CHAPTER 1 : INTRODUCTION

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1.1 CONCEPTUAL FRAMEWORK

The workers around the globe form the backbone of the world's advent into the realms of progress and prosperity. No nation can claim to be truly prosperous without people who are good, efficient and secure workers. The workforce who worries about its tomorrow shall never work with full energy today. Thus, it is imperative to provide that umbrella of safety beneath which the labour of the people is safe against all known and unknown contingencies. Social security of workers thus becomes an integral part of the functions of socialistic State. It is a must therefore to have complete knowledge of achievements and shortcomings of various social security schemes run by the Government of a country. It is necessary to ascertain the methods to increase the reach and effectiveness of such schemes.

For the systematic assimilation of facts and figures pertaining to workers and the current social security measures, with the motive of providing an in-depth study of labour and social security and to propose measures to improve the social security schemes, the present work was undertaken. The effort is to provide as much justice as possible to the social security measures, yet due to wideness and extensive nature of the problem of social security, one of the primary schemes - The Employees' Provident Fund Scheme is taken on the forefront of investigation. The present work is an attempt in this context to link the past with present and to seek the direction of future. It is an attempt to discover what social security workers desire and what they get. It is also an attempt by the researcher to go into the causes of workers' dissatisfaction and find the effects of social security schemes and implications thereafter.

A detailed work, encompassing the whole spectrum of social security schemes for industrial workers in Madhya Pradesh will be for large a canvas. So the Employees' Provident Fund Scheme has been chosen, as it offers a comprehensive plan covering major portion of workers in factories and other
establishments. It provides them provident fund, deposit linked insurance and pension schemes. Madhya Pradesh, the heart of India, is fast becoming an Industrial State with mega centres like Indore, Bhopal, Dewas, Mandideep, Pithampur, Gwalior and Jabalpur. The workers population in the state is generally unaware of their rights as they come mostly from tribal areas and are mostly seasonal. But in the recent years a new breed of workers, who are slightly educated, fixed in their place of work and are full time workers. This trend of transfer of workers from non-industrial sector to industrial has brought awareness and a desire among workers that has resulted in demand for more measures to uplift the workers and hence the Madhya Pradesh workforce is provided with many security measures. Chief among them are; i. Employees' State Insurance Scheme, ii. Employees' Provident Fund Scheme, iii. Workmen's Compensation Act, iv. Maternity Benefit Act and v. Minimum Wages Act.

All the above are central legislations implemented throughout India. The first scheme deals with sickness, physical disability, medical expenses, death, etc. The advantage of this Act is that the same authority is providing many facilities. In addition to this, the family members of the workers are also provided with some facilities. The other Acts are also very important and covering many aspects of the worker's social security. The Employees' Provident Fund Scheme comes into play during employment, for loan, for different contingencies and after retirement and even death, for pension etc. The Workmen's Compensation Act is mainly for industrial accidents and compensation thereof. The Maternity Benefit Act covers only those women who are pregnant. Minimum Wages Act ensures a fair and just level of wages to workers. However, none of these are having as wide scope as Employees' Provident Fund Act, 1952.

The supported social security is old in the industrialized countries of the West, but it had to wait the accomplishment of the national independence in the case of Asian countries. Accordingly, when India was at the verge of
independence, a committee was appointed under Professor B.P. Adarkar with an aim of drawing up scheme for social security for Indian labourers. The scheme drawn up by the committee was examined by International Labour Organisation experts and this joint effort resulted in the enactment of Employees' State Insurance Act, 1948. The Maternity Benefit Legislation of various States was supplemented first by Employees' State Insurance Act and later by Employees' Provident Fund & Miscellaneous Provisions Act, 1952. Further to this, the existing legislation has been amended time and again to benefit the workers.

