
1995-96	147.36	321.23	213.74	107.49
1996-97	157.53	312.97	206.42	106.55
1997-98	168.16	317.16	211.50	105.66
1998-99	190.10	394.91	290.63	104.28
1999-2000	201.97	371.23	307.09	64.14

Compiled on the basis of EPFO Annual Reports

The above table (V.18) may show that the work load is increasing over the years at the same time it is seen that on an average there are more than one crore members are not serviced by the EPFO.

In a recent exercise conducted by EPFO, for the first time in the organization it is found that:

Table V.19

EPFO findings on compliance

		Establishments	Members
(1)	No membership available	1,41,271	0
(2)	No account slip issued beyond 1995-96	41,750	37,87,997
(3)	Issue of account slips is more or less regular	1,23,025	2,05,94,904
		3,06,046	**2,43,82,90**

The above (Table V.19) figures speak for themselves on the satisfaction levels of the members. We may however say that the so-called computerisation has not brought in any tangible growth in the performance. Increase in performance levels of 4.1 slips per staff member to 6.55 slips may not be treated as tangible and acceptable growth in a mechanized environment by any standards. Servicing 1034 subscribers by each staff members in a computerized environment is not a big deal.

V(C) COMPLIANCE & ENFORCEMENT

The compliance and enforcement is another area of the Social Security Administration particularly where the employer liability is involved through some statutory provisions which speaks the health of the organisation. This is also an area which brings up and down the image of the organisation. People working in this branch of administration are often treated as blue eyed boys in the Organisation. The Employees Provident Funds &Misc. Provisions Act , 1952 speaks of the applicability of the Act and the procedures of its applicability. It directly makes an employer responsible for complying with the provisions of the Act. It also prescribes the penalties and punishments for non-complying with the provisions of the Act. The statutory authorities mentioned in the act become active only in the case of non-compliance by any establishment. We, therefore, discuss the compliance and enforcement in the EPFO over the last ten years in the following paragraphs:

- Statutory provisions of compliance.
- Duties and responsibilities of employers to comply with the provisions of the Act.
- Administrative arrangements for compliance.

Statutory provisions:

Section 1(3) of EPF & mp Act, 1952 and its sub-sections as detailed in the previous paragraphs speak of the applicability of the EPF & MP Act, 1952 to the establishments. Establishments which fall under the schedules of the Act fulfilling other conditions like employees strength have to comply with the provisions of the Act. Every establishment which is covered under the Act has certain duties and responsibilities after coverage. They are extensively enumerated in the EPF & M.P. Act, 1952.

Administrative Arrangements for securing compliance

The Regional and Subordinate Regional Offices of the organisation have separate sections in the name of Enforcement, Damages & Recovery, under the charge of an Assistant Provident Fund Commissioner (APFC). Other staff members in the office and Enforcement Officers in the field assist these APFCs. The Enforcement officers are the Inspectors within the meaning of Section 13 of the EPF & MP Act. These Inspectors are the main link between the employer and the organization for they have to identify the coverable establishments, monitor the performance of the establishments, guide them in the proper implementation of the provisions of the Act and in case of non compliance and default recommend penal action.

The Assistant Provident Fund Commissioners, Regional Provident Fund Commissioners and the Addl. Central Provident Fund Commissioners are the quasi-judicial authorities under the Act and they have been vested with the powers under section 7-A of the Act

(a) To decide applicability

(b) Determine the dues

For this purpose, these are the civil courts within the meaning of civil procedure code and all the powers that are vested in the civil courts under IPC and CPC are vested in these authorities.

These authorities are also vested with the powers to Act as recovery officers under section 8 of the Act. For the purpose of recovery they

(a) Can attach and sale movable and immovable property

(b) Arrest and detain the defaulters in civil prison

(c) Attach the bank accounts of the defaulting employers and of the third parties who are due to pay to the employers.

Table V.20

WORK OF INSPECTORS (ENFORCEMENT OFFICERS)

OVER THE LAST 10 YEARS.

INSPECTIONS CONDUCTED (In Numbers)

Sl. No.	Year	Estt. Covered	Un-exempted Routine Inspection	Exempted		Un. Exempt. Insp.	
				Coverage	Inspected	For coverage	Est covered
1.	1989-90	178761	294019	2907	8478	19098	13293
2.	1990-91	192054	296762	2933	10011	19124	11999
3	1991-92	204053	311291	2956	9753	19701	5123
4.	1992-93	209176	203461	3041	8088	16080	13046
5.	1993-94	220549	264802	3109	8149	15292	13223
6.	1994-95	233772	213062	3143	8148	19052	14123
7.	1995-96	247895	176360	2934	8642	22030	14044
8.	1996-97	261914	179035	2970	8102	24143	12671
9.	1997-98	274585	170434	2948	8672	22184	21671
10.	1998-99	296256	163324	3123	3376	21302	19051

(Source: Employees' Provident Fund Organisation)

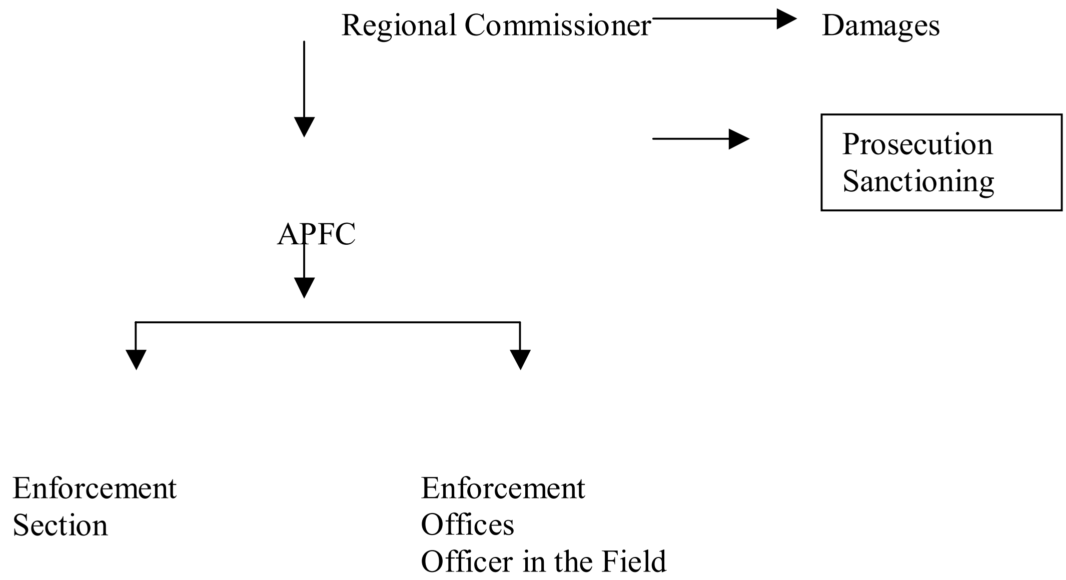
The details of the inspections conducted by the Inspecting officials over the years enumerated above (Table V.20) reveal that up to the year 93-94 on an average every establishment was visited at least once during the year. After 94-95, the decline started. Against total of 2,96,256 establishments covered only 163324 were visited by the inspectors during 1998-99. About 132932 establishments were not inspected. The sudden jump downwards started from 1995-96 onwards. No satisfactory reply could be given by any of the offices of Employees' Provident Fund Organisation for this downward trend. This non-inspection appears to have nexus with the zero contribution establishments, 1,41,271 detailed in table V.19 elsewhere. On the other hand, each Exempted Establishment was visited on an average 2.7 times in a year all through the years. This repeated visit to the exempted establishments could not give any tangible effect on the compliance position of the establishments.

The officers of the level of Regional Provident Fund Commissioner and above are empowered to levy damages on the employers who do not deposit the contributions on time. These provisions are deterrent provisions and the damages are exemplary damages.

Thus, the administrative arrangements are as per Chart V.2 below

Chart V.2

Administrative Chart



This arrangement is solely responsible for overseeing the compliance portfolio of the organisation. Compliance is thus the key area of administration in the Employees Provident Fund Organization. The mal-administration of compliance is therefore as felt by many within the Organisation, is a threat to the very concept and principles of social security. Vibrant field offices and vigilant offices only could safeguard the interests of the working class. However, we will have to see how far this part of Administration has been successful in its endeavours to enforce the law and effect the compliance. We have discussed in the foregoing paragraphs, how strong the hands of the officials of Employees' Provident Fund Organisation are to see that the law is properly enforced. Now we will see how it has been enforced for the last ten years.

In the foregoing paragraphs and chapters, we have seen the coverage of establishments and the members of the provident fund therein. In the coverage scenario we have seen several ways through which the establishments came into the books of Employees' Provident Fund Organisation, we may categories some as: (Table V.21)

Table V.21

CATEGORIES OF COMPLIANCE

(a) Establishments strictly complying with provisions of the Act and started applying the provisions of the Act immediately after the Act was made applicable to them.
(b) Establishments to which act applies, but did not come forward to comply with the provisions of the Act until the Inspectors discovered them.
(c) Establishments discovered by the inspectors and covered with consent.
(d) Establishments voluntarily came forward for complying with the provisions of the Act, which are otherwise not coverable.

Before we analyze the compliance position for the last ten years let us have a quick look at the exercise conducted by Employees' Provident Fund Organisation for the first time in the Organization (as on 19-4-2001), to know the compliance position. This exercise has been conducted by the organization due to growing concerns of all the stakeholders on the coverage and retention of the covered establishments and rendering service to the covered establishments and subscribers. The total establishments have been divided into three categories.

1. Establishments where there is zero contribution & zero membership. ,
2. Establishments to which the accounts statements have not been issued beyond the year 1995-96,
3. Establishments to which annual statements of accounts are being issued after 1995-96 including current years.

The Details are enumerated in the table V.22 .

Table V.22

EXERCISE CONDUCTED BY EMPLOYEES' PROVIDENT FUND ORGANISATION

Category	**No. of establishments**	**No.of Members**
Establishments with no members or contribution.	**1,41,271 (46.16)**	**0-**
Establishments to which the accounts statements have not been issued beyond the year 1995-96.	**41,750 (13.64)**	**37,87,997 (15.53)**
Establishments to which annual statements of accounts are being issued after 1995-.	**1,23,025 (40.20)**	**2,05,74,904 (84.47)**
	3,06,046 (100)	**2,43,82,901 (100)**

(Percentages to total in parenthesis
Source: Compliance Cell Employees' Provident Fund Organisation

It is thus seen (Table V.22) that 46.16% of the total covered establishments are not complying with the provisions of the E.P.F. & M.P. Act and 15.53% of the members i.e. 37.88 lakh are non-satisfied with the services of Employees' Provident Fund Organisation.

Coming to the establishments covered as category (a), (b) , (c) and (d) enumerated in Table V.21 above, category ‘a’ establishments do not pose any problem in complying with the provisions of the Act, as they are aware of their duties and responsibilities well. Category c & d only the major defaulters as they have unwillingly came forward to comply with. Further category ‘d’ establishments have voluntarily came in, however, they have their own approach in giving effect to the provisions of the Act. Like independent contractor, who do not get contract unless they had a code number issued by Employees' Provident Fund Organisation. This condition is imposed not by the statute but by the companies giving some of their work on contract by inviting tenders. This will take the burden of the bigger establishments, as the contractor would be an independent employer recognised by law. Otherwise, the bigger establishment has to contribute towards the P.F. & Pension of the contractor workers. When the establishments, which came up for voluntary coverage, do not get contract, they will become defaulters automatically. In other words, these are the fictitious establishments. As at the end of March 2000, there are 24,887 voluntarily covered establishments. Some other establishments, which were forcefully covered like Brick Manufacturing Units in North Bengal, will become defaulters, as the process of manufacturing the brick by some agencies was not taken up as an Industry but as an allied activity to the agriculture.

Non-compliance with the provisions of the Act is seen both in exempted and Unexempted establishments. Let us first look at the exempted establishments. (Table V.23)

Table V.23

EXEMPTED ESTABLISHMENTS

Sl. No.	Year	Defaulting establishments Numbers		Amount Rs.Crores	Total Contributions Rs. Crores
		Covered	Default Rs.Crores		
1	1989-90	2907	148 (5.09)	131.75	15098.38
2.	1990-91	2933	150 (5.11)	131.98	17499.34
3.	1991-92	2956	161 (5.44)	135.21	20042.15
4.	1992-93	3041	154 (5.06)	139.82	23122.15
5.	1993-94	3109	162 (5.21)	196.09	26089.12
6.	1994-95	3143	140 (4.45)	155.95	29014.96
7.	1995-96	2934	153 (5.21)	182.36	32654.38
8.	1996-97	2970	327 (11.01)	164.46	34607.98
9.	1997-98	2948	348 (11.80)	177.80	40736.73
10.	1998-99	3123	432 (13.83)	234.87	46888.41
11	1999-00	3012	512	469.13	50792.55

()= % to total covered establishments.

Source: Employees' Provident Fund Organization

It is seen from the above table (V.23) that the default by the exempted establishment is gradually growing. Exempted establishments are the establishments which came forward to manage their own funds and maintain their own accounts, to give better service to the work force, but the scene is some thing different. During 1989-90, defaulting Exempted establishments constituted roughly 5.09% of the total exempted establishments. This is increased to 13.83% in 1998-99. A growth in default is to the extent of roughly 272%. We see a sharp fall during 1994-95 to 4.45 percentage points. Very next year we see a shortfall of total exempted establishments. This gives us an impression that the exemption of roughly 209 establishments has been cancelled.. Cancellation of exemption means taking over the administration of accounts by Employees' Provident Fund Organisation, directly.

Now we will examine the non-exempted establishments. The defaulting establishments identified are: (Table V.24)

Table V.24

DETAILS OF UN- EXEMPTED ESTABLISHMENTS IN DEFAULT

YEAR	ESTABLISHMEN	AMOUNT IN DEFAULT (Rs. In lakhs)
1989-90	12640	9875.88
1990-91	11029	9602.85
1991-92	10024	9426.13
1992-93	10742	12758.82
1993-94	11659	16490.20
1994-95	11836	19137.66
1995-96	11529	23904.25
1996-97	21195	30210.04
1997-98	21007	28617.52
1998-99	18726	33831.73
1999-00	21189	58917.00
%Variance on 89-90 ll Levels	67.63	496.62

Source: Compiled on the basis of Data from EPFO

By looking at the above (Table V.24) figures, we can understand that the situation of compliance is worsening. There is an increase of 67.63% in the number of establishments defaulting over 1989-90 levels as on 31-3-2000. Whereas the amount in default involved has jumped to 589.17 Crores, registering 496.62% growth in default after recovering an amount of Rs.306.05 Crores. The default added during the year 1999-2000 it self-stands at Rs.556.91 Crores. (Table V.25)

Table V.25

DEFAULT DURING 1999-2000(RS. IN CRORES)

Opening Balance 1.4.99	**Add during the year**	**Total work load**	**Collection during the year**	**Closing Balance**
338.31	556.91	895.22	306.05	589.17

Source: E.P.F.O. Annual Report.

The identification of the defaulter and recognizing him as a defaulter is not automatic under the Employees' Provident Funds & Misc. Provisions Act, 1952. Even if an employer is not paying statutory dues for years together, he should not be branded as a defaulter and the amounts recovered. The procedure prescribed under the Act is giving him a reasonable opportunity of being heard personally or through a representative and then assessing the default. Section 7-A of the Employees' Provident Funds & Misc. Provisions Act, 1952 authorizes the Central Provident Fund Commissioner, Dy. Provident Fund Commissioner any Regional Provident Fund Commissioner any Assistant Provident Fund Commissioner to assess the dues. In the day-to-day Parlance of Employees' Provident Fund Organisation, the assessment cases are called 7-A cases. Before recovery action is started the amounts have got to be quantified. This quantification is called assessment and the assessment of dues is a quasi-judicial function done by the authorities under Section –7A. The procedure of this quantifying and summoning the defaulting employers is detailed in the Section 7A. The authorities conducting such enquiries have all the powers as are vested in a Civil Court and they can exercise the powers of a civil court while functioning as Quasi Judicial Authorities. We may however discuss in the following paragraphs the use and misuse of these powers and the charges on the commissioners of the Provident Fund.

The details are in the Table V.26 hereunder over the years

Table V.26

DETAILS OF 7-A CASES (No)

Year	**Work load**	**Officers posted**	**Disposed during the year**	**Per officer disposal**	**Closing balance**
1989-90	31545	100	17543	175.43	14002
1990-91	36091	100	18265	182.65	17826
1991-92	38565	100	20224	202.24	18341
1992-93	28023	100	19742	197.42	8281
1993-94	22741	115	15133	131.59	7608
1994-95	21241	115	15243	132.54	6098
1995-96	18642	120	12050	100.41	6592
1996-97	18354	130	12616	97.04	5738
1997-98	18302	200	12025	60.12	6277
1998-99	22264	200	15088	75.44	7176
1999-00	25551	202	16974	84.37	8677

Compiled by the author: base data collected from EPFO

If we look at the figures (Table V.26) and compare the number of quasi-judicial authorities, working in the organisation the disposal rate has drastically come down from 1989-90 levels. During 1989-90 the quasi-judicial authorities deployed were 100 in number (Source Annual Reports of Employees' Provident Fund Organisation,) which is increased to 202 in 1999-2000. However, number of this level officers at 100 continued till 1992-93. The yearly disposals of the cases were 175.43, 182.65, 202.24, and 197.42 respectively up to 1992-93 per officer. However, during last three years it is 60.12, 75.44, 84.37 cases per officer. Workload per officer has come down from 360 cases per officer to 127.75 cases per officer over the years surprisingly this has not resulted in increased efficiency. On the other hand, it has fallen down from 175.43 cases per officer to 84.37 cases per officer.

The statistics {of 1,41,271 (Table V.22) Non-contributing establishments,

41,750 (Table V.22) establishments to which account slips were not issued beyond 1995-96, Rs.895.22 Crores detected default (Table V..) and the inefficiency of the officers who were able to dispose only 67.5 cases per annum (Table. 26} appears to be quite alarming. The increase in the officers' strength, computerization should have contributed to the increased output. But it has shown otherwise. In addition to this, assessment proceedings also ran at a snails pace after 1991-92. Situation improved only during 1998-99 & 1999-2000.

It is the case with taking action against erring employees under section 14 of the Act by filing prosecution cases. Only during 1989-90 a large number 10,777 prosecution cases were filed. Thereafter it has shown falling trend during 1996-97.

Table V.27

DETAILS OF DEFAULT MANAGEMENT

Year	Cases under Sec.7A		Actions under Section 14 of the Act.				Prosecution under Sec.406/409 of I.P.C.	
	Finalised	Pending	Opening Bal.	Added	Disposed	Pending	Police	Courts
89-90	17543	14002	52363	10777	2757	60383	6416	461
90-91	18265	17826	60383	6371	2054	63422	6651	492
91-92	20224	18341	63422	6040	4248	64834	6529	573
92-93	19742	8281	64834	4948	22376	46317	6490	581
93-94	15133	7608	46317	4334	3371	42625	6641	588
94-95	15143	6098	42625	5368	3232	43536	6832	587
95-96	12050	6592	43536	2322	2183	40784	5680	475
96-97	12616	5738	40784	1666	7275	35154	5891	487
97-98	12025	6277	35154	2126	1841	35439	5993	500
98-99	15088	7176	35439	3296	2186	36549	6697	501
99-00	16874	8677						

Source: Annual Reports of EPFO

The new cases filed were only 1,666 against 10,777 of 1989-90. (Table V.27) The disposal of cases also appears to be very tardy. Only two years have witnessed major achievements in disposal 1992-93 & 1996-97. Information gathered from the offices of Employees' Provident Fund Organisation reveals that major clearance drives were conducted during these two years. Courts were specially requested. Cases were withdrawn against the people who have paid the dues. It appears that organization has taken a lenient view in filing the prosecution cases after looking at the pendencies in the courts. The cases disposed by the courts worksout to roughly 5 to 6 per cent. This level of disposal does not bring any impressive change in the default management; neither does it reform a defaulting employer. Therefore, "organisation felt to prosecute the employer where recovery by other methods is not possible" says one officer of the Employees' Provident Fund Organisation. It is a case of misappropriation, where employer deducts employee's share from the salary of the employee but does not deposit with the Provident Fund Commissioner.

