CHAPTER – I
INTRODUCTION AND RESEARCH DESIGN

1.1 Introduction
1.2 Statement of the Problem
1.3 Review of Literature
1.4 Scope of the study
1.5 Objectives of the study
1.6 Methodology
1.7 Sample Design
1.8 Collection of Data
1.9 Period of the study
1.10 Framework of Analysis
1.11 Operational Definitions of concepts
1.12 Geographical Area of the study
1.13 Limitations of the Study
1.14 Chapter Scheme
CHAPTER- I

INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

Social Security is a concept and system as well. It represents basically a system of protection of individuals who are in need of such protection by the State as an agent of the society. Such protection is relevant in contingencies such as retirement, resignation, retrenchment, death, disablement which are beyond the control of the individual members of the Society. Men are born differently, think differently and act differently. State as an agent of the society has an important mandate to harmonize such differences through a protective cover to the poor and weak, the deprived and the disadvantaged.

The concept of social security is now generally understood as meaning protection provided by the society to its members through a series of public measures against the economic and social distress that otherwise is caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, occupational diseases, unemployment, invalidity, old age and death.

The International Labour Organization (ILO) concept of social security is based on the recognition of the fundamental social right guaranteed by law to all human beings who live on their own labour and who find themselves unable to work temporarily or permanently for reasons beyond their control. At the international
level, the preamble of the Constitution of ILO also refers to the need and protection of workers against sickness, disease and injury arising out of their employment, pension for old age, and protection of the interests of the workers who were employed in countries other than their own.

“Social Security” has been recognized as an instrument for social transformation and progress and must be preserved, supported and developed as such. Furthermore, far from being an obstacle to economic progress as is often said, social security organised on a firm and sound basis will promote progress, since once men and women benefit from increased security and are free from anxiety, will become more productive.

There is considerable controversy about the social and economic effects of social security, and most of the current debate is focused on its supposedly negative effects. Social security is said to discourage people from working and saving to reduce international competitiveness and employment creation, and to encourage people to withdraw from the labour market prematurely. On the other hand, social security can also be seen to have a number of very positive economic effects. It will enable people to earn an income and increase their productive potential; it may help maintain effective demand at the national level; and it may help create conditions, in which a market economy can flourish, notably by encouraging workers to accept innovation and change.

Social security to the workers would involve providing or framing such schemes or services or facilities and amenities, which will enable the workers to lead
a decent minimum standard of life and have financial/ economic security to fall back upon in the event of losing job for reasons in beyond their control. The workers must be given the wages and other services, which will enable them and the members of their family to lead a decent life. Thus social security is an instrument for social transformation and good governance.

A report of the working group on social security for the tenth five year plan (2002-2007), government of India planning commission October- 2001 says that according to the ILO- World Labour Report-2000, the total security expenditure in India as percentage of Gross Domestic Product (GDP) in 1996 was 1.8 whereas for the corresponding period the Social Security expenditure in Sri Lanka was 4.7%, Malaysia 2.9% and China 3.6%. In Argentina, the social security expenditure for the same period as a percentage of GDP reached the level of 12.4% and in case of Brazil 12.2%. In comparison to Argentina and Brazil, the expenditure on social security in India is much less. The expenditure on social security cannot be directly related alone to the economic development. Intervention of the State would be essential and a co-relationship may have to be established for faster economic development.

Social Security in India is traditionally the responsibility of the family/community in general. With the gradual process of industrialization/urbanization, breakup of the joint family set up and weakening of family bondage, the need for institutionalized and State-cum-society regulated social security arrangement to address the problem in a planned manner in wider social/economic interest at national level has been felt necessary. Currently, ongoing
measures towards transformation process for trade and industry, increasing role of market forces and increase in longevity, in general world over has added a new dimension to the issue and enhanced the requirement further towards a planned and regulated institutionalized measure in the form of social security in its common understanding.

Social security is one of the pillars on which the structure of a welfare state rests, and it constitutes the hard core of social policy in most countries. It is through social security measures that the state attempts to maintain every citizen at a certain prescribed level below which no one is allowed to fall. It is the security that society furnishes through appropriate organization, against certain risks to which its members are exposed (ILO, 1942). Social security system comprises health and unemployment insurance, family allowances, provident funds, pensions and gratuity schemes, and widows’ and survivors’ allowances. The essential characteristics of social insurance schemes include their compulsory and contributory nature; the members must first subscribe to a fund from which benefits could be drawn later. On the other hand, social assistance is a method according to which benefits are given to the needy persons, fulfilling the prescribed conditions, by the government out of its own resources.