Seen in this backdrop, the present work is study of how to manage Provident Fund Schemes as a social security measure which includes security of workers, problems of employers and problems of Employees' Provident Fund Organisation and plausible solutions thereof- a three dimensional approach. The duty of a State of society towards its workforce is not fulfilled merely by preparing the equitable socialistic schemes but it goes much further and means providing the workers with the right to live in society as equal. The present work shall trance the origin of social security, instead, focuses at the management of schemes in question with all the three angles i.e., welfare of workers, employers and employees of Employees' Provident Fund Organisation in Madhya Pradesh.

**The Employees' Provident Fund Act, 1952:** Along with the Employees' State Insurance Act, a noble scheme was launched in 1948 viz. The Coal Mines Provident Fund & Bonus Scheme Act, 1948. The experience gained from the statutory scheme for coalmines workers were later utilized in the framing of Employees' Provident Fund Act, 1952. This is a measure to secure the welfare of employees by giving them a lump sum amount on their retirement or paying it to their dependents in case of their death during service. It is a contributory scheme with employers paying a share equal to share deposited by the employees. Initially, the Act was limited in scope and coverage but consequent
upon later amendments, it now applies to whole of India to the factories employing more than 20 persons and those who are not notified in schedule. Moreover, now the Act provides Life Insurance, Deposit Linked Insurance and Family Pension benefits too.

The lower limit of contribution has been fixed at 6.25 per cent while the upper limit was fixed at 12 percent. The rate of contribution of both employers and employees are fixed at a particular rate but not below the prescribed rate. The employer has to pay in first instance his employees' contribution which he can later deduct from the wages due to the employees.

Since this scheme was insufficient to provide security to the workers and their families who suffered premature death of wage earners because lumpsum payment exceeded the amount collected by continuous feeding of funds of lesser amount. The Family Pension Scheme was thus made applicable in 1971. It provided for the family pension and life assurance benefits to the employees. Another amendment to provide life insurance benefit to employees by Deposit Linked Insurance Scheme was passed in 1976. This created fund called Deposit Linked Insurance Fund. In case of death of an employee, an insurance amount fixed on the basis of employee's contribution is paid to the nominee. In each case, the employer is held responsible for contribution. The employer is expected to administer the fund in the establishment accordingly.

Meaning of Social Security: The social security, world over, has evolved as a dynamic concept of modern times which has deep impact upon social and economic policies of our times. The concept originates from the deep desire to free mankind from shackles of 'want' and the feeling that society owes a duty to help its weak: and needy during times of crisis. The social security is the security that society provides for its members against certain risks to which they are exposed (Muchhal, 1984). The social security is the security against the vagaries of social life. If we look at the life of a common man, there are two
stages of dependency: early years that is childhood and past prime that is old age and of course intervening periods of adult life when there are likely to be crippling spells during which he cannot earn living.

It is important to consider as to what are the main risks of insecurity to which human life is likely to be exposed to and in relation to which organized society can offer relief to helpless individuals. These are incidents of life such as sickness, maternity, accidents, industrial diseases, unemployment, old age, death of earning member and other such emergencies when security is needed to sustain the life. Social security is a dynamic concept which is considered in all advanced and also developing countries of the world as an indispensable chapter of the national programme to strike at the roots of poverty, unemployment and disease.

The very basis of social security is the ideals of human dignity and social justice. The intrinsic to social security measures is that a citizen who has contributed or is likely to contribute to his country's welfare, should be adequately protected against certain risks. The social security used to represent security that society makes available through appropriate organization in opposition to certain risks to which its members are exposed to. This definition hints at that social security is an arrangement made by society and it is social because it represents the emergence of collective efforts. The numerous definitions of social security can be grouped into two broad approaches i. Specific & ii. Philosophic.

