CHAPTER 5: Conclusion and Suggestions

In India while looking at demographic profile of the country considering all the conceptual issues it can be concluded that no single approach of social security schemes and laws to provide social security, will be adequate. The problem can be solved by a multi-pronged approach that would be relevant in the Indian context. The International Labour Organisation also admits that it is convenient to regard social security services as only such schemes as to provide the citizen with benefits designed to prevent or cure disease, to support him when unable to earn and to restore him to gainful activity. (ILO, Geneva, 1991)

According to the International Standard of Social Security there are several conventions and recommendations of the ILO concerning social security. (Report National Commission, 2002) The following are classified as comprehensive standards:

(1) Recommendation No. 67 Income security, 1944.
(2) Convention No. 102 Social security, 1952.

India subscribes to the principles underlying all the Conventions and Recommendations but it has ratified the following Conventions only so far as social security is concerned.

(i) Unemployment Convention 1919.
(ii) Workman Compensation (Occupational Diseases) Convention 1925
(iii) Equality of Treatment (Accident Compensation) Convention 1925
(iv) Workmen's Compensation (Occupational Diseases) Convention 1925
(v) Workmen's Compensation (Occupational Diseases) (Revised) Convention, 1934.
It might not be possible to ratify all the conventions of the ILO immediately, but it is desirable to plan for their eventual ratification by upgrading laws and practices, beginning with the Minimum Standard Convention.

In India, basically the government has adopted a dual strategy in the matter of social security. For the 8 percent workforce engaged in the organized sector, the government has introduced a variety of social security schemes through a series of legislations. The occupation wise distribution of employment indicates that 62 percent of the workers are engaged in agriculture, 11 percent in industry and 27 percent in the services sector. A characteristic feature of the employment situation in the country is that the percentage of workers employed on regular salaried employment (16 percent) is small. The bulk of the workforce is either self-employed (53 percent) or employed in casual wage employment (31 percent). [Annual Report GOI, 2007-08]

Social security systems themselves have come under close scrutiny and measures are being taken to make them work better. Governments are trying to improve strategic planning of social security and indeed of social protection as a whole. Better institutional arrangements are being made in order to increase democratic accountability and to prevent failures of governance such as have occurred in a number of developing countries. Though the government has adopted multiple strategies for provision of social security for the organized labour, they are usually funded by employers and in some cases by employees also.

Employers’ liability schemes for the organized sector are notoriously subjective in their approach, and social assistance schemes for unorganized sector are usually subject to tremendous budgetary constraints. Employers, workers, and their unions are unhappy with the way in which the provident fund and employees state insurance schemes are administered. The staff costs and leakages in social assistance programmes are in some cases very high. It is for these reasons that the government came out with a proposal to introduce a Skills Development Fund with a levy on the wage bill. Employers’ organizations resisted the move apprehending that the extra burden of the levy may be spent mostly on staff costs and other administrative overheads with scant provision of skill upgradation of the target group. The Directive Principles should be followed by a system of protective labour legislations. Most of the legislations should be related to provide certain minimum standards of employment and social security to the working class. In plan after plan also labour
laws were emphasized as the means of social justice to the working class. Labour laws were expected to be supplemented by the instrumental role of an expanding labour bureaucracy. A number of laws have been enacted which need simplification. There is a great need to amend various labour laws as many of these laws have become very old and they may have served for a particular purpose when they were enacted.

Excepting gratuity, all these schemes are largely funded by employers and administered by the government. Employers contribute to a variety of social security benefits as following:

4.81 percent of wage for every year of completed service subject to a ceiling of 3.5 lakhs; 12 percent of basic wage and dearness allowance as employer's contribution to provident fund, 4 percent by way of ESI contribution, 8.33 percent to 20 percent towards bonus. There are also many instances of mutual benefit thrift societies, consumer cooperatives, etc., to encourage savings, loans on concessional terms, and the provision of essential commodities and daily necessities at cheaper rates. These are largely run by employees and their unions through cooperatives and usually with support from the employer. Employers also provide a variety of non-statutory benefits to provide for children's education, medical care, accident insurance, housing assistance, employment on compassionate grounds, etc. The total cost to companies on account of these social security and welfare benefits would amount to at least 40 percent of the wage bill.