Although provisions for workmen’s compensation in case of industrial accidents and maternity benefits for women workforce had existed for long, a major breakthrough in the field of social security came only after independence. The Constitution of India (Article 41) laid down that the State shall make effective
provision for securing the right to public assistance in case of unemployment, old age, sickness and disablement and in other cases of undeserved want.

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, and housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. Motherhood and childhood are entitled to special care and assistance.

A large majority (about 80 per cent) of the global population lives in conditions of social insecurity that is they have no access to formal social security beyond the limited possibilities of relying on families, kinship groups or communities to secure their standard of living of this 80 per cent, 20 per cent live in abject poverty – the cruelest form of insecurity. While the global poverty headcount might slowly improve, poverty and social insecurity remain rampant and stagnant in many parts of the world.

Social security systems providing transfers in cash or kind (such as medical care) are key instruments for the prevention and eradication of poverty. There is a growing interest in, and literature on, “social transfers”, although some authors use this term in a narrow sense, referring to payments which are specific to one or two contingencies and targeted in nature.

The recent tsunami in Asia and hurricanes in northern America have shown how important public social services are – including not only easily accessible
health care but also social security cash transfers in case of death, disability or unemployment — in coping with consequences of such mass natural calamities. Victims suffer badly if these transfers are not in place. These events have shown once again that social security is also an important foundation of social cohesion. If systems fail in such situations, the trust people may have in the institutions is undermined — and the ability of the society to cope with other crises deteriorates significantly.

The large gaps existing between the rich and the poor and the unorganized workers and the organised workers have led in several countries to attempts at providing social and economic security to the poor.

1.2 STATEMENT OF THE PROBLEM

In developing countries like India there is an uneven growth in different parts of the country. There is perhaps, an indisputable statement that “India is not a poor country but Indians are poor”.

So all wealth is accumulated in the negligibly few hands of Indians, which rest of the Indians are still in the par or below poverty line with much less than the average income, which certainly makes it difficult to spend for their social security. There are various schemes introduced by the government to provide social protection to workers like Employees Provident Fund Act, Workmen Compensation Act, Maternity Benefit Act, Payment of Gratuity Act, Minimum Wages and Employees’ State Insurance Scheme. Among these schemes Employees’ State
Insurance scheme plays vital role in providing social security to workers and their dependants.

In order to study the workings of Employees’ State Insurance Corporation, about various social security benefits provided by Employees’ State Insurance Corporation and the members attitudes towards Employees’ State Insurance schemes, The present study entitled as “A Study on the working of Employees’ State Insurance Scheme in Tamil Nadu with special reference to Madurai District” is considered relevant as no such study has been attempted so far.

With this intention the researcher has made an in-depth study of the chosen subject and explained in detail about the Need for Social Security, Employees’ State Insurance Schemes, and ESIC performance in Madurai district.

1.3 REVIEW OF LITERATURE

Mr.M.Gopinath and Mr.Hari krishna¹ in their study entitled “Employee State Insurance: For a handful of contribution, a bagful of benefits” analyse the performance of ESIC in Delhi and further state thus the only way to achieve this goal is by participation of citizen groups and other non-profit agencies that advocate workers’ health care rights. These groups can pressurize ESIC at the local level to improve medical services, the supply of medicines, and benefits related to accidents and occupational diseases. Many agencies are addressing this aspect, but overall coordination is lacking. These lobbying groups should join force with the workers’

watchdog committee and start a bigger movement to generate pressure on the ground for legalised rights of workers in helping them to form and monitor the ESIC. Change can only come about on the basis of building up consistent grassroots-based pressure groups regionally and nationally. The media, which have shown favor towards the contributing employees regarding the issue of the ESIC in the past, will also be leveraged effectively. Together they can work to broaden the scope of the ESIC coverage to the informal sector through the amendment of article 73 of the constitution, which calls for local self-governance from the village to the district level.

Mr. Umakant Dash and Mr. V.R. Muraleedharan², in their paper “How Well Does The Employees’ State Insurance Scheme Protect Against Catastrophic Health Payments In Tamil Nadu, India?” After assessing the effectiveness of the Scheme in Tamil Nadu based on the perceptions of insured persons, the degree of financial protection provided and the levels of utilisation of Scheme facilities. This study concludes that the government could improve access to healthcare by constructing more Scheme facilities or adding more private facilities to the panel of recognised hospitals where beneficiaries can get treatment. The basic infrastructure of the existing facilities could be improved to provide a higher quality of service; this includes making basic diagnostic equipment available, providing nursing personnel, improving laboratory services and making conditions more sanitary.