The Section 8 of the E.P.F. & M.P. Act, provides the provisions for recovery and authorizes the commissioners of E.P.F. to recover the dues by coercive methods from the defaulting employers. After assessment of dues under Section 7A of the Act and after levy of damages under Section 14-B of the Act, the commissioners recover the dues through several modes like, by simply demanding deposit, by attaching bank accounts or by attachment and sale of movable and immovable properties. The procedures of recovery through attachment sale require issuance of a recovery certificate (RRC) by the assessing authorities to specially designated recovery authorities. Although all the commissioners are notified as recovery officers for the purpose of section 8 of the Act, for the administrative convenience only a few officers are identified specially as recovery officers. The organisation over the years under review has taken several measures to strengthen the recovery administration the organisation. The chronology goes thus

1.	1989-90	Recovery Officers were appointed
2.	1991-92	APFCs were also authorized to attach Bank Accounts
3.	1992-93	APFCs were also authorized to issue RRCs
4.	1993-94	No. of Recovery Commissioners increased
5.	1997-98	All APFCs were also notified as Recovery Officers.

Table V.28

DETAILS OF DEFAULT MANAGEMENT

(Amount in Lakhs and cases in Numbers)

	Opening Balance		**RRCs issued**		**Total RRCs**		**RRCs disposed**		**Pending**	
Year	**Cases**	**amount**	**ases**	**Amount**	**Cases**	**Amount**	**Cases**	**Amount**	**Cases**	**Amount**
89-90	31793	11466.37	5443	2640.70	37236	14107.07	3309	1827.42	33927	12279.65
90-91	33927	12279.65	5708	2816.67	39635	14096.32	7232	3839.67	32403	11256.65
91-92	19464	8094.13	6765	8360.44	26229	1645.57	7358	412167	18871	12332.90
92-93	18604	12256.39	4997	10821.82	23601	23078.21	4335	3874.30	19266	19203.91
93-94	19267	19036.62	5253	8430.52	24520	27467.14	4767	3988.89	19753	23478.25
94-95	1985	23513.89	4111	11897	23962	35411.37	4374	6495.05	19588	28916.32
95-96	19588	28916.32	3854	6665.43	23442	35581.75	3145	5560.05	20297	30021.70
96-97	15836	29245.80	4864	10652.98	20700	39898.68	4169	6458.59	16531	33440.09
97-98										
98-99	18535	41588.42	6305	12239.59	24840	53828.01	6899	17017.92	17941	36810.09
Averages	21874	20710	5255	8281	27129.4	28880	5065	59.09	22064	23082

Source: E.P.F.O. Annual Reports.

Despite the steps taken by the organization to strengthen the recovery system,, we see from the table above that the performance does not appear to be in tune with the efforts made by the Organisation. Average number of RRCs issued worked out to 5255 per annum forms an amount of Rs.82.60 cores per annum. The disposal stood at 5065 cases per annum recovering an amount of Rs.59.09 Crores. Ultimately, Rs.368.10 crores are locked up in 17941 cases. The highest per Region disposal of 433 crores per region registered during 1991-92 when the recovery Administration in the Organisation was trying to form a shape. The lowest per region disposal registered was during 1995-96 at 185 cases per region, when the Recovery Administrative set up was stabilized. The gap between the highest and the lowest registered was at 247.82 cases per region. Ironically, this is 134% more than the lowest. Full capacities of the recovery machinery appear to have not been utilized by the organisation, neither it appears, has it analyzed its potentials. The mounting over dues will have a telling effect on the financial health of the organization, for it has to settle the claims of the subscribers leaving the service even the defaulting establishments do not pay on time at the same time the amount neither available for investment nor does it fetch any interest.

Compliance by Jute Industry.

In the overall recovery and default scenario of the organisation, the jute industry has its own peculiarities. (Table V.29) Non-Compliance by Jute Industry appears to be speaking on the

Table V.29
DEFAULT BY JUTE MILLS

	Year	Rs. In crores in Jute
1.	1990-91	82.39
2.	1991-92	83.98
3.	1992-93	92.58
4.	1993-94	79.97
5.	1994-95	93.77
6.	1995-96	109.20
7.	1996-97	114.78
8.	1997-98	114.78
9.	1998-99	128.90
10.	1999-2000	129.50

Source: EPFO annual reports

efficiency of the organisation for this industry has alone defaulted to the tune of Rs.128.50 crores as on 31-3-1999.In the words of the organisation "The efforts for realization of dues from defaulting jute mills continued in sustained manner, in spite of sickness in the industry with objectives to restrain the increase in arrears" is something else.

During 90-91 dues from Jute Mills accounted for 66.80% of the total dues. In 1998-99, it has come down to 34.90% of the total dues. It does not mean that there is an improvement in the payment behaviour of the Jute Mills. Actually, 1990-91 default levels have crossed to 156.28 per cent. At the same time non-jute, industry default has also crossed by 789.71 per cent. This has over shadowed the performance of the jute industry.

States of Default in jute mills as on 31-3.1999

1.	No. of Jute Mills in West Bengal	60
2.	No. of Employees(in lakhs)	2.72
3.	No. of Complying Establishments	32
4.	No. of defaulting jute mills	28
5.	Amount in default (Rs. In crores)	128.50

Thus Provident Fund Contributions of 2.72 lakh members is locked up in the jute industry alone. Another major non-complying sector is the public sector undertakings under the exempted sector.

Out of 234.87 crores due from exempted sector as on 31.3.99, 129.31 crores are locked up in the public sector alone, which constitutes 55% of the total dues. Again major defaulters under public sector are NTC Mills.

The Recovery Machinery, however strong it is, unable to recover the dues from these sector due to various reasons like, stay by courts, companies registered under BIFR, companies under liquidation, companies granted installment facility and stay by some other authorities. (Table V.30)

Table V.30

STATUS OF ARREARS

	Status of unrealizable arrears	No. of cases	Amount involved in Crores
a.	Stay by courts	101	66.12
b.	Registered under BIFR	235	135.31
c.	Under liquidation	28	9.48
d.	Under Installment facility	38	20.94
e.	Stay by other authorities	1	.07
		403	231.92

SOURCE: compiled on the basis of annual reports of EPFO

Compliance in the exempted trusts, that too, in the public sector trust is thus far from satisfactory levels.

The conclusions can be arrived from the foregoing are, the compliance and enforcement administration of this piece of Social Security Administration is not in tune with its operational objectives of achieving high performance goals. The Enforcement machinery appears to be ineffective in as much as it could not recover Crores of rupees of members' money. Increase in the strength of officers and the enormous powers available with them have not at all shown any impact on the enforcement administration. It appears that either the officers are unable to use their powers effectively or they are too lenient to be officers of the organization. This kind of approach and attitude and resultant misadministration seen above is coming in the way of extending efficient service to social security beneficiary.

Further the results of the study conducted by the organization is an indication of lack of efforts on the part of the organization to retain the membership and to see that the establishments comply with the provisions of the act once they have been covered and continue to pay contributions on behalf of their employees. Further, it is also seen that there are no incentives to the employers to be regular in compliance.

V. (d) AWARD AND PAYMENT OF BENEFIT

The final stage of social security administration is the stage where the benefits are delivered to the members of Social Security Scheme. In the system of Provident Fund and Pension, also the Administration reaches its final stage when the benefits are properly delivered to its members. Therefore, we study the Administrative arrangements for the benefit delivery in the Employees Provident fund Organization, available benefits, working of the benefit delivery system, and the analyses of the benefits delivered. The Asian development Bank's study of the EPFO, the Dave committee report as well has commented at length on the inefficiencies of the employees provident fund organization in reaching its customers. However, the human side of the pension scheme has not been taken note of by many due to the administrative inefficiencies. It is proved that if administered properly the schemes have large public support. The case of Veerabhadram in Visakhapatnam is only an example of such support and feelings. (Box V.II)

Box.V.II

Pension builds up confidence

It was on 20th December 1995. The Employees Pension Scheme 1995 came into operation with effect from 16th November 1995. The Employees' Provident Fund Organisation has conducted a drive of settling the pension of the workers who were eligible for pension. Veerabhadram was entitled for a monthly pension of Rs.500/- He was invited on to the dais to receive his cheque. Sudhakar Babu Regional P.F. Commissioner was distributing the cheques on that occasion. Veerabhadram went on to the dais and started weeping. It took five minutes to console him and ascertain the reason why he was weeping.

Veerabhadram replies " Sir all my P.F. money has been taken over by my sons and daughters- my self and my wife are left with no money now- my sons started ill treating me since the I retired- but started again respecting me for the last 10 days when they knew that I get a pension. I don't give the fools a single pie, and I will now turn them out of my house and myself and my wife will live with this five Hundred Rupees as long as we can"

This is just an example how the pension is a confidence builder in the evening years of one's life.

We take-up one by one starting with the available benefits under the schemes we are studying i.e. provident fund and pensions, administered by the employees provident fund organization.

BENEFITS AVAILABLE

The benefits available under the employees' provident fund and the miscellaneous provisions act can be listed as:

- Long-term benefits like Pension.
- One time benefit like final settlement of Provident Fund.
- Short term benefits like advances for various immediate requirement such as marriage, medical help, housing, natural calamities, fall in income due to strikes and lockouts and payment of premium for financing life insurance policies.
- Transfer of accounts from one region to another region or from one office to another office.

The Accounts Groups within the office are the main benefit dispensation sections. These sections or the accounts groups as they are generally called in the organization lookafter the settlement of the claims of the members. A head clerk who is called the Section Supervisor heads each accounts group and six clerks assist him. Each clerk has to service about 2200 live members. This norm was fixed when the organization was not computerized and is continuing. The time given to settle the claims by the manual of accounting procedure is twenty days where as it is thirty days as per the provisions of the scheme which is statutory in nature. The scheme also provides salary cut to the commissioners who do not follow this norm. Keeping these provisions in mind, we will examine the pace of settlement of various claims in the organization over the last ten years.

To begin with, we will examine the final settlement of provident fund claims. The final settlements are the settlements made after retirement /death of the member, or when a member leaves the service.

Table V.31

EMPLOYEES PROVIDENT FUND SCHEME 1952

SETTLEMENT OF P.F. CLAIMS 1989-1999

Year	Workload	Returned/ Rejected	Due for Settlement	Settled	Settlement ratio	Amount	Disposed In 30d.	Beyond 30ds.	Closing Balance	CLB ratio
89-90	742532	108861 (14.16)	633671	579716	78.07	52071	340370	239346	53955	7.26
90-91	878473	113595 (12.93)	764878	698513	79.51	63224	454316	244197	66365	7.55
91-92	1035161	134631 (13.00)	900530	841718	81.31	73777	561589	280129	58812	5.68
92-93	1148355	154167 (12.74)	994188	932074	81.16	95440	670888	261186	62114	5.41
93-94	1209971	166713 (13.62)	1043258	986741	81.55	119727	745466	241275	57311	4.67
94-95	1223652	182871 (14.94)	1040781	1001473	81.84	125641	800110	201363	39308	3.21
95-96	1257962	179437 (14.26)	1078525	1046592	83.19	142622			31963	2.54
96-97	1397382	226185 (16.18)	1171197	1113432	79.67	168391	954096	159336	57765	4.13
97-98	1617238	286469 (17.71)	1323397	1265898	78.27	206308	1079904	185994	64871	4.01
98-99	1810039	319030 (17.62)	1491009	1437749	79.43	277995	1243259	194490	53260	2.94

{Source: Annual reports of E.P.F. Organization}

The receipt of applications for final settlement also indicates the outgo of the members of the fund; however, we are not concerned of this aspect now for we have discussed this elsewhere. The settlement ratios of these cases never exceeded 83.19 percent (Table V.31) that too in only one-year i.e.1995-96. The minimum was 78 percent. Although the annual reports of Employees Provident fund Organization satisfy themselves showing the pendency ratios as very low and in the decreasing trend, the return and rejection ratios are on the increasing trend. This was 12.93 per cent during 1990-91. It rose to 17.62 per cent in 1998-99, registering an average rejection of 187196 applications over the last ten years. The minimum applications rejected were 99,740 in 1990-91, which rose to 3,01,106 in 1998-99. The closing balances also registered an average of 54.573 applications. We find a tendency of rejecting the applications and showing the closing balance ratio at a minimum all through the years. We also find that the computerization of the accounting system and increase in the staff strength have not shown any tangible effect on the service delivery system in the Organization.. Interestingly the closing balance of 1998-99 constitute 98.71 percent of 1989-90 levels where as the work load, settlement and the rejection have registered 243, 248 and 293 percent respectively of 1989-90 levels. This is mainly attributable to the bonus points given by the organization to the staff are linked to the closing balance ratios but not to the settlement ratios on the workload. Similar tendency is also found in other areas of benefit delivery like pension payment, partial withdrawal, payment of all benefits under Pension and Family Pension Schemes.(Table V.32)

Table V.32

PENSION CASES SETTLED

Year	Opening balance	Added in the year	Total work load	Returned /rejected	Due for settlemnt	Settled	Pending
89-90	60107	674837	734944	139017	595927	531952	63975
90-91	63975	795760	859735	145685	714050	644073	69977
91-92	69977	933747	1003724	77919	825805	761565	64240
92-93	64240	1038213	1102453	186366	916087	851524	64563
93-9	64563	1067661	1132224	188032	944192	881948	62244
94-95	74165	1249337	1323502	235117	1088385	1035555	52830
95-96	52830	1260853	1313683	236907	1076776	1039211	37565
96-97	37565	1313194	1350776	320229	1030547	968386	62161
97-98	62413	1518777	1581190	411915	1169275	1094992	74283
98-99	65253	1071484	1766737	505996	1260741	1196880	63861

Source: Annual reports of E.P.F. Organization.

The return rejection in the pension payment area is more alarming than that of payment of final benefits under provident fund. The rejection percentage of 18.91 of 1989-90 reached to 28.64 percent during the year 1998-99. We see a sudden jump from 1996-97 on wards. This is mainly attributable to the inclusion of penal provision in the Scheme on non-settlement of the claim within 30 day of receipt if it is complete in all respects. This clause is interpreted to reject the claims on some flimsy grounds like non-affixation of a revenue stamp, over writing the bank account number a persons signing the application who some 30- 40 years back affixed his thumb impression when he had joined employment. We have also seen that the claims are rejected on flimsy grounds and not all the objections are raised at a time. Claimants even died before their claim is settled. (See box next page)Here again we see that the closing balances are kept at 1989-90 levels almost all through the years but the return / rejections were increased, again to acquire the bonus points and probably avoid penalties as per the amended provisions of the scheme.

Table V.33

MONTHLY PENSION CASES SETTLED

(In Numbers)

Year	Openingbalance	Added in the year	Total work load	Returned	Rejected	%of Ret/Rej to total work load	Due for settlement	Settled	% Settled	Pending
89-99	4344	25095	29439	8409		29.56	21030	16786	57.0	4244
90-91	4244	26745	30989	7739	1388	29.45	21862	17996	58.07	3866
91-92	3866	26932	30798	8103	1445	31.00	21250	18576	60.51	2674
92-93	2484	23780	26264	7788	894	33.05	17582	15460	58.86	2122
93-94	2106	27775	29880	8377	1315	32.43	20188	17655	59.08	2533
94-95	3131	41288	44419	12409	1826	32.04	30184	28166	63.40	2018
95-96	2018	44218	46236	13742	1973	34.00	30521	29098	62.43	1423
96-97	1440	59755	61195	19021	5237	39.61	36937	29403	48.04	6569
97-98	7760	136760	144520	44597	5391	34.58	94532	81423	56.34	13119
98-99	15319	226832	242151	71825	5127	31.77	165199	152686	63.05	12513

Source: Annual reports of E.P.F. Organization

Table V.34

TRANSFER CASES (Nos)

Year	Opening Balance	Added In the year	Total work load	Returned Rejected	Balance For disposal	Settled	Pending
92-93	15783	156219	172002	34371	137631	126360	11271
93-94	11271	152253	163524	32231	131293	120191	11102
94-95	11468	167859	179327	39090	140247	131533	8714
95-96	8714	147597	156311	35819	120492	114530	5962
96-97	5962	143487	149449	36080	113369	104811	8558
97-98	8558	187967	196523	46285	150238	139150	11088
98-99	10535	205742	216277	63237	153040	143275	9765

Source: Compiled by the author based on EPFO data

Interestingly, it is observed that the workload is not higher than the capacity of the staff members. If we look at the settlements of 97-98, they workout to roughly 54 percent of the claims settled next year. (Table V.34) With no extra staff sanctioned or posted we find an improvement in the performance with no reasonable answer. The same level of skills or capacity has not been utilized for the purpose of clearing the backlog. As a matter of routine there is a closing balance and return rejections every year. The reasons for return and rejection are seen that they are done on flimsy grounds to lessen the workload and earn bonus points when they keep minimum number of claims unsettled. Secondly, since 1996-97, the practice of Return/ Rejections has crossed its limits as the scheme has been amended incorporating there in a provision of penalty on the commissioners who do not settle the claim within 30 days of receipt. Similar performance levels are noted in the area of transfer cases also.

BoxV.III

Case of delay in claim settlement – Insensitive officials

Ramachandrudu (Name changed) was a worker in Ferro alloyed corporation of Vijayanagaram. He left the service of the establishment on attainment of 60 years of age. He had fallen ill immediately after leaving the service. The establishment, with the plea that he was not available for signing the claim papers, did not forward his claim application. After a year the papers were sent to the P.F. office. The office has returned the claim after one month asking the reasons why the claim was not forwarded on time. The establishment after three months resubmitted the claim stating that the applicant was not available for signature and he was ill all these days. Again after two weeks the P.F. office has asked for a medical certificate to prove that the claimant was not well. The establishment has sent in the medical certificate within two months. While the claim was under process the dealing clerk found that form 3A for the broken period of service was not attached to the application form. The establishment replied after a fortnight that the form contains a separate portion to show the broken period contribution and therefore it was not necessary to submit separate form 3 A.

After receipt of the claim back, the P.F. office again wrote to the establishment (After 20 days) saying that the claim for was signed by the applicant originally the Form 2 (Nomination form) was affixed with a thumb impression- why the difference. After twenty days the claimant and his wife and son visited the P.F. Office with a letter from the employer stating that at the time of joining the employment he was illiterate and he became literate during the employment and therefore signed the claim papers. The aged claimant further gave a declaration that the thumb impression was his. Satisfied with the declaration and the letter the office has assured the claimant that it will settle his claim shortly and he may go back.

After a fortnight, the P.F. office has sent in a letter to the establishment stating that there was overwriting of Bank account number and the office is unable to decipher the number. The establishment took another fortnight to ascertain the whereabouts of the claimant, only to know that the claimant Ramachandrudu expired a week ago.

The same was informed to the P.F. office. The P.F. office has sent in a letter stating that the claim should now be preferred in form Number 20. The old claim is no more valid.
After a month the establishment has sent in another claim form signed by his wife as the nominee. The P.F. office has promptly rejected the claim within fifteen days stating that the death certificate was not enclosed with the application form. The establishment replied that the death certificate was sent in when there was a query about the bank account number.

The P.F. office replied after a month saying that the certificate was attaché to the form 19 to cancel earlier process and now a fresh death certificate is required. This took another fortnight to reach the establishment. This time establishment did not reply any thing but after a month has sent in another form Number 20 son of Ramachandrudu as claimant since wife of Ramachandrudu expired a week ago. Again after a fortnight the P.F. office has written a name saying that the sons name does not appear in the Nomination form as nominee, therefore a legal heir certificate is required.

On the day when these details were collected, the claim was not settled. The researcher does not know whether and when the claim was settled.