The pressure for employer-provided medical care has increased in view of the inadequacy of public health care programmes on the one hand and the mounting health care costs on the other. Where an annual ceiling exists for domiciliary treatment and hospitalization, collective agreements may provide for allowing the unspent amounts to be accumulated. Encashment at the time of retirement after a minimum period of service may also be encouraged to prevent the abuse of medical benefits while in service.

Medical care and health benefits, other than those provided under the ESI Act, are applicable only to full-time permanent employees. Thus, over 90 per cent of the workforce in the country is excluded from the provision of meaningful health care. There will be pressure to provide medical care for casual, contract, and part-time workers. The 1989 agreement in the Indian Iron and Steel Company Burnpur, for
instance, extended several benefits including the voluntary retirement scheme to contract workers.

In the public sector, particularly in banks and core sector industries like steel, coal, petroleum, etc., the medical benefits are virtually unlimited to all full-time permanent employees. Reimbursement of expenses for major ailments is at least 75 percent of the total expenditure incurred, if not 100 percent. However, in the private sector, with the possible exception of certain organizations like the Tata Iron and Steel Company, medical benefits for non-executive employees is usually limited to a maximum of a few thousand rupees, including both domiciliary and hospitalization expense. The entitlements rarely exceed Rs.20,000, and only in exceptional cases go up to Rs.100,000 or more. In a few public sector companies, the life time limit per insured employee was raised to Rs.250,000 per insured person (Hindustan Petroleum Corporation Limited, for instance) and, in exceptional cases, an annual limit of Rs.300,000 per insured person subject to a ceiling of Rs.150,000 per illness (Industrial Credit and Insurance Corporation of India, for instance). In comparison, it is rare to find private sector companies providing insurance cover on such liberal terms. It must also be emphasized that in small private sector firms, which are not covered in this survey, the maximum a company would spend on an employee and his/her family in a year for health care would be one month's basic pay. The limits do not apply to statutory liability of employers concerning injuries/accidents arising out of or in course of employment.

The tendency to convert some health related benefits into cash, due to the pressure of workers demands as well as to overcome some of the administrative problems, defeats the very purpose for which such benefits were created. Examples of this include converting the practice of providing milk to those who work in certain industrial processes for compensating against energy loss and vitamin deficiency into cash payments.

In 1993, the Life Insurance Corporation (LIC) introduced a scheme to provide insurance cover for four major ailments, namely, cancer, tuberculosis, kidney problems, and heart diseases, and discontinued the scheme after a few months, as announced by it at the time of launching the scheme itself. The mediclaim insurance policy offered by the four subsidiaries of the General Insurance Corporation provide only one standard plan that fails to meet the varied requirements of different groups of individuals. The health care insurance benefits do not fully cover costs and do not
provide for escalation in rising costs of chronic ailments. The ceilings are woefully inadequate and the schemes exclude people over 75 years of age, post-hospitalization expense even in major illnesses, caesarean delivery, AIDS, etc. Largely due to the monopoly of the insurance business and partly due to the ignorance, negligence, and other difficulties of the insured persons and the beneficiaries, the services of insurance companies are far from satisfactory. For example, there are long delays in the settlement of claims. In the 1990s, however, some public sector companies, particularly the oil sector, have been able to negotiate on better terms with the health insurance companies. As a result, in the Hindustan Petroleum Corporation Limited, for instance, the health insurance benefits of its non-executive employees were considerably improved. Not only have the limits for various items been raised substantially, but also the insurance cover is provided for lifetime without age restrictions. The quantum and range of benefits is a function of the choice of the scheme and affordability in terms of premium payable, with or without contributions from employees concerned. On matters concerning wages and benefits for non-executive employees in India, it is usually the public sector that sets the pace. As regards executive employees, particularly at the higher echelons, however, the private sector is the trendsetter rather than the public sector. Therefore, it can be reasonably expected that such improvements will become the order than the exception in the large-scale private sector firms too.

