CHAPTER SIX

SOCIAL SECURITY - THEORETICAL CONCEPT
There are times when one faces shortage or stoppage of earnings due to economic or biological reasons and needs help and support temporarily, or some times, permanently during such periods. Such spells are called contingencies. Among the most recurrent biological contingencies are sickness, incapacity due to accident, invalidity and, in case of female members, child birth. These contingencies are traumatic and originate from causes traceable to biological conditions. A victim of biological contingency needs two kind of help, medical treatment for speedy recovery and restoration of normal health, and also monetary help to run his family. Apart from the above purely biological contingencies, there are contingencies of bio-economic origin. Old age is such a contingency the economic effect of which can be avoided by careful planning. There are also spells of purely economic contingencies such as unemployment. Non-biological contingencies require only monetary help and in the ordinary course of things, they are totally avoidable by economic planning although in actual experience it has not been possible to devise a foolproof method.

Excluding these spells of contingencies, there are occasions when a person may have no or insufficient source of living. Born incapacity, largeness of family, senility, unemployability, destitution and inability to secure employment are some of such contingencies which are beyond the control of human ingenuity. The victims of such contingencies constitute a social debtor class and the society must come

forward to offer them the required help and protection.

SOCIAL SECURITY DEFINED:

Social Security is a very wide and dynamic conception and it is difficult to give a precise definition. This term has been given different treatments and, therefore connotes different meanings. As an Indian economist has very aptly put it, "Social Security is as old as society itself but its forms have been changing according to the needs and level of social consciousness of the people."¹

The term social security was first used by Bismarck in eighteen-eighties in Germany. It was given official recognition for the first time in the United States of America in the year 1935. Newzealand used the term in the same sense in the year 1938, when it adopted a comprehensive social security system. The first systematic attempt to define social security was made by the International Labour Organization (I.L.O.) which defines social security as "the security that society furnishes through appropriate organizations against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means can not effectively provide for by his own ability or foresight above or even in private combination with his fellows, these risks being sickness, maternity, invalidity, old age and death. It is the characteristic of the contingencies that they imperil the ability of the working man to support himself and his dependents in health and decency."²

According to this definition, social security is a provision by the society and (a) Its nature is social because it represents the culmination of collective efforts (b) the schemes are organised, they are not unplanned or haphazard (c) It is done through appropriate organizations (d) It provides protection against 'Certain risks' only and (e) the protection

is provided as a matter of human right.

Beveridge defines, "Social Security as a scheme of Social Insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death." He regarded social security as "an attack on five giants, namely Want, Disease, Ignorance, Squalor and Idleness." According to Lord Beveridge, attack on Want means securing every citizen in return for his services adequate income for his maintenance and that of his dependents, both when he was working and when he was not; attack on Disease means ensuring every citizen against possible attack of disease, providing medical facilities for the maintenance of a reasonable standard of health; attack on Ignorance means providing greater educational facilities for all the member of society; attack on Squalor means security against unplanned, disorderly growth of cities and attack on Idleness means ensuring for every citizen a reasonable opportunity of productive services and of reasonable earning services. The attack on five giants, has been explained by another writer (Geoffrey Crowther, Quoted by J.B. Coniffe, Agenda for a postwar World, p.97) in the following words. "The national minimum (as social security has come to be called in England) involves that the citizen in a democracy should be guaranteed as of right enough food to maintain his health. He should be assured of a minimum standard of shelter, clothing and fuel. He should be given full and equal opportunities of education. He should have leisure and facilities for enjoying it. He should be secured against the risk of unemployment, ill health and old age. Above all, the presence of children should not be allowed to be a misery for the parents, deprivation for the children and poverty for all." Social security in its broadest

(2) Ibid.
(3) As quoted in B.P. Adarke, Health Insurance for Industrial Workers in India (Government of India, Ministry of Labour & Employment, Delhi, 1944), p.12.
sense could be conceived to mean "a system of guarantee to
individual against loss from major and minor catastrophies
arising from social, political and economic institutions
and practices......... Any machinery that can be devised
to eliminate them or to mitigate their evil consequences
is definitely an important factor in a comprehensive system
of social security."\(^1\) According to Dr. Agrawalla social
security is "a device for ensuring freedom from want. Social
security implies security against risk to which it remains
exposed even when the condition of the society as a whole
is as good as can be made."\(^2\) According to Singh, "Social
security is a device provided by society against a number
of insecurities arising out of natural (e.g. death or sick-
ness), social (slums), individual (in capacity) and economic
(inadequate wages and employment) causes."\(^3\) N. Hasan, defines
social security "as measures of cash and medical relief
organised for the benefit of the victims of defined economic
and biological contingencies."\(^4\) Where as Jagannadham observes
social security as "Schemes which aim at a continuous flow
of income to the individual in times of crisis or when he
is a victim of contingencies like sickness, unemployment,
pregnancy or death of some family breadwinner."\(^5\)

Social security measures have a two fold signi-
ficance for every country. "They constitute an important
step towards the goal of a welfare state, by improving
living and working conditions and affording the people pro-
tection against the uncertainties of the future."\(^6\) Articles

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(1) Damerico, Gagliardo, American Social Insurance, p.10.
(2) Agrawalla A.N., Social Insurance Planning in India, p.15.
(3) Singh V.B., Patterns of Social Security, V.B. Singh, ed.
Industrial Labour in India, p.79.
(5) Jagannadham, Towards Social Security, The Indian Journal
22 to 25 of the Universal Declaration of Human Rights in 1948 deal with extended objectives. Article 22 insures that every one as a member of society has the right to social security. Article 25 specifically states that (i) every one has right to a standard of living adequate for his health and his family including food, clothing, 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 and (ii) motherhood and childhood are entitled to special care and assistance. All children born, in or out of wedlock, shall enjoy the same social assistance. Article 22 and 24 in the Declaration take care of educational and recreational facilities when they refer to the social and cultural rights required indispensable for the dignity and free development of the personality for every member of society. Article 23 insures everyone right to work, to free choice of employment and to provide protection against Unemployment. It also advocates that everyone who works has the right to just and favourable remuneration. The universal declaration of Human Rights, thus, spells out the comprehensive scope of social security ranging in services and protection from motherhood to retirement. Such provisions assume the fulfilment of the pre-conditions to income security programmes. "Social Security as such, may be defined as a concerted effort to provide for alternative sources of income to the workers at the time of contingencies like unemployment, sickness, accident and after the age of retirement. The best form of social security also include provisions for the exceptional expenditure to be incurred by the worker at the time of birth, death and marriage of any person in the family."¹

¹ For the purpose of this study 'Social Security', may be defined as provisions and facilities of cash and medical benefits which are provided through organised agencies to the victim of defined economic, bio-economic

and biological contingencies, in such a manner as they are restored to gainful activity and are prevented from falling into the depth of misery.