² http://www.crehs.lshtm.ac.uk
A multiple card system could be introduced for the timely use of beneficiaries whenever required. This would particularly help those employees whose family members or dependents do not live with them. It would mean that employees and their families could hold a number of cards so that even if they live apart each could use the most convenient health facility.

Mr. T.R. Anand and Mr. A.K. Agarwal\textsuperscript{3} a study entitled “Cost of Medical Care in the Employees State Insurance Scheme - A Case Study of Delhi”. The objective of the study is to understand the scope of the ESI Scheme and the range of medical care provided to the beneficiaries under the scheme, to find out the expenditure on medical care in Delhi per insured family unit in the immediate past and to assess for future the financial requirements per insured family unit for providing reasonably good medical care.

Dr. Sakthivel Selvaraj\textsuperscript{4} a study entitled “A Critical Assessment of the Existing Health Insurance Models in India” The central objective of this study is to generate evidence in relation to different models of health insurance schemes in the country. In effect, we plan to conduct a comprehensive review and critical evaluation of the existing health insurance schemes (largely government schemes, private sector models and to some extent community based schemes). Through this overall goal, this project will produce a road map for future health insurance programs in India, particularly in relation to the goals of scalability, sustainability,

\textsuperscript{3} Health and Population - Perspectives and Issues 8(3):181-198, 1985
\textsuperscript{4} planningcommission.nic.in/reports/sereport/ser/ser_heal1305.pdf
equity and financial risk protection measures. Therefore, he argues that though this is desirable in principle practical implementation and the associated problems of enforcing medicine reimbursement to patients would be a stupendous task and could fiscally strain the coffers of the government. Outpatient care and drug reimbursement must be kept out of the health insurance program while strengthening public health institutions and sprucing up of medicine procurement and distribution is called for. In addition, as large part of medicine purchase by the households is made at the private chemists, the need of the hour is to freeze drug price by bringing all essential drugs under price control.

Mr. Mathew Jose K’s study entitled “A Study on The Working of The Employees’ State Insurance Corporation”, is related to the administration and execution of the ESI scheme in Kerela. This study has examined the effectiveness of the benefits provided by the corporation to the insured persons under the ESI scheme, the fund management of the corporation for the ESI scheme and has put forward proposals to make the functioning of the corporation more effective. The study covers a period of 10 years from 1994-95 to 2003-04. On the basis of the findings of the study, it is deduced that the ESI corporation is not keen on giving relevant and adequate information to the insured persons and employers about its scheme and the quality of medical care provided to the insured persons through the ESI dispensaries and hospitals is rather poor; the amount of cash benefit is meager, there is delay in disbursement of cash benefits, the insured persons do not get the

http://www.mguttheses.in
services of the administrative staff for availing themselves of the benefits, the working of the machinery of the corporation for the administrative of the ESI scheme is not to up the expectations of the insured persons and employers, due concern is not given to them while taking decisions related to the administration of the ESI schemes, the corporation gives importance to the raising of funds targeting only the insured persons and employers but is not very enthusiastic about its effective utilization.

Mr.K.Rajamannar under the guidance of Dr.A.Subbiah, “A Study on the Functioning of the Employees State Insurance Scheme in Viruthunagar District”. The objective of the study is to study the functioning of the ESI Scheme, to examine the various benefit schemes offered by the ESI in India and in Viruthunagar District, to compare the benefits offered to subscribers by the ESI offices in Viruthunagar District, to analyse the opinions of the subscribers on the ESI Scheme, to study the problems faced by the subscribers in acquiring benefits of the ESI scheme and to offer suitable suggestions to improve the service of the ESIC. This study is confined to Viruthunagar District only.

1.4 SCOPE OF THE STUDY

The scope of the present study has been restricted to analyze the working of ESIC in Madurai District only and various schemes rendered by ESIC to their members and members’ attitudes towards ESIC Schemes. The ESIC Madurai regional office covers nearly 14 blocks. Aruppukottai, Dindigul, Melur, Munichalai,
Palanganatham, Palani, Paravai, Puthukottai, Rajapalayam, Sathur, Sivakasi, Theni, Thirunagar and Viruthunagar out of which Munichalai, Thirunagar, Paravai and Palanganatham alone are located in Madurai District. Hence the choice of these 4 blocks only for the study.