Post-retirement medical care benefits, which has acquired a new dimension with early retirements and soaring medical costs, will be an important item on the agenda of collective bargaining. The inadequacy of the ESI Scheme and health insurance plans call for their drastic overhaul. Health insurance and accident insurance covers need to be made more comprehensive, with higher and varied monetary limits, and the mediclaim schemes should be made portable with no age limits. Apart from these, there is also a need for innovative schemes to provide full cover for treatment of chronic diseases like tuberculosis, cancer, heart and kidney failure, as well as drug abuse, AIDS, etc.

Employers need to evolve new approaches to communicate customized health care information to suit the varied employee groups, and introduce novel plans to reward healthy lifestyle behaviours such as variable deductions for smokers and non-smokers. They should insist on the inclusion of performance standards and guarantees
in contracts with health care providers to ensure equality services at comparable cost and use report cards to rate health care providers and help employees make informed health care choices. Employers may also, as some do in developed countries, establish networks comprising medical professionals with a proven track record of containing costs and delivering high quality.

Safety has entered the agenda of collective bargaining in a big way since the Bhopal gas tragedy in December 1984 in which several thousand employees and others were killed in an accident in the Union Carbide Plant. The Factories Act was amended incorporating several tough provisions in Chapter IV-A relating to hazardous processes. The Safety Committee consisting of equal representation for both workers and management is made statutory and the members and the committee are vested with rights. Even the workers right to information, etc., are explicitly mentioned in the amended Act. Nearly a decade later, some of the central trade union federations have also formed an umbrella organization called Trade Union Programme for Environmental Protection (TUPEP). Convention No.155 of the ILO gives employees the right to refuse work if the workplace is considered potentially unsafe. The 1987 Bank Computerization agreement concedes the pregnant women employees in banks the right to refuse to work before computer terminals. In quite a few cases, safety and health issues were also negotiated in return for a cash compensation or allowance. To the extent that these gave employees and their unions a say on matters concerning their own safety, this is a welcome development. However, to the extent that this leads to safety being negotiated for a price, it is an unwelcome development.

In the sphere of safety and environment, particularly the latter, the non-governmental organizations (NGOs) and public interest litigation by environmental lawyers such as M. C. Mehta have played a major role. Various high court and Supreme Court orders the closure of several thousand units in Delhi, Tamil Nadu, Kanpur, West Bengal, and Gujrat are a step in this direction. Given the perceived short-term trade-off between environment and jobs, a section of employers have argued that the environmental control should be more strictly applied prospectively than retrospectively. Actually, during the short-term also, attention to environmental control should be more strictly applied prospectively than retrospectively. It is true, however, that during the short-
term also, paying attention to environment may create job displacement than net job loss—some may lose their jobs, while others may find new opportunities.

In 1991, new legislation on public liability insurance was brought in to deal with the problem arising out of settlement of claims of victims in industrial and other disasters. Though some of these measures became possible through means other than collective bargaining, the role and contribution of tripartite consultations among government, unions, and employers should not be underestimated.

Employers in India, by and large, consider their responsibility to be limited to initiating formal measures aimed at meeting the legal obligations including the provision of protective equipment, etc. Employers generally seem to have a condescending view regarding the attitudes and ability of workers to participate on environmental issues. Consultations in participative form are usually confined to matters relating to safe work practices, training in safety, safety awards, good housekeeping practices, etc., rather than on subjects such as pollution control and prevention. In recent years, the pressure of competition is making employers take the initiative to involve workers in searching for ways and means to reduce costs through reduction of waste, better utilization of inputs (including energy), etc., which directly or otherwise manifest a concern for a better environment.

Though collective bargaining is beginning to address itself to issues concerning occupational safety, health and workplace, and community environment there is a need for restraint in treating health, safety, and environmental issues as bargaining points. In developing countries such as India, the trade-off between the environment and jobs, occupational health, and safeguarding employment, which is a source of livelihood, may, in the short run stall efforts at making the workplace and community environment clean and safe. Alongside greater employee participation, citizen initiative, community interest groups, and consumer rights fora can and should put greater pressure on environmental conservation in a preventive rather than merely curative spirit.