**CHARACTERISTICS OF SOCIAL SECURITY SCHEMES:**

The following features are essential for a scheme to be termed Social Security scheme:-

1. **PROVISION OF CURATIVE OR PREVENTIVE MEDICAL CARE AS WELL AS CASH RELIEF:**
   
   It is however not essential that medical as well as cash relief must be paid together in all the cases. Depending on the needs of the victim, both or anyone of them may be provided.

2. **BENEFITS ARE PAID AS OF RIGHT NOT AS CHARITY:**
   
   "Once the beneficiary qualifies for the benefit, it can not be denied to him. It is why qualifying condition are laid down for the entitlement to benefits."  

3. **SOCIAL SECURITY BENEFITS ARE SIMPLY RELIEF TO THE BENEFICIARY:**
   
   The amount are only sufficient to meet the day to day expenses. Mostly benefits are lesser in amount to the wages earned by the beneficiary.

4. **PARTICIPATION OF THE STATE:**
   
   The schemes of social security envisage active participation by the State. Some Times, this participation is limited to enactment of legislation on the subject and, later-on, supervision that the scheme is properly implemented. State participation may also assume the form of financial contributions towards the cost of benefits.

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CONSTITUENTS OF SOCIAL SECURITY:

Social Security is a very comprehensive term which includes in it social insurance and social assistance. "Social Security refers to a complex of measures designed to provide medical care and income security to the covered population."¹ It has three main constituents, viz., (1) Social Insurance (2) Social Assistance and (3) Allied Services and Schemes.

(1) SOCIAL INSURANCE:

The Social Insurance approach has grown from the system of friendly societies which developed in the Western Countries, particularly in the United Kingdom during the last three centuries. ² According to the Beveridge social insurance is a "plan of giving in return for contributions, benefits up to the subsistence level, as of right and without the means test, so that men stand together with their fellows."³ The I.L.O. defines 'Social Insurance' as a scheme that provides "benefits for persons of small earnings granted as of right in amounts which combine the contributive effort of the insured with subsidies from the employers and the State."⁴ Thus, social insurance protects persons of small earnings.

Social insurance may be viewed to have a number of features as follows:

(1) Social Insurance is social because it involves the collective efforts of the beneficiaries, their employers and the State.

(2) Giri V.V., Labour Problems in Indian Industry, p.231.
(3) Beveridge William, Social Insurance and Allied Services Report, p.46.
(4) I.L.O., Approach as to Social Security, p.84.
(ii) It involves the establishment of a common monetary fund out of which all the benefits in cash or kind are paid, and which is generally built up out of the contributions of the workers, employers and the State.

(iii) It is insurance because the beneficiary has to pay contributions before he is entitled to receive benefits. Although the contributions from the worker are generally low, major portion being financed by the employer and the State. Naturally there is "no close correspondence between workers, own contributions and the benefits granted to them." The payment of contributions is not compulsory for all the covered population. "Social Insurance Schemes often provide that those earning below a specified limit will be exempted from any contributions; but, the subsidy from the employers and the State will continue to be paid. This is done in order to avoid under hardship to the very low paid persons."

(iv) The benefits provided under social insurance schemes are kept within fixed limits so as to ensure the maintenance of a minimum standard of living to the beneficiaries during the period of partial or total loss of income.

(v) Benefits are granted as a matter of legal right.

(vi) Social Insurance is a compulsory Scheme, the persons falling within the defined income limit can not refuse to get insured because if the scheme is made optional the economically poor people will not like to deposit their purchasing power as contribution to the scheme.

(1) Agrawalla A.N., Social Insurance Planning in India, p.3.
As has been observed in an I.L.O. Survey, "As against the other method of collective provisions, compulsory social insurance offers substantial advantages:

(a) It associates the workers concerned from whence a contribution is required, both materially and morally in the protection of their death and their working capacity.

(b) It implies the establishment of an autonomous insurance institution dedicated solely to the organization of prevention and the service of medical and cash benefits.

(c) It grants benefit in virtue of definite rights, and thus, preserves the self respect of the beneficiary, who is secured against arbitrary decision on the part of body responsible for awaiting benefits."

DIFFERENCE BETWEEN SOCIAL INSURANCE AND COMMERCIAL INSURANCE:

Social Insurance may be distinguished from commercial or private insurance on the following basis:

(i) Private or Commercial Insurance is necessarily voluntary depending upon the free will to get oneself insured or not. Social Insurance is generally compulsory.

(ii) Private or Commercial Insurance is carried on with a profit motive. The insurer tries to charge as high premiums as the insured can afford to pay. Where as the rate of contribution in social insurance is necessarily kept low because it is social in nature and its aim is to protect the population belonging to social debtor class.

(iii) Under private insurance, the amount insured depends on the discretion of the insured individual. But under social insurance schemes, the main objective is to ensure minimum consumption requirements.

"Commercial Insurance does not have for its object the maintenance of a minimum standard of living which is the only inspiring motive of social insurance."¹

(iv) Social Insurance is a unified device to meet the chain of contingencies of different nature and intensities. Commercial Insurance on the other hand is generally not of a composite type but usually provides against an individual risk only. "Social Insurance is an omnibus provision. By paying one single contribution, all kinds of social contingencies may be provided against ....... Under private insurance, one policy covers only one risks. Separate policies have to be purchased for different risks."²

(v) Social Insurance makes a provision for the payment of cash benefits as well as medical care. Under private insurance, only monetary claims are paid; there is no evidence of any medical services to be provided under it.