The interviews conducted to know the satisfaction levels of the members were quite dissatisfying. None of the member expressed satisfactory service from the staff members of the employees provident fund organization. The attributes of the members for delay in settlements of the claims can be listed as:

- The officers and the staff working in the Provident Fund office are greedy. They always run after the money.
- They have the habit of avoiding the work and attending to their own personal needs during the office time.
- The officers of the office are inefficient. They are unable to control their subordinates.
- Money plays a dominant role in settlement of the claims. Unless you pay the babu your papers will not be moved further.
- Staff members are not properly trained.
- Automatic settlement is not there. You will have to follow-up until the claim is finally settled.
- You will have to bring the pressure on the babus either from the political levels or from higher authorities.
- Employers are giving wrong information some times which is creating the avoidable delay,
- The employers are not trained to fill-up the Forms application forms properly.

While this has been the version of the members the version of the organization is some thing different. They attribute the delay in settlement of claims mainly as:

- Attestation of forms by the persons other than authorized official,
- Absence of addresses of the attesting authority other than employer.
- Missing of correct Provident Fund Account number.

- Non-mention of complete postal address.
- Difference in the name of the member and the parentage in the official records.
- Not mentioning of information about the saving bank account number of the member and the address of the Bank.
- Not signing of the advance stamp receipt by affixing revenue stamp.
- Non -furnishing of relevant documents with applications for advance.
- Not filing of relevant documents with applications under Employees Pension Scheme 1995.

While the attributes of the Organization are these, the responses from the Employers are also collected and summarized as:

- Some times the employees are submitting the forms on their own. This is leading to non-submission of relevant data resulting in rejection of application by the authority.
- Employees are not giving full particulars while submitting the application forms.
- Officials in the Provident Fund office are lethargic they are not ready to locate the information already available with them like Nomination form, Family details, Contribution card and the particulars of the authorized signatory.
- Corruption is rampant in the Provident fund offices. They are going to any extent to trouble the applicant who is not ready to pay them. Some times the P.F. Babus are throwing out the applications into the dustbin and claiming non-receipt.
- The procedures are cumbersome. Many data is not required at all for settlement of claim. The claim form needs re structuring and user friendly.

Enquiries from the staff members of the Employees Provident Organization reveal a different story. While the union leaders of the staff accepting the Organization's views add that the offices of Provident fund suffer from acute shortage of staff. The non-cooperation attitude of the Employers is adding to the problem of non-timely settlement. The claims flow is very large and the staff does not have sufficient time to settle the claim in the given period. Further, the computerization process in the organization has taken care of only the issue of annual statement of accounts. In the cases of non affixation of a revenue stamp OR where an illiterate member becoming literate, the officers are not utilizing the discretion to over rule the clerical objections but sending back the claim for correction of these minor errors which is delaying the settlement of the claim that is otherwise perfect in all aspects. The reasons attributed for non-exercise of discretion are ridiculous- the attack by the vigilance wing of the organization. In many areas, it is found that the vigilance investigation is being used as an excuse to avoid the work and that does not come in the way when compromising with the provisions is seen. The staff unions do not have a ready answer on non-timely issue of annual statement of accounts to the members even after computerization. If we look at the per capita productivity of the staff, it appears very low by any standards. However, we see an improvement over the years. (Table V.35)

Table V.35

PRODUCTIVITY OF STAFF MEMBERS.

(In Numbers)

Year	Staff in position	Claims settled	Per staff production	Per day /per staff
1989-90	14530	140298	101.87	0.46
1990-91	15137	1742415	115.10	0.52
1991-92	15829	2079598	131.37	0.60
1992-93	16899	2245766	132.89	0.60
1993-94	16863	2329554	138.14	0.62
1994-95	17265	2473675	143.27	0.65
1995-96	17483	2485057	142.14	0.64
1996-97	17612	2502285	142.07	0.64
1997-98	17803	2822638	158.54	0.72
1998-99	19024	3187280	167.53	0.76

Source: Compiled by the Author.

If we calculate it to per day production, it works out to 0.46 claims per staff member per day in 1989-90 and 0.76 claims per staff member per day in 1998-99. (Table V.35) It is worked out based on 220 working days per annum. When this is compared to the productivity of the staff in the exempted sector, it appears very low. In the exempted sector there is no special or separate staff posted for the purpose of Provident Fund work. The details of the exempted sector's performance are discussed in the following paragraphs. However, it does not mean that the exempted sector is doing very well but coming to the subscribers' service they are delivering the goods in a quicker way for the retiring member or the member leaving the service is from within the Establishment where the Provident Fund Account is maintained. This is also one of the points raised by the Dave committee (Project OASIS) and the endeavours of IRDA to allow more exempted establishments and to allow private providers of social security benefits.

The detailed discussion on the performance of the exempted sector is felt necessary for the contributions from the exempted sector are equal to that of from un-exempted sector. Further, the default from the unexempted sector is also quite alarming. It is also observed that the exempted establishments are not paying the statutory rate of interest. Only the thing that makes difference is the service provided by the exempted sector to their members. The members in the exempted sector are extended quicker service than their counter parts in the unexempted sector.

We see a heavy growth of retirees and claimants over the years without relative growth in the performance levels of the staff. The impact of liberalisation has also seen a heavy outgo of members on VRS and other termination, retrenchments, and downsizing processes. On one hand the workers suffered from the impact of of liberalisation on the other hand they have not received their pension immediately after leaving the employment. The officers and the staff members of the organization receive their post retirement benefits on the day of their exit, but it is not the case with the persons they claim to serve. A quick look at the settlements of various benefits over the years shows the trend in the demand for the service from the Employees Provident Fund Organization

Table V.36

DETAILS OF VARIOUS SETTLEMENTS

Year	Final Withdrawals	Partial withdrawals	Monthly Pension	All pension benefits	Transfers
89-90	579716	351844	16786	531952	8792
90-91	698513	381833	17996	644073	7628
91-92	841718	457739	18576	761565	9847
92-93	932074	435437	15460	851524	11271
93-94	986741	432108	17655	881948	11102
94-95	1001473	399767	28166	1035555	8714
95-96	1046592	364194	29098	1039211	5962
96-97	1113932	382506	29403	968386	8558
97-98	1265898	369437	81423	1094992	11088
98-99	1437749	390200	152686	1196880	9765

The above table (V.36) shows the settlements of various types of claims over the last ten years under review

The Employees provident fund Organization has a system called 'PUBLIC GRIEVANCES HANDLING SYSTEM'. This system has been developed with a view to redressing the grievances of the members of the fund. It is found that the grievances are received from various sources and at each office of the Organization; the facilitation centers have been opened to redress the grievances. The sources of grievances are:

- Members of the fund who directly visit the offices.
- Members of the fund who write written complaints to the higher officers.
- Political leaders
- Trade union leaders
- Members of the parliament and stale legislatures
- Widows and the dependants on the members of the fund.
- General public.

It is observed that many of the complaints received at various offices of the fund are not documented. Moreover, many members interviewed at the facilitation centers across the country unanimously say that unless and until the matter is pursued the claim is not automatically settled. Leaving this complaint aside, if we look at the (Table V.37) Complaints documented so far, they generally relate to the non -timely payment of the benefit.

Table V.37

COMPLAINTS DOCUMENTED BY EPFO

Year	92-93	93-94	94-95	95-96	96-97	97-98	98-99
Opening balance	5780	5508	2775	9874	582	11286	14056
Receipts	41370	201379	148455	137058	170810	237791	242184
Total	47150	206887	151230	146932	171392	249077	256240
Disposals	41642 (88.31)	204112 (98.65)	141356 (93.47)	146350 (99.6)	160106 (93.41)	235021 (94.35)	244242 (95.31)
Balance	5508	2775	9874	582	11282	14056	11998

(% Disposal in the parenthesis) (Source: Compiled on the basis of EPFO data)

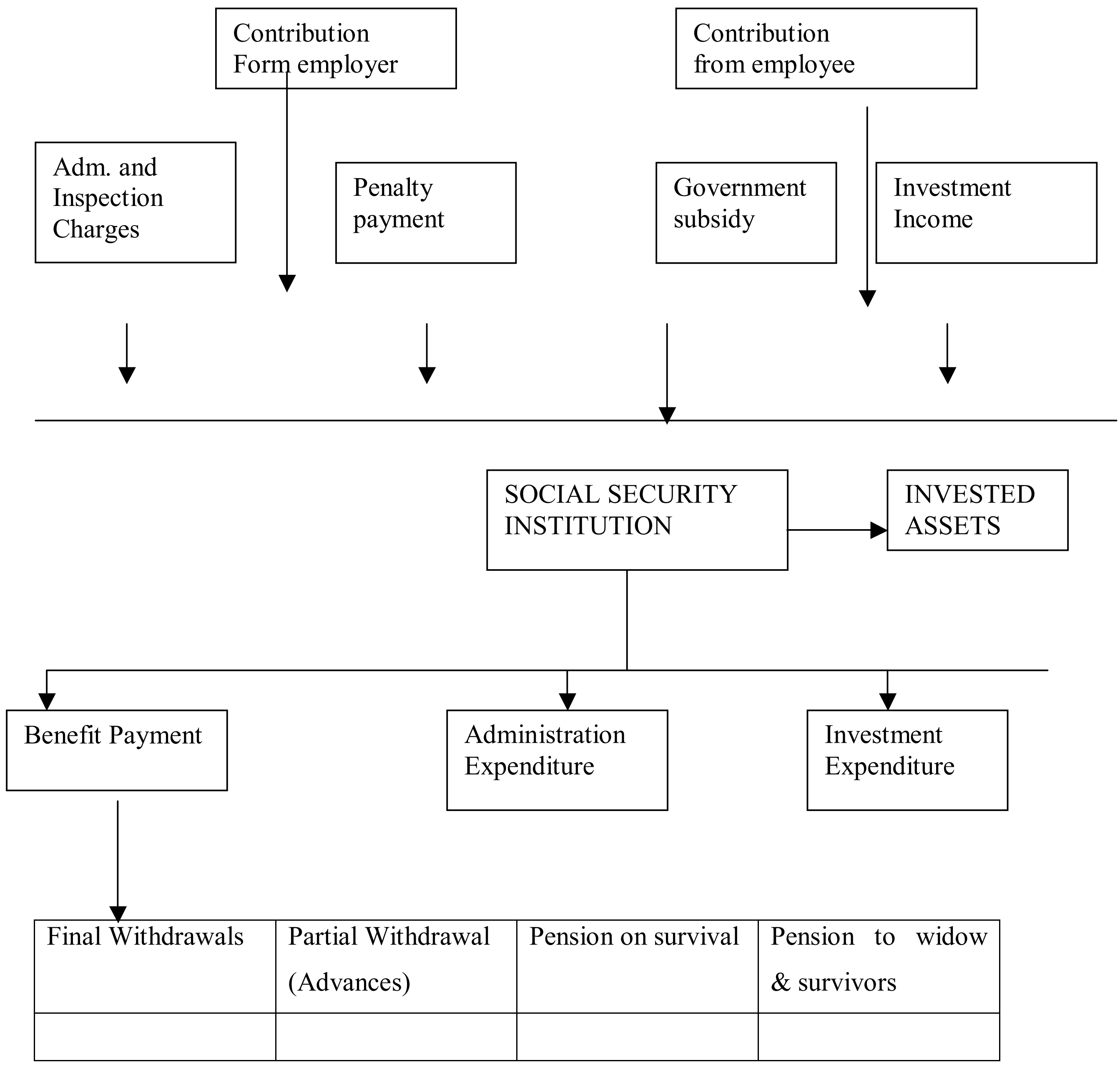
The above documented grievances are the chronic cases where the officers have not given instant replies in majority of the cases. Further it is also seen that oral enquiries at the facilitation centers are not recorded religiously therefore the size of the grievances detailed in the above table can not betaken as foolproof. It is also found in majority of cases simple reply stating that the office has received the grievance and it is being given due attention was also considered as a disposal of grievance. In fact, it is found that in almost all the cases of claims, settlement is not automatic and the office approached at least once after submission of the claim form.

(e) INVESTMENT ADMINISTRATION

Payment of Social Security benefits are linked to proper investment of contributions or finances of social security schemes. The following Diagram can better explain funds that flow into social security financing:

CHART V.3

INVESTMENT CHART



The above Diagram (Chart V.1)lists five sources of financing to Social Security. The Provident Fund & Pension in India, which we are presently studying, also do have all these five sources of finances.

1.	Contribution from employer	-	P.F. & Pension
2.	Contribution from employee	-	P.F.
3.	Government subsidy	-	For Pension Payment
4.	Penalties	-	Damages & Interest
5.	Investment Income	-	

We have a sixth area in this piece of social security legislation. That is, Administration Charges collected from Employers of Unexempted establishments to meet day-to-day administrative expenditure of the organization.

All these finances are utilized for

(a) Payment of benefits

(b) To met administrative expenditure

(c) To meet investment Expenditure.

Payment of benefit under the Employees' Provident Funs & Misc. Provisions Act is of three kinds:

(1) Lump sum withdrawal standing at the credit of the member on retirement or death with interest thereon. (Which is called a defined contribution benefit)

(1) Payment of Pension, to the Retired and/or to the family of pensioner (a defined benefit pension plan)

(2) Partial withdrawal by way of marriage, Housing and Natural Calamity advances.

The first kind of benefit is a kind of savings about where principal sum is returned with declared rate of interest. The interest declared by the central Board of trustees with the approval of Ministry of Finance. The calculations are based on the yield on investments made by Employees' Provident Fund Organisation. Yield on the investments is influenced by the market rates and the investment pattern is decided by the Government of India and it is always in Government securities much against the hue and cry of the private lobbying in the country. Only 10 percent of funds are allowed to be invested in private sector. The criticism goes "This practice (Gillingham and Kanda 2001) finances a significant portion of the Government's budget deficits and it is a cheaper loan to the Government"

The payment of benefit under the second kind is not only linked to the yield on investments but also various factors like mortality, ageing, migration, population growth and general policies of the Government. The benefit is always is not a straight-line equation of 1+1=2. Therefore, benefit may not be in tune with the contributions made and interest there on. It is a kind of Social Insurance, where resources and risks are pooled. All the participants share the risks of other participants. A system of cross subsidization is seen among the participants therefore the benefit is always not in direct proportion to the contributions made. It is based on the actuarial valuations and calculations done at the beginning and periodically to assess the health of the fund. Proper investment of the fund only will go with the assurances made at the beginning and as per calculations.

The third kind of benefit though not linked to investments, will have a telling effect on the investments in the organization. The investments are therefore the fundamental requirements of any social security scheme. Funds surplus over immediate needs/requirements of the schemes as a whole should be invested to earn interest. However, while doing so, cash flow requirements of social security funds; investment principle followed by other financing institutions (1) Safety (2) yield (3) liquidity should be given due importance. Moreover, another factor should also be considered (4) social and economic utility of the funds.

The Government of India decides considering all these factors the investment pattern in the Employees' Provident Fund Organisation from time to time. The investment pattern suggested and the concern of the Organisation is to give better rate to the beneficiaries to (a) sustain their trust and faith in social security schemes (b) of late the inflation that has been a major concern for the wage earners. (c) Protect the funds against market risks. This is spelt out clearly by Employees' Provident Fund Organisation in its memorandum to C.B.T's 153rd meeting held on 25th April 2000.

Table V.38

Investment patterns in employees' provident fund organisation

Investment	93-94	94-95	95-96	96-97	97-98
Central Government securities	Nil	25	25	25	25
State Government Securities and other negotiable instruments guaranteed by central or state government	15	15	15	15	15
Special deposit schemes	70	55	30	20	20*
Bonds of PSU s and PSFIs, certificate of deposits of banks	15	30	30	40	40

(In percentages)

Note: * 10 percent investment in private sector bonds with adequate credit rating
(Source: Employees' Provident Fund Organisation Annual Reports)

While the concern of the organization has been to declare higher interest despite market trends, the pension system would however pose a big problem as it is not a mere savings plan but a social insurance, where risks and resources both are pooled as detailed above. Ageing of the population i.e living longer than the contributory period or living longer than the average life expectancy, economic slow down, inflation rates in the country will effect initial predictions and therefore the pension systems world over get subjected to temporary criticism.

The funds flow into the investments may be seen with the help of the Diagram drawn in the earlier paragraphs and the following Diagrams

CHART V.4

INVESTMENT FLOW CHART

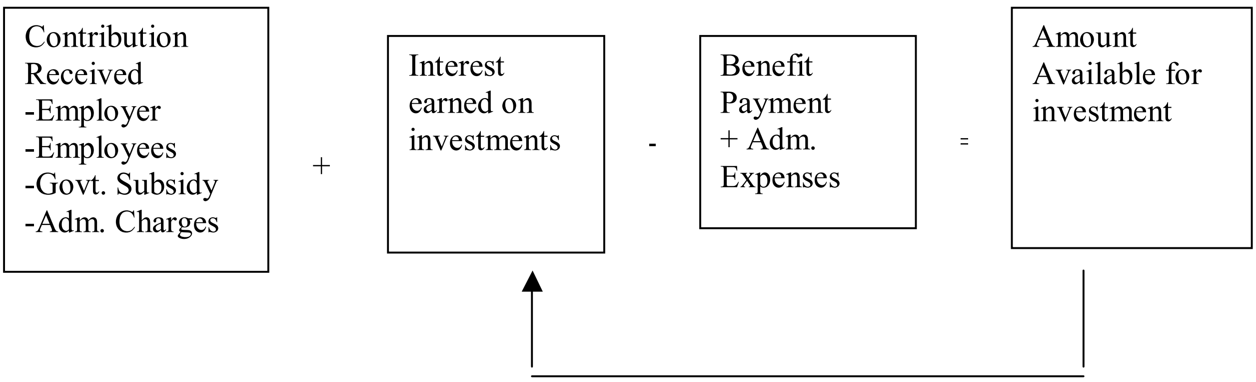


Table V.39

INVESTMENTS OVER THE YEARS

EMPLOYEES PROVIDENT FUND SCHEME (Rs. in Crores)

YEAR	**OB**	**RECEIPTS**	**PAYMENTS**	**CLOSING BALANCE**	**INVESTMENTS**
1995-96	16831.41	5406.19	2218.15	20,019.45	27483.13
1996-97	20019.45	4757.34	2544.12	22,232.67	313150.77
1997-98	22232.67	6351.60	3077.26	25,507.01	35, 597.51
1998-99	25507.01	10316.03	3711.80	32111.24	41309.51
1999-00	32111.24	11141.24	4534.42	38718.06	47706.07

Table V.40

INVESTMENTS IN EMPLOYEES PENSION SCHEME 1995

1995-96	8299.73	1995.93	313.02	9982.64	9842.34
1996-97	9982.64	3804.16 (90.6)	371.11 (18.55)	13415.69 (34.39)	13861.08 (40)
1997-98	13415.69	4570.26 (20.1)	501.18 (35.04)	17484.77 (30.33)	17248.36 (24)
1998-99	17484.77	5462.62 (19.5)	702.11 (40.09)	22245.28 (27.22)	22016.38 (27.64)
1999-00	22245.28	6662.48 (21.9)	1065.69 (51.78)	27842.07 (25.16)	27410.13 (24.49)
Average Growth [4]		20.52%	42%	27.57%	25.39%

(Growth over previous period in parenthesis)
Compiled on the basis of data from EPFO

The Provident funds, which have a nature of savings funds, will not suffer due to interest functions nor do they suffer from fall in receipts for they are paid back to the members with declared rate of interest based on the yield on securities. However, the investments decisions will influence the interest paid to the members on their balances. The Pension Fund management is another worry. The funds position and the payments themselves reveal the health of the investment and funding of pension system. The three factors that disturb the assurances & assumptions in the pension systems are:

(a) Demographic disturbances with reference to mortality and ageing.

(b) Longevity of payment of benefits than expected and assured due to increased health and nutritious intake of the beneficiaries

(c) Changing interest structure in the market and the investment policy

Even through the Employees' Pension Scheme is of just five year old and it will take some more time to stabilize it has already started showing the ill effects of the calculations and assumptions.

The observations are

1. The investments in the pension fund reserve. They are not in tune with the closing balances in the fund. The Rs.9500 crore corpus with which fund was established was just an accident for that was the unclaimed and unsettled amount of erstwhile Employees' Family Pension Scheme.