The main conclusions that can be identified after analyzing all the benefits under distinct schemes followed by various acts provided to the workforce concern the following:
5.1 Extending the coverage of social security

Wherever possible these schemes should be compulsory. Where this is not feasible, as in low-income developing countries, support should be given to micro-insurance and other grass roots initiatives that can provide some form of risk-pooling. Appropriate social assistance measures should be developed for the most vulnerable groups of the labour force.

5.2 The need for the good governance

Not only is a good system design vital, but close attention had to be paid to the establishment of suitable institutional arrangements and to the efficient administration of the social security schemes. At the design stage, enough time has to be allowed for research and planning. In determining the institutional structure, it is essential to bear in mind that schemes almost invariably work better if the workers whom they serve participate in running them. Finally, there is no substitute for well-trained and motivated staff equipped with the systems and powers necessary to collect and record contributions and to calculate and pay benefits accurately and on time.

5.3 The link between social security and gender

Improved income security for women presupposes greater equality between women and men both in the home and in the labour market, with improved access of women to paid work. Practical measures are required to help men and women combine paid employment and caring responsibilities within the family. Compulsory social security coverage needs to be extended to the special categories of employment in which women are heavily employed, notably part-time and home-work. Conversely, schemes that directly or indirectly discriminate against women should be eliminated or at any rate accorded a reduced role. When gender equality leads to cutbacks in benefits for women, it is indispensable to have a careful and gradual transition process.
5.4 Affordability and the positive economic effects of social security

Improving the income distribution which is particularly skewed in many developing countries, is something which can be achieved in the long term, for e.g., through better education and training. Thus, these measures not only improve the earning power of those educated and trained but also help to enhance social security. In a wide variety of ways it helps to raise productivity. It helps guarantee social security, a major factor in economic prosperity. Social security is not only morally indispensable but also economically viable. An efficient economy and an effective system of social protection are both essential for the attainment of income security and a stable society. Striking a balance between the two is in line with the primary goal of the ILO, securing decent work for all and in tune with the economic and political realities of our times.

While, pension’s schemes were earlier designed to reward people for long and loyal service, this is not the case any more. Now people want to take away their cash-balance pension money with them when they shift jobs so that they do not lose their pension contributions, whether they are in the late 20s or the late 50s. Employees who stop working midway because of their career can still accept to receive a substantial benefit in cash balance plan or even more than they could receive under most traditional defined-benefit pension plans.

In an environment of high labour turnover, workers consider pension benefits a long way from retirement as irrelevant given the weak prospect of lifetime employment. Companies must also realize that they cannot make workers tied to them because of pension. As pensions become portable, employers have begun to introduce age-weighted profit-sharing plans.

It is further, suggested that like pensions, provident fund and health benefits too can be portable. For instance, in India, provident fund has been made portable already. But as per requirement, health plans too need to be made portable. The existing health insurance schemes benefit, the insurance companies more than the companies and the individuals who give business to the insurance companies. Since health insurance premium increases with age at the time of insurance and is also based on past medical history, the workforce in a high labour turnover environment feel that they are
considered a fresh when they shift from one company or group insurance to another company or group insurance.

By leveraging information technology it should be possible to issue a social security number at the time of registration of birth as in the case of Germany (Report GOI, 2006). This would facilitate the tracking of the movement of people, even in the vast and growing unorganized sector. Efforts to computerize the provident fund administration and extend the benefit for all employees, including those in casual and contract employment, from day one is a right step in that direction.

Several reviews of the ESI and Provident Fund schemes have been made, and in recent years, with the use of information technology, more information is also available. While the objectives of the schemes and the benefits under them are laudable, there is a growing concern and disaffection with the high costs of administration, low quality of service manifest by poor quality drugs, discourteous behaviour, delays, inefficiencies and even allegations about rampant corruption in dispensing benefits.