Excluding the above differences "Social Insurance bears many features of private insurance. Like private insurance, social insurance is also based on cost calculations. The contributions in the latter take the place of premiums in the former. The claims under private insurance are disbursed as benefits under the social insurance schemes."³

(3) Ibid. p.p.,5-6.
(2) **SOCIAL ASSISTANCE:**

Social Assistance is a device used by the State for providing cash assistance and medical relief to such members of the society who can not get them from their own resources. "In social assistance the State or the local bodies step-into ameliorate the distress caused by these contingencies to the population in general. This includes non-contributory benefits towards the maintenance of children, mothers, the aged, the disabled and others. It also includes unemployment assistance."¹ The I.L.O. defines social assistance scheme as the one that "provides benefits to persons of small means granted as of right, in amounts sufficient to meet a minimum standard of need, and financed from taxation."² Social Assistance is a scheme of institutional charity and has a legal base. It is organized under a statute and the benefits are given as of right. The benefits can not be denied to the person whose title to it has once been established. Social assistance benefits, are paid at defined intervals and they continue as long as the need remains. However, it differs from the charity insofar as charity is voluntary; it has no legal basis and is unexpected and irregular. Thus "social assistance removes the social and moral stigma so painfully associated with the 'doles' paid under the English poor Law or the alms offered by God-fearing individuals for the atonement of their own sins or for their deliverance on the Day of Judgement."³

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(2) I.L.O., Approach as to Social Security, p.34.
The fundamental principle on which social assistance is given "is financial-subvention or grant or provision of relief by the State to needy persons on the basis of their demonstrated individual need." \(^1\) There are certain other principles also, on which the payment can be made, as "the principle of an assumption of average need or the principle of part earning or standard of living of the beneficiary." \(^2\)

In social assistance the means test or the test of need is very important.

According to Samuel Ecklor following are the main characteristics of social assistance:— (1) It provides benefits of selected social dependency needs; (ii) the entire cost of the scheme is borne by the State and (iii) it applies uniform and statutory means test. \(^3\)

It may be concluded that 'Social Assistance' is a comprehensive state service of financial help to those in acute need, because their financial resources are not enough to meet their particular requirements and they are out of the scope of other social security programmes. \(^4\) The extent to which social assistance can be provided will depend on the level of National Income and in an underdeveloped country it can not be adequate. \(^5\)

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(2) Sharma K.M., Social Assistance in India, p.20.
SOCIAL ASSISTANCE AND SOCIAL INSURANCE:

Social Assistance and Social Insurance have some similar features. Both are social in approach and are organised under a law, passed in this behalf. Both provide a legal title to benefits. However, social assistance, differs from social insurance in the following respects: Firstly, social assistance is purely a Government affair and is financed by the general tax-payer, while social insurance is financed by tripartite contributions. Secondly, social assistance aims to provide minimum subsistence to those who can not make it on their own. Hence the beneficiary has to satisfy a means test for being entitled to benefits. Social insurance schemes, on the other hand, aim to protect a minimum standard of living related to the beneficiaries' immediate standard of living. Thirdly, social assistance is given in gratis whereas social insurance is granted only to those who pay the contribution. Fourthly, social insurance ignores the income and means of liable relation, whereas social assistance makes the beneficiary a first charge on the liable relations. Benefits are given only when the specified relations do not possess sufficient means to support the beneficiary. And, lastly social insurance is introduced when the people for whom it is meant are organized, stable and conscious of their rights and obligations and they understand the various technicalities of the social insurance system so that they may adhere to the rules inherent in it. But social assistance on the other hand, is more appropriate to the people who are too poor to contribute, too scattered to be covered and too incapable of understanding the technicalities.

Apart from these differences "on critical analysis and examinations of the present day movements, it appears that there is an unmistakable tendency of both these movements to intersect with each other and merge themselves in a comprehensive and unified plan of social security."  

A study of the history of the social assistance and social insurance between the two great wars suggests that "social assistance is a progression from poor relief in the direction of social insurance, while social insurance is a progression from private insurance in the direction of social assistance." Thus when this stage is reached, a distinction between the two becomes immaterial.

(3) **ALLIED SCHEME:**

There are many allied measures of social security schemes. Some of them are mentioned here:

(a) **MUTUAL OR FRIENDLY BENEFIT SCHEME:**

These Schemes are financed by the contributions of the beneficiaries themselves. The funds thus raised are utilized for the payment of out of work relief in case of strikes, lock outs and unemployment etc.

(b) **EMPLOYER FINANCED SCHEMES:**

Some humanist and enlightened employers run social schemes for the benefit of their workers. The ultimate objective of such schemes is of securing the cooperation of labour and hence better industrial relations. Such schemes may be voluntary for the establishment employing less than ten workers.

(c) **EMPLOYER EMPLOYEE FINANCED SCHEMES:**

These schemes can neither be classified as social insurance nor as social assistance. At the best they may be called contributory employee benefit schemes. These schemes are generally operated on social insurance principle.

CONTINGENCIES COVERED:

Social Security is an omnibus provision against several social contingencies of economic, bio-economic and biological nature. "A comprehensive scheme of social security covers the contingencies of sickness, maternity, occupational risks, invalidity, old age, unemployment and medical care apart from other provisions made under social assistance measures."\(^1\)

The different measures undertaken to protect the workers from the above contingencies have been discussed in detail in the relevant chapters.