[4] Average of all the percentage growth shown in previous years.

2. The average growth in the receipts over the five years has registered only 20.52% where as the payments have register a growth of 42%.
3. Every year the percentage growth of benefit payments over the previous years is growing. The growth percentage over the previous years was 18.55% during 96-97, 36% in 1997-98, 40% in 1998-99, and 51.78% in 1999-2000. At the same time the investments are lesser than the closing balances in the fund. When we look at the Provident Funds, investments are more than the closing balances in the fund, which means the investments are inclusive of the interest earned, whereas in the case of Pension Fund, the investments are lesser than the closing balances.

The Pension payments with reference to contributions received are also growing every year. Payments during 1996-97 work out to 9.8% of total contributions received during total contributions received during the years, which rose to 16%. An increase of roughly 6.2% points in just 4 years is really a matter of concern for pension designers. Despite the safest pattern of investments, where there has been no case of any scam for the last fifty years in the Employees' Provident Fund Organisation; neither is there any doubt on the soundness of the systems, the investment system of the organization has been many a time criticized with a simple comment that it does not allow any private investments and therefore the beneficiary is not getting a better return on his contributions. Many stating that further observe it:

> ”Some other aspects of the investment process of EPF also raise concerns. EPF, the exempt funds under the purview the EPF, rarely sell any of the securities own. While good fund management quite possible with low turnover of assets, near prohibition on asset sales can be costly to contributors. As an example, it very likely that significant capital gains government bond holdings of the EPF could have been realized by selling high yielding government bonds held by the in the current lower interest rate environment. By not being permitted to trade, EPF loses an opportunity to cash in gains.”

Therefore, the investment pattern of pension funds and redesign of the pension formula appears to be immediate requirement, if not entire contribution receipts at least a part requires to be invested in more fruitful and safety way. However, government backing for any southwards market trends is very essential for the investments in un guaranteed securities, however safe are they rated, is always risky particularly when large amount of public money in small sums collected as contribution is invested in such securities. The investment experts who advocate private parking of social security funds should also look at the stories of Enron and the WorldCom, where accounting frauds have duped the world to the tune of several billion dollars. In India, too we have seen major scams like UTI scam and the security and trading scams of Trade broker late Harshad Mehtas scam. The volatility of the markets due to international disturbances, Oil crisis, Iran and the Iraq War and the current Us ultimatum to Iraq and the warlike situation in its borders –all affecting the markets world over. Therefore keeping in view these trends and the responsibilities of the Government, major portion of funded pension system's money requires to be invested in publicly guaranteed instruments even with a lesser rate of return. Such approach addresses the requirement of safety and social and economic utility of the funds. Since the investment of the pension funds itself is an independent topic of research, we end our discussion here with a simple statement that the investment of Provident fund and Pension funds requires a cautious planning before a decision is taken to divert to the private markets due to the pressures of the market economy.

Summary and Conclusions:

The activities of the Employees provident Fund organization have been well defined and there is no rival organization in the country to provide mandatory old age survivor benefits for the working populations in the country. Thus, the organization assumes the qualification of pure public goods provider organization. However, the services found to be far from satisfactory. None of the stake holders of the organization are happy over the conduct of the business of the organization. In all the areas, the organization requires strengthening its machinery. In the coverage area there is a huge coverage gap be it the inefficiency of the organization or non-availability of statutory provisions to cover the entire workforce. The statutory provisions of coverage are corruption and evasion friendly. In the area of receipt and recording of contributions there is a great dependency on the State Bank of India and the systems are not streamlined in the organization and the organization still works with manual and obsolete technology thereby greatly delaying the issue of accounts statements to the covered workers and even benefit delivery which is another major concern for the covered working class.

Inefficient fund management and improper accounts maintenance and lethargy of staff at various levels are marring the organizational efficiency. Non-recovery of statutory dues on time, huge amounts of default, large evasions and regular interventions in the administration by various agencies are another problem the organization is facing.

One major plus point observed is the tremendous trust of working population in the organization and tamper proof investments and fund management. In the fifty years of organization's existence, no single fraud or mismanagement of fund like that observed in

Seamen's Provident Fund Organization is observed. Neither has there been any going back on the promises like the Unit Trust of India in reaching the targeted population on assured benefits. Delay in delivering the benefits is definitely there; nevertheless, no mistrust or distrust of the members in the Employees provident Fund Organization has come out in the interview or in the study. The introduction of new defined benefit pension system has changed the quality of life of the working population. The cross subsidization within the scheme made it affordable and even the small employee is benefited irrespective of his small contributions. The rate of contribution has not been a question of discussion on the sustainability of the fund but the inefficient fund management has been criticized and questioned. Therefore, it can be concluded that the contribution based Social Security Systems, as the one under study is always affordable and sustainable if it is administered properly.

CHAPTER-VI
IMPACT OF LIBERALISATION ON SOCIAL SECURITY ARRANGEMENTS

Ever since the seeds of Liberalisation have been sown in the country, the roots of this plant started spreading to all the directions.. The social security of the population has no exception to this rule. In the beginning people felt that the social security sector does not have a direct attack on, but the time proved otherwise. The social security programs available in the country are mainly for the working class that too in the organized sector in urban India. Liberalization process started showing its impact on the wageworkers in regular employment, increase in the casual employment, outsourcing the employment by the public and private industrial houses, and growth in the unorganized sector.

Before going into the details of the impact of liberalization on social security let us once gain understand what the social security is? Many authors have defined social security by many ways. For our understanding, we consider the social security as the continuous economic support to a human being for his or her social well being- at least in the evening years of his/her life. It is therefore necessary to link up traditional social security policies and economic policies in general. Getubig for instance defines social security for the developing countries as " any kind of collective measure or activities designed to ensure that members of the society meet their basic needs as well as being protected from contingencies to enable them to maintain a standard of living consistent with social norms" (Getubig, 1992, p.13) Dreze and Sen distinguish two aspects of social security, which they define as the use of social means to prevent deprivation and vulnerability to deprivation. The focus of the social security is to enhance and protect people's capabilities to be adequately nourished, to be comfortably clothed, to avoid escapable morbidity and preventable mortality. The average experience of poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is present in the lives of many more. The decline may result from changes in personal circumstances or from fluctuations in the social surroundings. Therefore, we may understand the social security as " the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining standard of living arising from a number of basic risks and needs. For clearer understanding, we may enlist the social security measures or programs for income sustenance, income maintenance and for medical needs as:

(1) Provident Funds/Gratuity,

(2) Old age, survivor, widow and disability pension,

(3) Medical care of all sorts and

(4) Protection from all kinds of risks life and non-life affecting the social existence of individual

The above programs mainly looked from the angle of the working population in India, although the entire population suffers from contingencies of life. Here too, the techniques of social security become operational. While discussing the impact of liberalisation on social security it will be probably sufficient if we discuss the impact of liberalization on the labour market in India and the situation of working class in India.

The liberalization started showing its effects by:

a) Casualisation of employment and increase in the problems of the old
b) Increase in the unorganized work force
c) Decrease in the organized employment
d) Growth in unemployment

The above facts can be studied in detail with the help of the data hereunder, starting with the problem of the aged population, which requires social security to begin with. The aged population is the main concern for the social security policy makers of any part of the globe with or without liberalization. The problems of the aged population in India are manifold, as the organized employment in India has not grown enough to absorb all the unorganized eventually. Old are still required to work for their own lively hood where dependency on the younger was not possible. Add to this the liberalization has thrown many younger population into destitution on whom majority of the older population is dependent. Therefore, the study should begin with the older population and their composition in the total population and in the workforce.

If we observe the statistics of the older population and the population projections, we come across many concerning issues.

Table VI.1

INDIA PROJECTED FIGURES OF THE POPULATION AGED 60 AND ABOVE

1996-2026

A. OFFICIAL PROJECTIONS FOR THE 9TH PLAN.

(in Million) (% in parentheses)

Year	Males	Females	Persons
1996	**32.33** **[6.67]**	**29.99** **[6.67]**	**62.32** **[6.67]**
2001	**36.21** **[6.91]**	**34.36** **[7.03]**	**70.57** **[6.97**
2006	**41.83** **[7.41]**	**39.99** **[7.55]**	**81.81** **[7.48]**
2011	**48.86** **[8.05]**	**47.06** **[8.23]**	**95.92** **[8.14]**
2016	**57.36** **[8.84]**	**55.60** **[9.05]**	**112.96** **[8.94]**

B. ALTERNATIVE LONG-TERM PROJECTIONS.

(In Millions)

1996	**31.02**	**32.81**	**63.83**
2001	**36.42**	**38.52**	**74.94**
2006	**42.68**	**45.33**	**88.01**
2011	**50.30**	**53.41**	**103.71**
2016	**60.20**	**63.86**	**124.06**
2021	**72.58**	**76.93**	**149.52**
2026	**87.16**	**92.20**	**179.36**
2031	**103.35**	**109.47**	**212.82**

Source: Census of India 1991, Population Projections for India and States, 1996-2016
Registrar General, India, New Delhi, 1996

According to these population projections summarized in the table (VI.1) above, the number of persons aged 60 and above is expected to rise from 54.5 million in 1991 and 62.3 million in 1996 to 70.6 million in 2001, 81.8 million in 2006, 95.9 million in 2011, and 113.0 million in 2016. In other words, while the total population is projected to increase by 49 percent from 846.2 million in 1991 to 1263.5 million in 2016, the number of the aged is likely to grow by 107 percent over the 25-year period. The share of the aged in the total population will rise to 8.9 pent. Unlike during 1951-1991, the contribution of the changing age structure to the growth in the number of the aged will be a major factor accounting for 55 percent of the projected growth.

The characteristics of the aged as per a survey conducted by the National Sample Survey (NSS) are relevant for us to understand the problems of the old who require social protection.

Only 4 to5 percent of the aged live alone. Less than 1 percent were inmates of old age homes. About 11 percent of rural aged and 8 percent of the urban aged lived with the spouse only, about 46-47 percent lived with spouse and other relatives. Among others, 33 to 35 percent lived with their children. About 5 percent of the aged lived with "other relations or non-relation".

- About 30 to 31 percent of the aged males in rural and urban areas reported that they were fully dependent on others. The corresponding figures for females in rural and urban areas were 71 and 76 percent, respectively.
- About 30 to 31 percent of the aged reported that they were not dependent on others. The percentage was much lower for females {11 to12}.
- Only about 5 to 6 percent of the aged reported that they did not have a surviving son or daughter. Almost 88 percent had two or more living children.
- About 76 percent of the aged, who were economically dependent on others, received support from their children or grand children. About 14 to 15 percent depended on their spouse. Only 6 to7 percent reported they have depended on others. For about 3 percent of them, no response was recorded.
- About 54 percent of both the rural and the urban aged reported having financial assets, and a majority of them managed as well. About 70 percent of the aged males reported possession of assets, whereas the proportion was much lower among females {39 and 38 percent in rural and urban areas}.
- About 63 percent of the rural aged and 58 percent of the urban aged reported possession of property. A majority of them managed it also.

About 52 percent of the rural aged and 54 percent of the urban aged reported that they suffered from a chronic disease. The most frequently reported ailments were "problem of joints", cough, and a high or low blood pressure. The problem of cough was reported by 22 percent of the rural aged and 16 percent of the urban aged; the corresponding figures for blood pressure were 11 and 23 percent, in rural and urban areas respectively. These chronic ailments would raise the need of the aged for medical or health-related expenditure.

The second impact is the growth of the unorganized and their problems. Before we go into the details of the growth of the unorganized let us have a quick look at the employment generation in the country. It is found that the registration of aspirants has gradually been coming down due to non-availability of regular wage employment. Even where the employment exchanges were providing the placements it has drastically come down from 388.5 thousand of 1985 to 173.3 thousand in 1996 and to further 178.0 thousand in 2000 A.D. This trend is mainly attributable the liberalization process set in way back in early nineties. The fall in the organized employment further supports this view, which can be seen from the table below.

Table VI.2

STATUS OF THE LIVE REGISTER

(Thousands)

Year	No. of Emp.Exch.	Registration	Vacancies Notified	Placement	Live Register	% Increase over pre,year
1985	800	5821.5	674.7	388.5	26269.9	11.6
1986	821	5535.4	623.4	351.3	30131.2	14.7
1987	835	6011.7	600.9	334.4	30247.3	0.4
1988	840	5963.2	543.3	328.5	30050.2	-0.7
1989	849	6575.8	600.2	289.2	32776.2	9.1
1990	851	6540.6	490.9	264.5	34631.8	5.7
1991	954	6235.9	458.6	253.0	36299.7	4.8
1992	960	5300.6	419.6	238.7	36258.4	1.3
1993	887	5532.2	384.7	231.4	36275.5	1.3
1994	891	5927.3	396.4	204.9	36691.5	1.1
1995	895	5858.1	385.7	214.9	36742.3	0.1
1996	914	4584.1	330.0	173.3	37738.3	2.7
1997	934	6322.0	393.0	275.0	39140.0	3.71
1998	945	5852.0	359.0	233.0	40090.0	2.42
1999	955	5966.0	329.0	221.0	40371.0	0.70
2000	985	6042.0	285.0	178.0	41344.0	2.41

Source: DGE&T, Government of India.

Table VI.3

EMPLOYMENT IN THE ORGANISED SECTOR

(IN LACS)

Year	Public sector	% Change on a previous year	Private sector	% Change over previous year	Total	% Change over previous year
1989	185.09		74.53		259.62	
1990	187.72	1.42	75.82	1.73	263.54	1.50
1991	190.57	1.52	76.76	1.24	267.33	1.44
1992	192.10	0.79	78.46	2.35	270.56	1.23
1993	193.26	0.62	78.51	0.06	271.77	0.44
1994	194.45	0.61	79.30	1.01	273.75	0.73
1995	194.66	0.11	80.59	1.60	275.25	0.50
1996	194.29	0.21	85.12	5.62	279.41	1.49
1997	195.59	0.66	86.86	2.04	282.25	1.21
1998	195,40	-0.09	88.35	1.71	283.75	0.31
1999	194.20	-0.61	87.00	-1.55	281.20	-0.90
2000	193.10	-0.56	86.50	-0.57	279.60	-0.57
2001	191.40	-0.88	86.50	0	277.90	-0.61

Source: Director General Employment & Training

Although there has been a marginal increase in the private sector employment during the years under review, the public sector employment has shown sharp fall every year beginning from the year 1992. Such trend is also set in, in private sector from 1999. The public sector has shed 4.2 lakh jobs between the years 1997 and 2001. This can be safely attributable to the liberalization process and the VRS schemes that have been set in, in the country. Since the trends are more dominant in the later years of the liberalized economy of the country. We even find the reflections of this trend in the coverage of workers under employees provident fund and miscellaneous provisions act, more particularly under the exempted sector where large number of the workers are from the public sector. The table below shows the coverage of members under Employees provident fund scheme over the years both in the exempted sector and in the unexempted sector. In the exempted sector there is no growth of employment at all over the last ten years. Even if find a marginal increase in some years it has come down in the later years. Interestingly we find that the number of establishments increased over ten years and not the employees' strength. This is understood that the replacement of the workforce in the exempted sector has not been done to the extent of the labour turnover,

Table VI .4

COVERAGE OF MEMBERS OVER THE YEARS

UNDER EMPLOYEES' PROVIDENT FUNDS & MISC. PROVISIONS ACT, 1952

(Establishments in Nos. Members in Lakhs)

EMEMPTED ESTBALISHMENTS				**UN-EXMEPTED ESTABLISHMENTS**		
Sl.No.	Year	Estt.	Members	Estt.	Members	Total
1.	1989-90	2907	41.33	192054	105.31	146.64
2.	1990-91	2933	43.77	204053	113.31	157.07
3.	1991-92	2956	45.37	209176	120.78	166.15
4.	1992-93	3041	45.44	220549	127.67	173.11
5.	1993-94	3109	45.46	233772	134.44	179.90
6.	1994-95	3143	45.48	247895	141.66	187.24
7.	1995-96	2934	45.79	261914	147.36	193.15
8.	1996-97	2970	45.36	274585	157.53	202.89
9.	1997-98	2948	44.03	296256	168.16	212.19
10.	1998-99	3123	41.09	315307	190.10	231.19
11.	1999-00	2630	43.40	323911	201.97	245.37
12.	2000-01	2624	42.60	337389	220.41	263.01

(Compiled by the author from the statistics collected from EPFO)

and the establishments started outsourcing and causualising the employment. The increased figures of casual employment support this observation. The workers thus casualised and out sourced have become predominantly a part of the unorganized, disproving the traditional ILO's view of unorganized taking a place in the organized. When the workers get into the unorganized employment, they suffer from much insecurity.

The insecurity dimensions of the unorganized sector:

1. ***Poverty Levels.*** Poverty levels in the country are increasing every year though there has been a marginal improvement in the recent past. The unorganized labourers are directly hit either by inflation rise or by the price rise since their wage rise is always not indexed to the inflation trends in the country on the lines of their counter parts in the organized sector. Unorganized as the very definition goes are unorganized and they cannot organize themselves for the common objective of any nature like wage increase, working conditions, or the working hours. Therefore the unorganized suffer from any increase in the price of essential commodities or from any wage hike for the organized sector or for the employees in public sector. This throws the unorganized poor into more poverty than they were in before price rise or inflation rise. However, the marginal wage rise observed for the unorganized employment in the rural and the urban settings is not in proportion with the corresponding wage rise for the organized employment in the country.
2. ***Casualisation of employment.*** Another great problem faced by the labour market is the process of casualisation and out sourcing the employment by the industry. The uncertainty has been increasing in the urban as well as rural employment market with more emphasis on the out sourcing the work force requirement by the organized industry. The casual labour suffers more from the poverty and from uncertainty of income because of casual nature of employment. The table given below shows the trends in casualisation and decreases in regular wage employment over the years.

Table VI.5

EMPLOYMENT STATUS OF WORKFORCE, 1972-3 AND 1993-4[IN PERCENTAGE]

		Self employed		**Regular wage workers**		**Casual workers**		**All workers**	
Areas	**Gender**	**1972-3**	**1993-4**	**1972-3**	**1993-4**	**1972-3**	**1993-4**	**1972-3**	**1993-4**
Urban	Male	39.2	41.7	50.7	42.1	10.1	16.2	100.0	100.0
	Female	48.4	45.4	27.9	28.6	23.7	26.0	100.0	100.0
	All	41.2	42.3	46.3	39.4	12.5	18.3	100.0	100.0
Rural	Male	65.9	57.9	12.1	8.3	22.0	33.8	100.0	100.0
	Female	64.5	58.5	4.1	2.8	31.4	38.7	100.0	100.0
	All	65.3	58.0	9.3	6.4	25.4	35.6	100.0	100.0
Total	Male	60.5	53.7	19.8	16.7	19.7	29.6	100.0	100.0
Country	Female	63.1	56.8	6.3	6.2	30.6	37.0	100.0	100.0
	Total	61.4	54.8	15.4	13.2	23.2	32.0	100.0	100.0

Source: P. Visaria [1996] Structure of the Indian Workforce, 1961-1994, in the India Journal of Labour Economics, New Delhi,October.pp.737-8

The above table(VI.5) shows both in the rural, urban employment markets the regular wage earners are decreasing, and casual workers are increasing. Interestingly and ironically, the self-employed have become casual worker over the time thus creating more dependency on the wage employment than on the self-employment. If we look at the all India figures of self-employed and the shift in the market, there has been a decrease of 6.6 percentage points in the self-employed over the twenty years under examination, this works out a decrease of roughly over 10 percent within the self-employed sector.

3. ***Gender inequalities.*** Another malady of the unorganized labour is the gender inequality. If we look at the above table again, we find that the female are more in casual employment than the males both in urban and the rural labour markets. We find same phenomenon in the self-employed segment also.