The government has taken initiatives to reduce the number of returns and registers to be maintained, computerized the system of accounting, and set up a National Institute for Training and Research in Social Security. While these are steps in the right direction, their effect on the quality of service and administration of relevant social security benefits is still not palpable. The Employees Provident Fund Organization is always be in demand for timely issue of statements of accounts and settlement of claims. There is also a feeling among the members that the organization is not doing well to maintain the intrinsic value of their savings, which is otherwise eroded by the effect of inflation. Members accept a better return on their savings and hassle-free transactions through a passbook and a more convenient mode of delivery such as a bank branch or a post office.

Significantly, the Employees’ Pension Scheme was amended in 2005, making it obligatory to settle claims within 30 days and pay 12 percent interest to the claimant for the period of delay, which would be recoverable from the salary of the Provident Fund Commissioner concerned.
Social security and employee welfare funds should be established when the firms and the national economy are doing well. Unfortunately this has not been done in adequate measure.

In the context of structural changes in the economy, with increasing incidence of unemployment among the educated and with large number of the employed in the organized sector either swelling the ranks of the employed or sliding back into the unorganized sector, the problem of providing income security to the workers affected by restructuring at enterprise and economy levels is tremendous, a task that the National Renewal Fund (NRF) could not measure up to. Except for a handful of cash rich companies, others have difficulty in achieving workforce adjustments through early and voluntary separations. In many sick companies, workers have been without pay or benefit revision since 1992. In many other units in limbo, workers have jobs, but not incomes. In several other chronic cases, the workers lost their jobs but did not get even their statutory dues.

The Government of India too is expected to face a serious problem in sustaining the commitments it has made to its employees with regard to pension and other retirement benefits. Already, with the recommendations made by the Fifth Pay Commission, which have been accepted by the Government, pension commitment forms 10 percent of the central government budget. Due to increasing longevity and inflation and the prospect of few income earners having to support more pensioners, the commitment on pension is likely to account for one-third of the government budget. (Report National Commission, 2006)

There is a need for better generation of funds to augment social security provisions. Firstly, budgetary provision could be increased from the present less than 2 percent to at least 6 percent over the next few years. Secondly, a strategic approach which seeks a better balance between risk and return while investing in social security funds is needed so that the yield from a given size of fund increases considerably without incurring undue risk. Thirdly, there is a need for a dual approach to deal with the accumulated problem of the past in making arrangements for income security to the large numbers who would become redundant in the process of integration with the global economy. Additional sources of funds for this should come from contributions
from the World Bank and the International Monetary Fund (IMF), special budgetary allocations, part of the sale proceeds of surplus land in sick and closed units, part of the disinvestments proceeds, etc. For future perspectives, companies should be encouraged to subscribe insurance policies to cover market risks of unemployment with a view to provide income security with defined contributions and benefits. Such insurance scheme covers the problem of frictional unemployment, not the general unemployment of fresh entrants into the labour market. For the latter category and for the unorganized sector, the government has inherent responsibility.

Though the social security schemes and benefits for the workforce in the organized sector differ in their scope, there is a significant overlap in their coverage of clients. This provides the rationale for integrating various social security schemes and extends the coverage to even larger sections of the workforce. This would lay the foundation for a comprehensive social security scheme, reduce the overhead costs of the administration of individual schemes, and make it easy for employers to comply with statutory and non-statutory returns and save themselves from avoidable harassment from a battery of inspectors separately under each scheme. Since the mid-1950s, several committees and commissions, the Indian Labour Conference, and even Parliament committees have been debating the case for integration, and the tangible benefits that accrue from it. The First National Commission on Labour (1969) endorsed the proposal with a recommendation to extend the scope of an integrated social security scheme to cover retirement and family pension and unemployment insurance.

The second National Commission echoed similar views, as did the National Labour Law Association whose Draft Labour Code (1994) favoured the setting up of a National Social Security Authority of India, with central and state boards of social security as autonomous corporate bodies, merging all existing schemes and coming up with modified version of benefits that provide a comprehensive coverage of social security benefits. Instead of duplicating a costly administrative structure by setting up separate branches for administering social security benefits, post offices and bank branches could be used to administer the benefits.