EVOLUTION OF SOCIAL SECURITY:

History of poverty and insufficiency of means to satisfy wants is almost as old as the society itself. Life is exposed to natural infirmity, sickness and other contingencies, during the spell of such infirmities human-being is bound to depend on the support of nature or fellow individuals. "But those who could not fend for themselves had to suffer great privations. The survival of the fittest was the ruling philosophy of the jungleman."\(^2\)

SECURITY THROUGH JOINT FAMILY:

Joint family has been the oldest institution, and the first step towards group insurance. With the advent of family life, the risks began to be pooled together. "The Vedas and the ancient scriptures enjoined people to live in the joint family which was the most effective agency for providing social security in old age, infirmity and unemployment."\(^3\) In a family weak and strong, earning as well as not earning members all live together. The

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(2) Ibid, p.29.
earnings of the members of the family are pooled together in the family exchequer. "From this common fund, maintenance of every individual member is ensured according to the needs. Thus, the head of the family may not perform any economic function; the ailing members may not perform any economic function; the ailing members may not have any income of their own to secure medical care; expectant mothers may not be able to work; and, some members of the family may not be in a position to secure outside employment for earning a living. But all share from the family income."¹ The joint family as a social institution is liquidating fast in the modern times of paid employment and, now family organisation no more provide adequate safety and security to the individuals in the times of distress. "Thus joint family system does provide security to a certain extent. But it is often at the risk of self-respect and the security itself is not fool proof."²

COMMUNITY AND CASTE:

Community and Caste system has been providing helps and protection to their fellow members. Trust and welfare organisations are formed on the collected finance from rich members and these are used to provide benefits to the needy and less fortunate members of their own section. But the principles of collection of donations and distribution of benefits are neither definite nor equitable and nor just. "However, communal approach to the problems of indigence has always been a very loose form of protection. Moreover, the concept of well-knit communities already belongs to the past."³

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RELIGION:

Religious piety provided the most powerful impulse for social welfare and humanitarian work. "Religion is one of such institutions which has done much to maintain the homoeostasis of the society. In the sphere of social contingencies, it has tried to correct the balance through the institution of charity." Great virtues have been attributed to charity in all religions, they have preached their followers to help and protect the poor and needy from the jaws of sorrow and misery. Under Hinduism great importance to charity is given. According to the Bhagwad Gita, Charity can be in the form of direct material aid (Artha) or knowledge (Vidya) or protection against fear (Abhaya). Rigveda, Kautilya's Arthasastra, Manu Smriti, make the king responsible for the care and protection of the helpless, the weak and the aged, and also of the families of deceased soldiers and workers, 'Ram Rajya' the most ideal welfare State, where each and every citizen was happy and prosperous is the dream and goal of modern India to be achieved. The impact of Muslim religion and culture gave a new depth to the concept of charity. Apart from voluntary charity, there is the ordained one, the Sadaqah, which must be given on certain occasions and the compulsory poor tax, the Zakah, which can be collected by the State and funded into a BAI out of which relief may be organised for the benefit of the poor according to the injunctions of the Holy Quran. The Christianity ardently preached that, "If there were no poor, the greater part of your sins could not be removed; they are the healers of your wounds." All other religions have also attributed great virtues to the charity.

But the charity is limited and uncertain, it may not be available to the most deserving person in sufficient amount, when needed most. "The idea of charity is out of date, as such a help is always regarded as degrading, vague, insulting and unsure."  

INSTITUTIONAL MEASURES:

Large scale factory industry began to develop in India from the 1850's, but the industrial development was slow, being confined only to the textile industry that established itself in Bombay and in Bengal controlled largely by British Capital. In India the process of industrialisation began much later than in Europe and America. "While Europe and America were about to complete what may be called the second Industrial Revolution, in India had only started the first." Industrial revolution brought about factory system of production. Opposite to the small scale and cottage industries, factory system of production is based on impersonal relationship between the employer and his workers."It has brought changes of fundamental nature in the socio-cultural milieu. Although modern industrialism has opened new possibilities of material advancement, it has at the same time made the industrial working class more vulnerable to social contingencies. Therefore, a clamour for...... comprehensive protection through social security measures....... will continue till eternity under the new scheme of things." As individual members of small means could hardly provide effective security against the increased contingencies like sickness, maternity, invalidity, employment injury, old age,
death and other emergency expenses, therefore to insure protection from the above contingencies a comprehensive schemes of social security is needed.

The history of social security legislation in India may be categorised under the following heads:

(i) The period of unconcern (Pre-1920 period).
(ii) The period of agitation and haphazard growth (1921 to 1941)
(iii) The period of plan making (1942 to 1948)
(iv) The period of implementation (1949 to 1957)
(v) The period of consolidation and expansion (1958 & onwards)

(i) **THE PERIOD OF UNCONCERN (PRE-1920 PERIOD):**

Although the first cotton mill was started in 1938 near Calcutta, there is no evidence of progressive establishment of mechanised factory, industries in India before the 1850's. By 1851, factory industry had begun to emerge with all its antecedents. But the industrial workers were not organised till then and there was almost no concern shown by the Government for the amelioration of their conditions.

"And even when industrial expansion gathered momentum towards the beginning of the present century provision of social security was not considered an urgent need for many years." It was early in 1850's again that some trouble is reported to have taken place in railway companies on the issue of payment of wages. The conditions of work were so bad and the wages so depressed that other issues of labour interest went by default.

The first labour unrest recorded at the Empress Mills, Nagpur in the year 1877, related to the improvement in the wage rates. And due to continued agitations,
the first Factory Act was passed in the year 1831. "It was due to the lobbying in British Parliament by these interests that factory legislation was introduced in India."¹ The first ever trade union organisation was formed in 1890 by Mr. Narayan Meghajee Lokhande, which he named the Bombay Mills Hand's Association. "Thus, because of late start of trade union activity in this country, attention could not be paid to the problems of social security"²

The development of the idea of compensation for accidents, too, had been very slow in India, "It is true that some generous employers paid compensation to their workers out of accumulations of unclaimed wages, fines etc., but their number was not so large."³ Fatal Accident Act was passed in 1835. It provided for the payment of compensation to the heirs of the victims of fatal industrial accidents not caused by the negligence of the victim himself.