i. Specific Approach: The best known advocate of specific approach is Lord Beveridge. What he advocated about term social security, contained in his report to devote the security of income to take place of earnings when they are interpreted by sickness, unemployment, accidents, to provide for retirement or old age, to provide against loss of support by death of another person to meet extraordinary expenditure. Defined in this way "Social security is equivalent to
income maintenance" i.e. to provide cash benefits to meet certain specified contingencies, qualified support for this view comes from an American expert who considers the central function of social security to be the provision of cash income to individuals and families in designated sector of the population under specified conditions. The definition used by International Labour Organisation falls in this category. Social security measures include those which in virtue of legislation provide: a basic income in case of inability to work (including old age), inability to obtain remunerative work on the death of bread winner, assistance for dependent children and medical care.

ii. Philosophic Approach: The emphasis of philosophic approach to social security is on contents rather than on forms. Social security is a social objective - a social idea. It envisages a structure of society in which each member enjoys the highest material wellbeing compatible with potential productive resources. The main exponent of this approach is Pleree Laroque, President of the National Security Fund in France. According to him, the increasing acceptance of social security is a stage in general social development. According to V. George. "The term social security is really a combination of three separate trends, first of all, an economic policy aimed at full employment. Secondly, it is medical policy one of the equipments and organization for the struggle against diseases including both preventive action and the best possible treatment; as a natural counterpart of this, it is also a technical policy for the prevention of industrial accidents and occupational disease.

Social security thirdly, a policy of income distribution aimed at modifying the result of blind interplay of economic forces and adapting the income of each individual and each family. Therefore, a system of social security is always ideal which is based upon collection of funds particularly built assisting people in need. It is also in fitness of things that those who want help must also contribute in the building of this fund together with the State and other members of society: rights and duties go together. Entitlement of
somebody to get the benefits must be tied to perform his duty otherwise any social security system will lose significance and be a failure, also without duty, the beneficiary himself would miss the significance of right.

**Origin and Growth of Social Security:** Technically, the word social security might not be very old but nature's failure has always led societies to find methods to provide protection to its members. This is essential for any society to exist and sustain. The family had been the oldest form of social organization to provide security to its members, to the extended family and the village. Thus, this process of security and protection is reciprocal as parents look after their children and they in turn look after their old parents. The family is the first line of defence and when the family cannot cope with the problem, the extended family comes to the whole community or to neighbours. It was, indeed, in this manner that the system of private charity and voluntary relief grew up (Pant, 1965). The 'private charity' and 'voluntary relief, both these institutions looked after the needs of poor and hardpressed for very long.

As such social security originated in Germany, when in 1881, Emperor William I urged upon the Reichstag (Parliament) to adopt social insurance scheme. Bismark was also great supporter of social insurance in Germany but extensive application was impracticable during nineteenth century because Laissez-Faire Doctrine was still dominant and poverty was widely regarded as the result of the incompetence and vices of poor. Most of the responsibility for insecurity, destruction, poverty and distress were to be attributed to wars and tribal conflicts. The natural forces such as earthquakes and floods were creating havoc of more serious nature that it is today as sources of transport and communication were so limited that people starved in one place when the abundant resources which could have saved them were lying only a few hundred miles away. Yet communities of older times were having their systems of social security.
The development of the institution of private charity and poor relief could not afford adequate protection against all risks and hazards to which the member of community were primarily exposed. Moreover, the working of these institutions revealed very disgusting features. Private help was always regarded as degrading, vague and unsure and insulting. It was derogatory to one's sense of self-respect and prestige. The similar cracks were seen in the institutions of poor relief. Only paupers and destitute were entitled to relief and benefits under the provision of various relief Acts. The philosophy of medieval ages was individualistic and 'poverty' was regarded as great sin and those who got benefits under such Acts, would lose their voting rights. As has been observed by Dr. M.M. Mehta Obviously, such an institution had no respect for human personality nor it was intended to alleviate the sufferings of the under privileged persons or equalize the opportunities for self development and progress (Mehta, 1952).