The problem of sustainability of social security measures in terms of financial viability, arising out of accrual to the fund being not in proportion to the demands on it, is likely to become worse due to changing workforce demography and structural
adjustment dislocations. The financial management of the fund is subject to the trade-off between risk and return and is such that the costs are going up and the returns are yet to be of the kind that will generate surplus. Currently, the government controls the larger part of the administration of the Programme, in which mis-management and corruption is widespread.

The government continues to have a welfare orientation but is both reluctant and unable to raise contributions commensurate with the needs from its budgetary resources. The government’s prime concern seems mainly to encourage savings in the economy. Social security contributions from the bulwark of household savings, and are seen by the government as a cheap substantial resource for financing its own activities.

While employers want income and other sources of security for their employees, which is efficiency enhancing and encourages their commitment and loyalty, at the same time employers want to reduce the incidence of the cost of social security. Some employers default on their social security contributions and, worse, even use them as working capital. Despite pressure from the government the token penalties have failed to serve as a deterrent. Workers’ interest continues to lie in seeking further improvement in existing benefits and to obtain pension as a third retirement benefit (provident fund, gratuity, and pension). Recent collective bargaining agreements in the traditional manufacturing sector have been concentrated on higher demands for non-wage benefits, including post-retirement and deferred payment benefits. This has been encouraged by certain tax provisions and deferred payment arrangements as well as flexibility of borrowings. The young workforce in the new economy industries, however, is more keen to have everything in terms of current and cash payment.

Employee shareholding and profit sharing are becoming a universal phenomenon particularly in the new economy industries like information, communication, and entertainment. This is gradually spreading to other sectors as well. Its impact remains to be seen.

Social security benefits should be extended more meaningfully to the unorganized sector and not only for the employees, but also for the unemployed, old, invalid, and the destitute. Recent initiatives for social security by the central and state governments and insurance companies and NGOs towards the provision of social
security benefits to the unorganized sector and the hitherto socially excluded vulnerable sections of the population are promising, provided the trend is sustained and reinforced. The forces of globalization, and the subsequent liberalization leading to restructuring of the economy and enterprises have accentuated the social security needs. The strategy to deal with the mounting problem of the accumulated past needs a different approach than the strategy to deal with future risks.

There are various provisions under different acts that need to be amended. The following suggestions may be considered for improvement under the ESI scheme:

1. The scheme neither covers all risks nor is it applicable to all the working population. It is strongly needed that the benefit structure of the ESI scheme be unpacked and provision be made for extension of the ESI scheme for one or more benefits separately or in groups. The coverage of the Act needs to be extended to agricultural workers and self-employed persons.

2. It is further required that immediate steps must be taken to extend the scope of the Act for purposes of Employment Injury Benefit and Maternity Benefit throughout the country without waiting for the corresponding provision for medical benefits.

3. The liberal issue of sickness certificates by Insurance Medical Practitioners had increased absenteeism in the industries. The concerned authorities should exercise strict control in this regard.

4. The trade union officials and the workers should be educated about the principles underlying the insurance scheme and specific provisions of the act.

5. When the constraints on extension of the ESI scheme are removed, there would be no justification for retaining the other restrictions on the application of the Act. It has recommended that “wage ceiling and employment threshold should be uniform with a provision for raising the wage ceiling and its eventual removal and lowering employment threshold and its ultimate removal”.

6. The Corporation should establish more dispensaries and hospitals of its own for the benefits of the insured employees and their families. More attention should be given for all round improvement of the medical facilities.
7. It is recommended that the provisions for payment of 'Funeral Expenses' under ESI scheme should be substituted by the term 'Emergency Expenses' so as to include care of the sick and the elderly members of the country as a whole.

8. The following recommendations of the N.C.L. should be implemented:

a. Adequate representation for all the employers and the employees on the Regional board.

b. A scheme of 'no-claim bonus' for an insured person who does not claim any benefits during a year.

c. Active association with the National Safety Council in its programmes of integrated preventive and curative services.