This Act suffered from many inadequacies. The amount of compensation was very meagre. The suit had to be filed in a civil court by the heirs of the victim to claim the compensation which they could not do from distant places. "And, even when, they did sue, there were only slender chances of success against the superior resources of the employers."⁴ The main defect of the Act was that the employers could not be held responsible due to some "ambiguous terms."⁵ Thus the Act remained a

(1) Hasan N., Social Security System of India, p.35.
(2) Ibid, p.35.
(3) Chowdhury Sunil Roy, Social Security in India & Britain p.34.
(4) Ibid, p.34.
dead letter. Therefore, "this period in the history of Indian labour can be characterised as the period of unconcern - unconcern on the part of the Government, unconcern on the part of the employers and unconcern on the part of the workers themselves." 1 A.N. Agrawalla has termed this period as the "period of inactivity." 2

(ii) THE PERIOD OF AGITATION AND HAPHAZARD GROWTH (1921 TO 1941):

The period from 1921 to the time of India's entry in the World War Second, witnessed several political economical and social changes. These changes awaked the sleeping working class to think and fight for better working conditions, and due to this the Government and the Employer were forced to launch schemes insuring them security.

In the field of industrial development, the first Fiscal Commission under Sir Ibrahim Rahimtoola recommended fiscal autonomy to India and Chalked out applicy of discriminating protection. Another significant development of this period was the establishment of the International Labour Organization in the year 1919 of which India became the founder member. Moreover, the Indian National Trade Union Congress was formed at the National level in order to consolidate the trade union representation at the I.L.O. These coupled with a greater speed of industrialization by now influenced public opinion in favour of social security measures for workers. The greatest credit for a change in the attitude of employers and Government towards the problems of labour should, however go to the setting up of

(1) Hasan N., Social Security System of India, p.35.
the I.L.O. under the Treaty of Versailles, ¹
V.K.R. Menon says that "I.L.O. has directly or
indirectly influenced social legislation in India.
The appointment of Royal Commission was itself
influenced by it."²

The I.L.O. passed a convention on employment
injuries in 1921 and asked the member countries
to take steps to ratify it. The Government of
India also examined the possibility of its adoption
but found after its reference to a selected committee
that the convention could not be ratified in its
present form. No step was taken immediately. The
total number of persons injured per 100,000 employees
in 1922 was 512 (14 fatal, 89 serious and 409 minor).
The total of persons injured that year was 6,960
(191 fatal, 1,207 serious and 5,562 minor).³

These figures bring out the fact that proportion of
accidents to operative had risen rapidly. As a
result, the Government of India amended the Factory
Act in 1922 and inserted a new section 43 A in it,
giving power to criminal courts to order the whole
or part of a fine imposed on the employer for an
offence resulting in bodily injury or death to be
paid as compensation to the injured persons, or
in case of death to the legal representatives, i.e.
to the persons or his dependents. This was followed
by the enactment of the Workmen's Compensation Act,
1923, which received the assent of the Governor
General on 5th March, 1923 and came into force with
effect from 1st April, 1924. "It made the employers

¹ Menon V.K.R., The Influence of International Labour
Convention on Indian Labour Legislation, International
Labour Review (Montreal) XXIII, January-June, 1956, p.566

² Ibid, p.566.

³ Government of India, Royal Commission on Labour, 1931
p.59.
singly responsible for the payment of compensation to the victims of industrial injuries. It is rigid in approach and is designed to discourage vexatious legislation between the employers and the employees. For setting the disputes, it has set up tribunals. It also created special workmen's compensation commissioners with defined powers for the enforcement of the provisions of the Act.1 "The Act instituted the idea of absolute risk by abolishing the necessity for the workman or his dependents to prove negligence or moral capability on the part of the employer."2

Another contingency to be protected during this period was maternity. "The I.L.O. had passed the child birth convention (No. 3) in 1919 at the International Labour Conference held at Washington."3 Initiative in this regard was taken by individual State (formerly provinces) and the Bombay Presidency took the lead in the year 1929 and passed the Bombay Maternity Benefit Act (No. VII) of 1929. Later on Whitely Commission examined the question and favoured legislation in other Provinces also on the pattern of the Bombay Act. The Central Provinces Maternity Benefit Act was passed in the year 1930. But after the recommendations of the Whitely Commission in 1931, number of provinces passed their own maternity benefit legislations, Madras (Now Tamilnadu) passed its Act in 1934 (effective from 1st April, 1935). The Bombay Act was amended in 1934 to give effect to some of the recommendations of the Royal Commission.

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1 Hasan N., Social Security System of India, p. 37.
3 Hasan N., Social Security System of India, p. 37.
The original Bombay Act was extended with some modifications to Ajmer-Mewara in 1932 and to Delhi in 1937. The Mysore Maternity Benefit Legislation was introduced in 1937. The United Provinces (Now Uttar Pradesh) Maternity Benefit Act was passed in 1938. Bengal Maternity Benefit (Tea Estate) Act in 1939, Punjab Maternity Benefit Act in 1943, Hyderabad in 1940, Bihar in 1947, Assam in 1944, Orissa in 1953, Rajasthan in 1953 and Travancore-Cochin in 1952. "Thus all the Indian States had passed their own maternity benefit legislation by 1953."¹

Maternity protection to women workers employed in mines was granted under the Mines Maternity Benefit Act, 1941. The Act came into force on 28th December, 1942.

(iii) THE PERIOD OF PLAN MAKING (1942 TO 1948):

Actually the conditions witnessed in the earlier period continued till 1942. "However, from 1942 onwards, several factors emerged which put the social security movement in India on a practical footing."² The causes responsible were as follows:

(a) With the outbreak of the second World War in 1939, acute labour shortage was felt in many industries. Hence, in order to keep up the level of production, and to secure the cooperation of labour a number of concessions were made to working class under the Defence of India Rules (Rule 81-A).

(2) Mamoria C.B., Principles of Social Security, p156.
(b) The appointment of Dr. B.R. Ambedkar as the Labour Member of the Viceroy's Council infused courage in the Government's Labour Policy.

(c) The monumental work of the I.L.O., "Approach to Social Security" (1942), an International Survey, where by it was intended "to prepare the way for the planning of a complete social security programme, in readiness for the post war reconstruction."

(d) The publication of the Beveridge Report in 1942 (U.K.) the Wagner Murray - Dingell Bill in 1943 (U.S.A.) and the Marsh Plan of Canada in 1943.