1.5 OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

1. To study the meaning, types of social security and the working of various social security measures in India.
2. To study the origin and growth of the Employees State Insurance Corporation in India.
3. To study the various schemes available under the Employees State Insurance Corporation.
4. To analyze the working of Employees State Insurance corporation in Madurai.
5. To analyze the attitudes of members (beneficiaries) towards ESI schemes in Madurai District.
6. To offer suitable suggestions to improve the performance of ESIC Madurai.

1.6 METHODOLOGY

This study is both descriptive and analytical. For achieving the said objectives, both primary and secondary data have been used. A comprehensive
interview schedule, duly pre-tested, has been used for collecting primary data. The random sampling method has been followed to choose the sample respondents. Only the employees who are residing in Madurai District have been considered for the present analysis.

1.7 SAMPLE DESIGN

The researcher selected 400 respondents out of 39743 populations by random sampling method, which covers all the 4 out of blocks under the control of Madurai Regional office. It is 1% of the population 397.43. The researcher rounded off the figure to 400.

<table>
<thead>
<tr>
<th>Blocks</th>
<th>No. of Employees covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munichalai</td>
<td>9,910</td>
</tr>
<tr>
<td>Palanganatham</td>
<td>28,410</td>
</tr>
<tr>
<td>Paravai</td>
<td>493</td>
</tr>
<tr>
<td>Thirunagar</td>
<td>930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,743</strong></td>
</tr>
</tbody>
</table>

1.8 COLLECTION OF DATA:

The researcher administered a comprehensive interview schedule (vide Appendix-1) for collecting primary data with regard to the attitude of members towards Employees’ State Insurance Scheme. Keeping the objectives in mind the interview schedule prepared for the respondents has been pretested by the researcher
in person. Comments on questions were noted and after careful analysis necessary modifications were made in the interview schedules. In the course of the interview, the researcher experienced some difficulties in getting answers to some of the questions raised and suitable changes were incorporated before finalizing the schedule. For gathering information, the researcher met in person all the 400 sample respondents living in different parts of Madurai District.

The secondary data have been collected from the regional office of Madurai Employees’ State Insurance Corporation, books, websites, daily newspapers, journals, reports.

1.9 PERIOD OF THE STUDY

The survey for collection of Primary data has been conducted from July to November 2010, covering a period of five months and the secondary data were collected for a period of 5 years from 2005 – 2009.

1.10 FRAMEWORK OF ANALYSIS

In order to analyze the primary data, the researcher has adopted appropriate statistical tools like percentage, Chi-square test, factor analysis, trend analysis, and Kaiser-Meyer Oklin test, Bartlett’s test of sphericity.

The technique adopted to identify the important dimension of attitude of Employees State Insurance (ESI) members towards the services rendered by Employees State Insurance Corporation (ESIC) is factor analysis. The principle
factor analysis method is mathematically satisfying because it yields a unique solution to a factor problem. Its major solution feature is the extraction of maximum amount of variation as each factor is calculated. Most of the analytical methods produce results in a form that is difficult, if not impossible, to interpret.

Researchers pointed out that original factor matrix are arbitrary in the sense that an infinite number of reference frames(axes) can be found to reproduce any given ‘R’ Matrix. There are several methods available for factor analysis. But the principal factor method with orthogonal variance rotation which is mostly used and widely available in factor analysis computer programme.

Further orthogonal rotations maintain the independence of factors that is, the angles between the axes are kept at 90 degree. One of the final outcomes of a factor analysis is called rotated factor matrix, a table of co-efficient that expresses the ratios between the variable and the factor that have been prepared. The sum of square of the factor loadings of variable is called communalities ($h^2$).

The communalities ($h^2$) of a factor are its common factor variance. The factors with factor loadings of 0.5 or greater are considered as significant factors. This limit is chosen because it had been judged that factors with less than 50 percent common variation with the rotated factor pattern are too weak to report.

In the present study, the principle factor analysis method with orthogonal variant rotation is used to identify the significant dimensions of members’ attitude towards the services rendered by ESI in Madurai district.
1.11 OPERATIONAL DEFINITIONS OF CONCEPTS

The following terms and concepts have been used in the present analysis:

**Corporation:**

Corporation means the Employees’ State Insurance Corporation setup under ESI Act.

**Contribution:**

Contribution means the sum of money payable to the Corporation by the principal employer in respect of an employee and includes any amount by or on behalf of the employee in accordance with the provisions of this Act.

**Insured Person:**

‘Insured Person’ means a person who is or was an employee in respect of whom contributions are or were payable under this Act and who is, by reason thereof, entitled to any of the benefits provided by the Act.