4. ***Old aged and the Child Labour.*** In the unorganized sector, we find more child labour and the persons aged above 60 years of age. Since the economy is not fully developed to replace the child labour and put the child only on education, the economy of the country still gains from the contribution of the child labour. It is the case with the aged population also. Roughly, 20.6 million persons above the age of 60 still earn their lively hood on their own.

5. ***No enforceable labour laws.*** The unorganized in the country do not have any enforceable labour laws. Even bonded labour abolition has not been able to wipe out the bonded labour fully in the country. The minimum wages act has never been fully enforced even in the organized industrial markets for the casual labour they engage. The industrial disputes Act, The trade Unions Act etc. are far from the reach of the unorganized workface thereby making them more insecure than their counterparts in the organized sector..

The table (VI.6) given below is an attempt to assess the composition of the unorganized in the total work force

Table VI.6

UNORGANIZED IN THE IN THE WORKING POPULATION (In Million)

YEAR	ORGANIZED		UNORGANIZED		TOTAL	
	Workers	% Growth	Workers	% Growth	Workers	% Growth
1973	18.82	7.61	217.48	8.74	236.30	7.96
1978	21.24	13.39	249.46	14.70	270.70	7.85
1983	24.01	13.04	278.69	11.71	302.7	7.93
1988	25.71	7.08	296.29	6.31	322.00	7.99
1991	26.73	3.96	315.17	6.37	341.9	7.82
1994	27.38	2.43	344.72	9.37	372.1	7.36
1998	28.37	3.61	371.63	7.80	400.00	7.09
1999	28.11	-0.91	372.87	0.33	400.98	0.25
2000	27.96	-0.53	373.06	0.05	401.02	0.01

Compiled the basis of figures from Director General labour and Employment.

If we look at the above table-VI.6, it shows that the composition of organized and unorganized in the total work force of the country over the past 25 years beginning from 1973. In the organized sector we see an average growth of 0.38 million workers per annum and in terms of percentage, there has been an annual average growth of 2.02 percent over the last 25 years. In case of the unorganized sector the annual average growth registered is 2.77 percent i.e.0.75percentage points more than the organized workers. The annual growth in the workforce recorded has been 6.16 million per annum on an average. This is 16.22 times more than the workers in the organized sector. If we consider the trends only from 1991, we see a growth of 8.07 million workers in the unorganized sector and .020 million workers in the organized sector. This is attributable to the trends of casualisation and out sourcing of employment within the organized sector.

Further, in 1973, there were 11 workers in the unorganized sector for every one worker in the organized sector. This is grown to 14 unorganized workers for each organized worker. During the period between 1994 and 1998 itself, there has been a growth of 27 workers in the unorganized sector for each of the worker added to the organized sector. Even the population of the country has not grown at this pace during the period between 1991 and 1998. This abnormal growth of employed class in the population reveals the health of the economy that is producing wage employment to the population at the same time it is a major concern for the employment so created which is neither remunerative nor permanent to the employee. In addition, these workers neither have income sustenance nor income maintenance programs either run by the state or by their employer.

At the same time we can also see the impact of liberalization on Public sector and the Banking industry in the country. The finance ministry's calculations revealed that based on business per employee (BPE) of Rs 100 lakh; there were 59,338 excess employees in 12 Nationalised banks. If the BPE were raised to Rs 125 lakh, the number shot up to 1,77,405. On this estimate, it could be said that roughly one lakh people over staffed the public sector banking system. In November 1999, the government sanctioned the release of the VRS to the IBA. Between November 15, 2000 and March 31, 2001, all public sector banks, except the Corporation Bank have introduced VRS system resulting in mass voluntary retirements. Out of the total 8,63,117 employees in 26 public banks, around 1,00,810 (11.7 per cent) employees took the offer before March 2001, according to a study on VRS as per IBA bulletin. In the case of SBI, the total number of employees who were given VRS stood at 20,784, of which there were 6,694 officers, 11,271 clerical staff and 2,819 subordinates. It seems to us that all these exercises have thrown the people in the unemployment trap at their working age. In addition to these, some of the other industries infected by VRS and the approach of down sizing include Air India, Hindustan Organic Chemicals, Reliance Industries Ltd, Mumbai Port Trust, Bombay Stock Exchange, ITI, VSNL, HMT, Hindustan Motors, Yamaha Motor India Ltd., Crompton Greaves, Bajaj Auto, Tata Tea, Glaxo India, Mico, Modern Food Industries Ltd, SAIL and BHEL etc.

In these circumstances of mass offloading, casualisation and out sourcing of the employment, and rapid growth in the unorganized sector, the responsibility of the state increases to provide social security to the ever increasing existence needs of the working population at least. State too has concerns for them but it could not provide the social protection programs to these underprivileged lots.

However the liberalization has also brought with it not only a threat to the existing working population and their social security institutions but also, to the money market, interest structures, and investment pattern which squarely influence the social security funding patterns and invites the private players in to the market.

The impact of liberalisation on issues like interest rates, returns on Social Security Funds and benefits, funding and labour participation may be examined in brief to have a quick understanding of the situation.

Employment turnover and labour participation –impact on funding

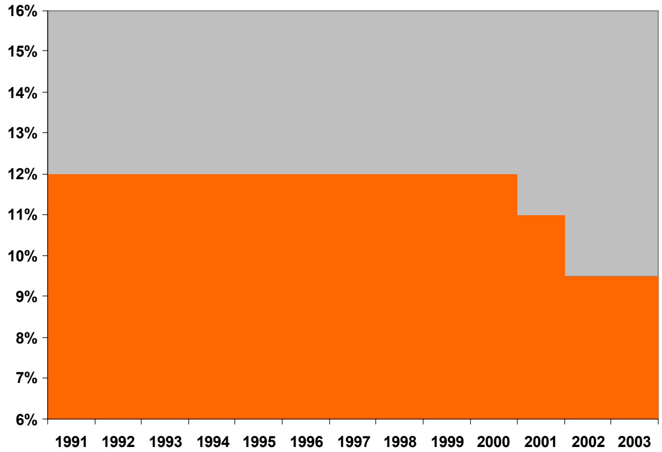
As seen above the casualisation and out sourcing of employment has not only thrown major challenges to the Social Security providers, whose responsibility is to extend economic support in event of contingent poverty which is the fall out of retrenchments and golden handshakes. The shift from organized employment to informal and unorganized employment made the Social Security systems, which are based on Social Insurance model to suffer from short supply of contribution income thereby questioning the viability of the funded systems in the long run. Particularly the systems like Employees Provident Funds and Employees Pension Scheme where withdrawal benefits are permissible for short duration of employment and exit from employment will disturb the actuarial equilibrium of the fund that has not foreseen sudden exit from the system. Unfortunately the quantum of such leakages in the fund is however not measurable in the Employees Provident Fund Organization for there are no well-established systems to compile the data on periodical basis and due to large number of covered population.

Changing Interest rates and impact on benefits

The impact of lower interest rates on benefits under the Provident Funds and pension are clearly visible. The Employees Provident Fund Organization, which predominantly invests in G-sec funds, is unable to get the same old rate of return that it was getting earlier. The rate of return that was 14.05% on an average as on 31 March 1996 has come down to 5.75% as on 30 June 2003. (Graph VI-I). Accordingly, the rate of interest declared on the Provident Fund accumulations of the members has come down to 9.5% over a period. This was 12% from 1991 to June 2000, 11% form July 2000 to March 2001, and 9.5% from April 2001 onwards. Although the Finance Ministry had objected to declaration of 9.5% return during 2003, The Employees P.F. Organization has declared an interest of 9.5% for its subscribers based on its past performances and yield on the earlier securities which had yielded higher rate of return. This may not be possible if the southward trend of interest rates continue. The defined benefit pension schemes like the Employees Pension scheme will also suffer if the trend continues. In that event, the organization does not have any other option but to increase the rates of contribution to keep with the level of benefits promised.

Graph VI-I

EPF interest rate since 1991



- **EPF interest rate**
  - 12% till June 2000
  - 11% from July 2000 to Mar 2001
  - 9.5% from April 2001

10-year G-Sec yields

Mar 1996	14.05%
Mar 1997	13.43%
Mar 1998	12.12%
Mar 1999	12.03%
Mar 2000	10.87%
Mar 2001	10.27%
Mar 2002	7.36%
Mar 2003	6.15%
June 2003	5.75%

Source: information Collected from EPFO

Thus Governments will have a grater role to play to sustain the interests of the economy and to provide for the social insurance and the social assistance programs out of the exchequer, at the same time facing the pressure from the external agencies like World Bank. IMF, and the Asian Development bank that were successful to certain extent to influence the India government to establish committees like Dave Committee, Bahttacharya Committee, and the IRDA.

The Dave Committee, commonly known as the project OASIS (Project OASIS, 2001) suggested that there should not be any government participation in the pension systems and the individual should be encouraged to save for the future say in 5 to 8 rupees a day. It has conveniently forgot the minimum wage in India and the wage of a daily wager in the unorganized sector and the poverty levels. It is very strange that how far individual savings would mean social security and cost involved in managing the small money by the private players

The Bhattacharya committee suggested that the Pension for newly recruited government employees should be contributory and funded pension scheme unlike the present pension system, and should be privately managed. (Ramesh Gupta, 2002, p.2)

The Insurance Regulatory Development Authority (IRDA) had suggested that there should not be any cap on the private players to run the pension schemes and the investments should be encouraged to be in the equity market. It had also suggested that the Employees Provident Fund Organisation should transfer its pension administration eventually to the IRDA. The equity market situation is well known to every body and the entire market is with scams and highly risky. Social Security funds have very long gestation and immediate demand from the members in comparison to savings funds is very limited. The fund manager or the investing company that comes forward to take the investment portfolio of the pension funds may make a quick profit for them by way of administrative charges as well as from the short-term surpluses. It is doubtful whether the contributor will benefit from parking the funds in such vulnerable markets.

Summary and Conclusions

Liberalization has shown direct impact on the labour market policies of the country and on the macro economic variables. While the principles of Social Security are to prevent people falling in to poverty and protect people from contingent poverty, the liberalisation process directly aims at reducing the work force from the industry and the Government with the slogan of 'Reducing the Fat'. The interest structure has also drastically changed over years ever since the liberalization started in our country to match the global standards in encouraging the industry to borrow money at a cheaper rate. This however will have adverse impact on the defined benefit pensions systems for they have not foreseen the sudden fall in the interest regime. The projects like Project OASIS have suggested a defined contribution system for the working class where actuarial valuation and financing long-range benefits is not necessary and the Markets risks can be directly transferable to the individual account holder in the system. Neither cross subsidization nor risk pooling is necessary in the Defined Contributions systems. The principles of Social Security come in contrast with this approach since the very term Social means sharing of risk among the participants and social transfers.

Therefore, the governments require taking a cautious step before yielding to the pressures of liberalization for the lives of many people working and non-working, and where the lives of the widows' children and destitute are involved.

CHAPTER VII

AN OVERVIEW OF EXEMPTED ESTABLISHMENTS

The section 17 of the Employees' Provident Funds & Misc. Provisions Act, 1952 permits establishments to run the provident fund on their own on the pattern suggested by the Act without reducing the benefits assured there under. Such establishments are called, in the parlance of Employees' Provident Fund Organisation as Exempted Establishments, since they have been exempted from certain provisions of the scheme but not from the provisions of the Act.

The coverage of beneficiary is therefore is seen both in Exempted Sector and in the un-exempted sector. Exempted establishments manage funds, maintain the accounts and deliver the benefits to the members on their own, whereas Employees provident Fund organization takes care of these requirements in case of the un-exempted establishments and employees working thereat. Social security benefits delivery by way of provident funds & pension is therefore measured taking exempted and un-exempted together.

Let us have a look at what is stated about the exempted establishments in the Annual Reports of Employees' Provident Fund Organisation.

On application of the Act to an establishment, the employers are required to comply with the statutory provisions of the scheme. However, such of these establishments, which have their own Provident Fund scheme in vogue conferring benefits to their employees equal to or better than those of the statutory scheme, if their employees are in favour of such exemption. Likewise, individual employee or a class of employees who contribute to the employer's Provident Fund scheme may also seek exemption under Paragraph 27 and 27A of the statutory scheme to continue to be members under their Provident Fund Scheme.

The grant of such exemption is to enable the employees to continue to enjoy the better benefits available to them under the private Provident Fund scheme. Such exemption does not amount to the total exclusion from the provisions of the Act. The exempted establishments continue to be covered under the Act, the only distinction being that a Board of Trustees properly constituted according to rules in the Exempted Establishment administer the exempted Provident Fund subject to the terms and conditions under which exemption is granted and subject to such supervision and control as laid down by the Government.

Any such exemption granted to an establishment is liable to be cancelled for contravention of any of the conditions governing exemption and on such cancellation; the establishment will be required to comply with the statutory scheme. Pending scrutiny of rules and grant of exemption to the establishments, which have applied for exemption, the Regional Provident Fund Commissioner can grant relaxation to those establishments under Paragraph 79 of the Employees' Provident Fund scheme, subject to certain conditions. So that the employees do not suffer reduction in the benefits available to them under the private Provident Fund scheme of the establishment consequent on the Enforcement of the provisions of the statutory scheme. The organisation, while considering an application for exemption takes into consideration mainly the rate of contributions made by the employer and the employees the eligibility clause and interest rate payable to the members on their accumulation. Through the functioning of exempted establishments is the responsibility of the Board of Trustees in each establishment, the Organisation exercises its control over such establishments through periodic inspections for ensuring proper compliance of conditions of exemption.

There were 2805 establishments, which were in the exempted category on 31-3-2000, as against 3123 establishments in this category at the end of the previous year. . During the year, there was net decrease of 318 establishments in the Exempted Sector. There were 43.40 lakh members as at the end of March 2000 as against 41.09 lakh members at the end of the previous year in exempted sector.

Thus, the exemption of establishments as per the Act was envisaged to take the social security administration to the doorsteps of the subscribers. But unfortunately, in comparison with the un-exempted establishments the Administration Exempted establishments suffers from five major maladies. The purpose of this section is therefore to examine these maladies in detail:

The Per-establishment:

(1) Default by exempted Trusts is more than that is by the Unexempted establishment in comparison

(2) There is no growth in the membership over the years.

(3) Financial Discipline is not enforced among the members of the fund.

(4) Rate of interest declared by several establishments is either less than the statutory rate or not at all declared.

(5) Organisation is put at loss due to non-entitlement of Administration Charges.

These maladies are discussed one by one here under in brief.

Table VII.1

DEFAULT IN THE EXEMPTED SECTOR

	Exempted		Un-Exempted	
Year	Est.(No)	Default (Rs. Crores)	Est.(No)	Default (Rs. Crores)
1990-91	102	131.98	11029	96.76
1991-92	142	135.21	10024	94.26
1992-93	157	139.82	10742	127.59
1993-94	158	196.09	11659	164.90
1994-95	140	155.95	11836	191.38
1995-96	153	19685	11529	239.04
1996-97	168	164.46	21195	302.10
1997-98	348	177.80	21007	286.17
1999-2000	512	469.13	21189	589.17

Compiled on the basis Annual Reports Of EPFO

The purpose of granting exemption appears that it has not served for the exempted trusts have become bad paymasters than their counter parts in the unexempted sector. The exemption under the act have been granted with a view to giving autonomy to certain establishments to manage their funds, but it proved otherwise. The default by this small number of establishments is more than by the unexempted establishments during period under review. The exempted establishments defaulted even in earlier years also, but for our study we have not considered earlier years, and found that the 10 years data has the representative character of whole story in the exempted sector.

The per establishment default has however come down from 1.24 crore in 1993-94 to 0.91 crores in 1999-2000. However, the default in the unexempted sector was 1.41 lacs and 2.78 lacs respectively.

Table VII.2

NO GROWTH IN THE MEMBERSHIP OVER THE YEARS.

Year	Establishments (No)	Member in lakh	Members in Un-exempted Est. (No)
1990-91	2933	43.77	113.21
1991-92	2956	45.37	120.78
1992-93	3041	45.44	127.67
1993-94	3109	45.46	134.44
1994-95	3143	45.48	141.66
1995-96	2934	45.79	147.36
1996-97	2970	45.36	157.53
1997-98	2948	44.03	168.16
1998-99	3123	41.09	190.10
1999-2000	2805	43.40	201.97

Compiled By The Author-Basis Annual Reports Of Epfo

Despite the fact that the exempted establishments are encouraged to manage their own funds to give service at the work spot of the worker, they appear to have not utilized this facility. On the other hand they have shown disinterest by not increasing the membership strength. Even the establishments' strength has also come down from 2933 of 1990-91 to 2805 during 1999-2000. Membership, although shown some improvement up to 96-97, the decline stared from 1997-98, however it recovered again during 1999-2000 but not reached to 90-91 levels. (Table VII.2)

As majority of the exempted establishments are public sector interesting reasons were found in the survey for the declining trends in employment in these years. We have however seen casualisation of certain specific items of wok. Also some works have been given to independent contractor, which appears to have resulted in non growth of physical employment in the exempted sector. This could be seen as an impact of liberalisation and the downsizing policies adopted by the industry.

Financial Discipline

Exemptions have been granted, as repeated said, to serve the Provident Fund members better, at the same time the intention of the law was not to encourage financial indiscipline among the members by allowing them to withdraw the money from the fund for all sundry purposes. This appears to have not been given a serious thought by the exempted trusts. Advances/partial withdrawals were freely granted to their employees from the fund without a serious thought and some times without proper procedures.

Table VII.3

PARTIAL WITHDRAWALS

Year	Exempted No.	Per Est.	Un-exempted	Per Est.
1990-91	729765	249	3811883	1.87
1991-92	768722	260	457739	2.18
1992-93	789319	259	435437	1.97
1993-94	723835	233	432108	1.84
1994-95	629361	200	399767	1.61
1995-96	736259	251	370383	1.41
1996-97	802937	270	382506	1.39
1997-98				
1998-99	628773	201	390200	1.31
1999-2000	684441	244	393993	1.24

Source: Compiled on the basis of data from EPFO

All through the years with no exception the exempted trusts have granted more advances to their members than in the un-exempted sector. The per-establishment advances granted were between 200 to270. In case of exempted establishments this was between 1.98 and 1.24. (Table VII.3) In the Unexempted establishments, every 1314 employees have taken 200 advances as compared to 1.5 advances per every 55 employees in the exempted sector. If we equate this to 1314 employees, the advances work out to 35.8 leaving a gap of 164.2 advances in the exempted sector. Therefore, it is presumed that to please the employees, the unexempted sector has granted a number of advances to their employees out of their provident fund, which ultimately lead to lesser balances in the fund at the time of retirement and at the time of payment of Employees Deposit linked Insurance benefits in case of death while in service.

Another feature observed in the Unexempted establishments is, grant of recoverable advances, which is against the statutory provisions of the Employees' Provident Funds & Misc. Provisions Act. In some establishments' grant of advances and charging interest is also observed.

RATE OF INTEREST

Payment of interest on Provident Fund balances at a statutory rate or a little more than that is a precondition for exemption under the act. But the Actual position is some thing different from this rule. Many of the establishments under the exempted sector either paid less than the statutory rate or have not at all credited any interest.(Table VII.4)

Table VII.4

RATE OF INTEREST PAID BY THE EXEMPTED TRUSTS

Year	Estts. Covered (No)	No interest credited (No)	Less interest Credited (No)
1990-91	2933	917	226
1991-92	2956	179	53
1992-93	3041	453	265
1993-94	3109	115	61
1994-95	3143	533	261
1995-96	2934	565	113
1996-97	2970	450	229
1997-98	2948	450	229
1998-99	3123	461	54
1999-2000	2805	673	44

Source: Compiled from the Annual reports of EPFO

Neither in almost all the years the some exempted establishments have declared interest nor have paid statutory rate of interest. This situation will not be there in the un-exempted sector. Therefore, performance in this area cannot be compared with that of un-exempted sector; however, the investment trends in the exempted sector may be compared with investment in the un-exempted sector. Since all through the years the exempted establishments are investing less than what they received as contributions, only five years data is taken for analysis.

