CHAPTER 1: Introduction

Social security for industrial workers refer to security for employment, security in the availability of employment, security of reasonable standard of working conditions, security of some income while unemployed, security of retirement income and recreation of set improvement of medical, ill health or even death.

A characteristic feature of current social security programmes is that they are designed in a conceptual vacuum and are implemented mainly as welfare measures. A balanced provision of promotional and protective social security measures is not evident in any country.

The root cause of social insecurity in India for industrial workers is largely due to lack of adequate and productive employment opportunities. It is also described as ‘chronic or structural social insecurity, a ‘first-order’ type of social insecurity arising from insufficient degree of overall economic development.’ It is associated with other insecurities emanating from conventional contingencies such as the loss of employment, disability, old age, death, etc. that are called the ‘second-order’ type of insecurities or conventional social insecurity.

The provisions of social security are aimed at providing relief to workers from specific contingencies. It has been considered most essential for the industrial workers. From the workers point of view, Lord William Beveridge has expressed the essence of the concept, ‘Social Security is a job when you can work and an income when you cannot.’

According to a study of the International Labour Organization, "social security measures include those that in virtue of legislation provide a basic income in case of inability to work (including old age), inability to abstain remunerative worker the death of a bread winner, assistance for dependent children and comprehensive medical care." But this definition does not include maternity allowances that should be properly included in social security. (World Labour Report 2000)

By ‘social security we understand a programme of protection provided by the society against those contingencies of modern life, sickness, unemployment, old age,
dependency, industrial accidents and invalidities against which the individual can not be accepted to protect himself and his family by own ability or foresight.'

State attempts to provide a certain level of Social Security to every citizen without which an egalitarian society is not possible. Though these socio-economic measures ensure the security of life of every workman is an avowed preamble purposes of our Constitution.

Recently some new concepts of social safety nets, social protection and, social funds relating to social security have emerged. Social safety nets are measures to mitigate the negative effects of structural adjustments, mostly in the form of cash payments has distinguished social security from the social safety net, social security being seen as the universal need of all workers while social safety net is seen as that which is necessary for those who are temporarily or permanently thrown out of the system.

V.B. Singh observes that, 'Social Security is a device provided by society against a number of insecurities arising out of natural, (e.g. death or sickness), social (slums), individual (incapacity) and economic (inadequate wages and employment) causes.'(V.B. Singh, 1963)

The concept of laissez fair gave birth to labour exploitation and victimization at the hands of resourceful employers. In fact, it gave birth to two classes of opposite interests one exploiters and the other exploited. However, with the passage of time and with the advent of the concept of welfare state the whole situation has undergone a tremendous change. With the democratic set up of welfare state industrial democracy emerged which ultimately resulted in participative management.

The Declaration of Philadelphia in 1944, in this regard said that, labour is not a commodity, freedom of expression and of association are essential to substantial progress, and the common welfare and universal prosperity are the objectives to be achieved.

In early times different states were subscribing the concept of social security in different ways. However, in modern times the concept of social security is very much interested in the very foundation and functions of the state regarding betterment of the industrial workers. This is a function commonly associated with the concept of social
welfare state. In this capacity, the state makes itself responsible for the provisions of social security and social services so as to ensure a minimum standard of living. The concern of the freedom of modern state to provide social security to its citizens is a fact though its components vary from nation to nation for a variety of reasons.

Although, India is committed to social welfare principle, it is hard fact that substantial portion of around 92 percent of the labour force of unorganized sector in the country is not covered for even basic contingencies of wage, food, shelter by social security schemes. The absence of social security in favor of general population and the existence of such measures in favour of a specified class of population like industrial workers is phenomenon not peculiar to India but one shared by many developing countries of the region. The social security measures introduced in recent years have been essentially directed to the specific needs of small section of population, i.e. organized industrial workers. Consequently, they apply to only a small minority of working class.

The Central legislations intended to provide social security and insurance to the working class enacted by the Parliament of our country are important from the view of socio-economic measures nevertheless; these social welfare and social security measures cover in due proportion a variety of worker's risks. All these legislations are to some extent only in favor of a definite class, the industrial workers or organized labour. The organized labour could obtain such benefits under various laws for the reason that reckoned with in the economic organization of the Country.

Further, the inception and activities of the International Labour Organization gave fillip to the course of labour securing social justice and permanent peace of the world by advancing the conditions of labour in the ILO. To achieve its objectives the ILO has adopted many Conventions and Recommendations to provide guidelines and made a path to the member countries of the world in matter related to labour.

The Conventions and Recommendations adopted by the International Labour Organization, an organ of U.N.O., are nothing but the path or guidelines to the Nations to be followed while making socio-economic advancement. The nations are bound to give a legal shape of these Conventions and Recommendations of the ILO suitable depending on their economic capacity and prosperity.
India, a founder member of the ILO has been giving due attention to the principles laid down by such Conventions and Recommendations of the ILO though, it has not implemented all of them. Non-implementation of ILO standards is common among developing countries due to their lower level of income, poor economic progress as compared to highly industrialized countries.

India is expected to make effective provisions in favour of industrial workers both organized and unorganized sectors. The Central Laws, which came into existence in the present century, are the major legislations in this regard. An attempt has been made to dilate the social security, its conceptual development, importance and the legislative measures made in this regard in India.

Social security measures have introduced an element of stability and protection in the midst of the stresses and strains of modern life. It is a major aspect of public policy today and extent of its prevalence is a measure of the progress made by a country towards the idea of a welfare state.

Although social security systems are related to policies of development and the main constraint on their evolution is limited financial resource, the economic content of social security measures is being increasingly recognized.