**Employee:**

Employee means any person employed for wages in or in connection with the work of a factory or establishment to which this Act applies. The term employees, beneficiary, insured person and respondent are synonymously used in this dissertation.

**Factory:**

Factory means any premises including the precincts thereof-

a) Whereon ten or more persons are employed or were employed for wages on any day of the preceding twelve months, and in any part of which a
manufacturing process is being carried on with the aid of power or is ordinarily so carried on, or

b) Whereon twenty or more persons are employed or were employed for wages on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on, but does not include a mine subject to the operation of the mines Act, 1952.

**Wages:**

Wages means all remuneration paid or payable, in cash to an employee, if the terms of the contract of employment express or implied were fulfilled.

**Sickness:**

Sickness means a condition which requires medical treatment and attendance and necessitates abstention from work on medical grounds.

**Family:**

Family means all or any of the following relatives of an insured person, namely:-

- A spouse
- A minor legitimate or adopted child dependent upon the insured person
- A child who is wholly dependent on the earnings of the insured person and who is receiving education, till he or she attains the age of twenty one year and an unmarried daughter.
- A child who is infirm by reason of any physical or mental abnormality or injury and is wholly dependent on the earnings of the insured person, so long as the infirmity continues.
- Dependent parents.

**ESI Schemes:**

In this study both ESI Schemes and ESI benefits are treated as same.

### 1.12 GEOGRAPHICAL AREA OF THE STUDY

Since the topic is “A Study on Employees’ State Insurance Scheme in TamilNadu with special reference to Madurai District”, the geographical area of the study is confined to Madurai District only which covers four blocks only.

### 1.13 LIMITATIONS OF STUDY

The study covers only Madurai District rather than Madurai Region. Madurai Region covers around 14 blocks whereas the choice of study is restricted to 4 blocks only are situated in Madurai district.

### 1.14 CHAPTER SCHEME

The report of the study is presented in six chapters.

**Chapter One** under the title of “Introduction and Research Design”, the introductory part of the report deals with the statement of the problem, scope, objective, operational definition of concepts, area of study, methodology for collection of data, sampling design, frame work of analysis, limitations of the study and scheme of report.
The second chapter -“Social Security Measures – An overview” deals with the concept of social security, various definitions of social security, need for social security, objectives of social security, types of social security, social security as a part of labour welfare, Social security is a basic human right, Social security – ahead of public policy, global developments and trends in social security, list of international organizations for social security, institutional arrangements for development of social security at international level, social security measures in India, articulation of social security concept in directive principles of state policy, Legislative trends in social security, evolution of social security legislation in India, general legislative trends.

The third chapter under the caption of “Employees’ State Insurance – An Overview” deals with the introduction, background of the Act, the first ESIC day; preamble and object, administration, organizational structure and composition of Employees State Insurance Corporation, functions and powers of the ESI corporation, the standing committee, powers of the standing committee, the medical benefit council, duties of medical benefit council, coverage, exemption, contribution, contribution period and benefit period, finance, employee’s state insurance fund, purposes for which the fund may be expended, infrastructure, constitution of employees' insurance court, institution of proceedings, powers of Employees’ State Insurance court penalties, Employees’ State Insurance Corporation – a national view, ESIC’s 55th anniversary a gift for all beneficiaries, ),,
Employees’ State Insurance Corporation – Tamil Nadu recent improvements in ESIC; utilization dispensary, revolving fund, extension of medical facilities to ESIC pensioners through the ESIC, pensioners' medical scheme (ESIC), Employees’ State Insurance Corporation in Madurai district

The fourth chapter entitled “Employees’ State Insurance Schemes” deals with duties of employers, rights of employees, factory registration, record maintenance, wages, role of ESIC in servicing employers, obligations, employees registration, safeguards for insured employees, role of ESIC in delivery of benefits, ESI benefits, medical benefits, sickness benefit, extended sickness benefit, enhanced sickness benefit, maternity benefit, disablement benefit, temporary disablement benefit, permanent disablement benefit, dependant benefit, physical rehabilitation, vocational rehabilitation.

The fifth chapter - “Members Attitude towards Employees’ State Insurance Schemes” - deals with attitude of the members towards the performance of ESIC Madurai. In this chapter an attempt has been made to assess the attitude of the members towards the services rendered by the ESIC to its members and member’s opinion about the various schemes of the ESIC.

The sixth chapter entitled “Findings and Suggestions” is devoted to present the entire study in a nutshell which focus the important findings and offers suggestions for the better performance of ESIC.