Table.VII.5

CONTRIBUTIONS INVESTMENTS COMPARATIVE TABLE

(Rs. In Crores)

		Exempted		Un-exempted	
Sl.No.	Year	Contributions	Investment	Contributions	Investment
1.	1995-96	2562.85	2518.44	34203.02	3912.72
2.	1996-97	3055.77	2357.62	2915/29	3832.64
3.	1997-98	3`174.70	2003.32	2643.49	4281.74
4.	1998-99	2841.36	1985.37	4954.18	57.12.06
5.	1999-00	3904.14	2851.25	5778.08	6396.56

Compiled By The Author- Base: Data Collected From data bank of EPFO Head Quarters.

The above (Table VII.5) investment trend clearly shows that the exempted establishments are unable to manage their funds properly, therefore, they are unable to pay statutory rate of interest.

We find that in the un-exempted sectors, the investments are growing every year, without looking back, whereas in the un-exempted sector the investments are falling every year, without having any direct link with contributions received. Reasons may be attributed for this – (1) the default in transferring the funds to the board of trustees (2) partial withdrawal &settlements are more in the exempted sector less interest or no interest is earned or credited.. Whatever the reasons it clearly appears that the purpose of granting exemption as detailed in the opening paragraphs of this analysis is not served. Not only the members of the provident fund in the exempted sector are suffering due this but also Employees' Provident Fund Organisation is also suffering heavy losses by way of administrative charges, which would otherwise come to the Employees Provident Fund organisation if exemptions were not granted. Further, the situation of non-payment of statutory rate of interest would have not been there.

Table VII.6

LOSS IN ADMINISTRATION CHARGES (RS.In Crores)

	Un-exempted		Exempted	
Year	Contributions	Admn. Charges	Contributions	Admn. Charges
1995-96	3203.02	144.09	2562.85	-Nil –
1996-97	2915.29	170.08	3055.77	-Nil-
1997-98	3643.49	197.22	3174.70	-Nil-
1998-99	4954.18	300.83	2841.36	-Nil-
1999-2000	5778.08	414.70	3904.14	-Nil-

Compiled by the author: Base Data collected from data bank of Epfo Head Quarters

Even after exemption of establishments under the provisions of the Act, the Employees' Provident Fund Organisation Offices have several duties and function to discharge in respect of these establishments like:

(1) Inspection of establishments

(2) Permission for investment &disinvestments

(3) Maintenance of Pension/Family Pension accounts of the workers of the establishment, as exemptions for family/Pension have not been granted on a large scale.

(4) Disbursal of Pension

To accomplishing these tasks, the Employees' Provident Fund Organisation, collects only 0.18% of the wages paid to employees as Inspection Charges against 1.10% Administration Charges collected in the case of un-exempted establishments. Though the Exempted Establishments are employing 43.40 lakh employees as on 31-3-2000 against 201.97 persons employed in the un-exempted sector, the contributions collected are almost equals to 68% of the contributions collected from the un exempted sector. In some years, it was more than 100% (year 1996-97). Even in the earlier years it was almost equal. As the Administration, charges collected are based on the wages paid, or wages on which contributions paid, total wages paid in the exempted sector also attract Admin. Charges had they not been exempted. This would roughly work out to 280 cores. The staff required to maintain these account would bean additional of 2000. (Please see assumptions). Deployment of 3000 persons to earn an income of 280 crores would be wiser decision at any cost as the Organisation has already deployed 19024 persons to maintain 201 lakh members accounts under un-exempted sector.

Table VII.7

CALUCULATION OF STAFF REQUIRED TO RUN EXEMPTED TRUSTS BY EPFO

ASSUMPTIONS	
(a) Staff Deployed to Maintain Accounts & Manage Funds of 201100 Member	19024
(b) Staff Required for Additional 41 lakh members $\frac{41 \times 19024}{201} = 3880$	3880
(c) Staff already in position to look after the work of exempted establishments (Enforcement, Damages, Recovery, Pension accounts Pension payment)	1880
(d) Staff required 3880 – 1880 = 2000.	3000

Thus Organisation is suffering a loss of 280 crores per annum and it will be progressive as the years pass, at the same time the exempted establishments are working far from satisfactory in terms of statutory provisions & Member benefits.

Inspection of Exempted establishments.

It is also seen that the attention paid by the Organisation towards exempted establishments by organizing exempted establishments fortnights, conducting work shops at their National Academy for Social Security are not resulting in any fruitful development in their performance neither are they resulting in any better performance for the beneficiary satisfaction.

Table VII.8

DETAILS OF INSPECTIONS

Year	**EXEMPTED (No.)**		**UN-EXMEPTED (No.)**	
	Covered	**Inspected**	**Covered**	**Inspected**
1990-91	2933	10011	192054	296762
1991-92	2956	9753	204053	317291
1992-93	3041	8088	209176	303461
1993-94	3109	8149	220549	264802
1994-95	3143	8148	233772	213062
1995-96	2934	3642	247895	176360
1996-97	2970	8102	261914	179035
1997-98	2948	8672	274585	170434
1998-99	3123	3376	296256	163324
1999-2000	2804	5297	323737	171379

Compiled on the basis of data bank of EPFO Head Quarters.

The above (Table VII.8) inspection position shows that on an average every exempted establishment was visited 2.5 times whereas every un--exempted establishment was visited 0.95 times.

This however could not check the mal-administration of Exempted Trusts. In the later years concentration on un-exempted establishments has further come down, with no decrease in attention towards exempted trusts. This however has not yielded any tangible results as seen from the performance in the foregoing paragraphs. The other issues found in exempted establishments, are

1. Many are not extending benefits to contractor employees directly. They always wanted that and independent contractor should have a Provident Fund code number.
2. The Provident Fund account in the exempted trust has just become like a savings bank account of bank thereby defeating the very purpose of social security.
3. Some exempted trusts (in Visakhapatnam, Kerala and Maharashtra) charge interest from the members on the partial withdrawals.
4. Exempted trusts do not run the pensions for their workers, ultimately they have to depend on the Employees provident Fund Organization for their pension needs since the running pension systems are not that easy.

While this has been the situation of the exempted trusts in India, the committees like project OASIS, the IRDA and the Bhattacharya committee suggested that the pension sector should be opened up for private sector participation, to start with, the committees suggested that there should be an independent regulatory authority to run the provident fund and pension system for the workers in the exempted establishments. This clearly shows the private lobbying is not for the betterment of services but for taking away huge funds from the hold of EPFO to the private market investments to make a fast buck out of it.

Summary and Conclusions:

The purpose granting Exemptions to certain establishments under the scheme is to take the administration of Provident Funds and the Pension to the doorstep of the workers. This was felt possible because only when the schemes were administered on the floor of the establishments. However, the exempted establishments largely are not going in this direction.

The Provident Fund accounts have become like savings bank accounts in these establishments. Non-timely payment of interest, non-timely investment of funds, high permissive ness of partial withdrawals and non-coverage of contractor employees on time have become prime characteristics of these establishments. The Employees Provident Fund Organization is loosing administration charges on account of exemptions, which were granted with a single objective of serving the workers better. This objective has not been achieved. Further, there is a charge that the exempted establishments have become service providers to the inspectors of the organizations who visit repeatedly these establishments in the pretext of extending guidance and inspection.

CHAPTER VIII

CONCLUSIONS AND RECOMMENDATIONS

In the light of analysis and discussions made in the earlier chapters, an attempt is made here to critically appraise the operations of the Employees' Provident Fund Organisation in the administration of the Social Security benefits envisaged under the EPF and MP Act 1952. It is also necessary to draw some policy conclusions to better the administrative set up of the organization to deliver the benefits faster and to reach more target groups than the current levels and to improve efficiency at all levels. Important findings are discussed with reference to major debate of opening up the Social Security Sector and the pension reforms in the country. It is also attempted to suggest an alternative administrative set up for coverage of workforce in the informal sector also keeping in view the impact of liberalization on social security. The recommendations made are twofold- one strengthening the current setup and various changes required there for, and two-the comprehensive social security system for the country.

After enactment of Employees’ State Insurance Act, 1948, a Medical benefit Scheme for the organized working class in selected industries, the country passed another legislation Employees’ Provident Fund Act, 1952, which is going to celebrate its golden jubilee during 2002. The institution of Provident Fund though not considered strongly as a social security measure is included in the programmes of social security, due to the colonial considerations of the erstwhile British Government world over. Colonial kings never gave any thing to colonies, but took away some thing from the colonies. So is the case with Provident Funds. Collecting the money of the workers, be it the Employees’ share or the Employer’s share, spending it for the Government, and passing back to the worker when he leaves the services with interest have been guiding principles of Provident Funds right from the day one since they have been established anywhere in the world. In other words, the worker has become a financier to the Government at a very cheaper rate of interest, under the disguise of “savings for the future or compelled by savings for the future”. The unseen future has always been haunting every person, for future has no fixed date.

However, for the Provident Fund subscribers the fixed date of future is either death or retirement. Therefore every subscriber, naturally expected trouble free timely and gainful return on his savings in Provident Funds.

India as it once was a British Colony had the influence of British Economic philosophy and therefore started an institution of Provident Fund way back 1952, i.e., five years after achieving freedom. Although, during 1952 itself the government felt to have a Pension Scheme for the working class it could not come out with a Pension Scheme until 1995. However, an attempt in this direction was made way back in 1971 with a scheme of Family Pension Scheme, 1971. The Employees' Pension scheme, which came after a great deal of demand and deliberations, is still not free from criticism, dissatisfaction and adverse comments. Everyone who was economically sound knocked the doors of the courts to see that the Pension Scheme is struck down- of course without seriously knowing the benefit of the scheme.

It is seen that 50 years of Provident Fund legislation has sent in frustration dissatisfaction and discontentment among all the concerned

- The employer
- The covered employees
- The uncovered workers

Coming to the challenges before the Organisation due to demographic changes, liberalization, and the exit policies adopted in the country:

- Out sourcing and casualisation of employment is eating into replacement levels within the covered establishments creating a big gap between protected and unprotected
- Life expectancy is increasing among the working population. This is mainly due to increased sanitary conditions, nutrition, food consumed by the working class who have a better income than their counter parts in the informal employment and the unemployed and awareness of health hazards.
- Increase in the aged population and their depending on the younger population or the working population.
- Ongoing debate on the pension reforms and direct and indirect comments on the organizations efficiencies in the front of management of investments for better yield and the effective and timely service delivery.

The status of aged is a major concern for any policy maker, before we go into the details of the findings, here once again we will have a look at the aged.

While the increase in labor force and the decrease in the organized labor in proportion to the growth is a major challenge to the social security systems , the growth of the aged population which is either dependant on the young or unemployed or working for food during the evening yeas of their life is another challenge to the social security systems in the country.

According to the data available from the decennial census the number of aged has increased from about 19.8 million in 1951 to 56.7 million in 1991 or by 189 percent over 40 years period. Their share of population increased from 5.5 to 6.8 percent. However in effect, nearly 72 percent of the increase in the number of the aged has to be attributed to population growth, where as the balance 28 percent has been due to the aging of the population.

The characteristics of the aged as per a survey conducted by the national sample survey are relevant for us to understand the problems of the old who require social protection.

- Only 4 to5 percent of the aged live alone. Less than 1 percent were inmates of old age homes. About 11 percent of rural aged and 8 percent of the urban aged lived with the spouse only, about 46-47 percent lived with spouse and other relatives. Among others, 33 to 35 percent lived with their children. About 5 percent of the aged lived with “other relations or non-relation”.
- About 30 to 31 percent of the aged males in rural and urban areas reported that they were fully dependent on others. The corresponding figures for females in rural and urban areas were 71 and 76 percent, respectively.
- About 30 to 31 percent of the aged reported that they were not dependent on others. The percentage was much lower for females {11 to12}.
- Only about 5 to 6 percent of the aged reported that they did not have a surviving son or daughter. Almost 88 percent had two or more living children.
- About 76 percent of the aged, who were economically dependent on others, received support from their children or grand children. About 14 to 15 percent depended on their spouse. Only 6 to7 percent reported they have depended on others. For about 3 percent of them, no response was recorded.
- About 54 percent of both the rural and the urban aged reported having financial assets, and a majority of them managed as well. About 70

percent of the aged males reported possession of assets, whereas the proportion was much lower among females {39 and 38 percent in rural and urban areas}.

- About 63 percent of the rural aged and 58 percent of the urban aged reported possession of property. A majority of them managed it also. About 52 percent of the rural aged and 54 percent of the urban aged reported that they suffered from a chronic disease. The most frequently reported ailments were "problem of joints", cough, and a high or low blood pressure. The problem of cough was reported by 22 percent of the rural aged and 16 percent of the urban aged; the corresponding figures for blood pressure were 11 and 23 percent, in rural and urban areas respectively. These chronic ailments would raise the need of the aged for medical or health-related expenditure.

This situation of the old requires the urgent attention of the policy thinkers or the policy makers of the social security. The ageing of the population not only leads to the problems of health and medical protection or the health security, but also leads to higher dependency on the younger generation who do not have sufficient sources of income to sustain themselves and their immediate dependents like wife and children. Further it is argued that pension systems world over are suffering due to ageing of the population, since the system has to pay pension for a longer period than the contribution period by the pensioner. Keeping these problems in view and the growth of the workforce in the population we will further our conclusions and recommendations.

This situation leads us to understand that the concern of our government has been to mitigate the hardships of the old and the invalid through a series of measures discussed in the earlier chapters, specially the schemes like provident funds and pension.

We can also draw some specific conclusions on the basis of the forgoing discussions in various chapters like:

The literature so far reviewed however, does not go in to the details of the functioning of the organizations established for the delivery of Social Security Benefits for attacking contingent poverty. There are several stray comments on the efficiencies of the organizations but empirical approach to examining the shortfalls is not seen. Some international writers like Mukul Asher and P.S.Srinivas have only commented on the investment patterns in practice in the Employees Provident Fund Organization without going into the details of the mandate before such organizations and their social responsibility. There are many recommendations on extending the benefits to a large number of the unprotected working class Ironically none of the above recommendations have seen the light of the day nor do we find any road map to approach the unprotected and uncovered lot. Concrete suggestions to improving the administrative arrangements are also not seen in the literature reviewed.

Both the Employees Provident Fund Scheme and the Employees pension Scheme are beneficial legislations. While Employees Provident Fund Scheme provides an accumulation for the Old and for the survivors to enable them to meet immediate cash requirements at the Old-Age, the Pension scheme guarantees continuous post retirement income to the workers and to their dependents in event of the death of the worker thereby protecting him from the contingent poverty. The Provident Fund Scheme is a defined contributions scheme where as the Pension Scheme is a Defined Benefit Scheme. These schemes enable the aged persons live in dignity. The schemes are designed to attack contingent poverty among the vulnerable groups within the working class. The contingencies like old age, death of the workers, widowhood, closure of establishments and disablement are taken care of by these legislations. However, contingencies like Medical requirements and sick ness are under other legislations like Employees State Insurance Act 1948.

The Employees Provident Fund organization as we have seen above is a body corporate with independent Board. Several committees for its effective functioning assist the Board. The organization has Zonal, Regional, and Subordinate Regional Offices for effective benefit delivery and for decentralized administrative network. However, the autonomy of the Board is far from reality for there are more than 45 areas where central Government controls the day-to-day functioning of the Board. Functional autonomy is therefore not there for the Board. Board thus is not able to take some policy decisions for the simple fear of Central Government's interventions.

The staff of the organization has a good number of facilities in comparison with their counter parts in the Central Government. For many benefits, the budget is not a constraint for them. For all the administrative expenditure, the organization solely depends on the administrative charges collected from the employers of the covered establishments who will pay @ Rs.1.10 Ps. per Hundred Rupees wages paid as administration charges. This was 0.65 Paisa till 2001. The entire organization functions in five basic areas of Administration viz. Coverage and Registration, Compliance and Enforcement, Receipt and Record of Contributions, Finance and Investment, and Award and Payment of Benefits. It is seen from the discussions and analyses in Chapter IV that the organization is not able to contain its expenditure on Administration. The service cost is constantly growing every year. It should be seen whether the staff members of the organization are able to deliver the services in tune with the facilities available to them and whether the service delivery requires more work force or modernization.

The activities of the Employees provident Fund organization have been well defined and there is no rival organization in the country to provide mandatory old age survivor benefits for the working populations in the country. Thus, the organization assumes the qualification of pure public goods provider organization. However, the services found to be far from satisfactory. None of the stakeholders of the organization are happy over the conduct of the business of the organization. In all the areas, the organization requires strengthening its machinery. In the coverage area there is a huge coverage gap be it the inefficiency of the organization or non-availability of statutory provisions to cover the entire workforce. The statutory provisions of coverage are corruption and evasion friendly. In the area of receipt and recording of contributions there is a great dependency on the State Bank of India and the systems are not streamlined in the organization and the organization still works with manual and obsolete technology thereby sending the accounts statements to the covered workers and even benefit delivery which is another major concern for the covered working class.

As examined in chapter V Inefficient fund management and improper accounts maintenance and lethargy of staff at various levels are marring the organizational efficiency. Non-recovery of statutory dues on time, a huge amount of default, large evasions and regular interventions in the administration by various agencies is another problem the organization is facing.

One major plus point observed is the tremendous trust of working population in the organization and tamper proof investments and fund management. In the fifty years of organization's existence no single scam or mismanagement of fund like that observed in Seamen's Provident Fund Organization is observed. The introduction of new defined benefit pension system has changed the quality of life of the working population. Before introduction of the defined benefit pension scheme, the workers on retirement were getting only their life times savings in lump sum which they consumed for their immediate and long pending needs. Either their off springs took away the money leaving the old alone and dependent for any simple need there by throwing the old into dependent and indecent life as has been seen in many cases. The regular money supply by way of a pension however small in quantity has given the retired a dignity, quality and confidence in life to live decently until death.

Liberalization has shown direct impact on the labour market policies of the country and on the macro economic variables. While the principles of Social Security are to prevent people falling in to poverty and protect people from contingent poverty, the liberalisation process directly aims at reducing the work force from the industry and the Government with the slogan of 'Reducing the Fat'. The interest structure has also drastically changed over years ever since the liberalization started in our country to match the global standards in encouraging the industry to borrow money at a cheaper rate. This however will have adverse impact on the defined benefit pensions systems for they have not foreseen the sudden fall in the interest regime. The projects like Project OASIS have suggested a defined contribution system for the working class where actuarial valuation and financing long range benefits is not necessary and the Markets risks can be directly transferable to the individual account holder in the system. Neither cross subsidization nor risk pooling is necessary in the Defined Contributions systems. The principles of Social Security come in contrast with this approach since the very term Social means sharing of risk among the participants and social transfers.

Therefore, the governments require taking a cautious step before yielding to the pressures of liberalization for the lives of many people working and non-working, and where the lives of the widows' children and destitute are involved.

The purpose granting Exemptions to certain establishments under the scheme is to take the administration of Provident Funds and the Pension to the doorstep of the workers. This was felt possible because only when the schemes were administered on the floor of the establishments. However, the exempted establishments largely are not going in this direction. The Provident Fund accounts have become like savings bank accounts in these establishments. Non-timely payment of interest, non-timely investment of funds, high permissive ness of partial withdrawals and non-coverage of contractor employees on time have become prime characteristics of these establishments. The Employees Provident Fund Organization is losing administration charges that are equivalent to the amount realized from the unexempted sector because of exemptions, which were granted with a single objective of serving the workers better. This objective has not been achieved.

Further, there is a charge that the exempted establishments have become service providers to the inspectors of the organizations who visit repeatedly these establishments in the pretext of extending guidance and inspection.

We will now further discuss the five core operational areas of the Administration of Provident Funds and Pension through the Employees' Provident Fund Organisation.

Coverage and registration.