The gradual political enlightenment and promotion of democratic institutions made people aware of their rights and privileges. The State was accepted as final moral and economic custodian of community. The prevention of exploitation of unorganized labour, stabilization of economic system and protection of poor and underprivileged persons were accepted as the State's basic function. The State intervention in the matters of social welfare also greatly increased with beginning of the present century as the evils of Laissez-Faire policy were realized to greater extent and as a result, many schemes had been evolved in various countries by the State for providing a minimum standard of wellbeing for industrial workers who have suffered most at the hands of capitalist due to non-intervention of the State for a long time.

In the early times, workers looked for security against risks; they were put to through small savings, employer's liability or private insurance. Later on, after State's intervention in the matters of social welfare, this theory came in vogue if worker's injury created by the set-up of factory will be liability of
employer. The big public undertakings and private corporations had the
capacity to discharge this liability but in case of small undertakings, it was
difficult to fulfill this obligation. Insurance company came forward to take over
employer's liability in return for premium but this did not turn out to be a
satisfactory arrangement.

The workers themselves, through periodic contributions brought into
existence Mutual Aid Societies to supplement the protection in times of
sickness with simple medical care and payment of funeral expenses in matters
of death. But all these were earlier Social Insurance Institutions though their
processes lacking system. Slowly, Government took over the supervision part to
provide shape of 'system'. Trade Unions, as they were depending solely on the
contributions of members although working as Mutual Aid Societies but with
only 'meager fund' to diverse, inadequate in quantity and for very brief periods.
Therefore, Mutual Aid Societies could not take the responsibility of old age and
life insurance. These traditional approaches gave rise to two main currents in
the movement towards social security – i. Social Assistance ii. Social Insurance.

The International Labour Organisation has made concerted efforts to
speed up reach and penetration of social security schemes in different countries
of the world - deserves all credit for important work in this direction. It took
upon the task of drafting standards of Social Insurance Laws in 1920 for many
countries. The conventions have been ratified by many countries and those who
intended to adopt social insurance for the first time, they also formulated a
model to follow.

Development of Social Security In India: The Whitley Commission studied
the features of Indian industry, then one observation came into sharp focus that
was "industrial workers attachment to their native villages". He advised the
industrialist and the Government of the day, not to discourage this aspect of
workers' life, because joint family in the village was a cover for worker in the
times of need. The commission took note of two other contingencies for which there was already legislation viz. The Workmen's Compensation Act, 1923 to protect workers against employment injury and the Maternity Benefit Legislation in some States to provide for grant for leave and payment of cash benefits for certain periods before and after confinement to women workers in factories.

During Thirties, a lot of discussion was going on about the need for extending the Social Security Measures into the Labour Welfare Schemes. One of the earlier decisions of Labour Minister Conference between 1940 and 1942 was to invite an expert to frame a scheme to provide health insurance to workers. The scheme drawn up by Prof. B.P. Adarkar in pursuance of this decision was later examined by two International Labour Organisation experts and joint efforts became the basis of health insurance in this country.

**The Aims Of Social Security Measures:** The aims of social security measures are three fold: i. Compensation, ii. Restoration and iii. Prevention. Compensation is to protect the individual and family during risk spells so that the victim is not subjected to multiple calamities such as destitution, loss of health, time, life or work. Compensation goes to income security on the basis of above idea. Restoration implies care of the sick and the invalid, re-employment and rehabilitation is in the same ways an extension of earlier concept of the function of social security. In prevention, one has to design a security measure so as to avoid loss of production because of unemployment, sickness, invalidity and to provide resources spent up for disease and idleness. This way, one enhances the material, intellectual and moral wellbeing of community without compromising the quality and production capacity.