It may be noted that although the schemes of workmen's compensation and maternity benefits were running in many provinces and the third party liability was introduced in the Motor Vehicles Act, 1938, the need for instituting sickness insurance and a comprehensive scheme of social insurance remained.

Influenced by above mentioned reasons, growing dissatisfaction of Factory labourers, resolutions and recommendations of the I.L.O. and some schemes of sickness insurance by private employers as much by the resolutions of the Labour Minister's Conference of 1941 and 1942, that in March, 1943, the Government of India appointed Professor B.P. Adarkar to draw up a health insurance plan for the industrial workers of this country. In the mean time, in September, 1943 a resolution was passed by the Tripartite Labour Conference which ran as follows:

"This Tripartite Labour Conference recommends that, with a view to provide adequate materials on which to plan a policy of social security for labour, the Central Government, in cooperation with the Government of provinces of British India, Indian States and the Chamber of princes should immediately set up machinery to investigate the question of wages and earnings, employment and housing and social conditions generally."¹

On the basis of this resolution the Labour Investigation Committee was appointed under the chairmanship of D.V.Rege. The Government of India also appointed a health survey and Development Committee under the Chairmanship of Sir Joseph Bhore on 25th October, 1943. The object was to make "a broad survey of the present position in regard to health conditions and health organization in British India and to make recommendations for future development."² Thus a "three sided attack was launched by the Government of India on the social security problem. The Rege Committee was to make investigation, the Adarkar Commission to prepare the blue print and the Bhore-Committee was to plan for the medical care and health services."³

THE ADARKAR REPORT:

Professor B.P. Adarkar submitted his report on 15th August, 1944, just 17 months after he had assumed the charge of his office. The plan was the first comprehensive social insurance to be prepared in India. According to Adarkar, "Social insurance is just one branch of social

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(2) As quoted by E.S.I.C. Review Committee, p.18.
(3) Sinha P.K., Social Security Measures in India, p.63.
security and health insurance is a branch of social insurance."¹ Professor Adarkar had to proceed in terms of the limitations implied in the decision taken at the conference of labour ministers and by the Government of India. But Mr. Adarkar did not confine his report only to sickness insurance but he also made a forceful plea for including maternity and employment injuries in the scheme, so that an integrated plan making provision against sickness, maternity and employment injuries could be introduced. "He framed a scheme for covering the contingency of sickness alone, as he was asked to do, but he conceived of it as a nucleus of a comprehensive social insurance scheme."²

Adarkar's scheme was based on four assumptions:

(a) The early adoption of a scheme of unemployment insurance on a restricted basis and the creations of new employments in the post-war period,

(b) The establishment of a scheme of Old Age Pensions;

(c) Certain pre-medical measures such as environmental hygiene, health education, improvement of housing and nutrition and regulation of wages.

(d) Commencement of a National Health Drive.

Apart from these assumptions, Adarkar based his scheme on the following fundamental principles:

(i) The Scheme must be compulsory;
(ii) It must be contributory;
(iii) It must be simple, clear and straight forward;
(iv) It must be having the existing frame work of labour legislations as its formal basis;
(v) It must not be too ambitious in the beginning;
(vi) It must be financially sound, economic in working and actuarially planned;
(vii) It must minimise disputes and litigations;

¹ Adarkar B.P., Health Insurance for Industrial Workers, p. 12
² Srivastava P.C., Social Security in India, 1964, p. 90.
(viii) It must be workable in peculiar circumstances of Indian Labour and Industry.
(ix) It must be in conformity with International Labour Conventions;
(x) It must not be saddled with financial responsibilities which belong to other measures of social security; and
(xi) It must be sufficiently flexible.

**COVERAGE:**

The scheme was to cover textiles, engineering and minerals and metal industries and also all the perennial factories. But it was not to apply to (i) armed forces, public utility concerns, public employments where the already existing rules for sick pay and medical facilities were not inferior to those provided under the proposed scheme. The Adarkar Plan excluded the workers who had already crossed 60 years of age and those earning more than Rs.200/- as monthly wages.

The exclusion of workers beyond 60 from the purview of the scheme, if they are permitted to continue to work, merely because the cost of their coverage would be a little higher than usual was not justified. It may be noted that social insurance is social in approach and provides protection on cooperative basis. It ignores individual rates of morbidity or other cost factors in providing benefits. Those drawing no benefits because of non occurrence of the contingency do not get a refund of their contributions ipso facto nor do those who draw higher benefits than others pay higher contributions.

"It stands scrutiny on the principles of social justice to provide protection to all workers falling in the defined group with total disregard of their age and health. Income ceiling of course, does not run counter to the established practices of social insurance as the idle
rich are excluded from social security protection only because they do not need it.\(^1\)

**CONTRIBUTIONS:**

Professor Adarkar held contributory principle, fundamental to the scheme. All permanent and temporary (excluding casual) workers irrespective of their wages were to pay contributions. Employer had to pay a uniform flat-rate contribution in respect of all covered employees whether permanent, temporary or casual. Workers were divided into three categories viz., 'A' Category, those earning more than Rs.1/- as their daily wages, 'B' Category those earning from 8 annas to Rs.1/- and 'C' Category those earning below 8 annas per day. The following table shows the contribution structure of the Adarkar Plan:

<table>
<thead>
<tr>
<th>Contributing Parties</th>
<th>Class 'A'</th>
<th>Class 'B'</th>
<th>Class 'C'</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. As. Ps.</td>
<td>Rs. As. Ps.</td>
<td>Rs. As. Ps.</td>
</tr>
<tr>
<td>Workers</td>
<td>- 12 -</td>
<td>- 8 -</td>
<td>- 4 -</td>
</tr>
<tr>
<td>Employees</td>
<td>1 4 -</td>
<td>1 4 -</td>
<td>1 4 -</td>
</tr>
</tbody>
</table>


Although Professor Adarkar was supposed to recommend a scheme without Government contributions, but he recommended that the total Government contribution should amount to 8 annas per employee at a flat rate of which Central Government should pay at the rate of 2 annas and State

Governments, at the rate of 6 annas per employee. An alternative pattern of contributions without reckoning to Government contributions was also suggested by Professor Adarkar.