The coverage and registration of the workers by the Employees' Provident Fund Organisation is guided by the statutory provisions of the Act and is employer centric. The provident fund commissioners do not go on a coverage drive and cover the establishments on their own. There are stray cases in the entire organization where the regional provident fund commissioners have initiated coverage drives on their own to meet the annual action plan targets of improving the coverage. In majority of the cases, it is left to the employer to cover his workers if he fulfills the test of employing 20 or more persons in his establishment and if the establishment falls within the class of the establishments notified in the schedule. Accordingly it is found that the number of the workers reported by various agencies do not tally with the number of the covered workers reported by the Employees' Provident Fund Organisation. Particularly the number of the Small Scale industries operating in the country and the number of registered companies working in the country put together cross the number of establishments covered by the organization. {Companies limited by shares 5.02 Lacs, Number of Enterprises 25.00 lacs, Number of Small Scale Industries 29.14 lacs.(however the is an overlapping of SSI s And the enterprises) the organization so far covered 315307 establishments as on 31 March 1988-89} it is further found that the organization does not have any data bank of the establishments working in the country with their employees strength, however there is a system of maintaining a marginal register by the inspectors of the organization. This is a register where an Inspector, after conducting field surveys, has to list all the Establishments employing less than 20 people but otherwise coverable under the Act. This is not strictly followed. Even it is found maintained at some regions it does not contain any useful information to cover the establishment in event of its employing more than 20 persons. There was no reason found why the Cinema Halls employing 5 or more persons have been extended the benefits by the statute and not other organised activities like Hotels, Restaurants, and Petrol Pumps and other Shops and Establishments with the same employees strength. All establishments other than Cine Theatres require having 20 or more persons employed to extend the coverage under the Employees Provident Fund and Miscellaneous Provisions Act. The field studies reveal that the establishments employing less than 20 persons are not willing to be covered due to high administrative cost (Rs.1.10 per 100 rupees of wages and high contribution burden on low wage structure i.e. 12 percent of the wages. Findings further reveal that some interested groups within the organization and their nexus with the establishments mar the coverage particularly where the contractor employees are coverable within the provisions of the act. The system of voluntary disclosure of the employees' strength by the establishments and their being in the schedule of industries is still a non-starter thereby defeating very purpose of the legislation.

Collection and recording of contributions

The second area of social security administration is collection are recording contribution from the beneficiaries that is the members of Provident Fund Scheme & Pension Schemes under EPF & MP Act, 1952. While the employer gives effect to the provisions of the Act and deducts the contributions from the wages of the employees working with him. The Commissioners of Provident Fund receive and record the contribution. The amounts are kept in the accounts maintained by Provident Fund Commissioners until the claim is finally settled. The study reveals that the system of manual maintenance of accounts is still going on despite Computerisation of number of offices. It is also found that the Computerisation that is being called as Computerisation by the organisations is apparently not the Computerisation of the processes but generation of annual statements of accounts using the computer. In this area also the organisation has huge backlogs of issuance of annual statements of accounts to the subscribers. (104.28 lacs of annual statements of accounts are yet to be issued as on 31 March 1999). Non proper computerisation, old norms of issuing 9.6 accounts slips per assistant per day, non submission of records by the employers on time appear to be the reasons behind this backlog.

The other aspect of this area is collection of contributions. The study reveals that there are many who are not paying the statutory contributions on time. The jute mills in West Bengal, the NTC Mills in Maharashtra and other parts of the country are the largest defaulters under the unexempted sector, some of the establishments have become sick and referred to Board for Industrial Financed and Rehabilitation. (BIFR). Large amount of subscribers' contributions are locked up in theses establishments by which organization's economic efficiency is going down for it has to settle the claims as per statute even it does not recover the dues on time. It is found that the detection of default and action against the defaulters is not instantaneous.

Compliance & enforcement

The compliance and enforcement is another area of the Social Security Administration particularly where the employer liability is involved through some statutory provisions, which speaks the health of the organisation. This is also an area, which brings up and down the image of the organisation. At the same time the officers posted to discharge this function are seen as the blue eyed boys of the organisation for they have all the powers to make an employer un happy and spend sleepless nights if he is a defaulter. The act also envisages the same thing for better implementation of this piece of social security legislation. In practice it is found some thing different. The powers are more useful for the officers for their personal considerations than for their official responsibilities. A large number of assessment cases are found pending in various offices and a large number of court cases and the police cases are seen unsettled for years together. It is the case with the internal administration of assessment cases as well, (where the assessing officers need not depend on the external agencies like Police or the Court) there are 8677 cases pending for disposal as on 31 march 2000. Similar situation is found in the case of recovery of statutory dues.

Finance and investment

The study reveals that the financing and investment part of this piece of legislation is under great criticism. While the employers say that the contribution rates are very high, the employees associations say that part of the pension should be financed from the state revenues. The charge on investments is that the employees provident fund organization has become the financier to the government and there is no option to get out of the investment patterns suggested by the government. The benefits extended under the pension scheme are very ambitious as per the Dave committee report, the contribution is low, and it should have been a universal 10 percent, without any contribution from the Government's side. Allowing the private players into the pension administration is another debate going on. Our study reveals that the volatile markets may not guarantee the benefits assured under the statutory provisions. The examples of Enron Scam, UTI scam and Sea Men's provident fund scams should be kept in mind while taking any decision on investment patterns and to go to the private markets. Further allowing private players in to Social Security Sector with the simple objective of proper funds management would be just an experiment. It is a known fact that the private players have their own agenda of making quick profits. The high agency and publicity commissions, closing down the investment and pension management companies in event of no profit is a live example from Chile, where the number of private companies came forward in the earlier years has come down at a quicker pace in over the years. The study also reveals investment portfolio in the Employees Provident Fund Organization requires strengthening.

Award and payment of benefit

The final stage of social security administration is the stage where the benefits are delivered to the members of Social Security Scheme. In the system Provident Fund and Pension, also the Administration reaches its final stage when the benefits are properly delivered to its members. Our study reveals that this area requires entire overhauling of the current system and reorganizing entire wok culture of this area. In the current system, it is found that, despite overall inordinate delay, in some cases the benefits have not reached the beneficiary during his lifetime after retirement. Every beneficiary without any exception has a problem with the benefit delivery system, either with the procedures or with the delay in the process or with the attitude of the staff members of the Employees' Provident Fund Organisation. Procedures are very lengthy and practices are cumbersome and irritating at times like asking a post mortem certificate of a dead member or original death certificate of the husband to release widow pension. It is also seen that there are multiplicity of advances like marriage advance, Education Advance, Medical Advance, natural Calamities advance, House building advance etc. The subscribers feels that he requires periodical withdrawal of money without any name to it and without any questions asked during his working life time itself, since pension takes care of his post retirement needs.

SUGGESTIONS FOR IMPROVEMENTS

Improving the existing benefit dispensation & coverage

In the light of the above conclusions based on study, and in tune with the objectives of the study, we will now attempt to suggest some recommendation and changes required for improving the existing benefit dispensation system and coverage.

(1)**Legislative changes required**

The coverage and registration under the Employees' Provident Funds & Misc. Provisions act, 1952 is employer-centric. Instead of working for the employees social security, employers' economic strengths were considered first by the policy makers, therefore the benefits were extended only six classes of establishments to begin with. The workers who joined these establishments by choice were entitled to the benefits. Other workers joining non-coverable establishments due to lesser employees' strength even in the same socio economic and demographic conditions are not entitled to any benefit. It is the case even today; however, the classes of establishments have been increased to 180.

The contribution of workers in smaller units of economic activity to the G.D.P. which is 65 % and which sustaining the national economic interests is totally ignored. Further the worker, however large their contribution to the economy is, who cannot pursue their common objective i.e. those who cannot raise their voice against anything are branded as un-organized and ignored for the benefits. The EPF & M.P. Act, 1952, might not have made a difference between the organized and the unorganized, but over 92 per cent of the working population have not been given the provident fund and pension benefits for two main reasons:

- That the worker is working in an establishment where twenty or more people are not employed
- That the worker is working in an establishment, which is not listed, is the schedule of industries or establishments in the scheme.

The fault of the un-protected worker is that he had secured employment in one of the above economic activities, for he has to sustain himself and his family. He cannot wait until an opportunity knocks his door inviting him to join in the coverable or covered establishment. When the total work force is roughly 400 million and when the concern of the Indian Constitution is to provide Social Security to all within the means available without, at least all the working class can be provided the social security benefit, where at least an employer can be identified. In case of workers who are self-employed and where employer cannot be identified on a regular basis, a scheme can be drafted on voluntary contribution basis. Contribution working population to the G.D.P. should not be ignored that too in a welfare state like India.

It is therefore recommended that these should be an immediate amendment to the Employees' Provident Fund and Miscellaneous Provisions act, to remove the restriction of the employee's strength and to remove the schedule of industries and classes of establishments. Considering the administrative capabilities, organizational strengthening, the Act may be amended in a phased manner starting with extending the benefits to "all small scale and cottage and large scale industries and establishments."

(A) It is seen that the approach for coverage of beneficiaries under Employees' Provident Funds & Misc. Provisions Act, 1952 is employer - centric and the employee is approached through his employer. On many occasions, it is seen that the coverage of an establishment was left to the mercy of the employer. Long pending coverage disputes have been settled after coming to an understanding with the commissioners for ignoring the past payments. It is, therefore, suggested that the schedule of industries and establishments should removed immediately. This enables the Employees' Provident Funds & Misc. Provisions Act, 1952 to apply its provision to all the industries and establishments. If, the employee employer relation cannot be established, a negative list of non-coverable establishments may be published. An amendment to this effect is urgently required to the E.P.F. & M.P. Act, 1952.

(B) Another Amendment required to Employees' Provident Funds and Misc. Provisi9ons Act is removal of the word "employing 20 or more persons". This automatically brings all the establishments under the purview of the Act; the employee need not depend at the mercy of the employer to extend the benefits of the legislation. Neither will there be any scope left with the employer to under report the employees. However, a system of graded contributions rate may be introduced like

(a)	Employing 50 or more	12%
(b)	Employing 20 and more	10%
(c)	Employing 10-19	8%
(d)	Employing 1-09	6%

This might encourage the employees to come forward to apply the Act to their establishments due to lesser burden further the smaller establishments which are coming up with the outsourcing policy of the big establishments can extend the social security to the working class.

(C) The third is striking down the section 17 and all its sub-section and relevant Paragraphs in the scheme which permit exemption from the scheme Provisions. This authorizes the organisation to cancel the exemption granted to about 3400 establishments covering 46.00-lakh employees, on the following grounds: (a) Many of the exempted establishments are chronic defaulters; (b) Many of the exempted establishments either declaring interest less than the statutory rate or not at all declaring the interest; (c) Loss on account of Administration Charges not being collected equals to the amount of Administration Charges collected from the un-exempted establishments; (d) Investments by the exempted establishments are not properly managed; (e) There is a high permissive issue in the withdrawals by the members, thereby defeating the very concept of social security. The frequent withdrawal is also resulting in low balances in the fund. For some members who die while they were in service, this affects their EDLI benefits since the EDLI is linked to deposits in the provident fund account.

(D) Provisions relating to withdrawals on account of marriage, sickness, higher education, and housing should also be removed from the scheme as the procedures are cumbersome and the amount is withdrawn on fictitious declarations and is spent for a different papoose by the poor workers They may be replaced with a single provision providing periodical repayments @ 20% after 10 years of service 20% after 15 years of service 20% after 20 years of service and remaining 40% one year before retirement.

This (i) will enable the employee plan his financial requirements, and (ii) will avoid fictitious or bogus claims by the employees. In addition to this amendment paragraph, 68 B and 68BB in the scheme should also be removed from the scheme. In this place Employees' Provident Fund Organisation, should come out with a full-fledged housing scheme for the benefit of the Provident Fund Subscribers with these amendments. Neither there will be any fictitious withdrawals nor will there be any mad rush for the bogus house building advances. Employees pre-retirement cash needs are taken care by the periodical payments from the Fund. The post retirement requirements will however be taken care by the Pension scheme.

(E) Wage Ceiling should be totally removed. Present ceiling of Rs/. 6500/- p.m. is totally insufficient. Many Private Multinationals and Information technology Firms are paying more than this as starting salary. The employees drawing more than this limit are excluded presently from the provisions of the Act thereby depriving social security benefits. In the age of liberalization, out sourcing, hire and fire, down sizing, and golden handshakes, every worker is vulnerable to the industry's employment policy. If every worker irrespective of the wage is not covered he will be on the roads in event of any above eventuality which defeats very purpose of social security.

(F) Section 7(A) of the act should be amended providing review of the orders by Higher Officers in the Organisation, instead of directly taking the cases to the Appellate Tribunal.

(G) Act should be amended to give full functional autonomy to the Central Board of Trustees. (CBT). Moreover, the CBT should be fully authorized to take any decision within the Policy framework. The central Government control over the day-to-day Administration of the Fund should be given a go bye as there are over 43 areas of control as we had observed in the earlier chapters, which some times becoming an obstacle to give effect to the decisions taken by the Board. For example- the interest rate declared by the Board does not have any validity until the Finance Ministry clears it.

(2).<u>Administrative changes required</u>

(A) While giving the full functional autonomy to the Central Board of Trustees, the level of central Provident Fund Commissioner should be up graded to the level of Special Secretary to the Government. This helps the organisation to have:

(a) Matured administrative leadership

(b) Better equations with senior bureaucrats in the Ministry.

(c) Functional autonomy at various levels.

(B) The Employees' Provident Fund Organisation should open smaller offices all over the country with full computerisation. Each office should not service more than one lakh live members. All the offices should be bifurcated as smaller offices, immediately. The Regional Offices at state Headquarters should work only as administrative & planning offices. They should not do any original work or operational work, operational work. Operational Management should be separated from planning management.

(C). sufficiently senior cadre officers should head Regional Offices. The officers of the cadre of present Regional Provident Fund Commissioner (Gr.II) to enable this office have matured and well-trained leadership should head smaller offices.

(D) There should not be more than five (5) Accounts sections in any office, each Section dealing with 20,000 Members and each Dealing Assistant 5000 members. Each Section should be headed by an officer of the rank of Assistant Accounts Officer and he should pass all the claims up to Rs.1,00,000/- over and above this limit should go to an officer higher in the rank.

(E) Monthly performance appraisal system should be introduced in addition to yearly confidential report writing system.

(F) Promotions should be linked to performance & interviews instead of automatic career progression.

(G) Awareness Programmes should be conducted by the organisation to create awareness among all the working class of the provisions of the E.P.F & M.P. Act, 1952.

(H) Awarding Best Employer Shields should encourage regularly paying employers and Irregular should be punished. The present delay in punishing the defaulter should be avoided.

(I) Penal provisions of the act and corresponding & Relevant Provisions under IPC & CRPC should be periodically brought to the notice of the employers by way of open advertisements to enable to aware of dangers of non-payment of statutory dues.

(3).Rationalisation of procedures required.

(A) Although the EPF & MP Act, 1952 has automatic application the commissioners are taking very long time to allot a code number to the establishment to enable them to pay the statutory dues. This is breading corruption in the Organisation. Therefore, a unique computerized code number to the establishment should be given. As the statute has automatic application and the P.F. Commissioner is not selling the Provident Fund schemes, there should be an across the counter allocation of the code number. Any establishment coverable under the Act should submit an application from along with the particulars of Employees employed with them and a demand draft towards first month contribution for a code number in a specially opened counter in the EPF Offices or the State Bank where the deposits are made may obtain an on line number and allow the employer to deposit the Provident Fund dues. The other details can be checked later by inspecting of the establishments.

(B) Number of Reports and returns submitted by the employer should be reduced to a minimum. Presently there are 32 returns to be submitted by employer every year. Instead, a single monthly return will be sufficient with the details of ownership, contributions, employees etc.

(C) Presently the Employees' Provident Fund Organisation supplies Annual Statement of Accounts to each employee every year. But there is a great delay in the system. Employees are not fully satisfied with this. Therefore, every employer should be authorized to issue passbooks to his employees and post the contributions every month. This passbook should be presented for drawing periodical withdrawals and final settlement. Alternatively, the periodical withdrawal amount should go in to his bank account of the member without requiring him to submit any form. Final settlement should be made on the day of retirement on the floor of his office for which advance data and other requirements should be collected and maintained.

(D) With regards to claim forms, the present system of different form for different claims like, Provident Fund, Pension, and EDLI should be dispensed with, and a single claim form, since the basic information for all the claims is the same, should be obtained with detachable folios for authorization of different claims. The Accounts group should prepare different worksheets and effect the payment.

(E) The Employees' Provident Fund Organisation is already on the path of re-engineering itself with information technology intervention. In addition to the proposed information technology intervention, the reforms are urgently needed in view of the social security requirements of so far uncovered for workers at least in the organized sector and extend better services to the existing members.

Having understood the working of the Employees Provident Fund Organization and its efficiencies and deficiencies, we will now attempt to suggest a comprehensive Social Security Policy for the working class.

RECOMMENDATIONS FOR COMPREHENSIVE SOCIAL SECURITY SYSTEM.

In addition to the above recommendations, we will now attempt to recommend a comprehensive social security system for the country. It is more than 75 years since the social security for the organized working class in an organized way has begun in the country, with the introduction of workmen’s compensation of act, 1923. However, we see that this protective type of Social Security was thought of only to reduce the contingent poverty among a defined small target group, although a large number of population is in the pervasive poverty. The attempts made in Free India, are visible from the Employees’ State Insurance act, 1948, Employees’ Provident Fund Act, 1952, Maternity Benefits Act, 1976 and Payment of Gratuity Act, 1972. India has also ratified ILO convention 102 to the extent of providing social security to the working class. The Article 43 of the Indian Constitution also speaks of the same. A major step towards social security has been taken for the provident fund subscribers with the introduction of Employees’ Pension scheme, 1995. With all these today, in India, there are schemes like:

- Provident Fund
- Pension
- Maternity benefit
- Medical benefit
- Sickness benefit

- Disability benefit &
- Gratuity

Benefits to the working class. However, these benefits are not reaching the total working population at least not to speak of total population. On the other side:

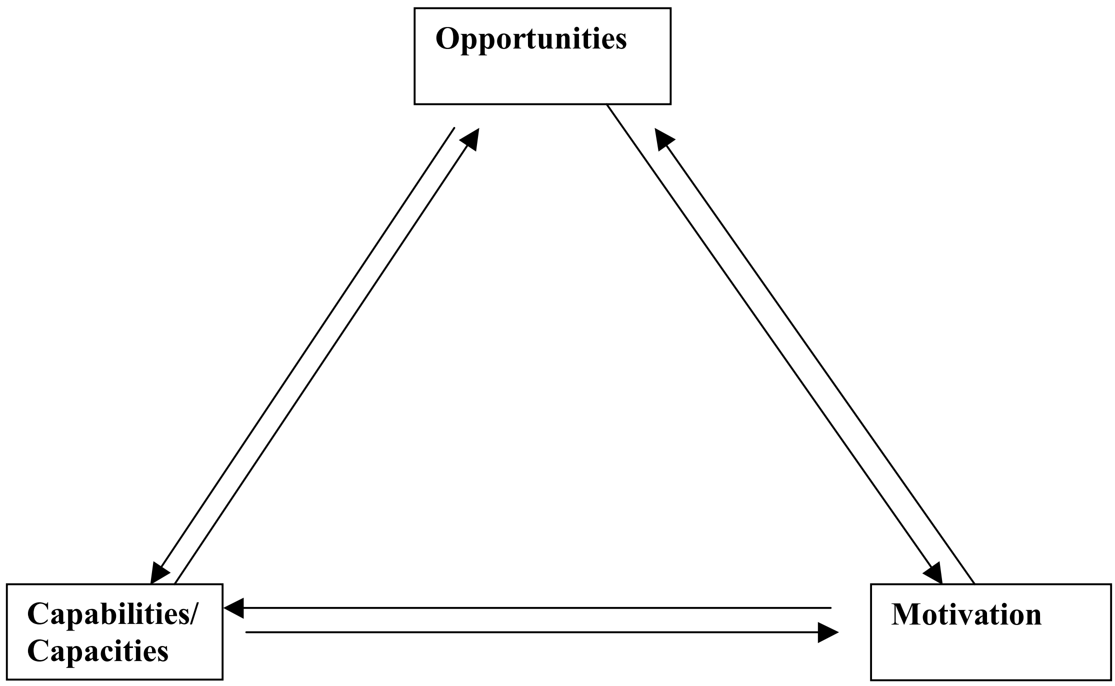
- Population in India is increasing day by day. India has already produced the Billionth child.
- Floodgates to Foreign investors have been opened, which may lead small traders and manufactures closing their income generating activities and creating dependency either on the state or on other providers,
- Economy is flatly liberalized, resulting in mergers, amalgamations, re-structures and closure of enterprises resulting casualsing, informalising, out sourcing and retrenchments in employment. This is a kind of " vulnerability to deprivation", for social security systems designed for regular and formal work force may not cover these irregular and informal workforce.
- Composition of aged population is alarmingly increasing in the population thereby increasing their dependency on the younger population.
- Replacement ratios in the industry as a whole also have come down.
- Un-employment levels are alarmingly increasing
- Joint families started further disintegration
- Agriculture in the urban fringes has come to a standstill and there is a mad rush on the cities, land in the urban fringes is utilized only for housing for migrated population, or for construction activities.
- Migration of people from rural areas to urban areas is increased.
- Indian politics have witnessed more instability in the past 20 years than earlier years.
- Even in the organized sector also majority of working population for example people working in small scale enterprises (Registered & un-registered) are unable to get the statutory social security benefits
- Coverage of Educational Institutions does not go with the number of institutes working.
- Roughly 400000 Anganwadi Workers (as per Ministry of Woman & Child Welfare, and as per an estimate of an NGO, 12 lakhs) do not get any social security benefit.
- The present social security organisations like EPF & ESIC are under severe criticism from many quarters on their working.