**Methods of Providing Social Security:** Technically, the concept of social security came into existence in Thirties only. Earlier, certain security measures were in operation referring the term social security. The social security as such
has two important components; 1. medical care and 2. income security. In actual practice, there are two methods of providing social security – i. Social Insurance ii. Social Assistance.

i. Social Insurance: Social Insurance is a tool to provide help for persons of small savings granted as of right in amounts which together with the contribution effort of the insured with subsidies from employer and State. Social insurance is fairly modern concept, though in some of the crude forms it might be seen in the craft guilds and friendly societies which attempted to meet the common risk of life by mutual action (G.D. Punekar, 1950). As per Sir William Beveridge definition of social insurance, "A plan of giving in return for contribution benefits up to the subsistence level as of right and without means so that individuals may build freely upon it. The purpose of social insurance is to render the wage as independent of poor relief as possible on the principle that his urge should include an insurance premium covering the risk of voluntary loss, the inability of the State being merely subsidiary; thus social insurance historically provided protection to industrial workers in the first instance. Almost all pension and unemployment insurance are tripartite in character i.e. they are maintained by the contribution from employees, employers and the State. However, there are exceptions for e.g. the American Employment Scheme is financed by the employers only.

The combined efforts and contributions of beneficiaries, their employers, if any, and the State make the social insurance, social in nature. It falls within the category of insurance because the beneficiary has to pay contribution before he is entitled to secure benefits. Thus the social insurance scheme is financed under certain financially viable system. Moreover, benefits arise as of right. The beneficiary claims the benefit; he does not apply for it. Apart from this, social insurance is a compulsory measure. It has been made compulsory because otherwise poor will be least willing to pay contribution. It can be said that social insurance is more suitable in those cases where workers covered are too poor to contribute, too illiterate to follow technicalities of insurance, too
scattered to be brought under a proper scheme of insurance and also span of services offers a little scope for abuse.

Social insurance in other cases where the class of workers to be covered is sufficiently well organized, legally regulated and financially stable. Further wherever there exist an apprehension of exaggerated claims and conscious less explanation of common fund (Pant, 1965). Fundamentally, one can surmount the problem of poverty through wise investment on human capital. Therefore, the study of social insurance offers the best possible arrangement to comprehend the workers' problem of economic security. Every country must maintain and increase the moral vigour and physical resistance of its able bodied population. To sum up, it may be observed that social insurance is compulsory in nature based on contributory principle to provide protection in specified qualifying conditions laid down under the provision of social welfare legislation.

ii. Social Assistance: In case of Social Assistance, a mechanism is developed by the State to provide cash and medical assistance to the members of society who by their own resources, cannot get. According to one observation, the widow, invalid, aged are not securing social insurance benefits because they did not fall under the provisions of compulsorily insured persons and whose income do not exceed a prescribed level, should be entitled to special maintenance allowances. Social assistance is a device to provide benefits and assistance to persons at small means granted as rights, sufficient to meet a minimum standard of need and financed from taxation of general revenue (Mehta, 1952). The social assistance underscores the fact that the poor cannot be left at the mercy of charity and it should be placed on a compulsory and statutory basis. The State had to intervene because individualized charity proved to be inadequate and the floating mass of paupers and destitutes constitute a threat to society.
In this method, there are generally no contributory conditions in concrete terms. Social assistance includes non-contributory benefits towards the maintenance of children, mother, invalids, the aged, and the disabled. It also includes unemployment assistance. Social assistance and social insurance have some similar features. Both are social in approach and are organized under a law passed in this behalf, both provides a legal title to the benefits. However, both differ from each other in some respect viz., i. Social assistance is financed by the general tax payer while social insurance is financed by tripartite contribution, and ii. Social insurance ignores the income and means of liable relation while social assistance make the beneficiary a first charge on the liable relation.

A historical systematic understanding of social security shows that social insurance and social assistance are moving closer to one another. In case of New Zealand and Denmark, social insurance and social assistance not only meet but overlap also. Therefore, divide line is getting blurred. The fact remains that protection against contingencies may be provided in the ways other than the State system. Some trade unions also have their own sickness, old age and unemployment schemes. In some countries, a good number of private firms have generated saving funds sickness benefits and old age pension.