It is evident from the perusal of Table No. 6.1 that in Adarkar Scheme, the employer paid in respect of each employee at the higher rates than the employee beneficiary himself and even the low paid employees were not exempted from contributions. "This recommendation was made in keeping with the international practice and also the capacity to pay principle......This departure was made in order to uphold the worker's self respect and sense of belonging so that nobody could think that the benefits under the scheme accrued as charity!"¹

FINANCIAL STRUCTURE:

According to the financial structure of the proposed scheme, the common fund was to meet: (a) the cost of cash benefits; (b) two-thirds of the cost of medical care to be provided to the insured person; (c) one-third of the cost of medical care to the family of the insured person. Central Government was to bear two-thirds of the cost of administration of the scheme. The State Government were to share: (a) the residual cost of medical benefit of the insured persons and their families; and (b) the cost of sickness benefits paid in excess of the estimated actuarial average rate of morbidity which, according to the Actuarial Advisory Committee, was 14.6 days per person per year.

Professor Adarkar estimated the cost of the scheme at Rs.2.50 lacs. The proposed contributions from different

¹ Hasan N., Social Security System of India, p.48.
parties were expected to bring the following sums:

<table>
<thead>
<tr>
<th>CONTRIBUTORY PARTY</th>
<th>AMOUNT OF CONTRIBUTION</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employees</td>
<td>52 Lacs</td>
<td>21%</td>
</tr>
<tr>
<td>2. Employers</td>
<td>126 Lacs</td>
<td>50%</td>
</tr>
<tr>
<td>3. Government</td>
<td>72 Lacs</td>
<td>29%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>Rs. 250 Lacs</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>


"It may thus be seen that the employers were expected to contribute at more than double the rates of the employees' contributions and the Government at 1.35 times of the employees' contributions. In view of the low wages prevailing in almost all Indian industries, it appears quite tenable to claim a subsidy from the employers and the Government on behalf of the workers."

Professor Adarkar also recommended that Government should guarantee the solvency of the Scheme by granting interest-free loans. He further recommended the creation of a Contingency Reserve Fund and an Epidemic Reserve Fund in order to meet the unforeseen situations. The Sickness Insurance Fund was to be operated on the assessment principle under which the resources of the Fund may be sufficient for meeting the year to year expenses.

BENEFITS:-

The benefit scheme under the Adarkar Plan included cash as well as medical relief measures. The total benefits were to cost Rs. 206/- Lacs of which Rs. 100 Lacs (40 percent) were to be distributed as cash benefits and the medical services were to cost Rs. 106/- Lacs (42.5 percent) of the resources. Another Rs. 13/- Lacs (5 percent) was to be appropriated to the Reserve Funds and cost of administration was to take Rs. 31/- Lacs (12.5 percent) of the total cost of Rs. 250/- Lacs of the scheme. The proposed cost could support a sickness rate of 15.1 days per employee per year.

The Scheme prescribed no waiting period and the cash benefits were payable from the first day of the qualifying sickness. Different types of workers, were recommended different benefits as follows:

(i) A Casual worker were not to receive cash benefits, but he was only entitled to medical benefits.

(ii) A temporary worker was to receive cash benefits only for a maximum period of 45 days in a year along with entitlement to medical benefits.

(iii) A permanent worker was entitled to full benefits and he was to draw benefits for a maximum period of 90 days.

Cash benefits were to be paid at the following rates:-
### TABLE NO. 6.3
Cash Benefits Under the Adarkar Plan

<table>
<thead>
<tr>
<th>BENEFIT PERIOD</th>
<th>CLASS 'A' ANNAS</th>
<th>CLASS 'B' ANNAS</th>
<th>CLASS 'C' ANNAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Until the first 6 contributions are paid.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(ii) After 6 contribution and upto 24 contributions (Partial benefit)</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>(iii) After payment of 24th contribution (Full cash benefits)</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>

* One Rupee which is now equal to 100 Paise consisted of 16 Annas in the old currency.

### MEDICAL CARE:
Professor Adarkar recommended a separate medical service due to following reasons:

(i) For insuring correct and reliable certification and to reduce morbidity incidence.

(ii) A system specially meant for insured persons can look to their needs better than a general medical system.

(iii) General Medical Service may not be able to develop industrial medicine to the same extent as a medical service associated with health insurance organisation directly.

(iv) The atmosphere and treatment in public hospitals is unsatisfactory.
Professor Adarkar recommended that it should be organised as a salaried medical service to be controlled by the sickness insurance authority. However, it was also recommended that a panel system of medical care should be organised in such areas where industrial proletariat is small.

The Adarkar report was the first official publication in which the subject was freely and fully discussed and the need for state subsidy was emphasised. That was a bold document. "Mr. Adarkar deserves praise for his keen foresight in looking beyond the narrow groove in which the Government, employers and workers had found themselves placed." ¹

MODIFICATION BY I.L.O. EXPERTS:

In 1945 the Government of India obtained the help of two social security experts M/s M.Stack and R. Rao of I.L.O. to examine the Adarkar Plan and to advise them on the subject. "They praised the scheme in high terms and broadly agreed with the recommendations contained in it. They agreed with the Adarkar Report on the Unification of sickness insurance scheme with that of maternity benefit and employment injuries and endorsed that recommendation without qualification."² However, in a Note on Adarkar Report they suggested that, "the scheme should provide for compulsory insurance for all persons employed for remuneration in or about registered perennial factories by or on behalf of the owner for the purpose of his trade or business, including workers detached on temporary jobs outside the factory premises."³ Other modifications suggested by the experts were with

(2) Hasan N., Social Security System of India, p.53
(3) Published from Delhi in 1945.
regard to the classification of workers, contributions benefits, organisation of medical services and financial structure of the scheme.

The modified scheme of sickness insurance was submitted to the Government of India in 1945. Shortly later, the talks for forming a national Government in India gained ground. The modified scheme was studied by the Government of India. Accordingly, the Government of India introduced the workmen’s State Insurance Bill on 6th November, 1946 which was based on the modified scheme with some changes. After some discussion, the Bill was passed into the Employees’ State Insurance Act of 19 April, 1948 and thus, dawned the era of social insurance for the Industrial workers in India.