The following suggestions may be considered for improvement under the EPF scheme:

1. The appropriate provisions must be made in the Act to place all the provident funds under a common regime.

2. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 must be made applicable to all classes of establishments, subject to such exceptions as may be considered necessary for specified reasons.

3. It is suggested that the employment threshold should be brought down from 20 to 10 immediately, to 5 during the next 3-5 years, and to 1 within a short time-frame thereafter, as per the provisions of the Act, it is applicable to factories and all classes of establishments employing 20 or more persons.

4. The study revealed after reviewing the provisions of the Act that the persons employed on casual or on contract basis were operating largely to the disadvantage of the workers. Although the EPF scheme requires that every employee should be provided with a passbook, the organization has failed to supply the passbooks. But with the introduction of computerization such problems can be tackled.

5. The EPFO should organize an enquiry into the working of all exempted funds by an independent agency and review the entire scheme of granting exemptions from the provisions of the Act.
6. Regarding the coverage of the Schemes under the EPF Act, there seems to be a greater need for decentralizing the administration of the schemes. One way to decentralize the administration is to authorize more and more employers to administer their own Provident Funds, the EPFO should act as a regulatory authority.

7. The EPFO should also streamline the procedure for tackling the defaulting employers and to recover the arrears.

The following suggestions may be considered for improvement under the Payment of Gratuity scheme:

1- It is recommended to change continuous service requirements in gratuity from 5 years of continuous service to 3 years of continuous service due to upwardly higher trend in employee turnover rates. Number of employees continuously working with a single company for 5 years or more is decreasing. The rate is likely to go down in coming years. “Sticking to 5 years continuous service criteria” means more and more employees would be deprived of a mandatory superannuation benefit.

2- Set up a national commission for gratuity like Employees Provident Fund Organization (EPFO)

3- Provide Portability instead of ‘pay as you go’ or ‘pay as you leave’ system encourage accumulation by providing portability in case of job change. Accumulate gratuity proceeds to that fund till retirement or death. Early and untimely withdrawals can be checked using a variety of initiatives. The Gratuity Commission should create a single account for each individual in the country with a unique Gratuity Account Number (GAN), which is portable across all jobs, so that the accumulation is not broken at each job change. Early withdrawals can be discouraged or penalized by imposing 10 percent withdrawal tax. This would allow employees to withdraw the money in crisis, but gives them a strong incentive to not withdraw wherever and whenever possible.

4- The gratuity Authority keep records of accumulation and are responsible for allocating Gratuity Account Number
GAN) to the employees and send periodic accumulation statement to the employees.

5- Prudent Fund Management guidelines for maximizing rates of return: The gratuity commission can appoint professional fund managers. Insurance companies can act as the gratuity fund managers with their sound capital base and long term commitment towards customers owing to their nature of business. High rates of return are the best way to assure workers that the Gratuity System is a true superannuation benefit. Investment in corporate bonds and equities are the way through which rates of return can be much higher. Ideally investments having allocations like 35 percent in equities should give a greater return. To be on a conservative side for assuring employee protection, equity investment can only be done using index funds like using the BSE National Index or NSE- 50 Index. These recommendations for gratuity system are primarily about strengthening the existing mechanisms for old age security in India. When the gratuity system is strengthened in this fashion. It could play an important role in old age income security. The incremental expansion of the coverage of the system could then extend these benefits to a larger fraction of India’s workers.

During the 1990s the ceiling on gratuity has been raised from Rs.100,000 to over Rs.200,000. The wage limit has also been raised to Rs.2500 or Rs.3500 for certain purposes. The slab system of dearness allowance and removal of house rent allowance have been some other developments in the 1990s due to legislative amendments and collective agreements. There is a proposal to remove the salary limits eligibility and quantum of bonus under the Bonus Act.

The following suggestions may be considered for improvement under various schemes:

1. The Payment of Gratuity Act may be integrated with the EPF Act and could be converted into a social insurance scheme.

2. Integration of the ‘Payment of Gratuity Act’ and the EPF Act will ensure automatic extension of the Payment of Gratuity Act to all establishments to which the EPF Act applies.
3. The scope of the Payment of Gratuity Act should be co-extensive with that of the EPF Act.