**Importance of Social Security:** Social security has been considered not only essential for industrial workers through the development of idea of welfare state; its scope now includes all sections of society. A study of social security is bound to be deeply significant as it is primarily a study of conquest of poverty through wise investment in human capital. Social security is however a best possible mechanism to solve the problems of economic security for the workers. It is an effort of social group in place of the individual effort to lessen the incidence of loss to individual.
The most under-developed and some developed countries are suffering from acute problem of labour instability, turnover and absenteeism. The country provides hardly any protection to workers. They have to live under unhygienic and unhealthy conditions. When they fall sick, there is nobody to take care of them, when they are thrown out of employment, there is none to sympathize for them. It cannot be denied that there is great need of some sort of protection against the contingencies and social security is the only best method of assuring the worker that protection against the common risks of life which his own efforts cannot provide.

It is the most rational and efficient means of providing the workers with the security of health and livelihood to which they are entitled. The schemes of social security have got the advantage that they associate the workers by requiring them to contribute. They grant benefits by virtue of definite rights and preserves the self-respect of the beneficiaries. It embodies the ideal of social justice because the risk to which the worker is subjected (accident, disease) arises from the organization and conducts of modern industry and should reasonably be borne by the members of society.

In the industrial cities, labour is mostly supplied by hutment colonies, slums and suburbs where the condition of life is deplorable for the upliftment of the lot of this segment of the population. Social security schemes have to play a considerable role. There is a category of workers who remain temporary and purely seasonal who are not fortunate enough to enjoy any sort of security, safety or surety. Social security can be a boon for such unfortunate class of workers. This provision of such a system must be regarded as a very fundamental to economic and social peace in every country of the world.
1.2 RATIONALE OF THE STUDY

In view of changing socio-economic indicators, the review and evaluation of Employees' Provident Fund Organisation needs to be undertaken to understand the extent of efficacy of provident fund schemes, structure of provident fund organization vis-a-vis services rendered and various components of provident fund organization: Provident Fund, Deposit Linked Insurance, etc. in terms of their enforcement and administrative framework. Further, an assessment of implementation of provident fund scheme with special reference to Madhya Pradesh is called for to gauge the reach and penetration of various schemes to determine the quantum of eligible workers/members vis-a-vis the number of members/persons/workers who are offered benefits of the Provident Fund Act.

It is essential to explore the consciousness amongst workers regarding provident fund schemes to comprehend how deeply and thoroughly do the beneficiaries know what benefits they can get from the provident fund schemes. The study of impediments in the implementation of provident fund schemes has also not been done so far. No attempt seems to have been made to explore the problems faced by provident fund department, employers and employees. Examination of successful implementation and comparison of both is likely to reveal fruitful path. Research needs to be undertaken to examine the sufficiency of provident fund scheme and its achievement in the light of the fact that in the past four decades many changes have taken place in the social and economic life of Indian workers. Whether provident fund schemes needs to be brought to surface.
1.3 OBJECTIVES OF THE STUDY

In the present investigation, following were considered the chief objectives. They were so designed so as to cover the various features and determinants of study viz.,

i. To identify the problems faced by the employees of the Provident Fund Organization who are responsible for implementing the provident fund schemes with special reference to the State of Madhya Pradesh.

ii. To explore the strategies used by the Employees' Provident Fund Organization for successfully implementing the provident fund schemes with special reference to the State of Madhya Pradesh.

iii. To identify the problems faced by the employers in adopting the provident fund scheme with special reference to State of Madhya Pradesh.

iv. To assess the level of awareness and satisfaction amongst the employees of exempted and un-exempted private establishments for whom the provident fund scheme has been designed by the Government of India to ensure their social security.

v. To identify the perceptual gaps in the understanding of the employees of Provident Fund Organization who are supposed to adopt the scheme and the people who are supposed to take benefit from it.

vi. To evolve and propose appropriate measures for ensuring the social security of people of India and

vii. To open new vistas for research.