Mr. Adarkar prepared two other social insurance schemes viz., (i) maternity insurance scheme for mine labour, (ii) sickness, employment injuries and old age insurance scheme for Indian Seamen. Both the schemes were on the basis of tripartite contributions. "In this period, however, no concrete step was taken to give practical shape to any of these schemes."¹

THE EMPLOYEES’ STATE INSURANCE SCHEME:

The Employees’ state insurance Act (E.S.I.) bore the main feature of the modified scheme but it made occasional departure also. It applied to all perennial factories with the exception of State factories. "Whereas the Adarkar Scheme envisaged a three fold classification and modified scheme a five-fold, the E.S.I. Scheme laid down eight classes of workers."²

The Employer was made solely responsible for paying contributions both on their own behalf as well as on the behalf of the employees.

² Hasan N., Social Security System of India, p.59.
The Act laid down a waiting period of 3 days. This was a departure from the recommendations of the Adarkar Commission and acceptance of the modified schemes.

Thus, serious thinking that started in the early 1940's for providing contingency protection against sickness, maternity, employment injuries and allied contingencies culminated into an integrated scheme by the end of that decade and the scheme now forms the mainstay of social security planning in India.¹

(iv) THE PERIOD OF IMPLEMENTATION (1949 to 1957):

The period from 1949 to 1957 may be called the dawn of era of social security. This period differs from the rest of the social security history in many ways.

(a) Social insurance principles were accepted as the main basis of social security legislation in India.

(b) An integrated approach to the problem of health insurance was made for the first time comprising sickness, maternity, employment injuries and allied contingencies.

(c) In many of the Indian States social assistance measures were taken for the first time.

(d) Compulsory provident fund schemes were introduced in factory industries.

(e) Protection was sought to be provided against certain types of unemployment of industrial workers and,

(f) Measures of work relief were undertaken on a large scale for fighting the prevailing unemployment

(1) Hasan N., Social Security System of India, p.60.
During this period, the Employees' State Insurance was introduced for the first time as a pilot project in only two industrial centres, Kanpur and Delhi covering 1,24,000 workers on February 24th, 1952.

State Governments introduced the schemes of Old Age Pensions for the benefit of the destitute aged. Uttar Pradesh was the first State which took lead in the matter by granting old age pensions from out of the State exchequer to those aged 70 or more and having no 'liable' relations.

Employees' Provident Fund Scheme was introduced in 1952 on compulsory basis for the benefit of factory employees. "Although some enlightened employers were running similar schemes before this but they were mostly voluntary measure......... The E.P.F. Scheme has a legal sanction behind it." Apart from this the Government of India promulgated the coal Mines Provident Fund and Bonus Schemes Ordinance on 23rd April, 1948 which was later replaced by an Act on 3rd September, 1948. The scheme was to run on similar lines for the benefit of certain categories of co-operative workers.

(v) **THE PERIOD OF CONSOLIDATION AND EXPANSION (1958 AND ONWARDS):**

The measures and steps so far taken in the sphere of Social Security in India were separately conceived and executed so that there has been much overlapping and confusion. Integration of the various measures of social security under the auspices of a single organisation was needed most.

The Government of India Ministry of Labour and Employment set up on 3rd August, 1957, a study group on

(1) Hasan N., Social Security System of India, p.61.
Social Security under the Chairmanship of V.K.R. Menon. The terms of reference of the Group was inter alia to "study how these schemes (of social security) and any other privileges given to workers could be combined in comprehensive social security scheme." They recommended however, "the unification of the E.S.I. and E.P.F. Schemes under only one single Organisation with single contribution for cash benefits in case of sickness, maternity and employment injuries and medical provisions plus old age, invalidity and survivorship pension-cum-gratuity payments."

The Employees' State Insurance Scheme Review Committee was set up in June 1963 by the Government of India, Ministry of Labour and Employment under the Chairmanship of Shri C.R. Pattabhi Raman, the terms of reference of the committee was "to review the working of the Employees' State Insurance Scheme and to recommend what modification or change in the structure and organisation of the Employees' State Insurance Corporation would be necessary to insure more satisfactory functioning of the Scheme." The committee submitted its report on 8th February, 1966 with a note of dissent with regard to wage limit for exemption, the waiving of the waiting period and the no claim to be paid to the beneficiaries who did not draw any benefits during a specified period. The committee made 175 recommendations of which 115 were accepted by the Government.

The National Commission on Labour, 1969 has also recorded their views on the working and reorganisation of social security system of India. The committee mostly agreed with the recommendation of the E.S.I.S Review Committee. The committee observed that, "an ideal arrangement will be to gradually work towards a comprehensive

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(1) Vide the Report of the Study Group on Social Security. Para 22 (i) (C).

social security plan by pooling all the social security collections in a single fund, which different agencies may draw upon for disbursing various benefits according to needs."

It may be concluded from the above study that the movement of social security began only in the late forties with the enactment of the Employees’ State Insurance Act, 1948. The older schemes might not have thought that the modest beginning then made would blossom some day in future into a full-grown social security system. However, "there are many weaknesses in the present schemes and many gaps to be filled in before a comprehensive scheme of social security can be installed. Thinking both in Government Circles and outside is going on in order to fill the gaps and remove the weaknesses."

Manoria observed, "some protection is certainly there, though it falls much shorter of social insurance needs. There have been many Acts of the Government to provide some protection to workers against accidents, maternity and sickness, and some efforts in other directions have also been recently made." Emphasising the importance of social security measures the VIth Plan envisages "Expansion of social security measures result in multiple advantages. Several social security measures like Employees State Insurance, Employees Provident Fund, Gratuity, Maternity Benefits etc. have been in operation, however their coverage is limited mostly to the organised sector."

(1) Hasan N., Social Security System of India, p.63
It may be concluded here that a foundation has been laid, on which a social security system covering the industrial workers in case of social contingencies may be developed on a more sound footing. "This would pave the way for ushering in an era of unified blanket coverage at some future date."\(^1\)

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(1) Hasan N., Social Security System of India, p.63.