4. An integrated insurance scheme providing for gratuity, unemployment benefits, lay off and retrenchment compensation may be evolved, and entrusted to the EPFO for its implementation.

5. An unemployment insurance scheme could play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustments programmes and other economic reforms.

6. A provision should be made for payment of education allowance to all employees by amending the existing laws regulating employment and conditions of service of employees.

7. The welfare funds will do well to adopt models of reimbursing the expenditure, subject to such conditions as might be considered necessary for providing the services indirectly by entering into agreement with the providers of the service, confining the function of the fund to the financing of the services.

8. The working of the welfare funds had suffered due to apathy on the part of the management, want of infrastructure, inadequate resources, cumbersome procedures and unimaginative administration.

9. Welfare funds can be transformed into instruments of social security by expanding the coverage of the funds, broadening the range of benefits, modifying the financial arrangements for providing benefits and decentralizing the administration of the funds.

10. Employers are not averse to contributing to a welfare funds that should provide all the benefits including social security to workers through a tripartite board.

11. The Insurance Companies be required to develop two or more plans providing coverage for the major risks faced by people leaving it to individuals to choose from among them according to their capacity.

12. The basic must benefits include (a) insurance against death or disability, (b) health insurance and (c) old age benefits.

13. The coverage under death and disability must be comprehensive. In case of disability the compensatory payment must be made periodically.
14. The need to provide some form of public assistance to meet the distressing consequences of unemployment has become more urgent after globalization. The only way to mitigate such stress or insure against such exposures, will be to provide at least a modicum of support that will enable the victim to face the rigours of unemployment during the period of transition.

15. The maternity benefits must be extended by providing regular medical check-up assistance after confinement till delivery to the women worker.

16. Women worker must also be provided necessary drugs etc.

17. All such programmes should be integrated to maximize coverage, avoid overlapping and ensure a basic minimum to all section of workers.

The government schemes of social assistance are the only means of social assistance for about 92 percent of the workforce, in the unorganized sector, and the non-working population. While the initiative to introduce social assistance schemes largely came from the central government, certain state governments for instance, Kerala, Tamil Nadu, West Bengal, and Maharashtra have come out with schemes for the poor, the vulnerable, and special unorganized sector occupational groups.

The foregoing analysis shows that despite all the hue & cry about stringent labour laws, the Indian industry has been adjusting its workforce, more so after liberalization. This is the fact that real wages of workers in the latter half of 1990’s stagnated, the emoluments of supervisors increased significantly. This happened along with reduction in the workforce and significant growth in output. Several states have relaxed the provision of enforcement of labour laws leading to flexible practices at the ground level.

Some of the states have issued directives to prevent or hinder inspection of firms. For e.g. in UP, the labour inspectors can carry out inspection only after prior consent of an officer of the rank of labour commissioner or district magistrate. The states of Rajasthan and AP have also reduced the scope of labour inspection, and have exempted several establishments from the purview of labour inspection. The weakening of workers’ bargaining capacity and rise in the militancy of employers are also manifested in the significant increase in the incidence of lockouts and a decline in the incidence of strikes [Datt 2003].

While taking an objective and holistic view, there is an urgent need to simplify, rationalize and consolidate different labour laws into a maximum of
three simple pieces of labour legislation after wide consultation among employers, trade unions and labour experts. However, any change in labour law leads to a blind alley in the absence of social security.

The recent revolt of young workers in France should alert us to the possibility of such social unrest anywhere in the name of promoting labour flexibility if “free hire and fire” sanction is given to employers. This problem can only be tackled if the state intervenes to ensure the security of income to all workers. India is among those countries that spend least on social security and social services. China adopted a wide range of security of workers before introducing reforms in the labour market. Though the Chinese workers suffered, but state actively intervened.

The recently introduced national rural employment guarantee scheme in India is an important step, but a lot more needs to be done for social and economic security in the country. A country which is growing at 8 percent cannot escape from such responsibility.