- There are no organisation to directly monitor and review the performance of workmen compensation schemes and Maternity Benefit Schemes. Neither is there any proper funding for the Benefits.
- Worker now has to run from pillar to post to get his benefits.
- There is no awareness of the social security programmes available in the country at least among literate population..

It is in this background India urgently needs a comprehensive social security programmes to address the issues of 400 million workers in the formal and informal sectors. There is an requirement of redesigning the existing programmes, integrating the administration of schemes, drawing up a comprehensive social security policy, taking legislative decisions and setting up comprehensive administrative System.

However, policy designing is required for creation of right opportunities for vulnerability reduction, improving individuals' capacities to utilize the opportunities and become partners of overall development and improvement of society's capability to address vulnerability reduction, and designing programmes to motivate the people to improve their capacities and capabilities by utilizing opportunities created. We may look at this with the support of the following triangle, where capacities, opportunities and motivation are interlinked in developing systems for vulnerability reduction. The aim is to create an inclusive society for the vulnerable and make them partners of development.

VIII.1 Vulnerability reduction strategy triangle[5]



[5] Rao's triangle, Social Security- Poor laws to pension reforms, draft

1. **Opportunities:** Opportunities here we mean, the opportunities made available to an individual to enable him to use his capacities and improve his capabilities. They have a nexus with the overall development of the society and lead society's capability to provide social protection to the vulnerable groups. Employment/ Self-Employment/ Income generating opportunities should be made available for vulnerability reduction among the target population. The opportunities created should match the capabilities and capacities of the population intended to utilize the opportunities. At the same time, they should be attractive and motivating. Otherwise, the entire program of vulnerability reduction would go bad. If the individual capacity/ capability/ or skills are different from that of opportunities available, there will be a mismatch. For example, if an employment opportunity for a Rural Medical Practitioner is created, based on the societal requirement or demand, and the individuals to whom it is intended is trained in the information technology, utilizing available facilities there will be a mismatch. Creation of opportunities is therefore does not limit itself to creation of an employment opportunity or the job alone, it should be linked to societal requirements and other opportunities to train the people to enable them to utilize the opportunity. Opportunities also include and will be based on market linkages for the goods and services produced. They will have to be attractive and provide incentives to the providers and users. Particularly in income generating programmes, if the outcome of the utilized opportunity is less attractive than the social assistance provided to the poor user, it will not generate any motivation
2. **Capabilities and capacities**: This is twofold. In the first place, improving individuals' capability to make them utilize the opportunities available for capacity building and skill development; and the second, providing capacities matching the opportunities being made available. Mismatch between opportunities and built-up capacities should be minutely watched and avoided. Right capacity for a right opportunity should be the approach. Institutions providing capacity-building opportunities should be strengthened to identify right program matching right opportunity and right individual. Capacity building should not be confused with humans resources development (Commodification of human beings) but should have an approach of improving capabilities(Human Development). Programs developed should look at the levels of individual's dependency on the society's charity, and address the issues of individual's dependency on society for subsistence. They should make him/ her capable to earn his living utilizing his capacities. Therefore, the opportunities created will make an individual, a social partner in development, creating inclusiveness in the overall capability of the society to provide for the vulnerability reduction.
3. **Motivation**: This is a major issue particularly in societies where there is, historically, well accepted social assistance programming for the subsistence of the poor, without having any link to the individual's capability and state's resources. Social Assistance programs created to preserve the vote bank in democratic states are a major de motivating factors for individual's growth and development of a hunger free society. Mismatch between opportunity and capacity; mismatch between the product of opportunity and social assistance; mismatch between individuals capability and institutional capacity, will lead to a de motivating environment where individuals will not become partners of the development of a hunger free society. Opportunities of capacity building and opportunities of income generating should not only be attractive but create and environment of social inclusion, where are subsistence assistance for capable individual should have a stigma attached. However, a word of caution! The stigmatization should not lead the people to social exclusion for whom it is the support of last resort.

The policy makers should understand the programming of vulnerability reduction strategise it to accommodate approaches to address all factors responsible for failure as discussed above. Over creation of opportunities or aimless capacity building training like vocational training programs or tax based Social Assistance systems without any exclusions will lead to mismatch.

POLICY DECISIONS REQUIRED

1. Policy makers should concentrate on creation of income generation opportunities in small and large scale industry and business enhancing capabilities, capacities of individuals to enable them to utilize the opportunities, and motivating the individuals utilize the opportunities, through design and delivery of a program package;
2. Income generation activities not only enhance welfare of the vulnerable population for their immediate sustenance, but also their purchasing and savings power will go up so as to enable them to contribute to sustainable contribution based social security schemes.
3. India should take immediate policy decision to extend social security benefits like old age, survival medical and sickness benefits to all working population. Social Security should be made a fundamental right enforceable by law, once the systems are put in place to enhance the welfare of the population through programs suggested as at 1 above.
4. Policy decisions should also be taken to design various kinds of schemes depending on the requirements of working population. The activity specific, region specific and income specific programs are required. For example contribution based social security programs can straight away be designed for extra departmental post masters and postal workers of department of posts government of India, who do not have any old age income and survivor benefits neither have they any medical benefits; contribution based social security programs can be designed for railway porters and hawkers in the railway stations. Likewise, barbers; rickshaw pullers, tailors running small tailoring shops, handloom weavers are some specific groups. These are only a few examples. Many such work groups can be identified, where there is no identifiable employer, and for such a group a specific social security product may be deigned.
5. In all the cases of a worker where there is an identifiable employer can be found, a programme with both employer and employer chare and in all other cases where

there is no identifiable employer, a program with single contribution with government subsidy may be designed.

6. It is urgently required to constitute a commission in the name of National Social Security Commission of India, with Prime Minister of India as its Chairman. The commission will over see the social security provisioning in the country and monitor income generating activities.
7. Separate Ministry of Social Security is also urgently required. Now different Ministries are running different programmes like EPF & ESIC under Ministry of Labour, Medical care by Ministry of Health, Food security by Agricultural Ministry, IRDP etc. Programmes by Ministry of Rural Development. Old-age benefits in the informal sector by Ministry of Social Justice and Empowerment. The Budgetary allocations for various programmes under various Ministries Multiplicity of agencies and duplicity of benefits has become a major concern for the policy makers, therefore creation of Ministry of social security would be of immense help to the needy where policy formulations, implementation and control analysis of social security would become easier.
8. Policy decisions should also be taken to involve NGOS and Panchayats in the rural areas to implement the social security policies.
9. Advocacy for Social Security is a major concern. Now many do not know about social security and its importance. Policy decision should be taken to give wider publicity to social security, It should be introduce social security as a compulsory subject of study at plus two levels at least. Importance on family taking care of the aged, invalid and the disabled should be taught to reinforce family values in children.

LEGISLATIVE DECISIONS & CHANGES REQUIRED

1. First and foremost in this direction is writing a comprehensive social security law-merging all the existing social security laws. This will remove many duplicities in different Acts.
2. Constitution should be amended to incorporate social security as a fundamental right.
3. Constitution of a National Commission of Social Security with Prime Minister as Chairman and Social Security Minister of (Cabinet Rank) as Vice-Chairman
4. Legislative Decisions should be taken to introduce social security budget in the Parliament on the lines of Railway Budget since it concerned roughly 40% of the

population, if only working population is taken into account, and entire population when families of working population are also taken into consideration.

ADMINISTRATIVE REFORMS & SET UP REQUIRED

The Administrative set up required for the comprehensive social security system should be in tune with the policy enshrined above. The set up should be looked from beneficiary angle instead of manageability. The experiences of Employees' Provident Fund Organisation & ESIC are now well documented and it is an agreed truth now that both the organisations failed in reaching the beneficiary on time. While the ESIC is mostly dependant on state govt. for Medical Treatment dispensation, the Employees' Provident Fund Organisation, suffers from many maladies like non-timely settlement of claims, non-coverage of all coverable employees. There is also a charge on the Employees' Provident Fund Organisation, that the Chief Executives of the Organisation is not senior enough to maintain better equations with senior bureaucrats in the Central Government, neither was there any functional autonomy for there are as many as 45 areas where Central Government has a say in the day to day business of Employees' Provident Fund Organisation,. Further, the officers managing the smaller offices are not mature enough to extend required leadership to the team working with them. Neither all the officers are conceptually strong nor is there any separate cadre of social security experts to deal with the sensitive issues of social security. Both the Employees' Provident Fund Organisation & ESIC are suffering from multiplicity of dealing hands in claim settlements and too many tiers in the process.

Keeping all these in view, it is suggested that a tripartite body with full autonomy under the Chairmanship of Prime Minister of India should administer the comprehensive social security scheme. The Organisation proposed should be headed by an officer of the rank of Special Secretary to the Government of India. Minister of proposed Social Security Ministry should be the Vice-Chairman of the Board.

Every year the UPSC should conduct a special social security service examination where syllabus is announced in advance and only those seriously interested in the social security service should be inducted into the proposed social security commission. The present system of recruiting graduates with different educational background should be given a go bye. The candidates strong in Indian Economy, poverty levels, Demographic Science, Social Systems in the country and with legal knowledge should be recruited and trained at National Academy for Training & Research in Social Security, which should be strengthened.

The Commission should have zonal offices, Regional (State) Offices, Subordinate Regional Offices at District level and at Taluk level to administer the schemes. At the same time all the hospitals in the country should come under the governance of Social security

Commission and the Medical services division of the Commission should administer them. The budgetary allocation towards health should henceforth go to the social security commission.

The Commission can also utilize the Grama Panchayats and Local Bodies for reaching the beneficiary for identification and distribution of benefit amounts. The Regional Rural Banks spread all over the country can be utilized for cash benefit disbursement. While utilising the banking network in the country, one official from the staff of commission should be posted at each bank to coordinate collection of contribution and disbursal of benefits.

The total Computerisation of entire administration, opening of kiosks everywhere in the country and issue of a smart card to each beneficiary would go along way in the Administration.

Coming to the financing of the fund under the Commission to manage social security schemes:

- All the balances from Employees' Provident Fund Organisation, should be transferred to one single fund created under the control of the Commission;
- All the balances from ESIC should be transferred to the fund so created,
- Employers should contribute a consolidated sum towards PF, Pension, Medical, and Gratuity & Workers Compensation.
- Employees' contribution at different rates based on their wage structure would also go into the Fund, including the programs designed for different or specific groups of working population. This will enable proper investment of fund and proper social transfer.
- All Government grants for old age persons, Medical benefits, EPS Pension, subsidy and other social security schemes should also go into the Fund.

The corpus thus created should be invested properly to get better yield. The better yield only would answer many actuarial valuation of the social insurance scheme like pension.

With these modifications and policy changes and decisions, the social security in India would take a real shape of social security, guaranteeing the protection to the under served lot at least to the working population if not the whole population, widows, disabled, destitute, and the people in the evening years of their life need not depend on any other person unwillingly killing their 'swabhiman'. Social security schemes designed on the above lines, coupled with a scheme of housing to the working population would cover the requirements of a person from womb to tomb.

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APPENDICES

Appendix 1. Fundamental rights in the Indian Constitution relevant for social security

Article	Rights	Contents
	Right to equality	
14	Equality before law.	The State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India
15	Prohibition of discrimination on grounds of religion, race, caste, sex, or place of birth	The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, place of birth or any one of them. No citizen shall, on grounds only of religion, race, caste, sex, place of birth or any one of them, be subject to any disability, liability, restriction or condition with regard to – a) access to shops, public restaurants hotels, and places of public entertainment; or b) the use of wells, tanks, banking ghats, roads, and places of public resort maintained wholly or partly out of State funds or dedicated to the use of general public. Nothing in this article shall prevent the State from making any special provision for women and children. Nothing in this article or in clause (2) of article 29 shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.
16	Equality of Opportunity in matters of public employment.	There shall be equality of opportunity for all citizens in matters relating to employment or appointment to any office under the State. No citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any one of them, be ineligible for, or discriminated against in respect of, any employment or office under the State. Nothing in this article shall prevent Parliament from making any law prescribing, in regard to a class or classes of employment or appointment to an office [under the Government of, or any local or any authority within, a State or Union territory, any requirement as to residence within that State or Union territory] prior to such employment or appointment. Nothing in this article shall prevent the State from making any provisions for the reservations of the appointments or posts in favour of any backward class of citizens, which, in the opinion of the State is not adequately represented in the services under the State. Nothing in this article shall affect the operation of any law which provides that incumbent of an office in connection with the affairs of any religious or denominational institution or any member of the governing body thereof shall be a person professing a particular religion or belonging to a particular denomination.
17	Abolition of Untouchability	"Untouchability" is abolished and its practice in any form is forbidden. The enforcement of any disability, arising out of "Untouchability" shall be an offence punishable in accordance with law.
	Right against exploitation	
23	Prohibition of traffic inhuman Beings and forced labour	Traffic in human beings and beggar and other similar forms of forced labour are prohibited and any contravention of this provision shall be an offence punishable in accordance with law. Nothing in this article shall prevent the State from imposing compulsory service for public purposes, and in imposing such service the state shall not make any discrimination on grounds only of religion, race, caste, or class or any of them.
24	Prohibition of employment of children in factories, etc.	No child below the age of fourteen years shall be employed to work in any factory or mine engaged in any other hazardous employment.

Appendix 2. Directive principles in the Indian Constitution relevant for social security

Article No	Kinds of Principle	Contents
38	State to secure a Social order for The promotion of The welfare of the people	(1)The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of national life. (2) The State shall, in particular, strive to minimize the inequalities in status, facilities and Opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations.
39	Certain principles Of policy to be followed by the State.	The State shall, in particular, direct its policy towards securing-that the citizen, men and women equally, have the right to an adequate means of livelihood; that the ownership and control of the material resources of the community are so distributed as to best to sub serve the common good; that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment; that there is equal pay for equal work for both men and women; that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength that the children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment
41	Right to work, to Education and to Public assistance in certain cases	The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of employment, old age, sickness and disablement, and in other cases of underserved want.
42	Provision for just and humane conditions of work and maternity relief	The State shall make provision for securing just and humane conditions of work and for maternity relief
45	Provision for free and compulsory education for children	The State shall endeavor to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years.
46	46 Provision of educational and economic interests of Scheduled Castes, Scheduled Tribes and other weaker sections	The State shall promote with special care the educational and economic interests of the weaker sections of the people, and in particular, of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation.
47	Duty of State to raise the level of nutrition and the standard of living and to improve public health	The State shall regard the raising of the level of nutrition and the standard of living of its people and improvement of public health as among its primary duties and, in particular, the States shall endeavor to bring about prohibition of the consumption except for medicinal purposes of intoxicating drinks and of drugs, which are injurious to health. Source: Government of India (1992), ‘The Constitution of India (as on 1st September, 1991)’, Ministry of Rules, Law and Company Works, New Delhi, p.13 –14

Appendix 3. ILO Conventions Ratified by India relevant for social security

Nature of Contingency	Title of Conventions	Convention Number	Date of Ratification
Employment	1. Hours of Work (Industry) Convention, 1919	1	14.07.1921
	2. Night Work (Women) Convention, 1919	4	14.07.1921
	3. Minimum Age (Industry) Convention, 1919	5	09.09.1955
	4. Night Work of Young Persons (Industry) Convention, 1919	6	14.07.1921
	5. Weekly Rest (Industry) Convention, 1921	14	11.05.1923
	6. Minimum Age (Trimmers and Stokers) Convention, 1921	15	21.11.1922
	7. Forced Labour Convention, 1930	29	30.11.1954
	8. $ Night Work (Women) Convention (Revised), 1934	41	21.11.1935
	9. Underground Work (Women) Convention, 1935	45	25.03.1938
	10. £ Labour Inspection Convention, 1947 (and Protocol,1995)	81	07.04.1949
	11. Employment Services Convention, 1948	88	24.06.1959
	12. Night Work (Women) Convention (Revised), 1948 (and Protocol, 1990)	89	27.02.1950
	13. Night Work of Young Persons (Industry) Convention (Revised), 1948	90	27.02.1950
	14. Discrimination (Employment & Occupational) Convention, 1958	111	03.06.1960
	15.Equality of Treatment (Social Security) Convention, 1962	118	19.08.1964
	16. **Minimum Age (Underground Work) Convention, 1965		
	17. Merchant Shipping (Minimum Standards) Convention, 1976 (and Protocol, 1996)	123	20.03.1975
Unemployment	18. * Unemployment Convention, 1919	2	14.07.1921
Income	19.MinimumWage-Fixing Machinery Convention, 1928	26	10.01.1955
	20. Equal Remuneration Convention, 1951	100	25.09.1958
Health	21. Medical Examination of Young Persons (Sea)	16	11.05.1923
	Conventions, 1921	18	30.09.1927
	22.Workmen's Compensation (Occupational		
	Diseases)Convention1925	19	30.09.1927
	23. Equality of Treatment (Accident Compensation)	42	13.01.1964
	Convention, 1925		
	24. Workmen's Compensation (Occupational Diseases)	32	10.02.1947
Occupation	Convention(Revised), 1934		
	25. Protection Against Accidents (Dockers) Convention,	136	17.11.1975
	(Revised),1932		
	26. RadiationProtectionConvention,1960 115 27. Benzene	11	11.05.1923
	Convention, 1971		
	28. Right of Association (Agriculture) Convention, 1921		
Others	29. Inspection of Emigrants Convention, 1926	21	14.01.1928
	30. Seamen s Articles of Agreement Convention, 1926 31.	22	31.10.1932
	Marking of Weight (Packages Transported by Vessels)		
	Convention,1929	27	07.09.1931
	32. Final Articles Revision Convention, 1946	80	17.11.1947
	33. Indigenous and Tribal Population Convention, 1957	107	29.09.1958
	34. Final Articles Revision Convention, 1961 116	116	21.06.1962
	35. Rural workers, Organization Convention, 1975	141	18.08.1977
	36. Tripartite Consultation (International Labour Standards)Convention, 1976	144	27.02.1978
	37. + Labour Statistics Convention, 1985	160	01.04.1992

Source: Government of India (1996), *Labour* Yearbook,1996, Ministry of Labour, Shimla/ Chandigarh
NOTES: Convention denounced subsequently; $ Convention denounced as a result of ratification of convention No. 89; £ Excluding Part
2; @Branches (c) and (g) and Branches (a) to (c) covered; **Minimum Age initially specified was 16 years but was raised to 18 years in
1989, ;+Article 8 of Part 2. , Prabhu, K.S.,2001 Pervasive Poverty and Social Security, Case Study of India (ILO)