The Socio-economic rights embodied in Directive Principles are as much a part of human rights as the fundamental rights. The idea of welfare state envisaged by our Constitution can only be achieved if the state endeavors to implement them with a high sense of moral duty.

According to Dr. B.R. Ambedkar, “It is the intention of the Assembly that in future both the Legislature and the Executive should not merely pay its services to these principle enacted in this part but they should be made the basis of the legislation and the executive action that may be taken here after in the matter of the governance of the country.” (National Commission Report 2002)

It is true that a concept of social and economic justice, there may be different school of thought but the constitution makers knew that they meant by these concept and it was with a view to implement them that they enacted part III, and IV. Both are fundamental in character, on one hand, basic freedom to individual, and on the other
social security justice and freedom from exploitation by laying down guiding principles for future governments.

Present study is confined to study the problem of social security among industrial workers in the organized sector only. Though, the problem of social security of unorganized sector has been discussed briefly in chapter number 4. Incorporation of the unorganized sector was difficult basically due to non-availability of reliable data. Moreover, a number of research works at present is already going on for the unorganized sector.

1.1 Purpose of the Study

Worker is an important unit for the economic development of any country. It is needed to protect the worker from contingencies arising from work or due to his workplace. There are countries that regard social security as the inalienable right of the citizen. There are International and Inter-Governmental declarations like the Universal Declaration of Human Rights and the Covenant on Social, Economic and Cultural Rights, which define social security as a ‘human right’ or a fundamental right of the human being. Our Government is a signatory to many of these Conventions or Declarations.

Whether it is accepted as a Fundamental Right or a Directive Principle the State cannot abdicate the responsibility to provide the minimum of social security. This is necessary to maintain the regime of law and order and to protect society from the chaos and a system providing elementary security to the citizens. The State cannot wash its hands off this responsibility and hope to survive for long.

Therefore, we believe that even if the State is not in a position to provide social security in all its amplitude as a Fundamental Right, it must provide at least the basic minimum necessary security for the survival of its citizens. Importance should be given to a system in which the State bears the responsibility to provide and ensure an elementary level of security, and leaves room for partly or wholly contributory schemes. This will mean that the responsibility to provide a floor will be primarily that of the State, and it will be left to individual citizens to acquire higher levels of security through assumption of responsibility and contributory participation. Such a
system will temper and minimise the responsibility of the state, and maximise the role and share of individual and group responsibility. Thus, there will be three levels in the system:

a) A basic level where the State or government (including lower levels of governmental authority e.g. local governments) will bear the primary responsibility to provide a minimum level of social security, meet the cost from subventions from the Exchequer. Later this has been described as ‘social assistance’ that is a part of the social responsibility for social security.

b) A level where the beneficiary makes a contribution to the cost of social security. The remaining portion of the cost is met by contributions from the employer or the state or both.

Tripartite schemes will provide the participation of the employer as well as the State, in addition to the contribution of the beneficiary, i.e. the employee. There can be variations in the proportions of the contributions of these three partners, according to increased paying capacities of the employee and the employer.

Where there is no employer who can be identified, as in the case of the self-employed, or those whose income is too low to permit them to make adequate contributions, the State will substitute the employer, or the employees as the case may be, and assume responsibility to supplement the contributions of the beneficiary workers.

c) Schemes that confer additional benefits beyond the basic levels of security that those who have the means can subscribe to, as subscribers of policies of insurance.

The contributions of employees as well as employers can be graded according to their paying capacity. Where the income of the employee is too low or inadequate, the state will take over the responsibility for the remainder. The contribution of the employer too can be graded, the state taking over the responsibility for the remainder of the contribution, where
the scale of operations of the employer is too low and marginal, or where the employer cannot be identified. The purpose of the study is to review all the existing programmes of social security for industrial workers in the organized sector. Analyze important social security legislations for industrial workers such as Employees State Insurance Act (ESI Act), Maternity Benefit Act, Employees' Provident Funds and Miscellaneous Provisions Act etc. and search out weaknesses/lacunas in these laws and their implementations so as to come out with suggestions which will make social security system truly effective for organized sector workers. Special focus on the study has been placed on studying the challenges in the social security for workers in the wake of globalization and economic reforms.

1.2 Hypothesis

1) Loopholes or weaknesses in social security schemes are responsible for ineffectiveness of social security measures in India.

2) The management and investment of public funding is becoming an increasingly important component of social security work.

3) Workers should undertake social security measures increasingly upon themselves than to depend on the government.

1.3 Research Objectives

The present study focuses on the following broad research objectives:

1) To study the nature and scope of social security in India.

2) To analyze the legal provisions of social security for industrial workers in general and for organized sector in particular.

3) Find out problems in the legislations providing social security for organized sector industrial workers.
4) Examine implementation of some important provisions of social security for the organized sector workers.

5) Suggest suitable measures to strengthen the existing social security system for organized industrial workers.

1.4 Nature of Study

This is Descriptive Research based on empirical findings and scarcely available secondary sources. The study applies with quantitative analysis techniques and use of comparative and comprehensive National and International data on Social protection systems. The ILO’s international inquiry into the Cost of Social Security has been a unique source of comparative data on the financial aspects of national social security programmes.

Study is exclusively based on secondary data. Data has been collected from Government of India’s publications such as:

1.5 Research Methodology

The present study is descriptive and analytical. We have used simple statistical techniques such as: average, percentage and growth rates for analysis of data.

1.5.1 Sources of Data

Study is exclusively based on secondary data. Data has been collected from Government of India’s publications such as:


We have also taken data from websites like:

1) http://labour.nic.in/annrep/annrep0506/english/chapter06.pdf.
3) www.acf.dhhs.gov/history.

1.6 Scheme of Study

The present study has been divided into 5 chapters. The first chapter comprises of the concept of social security as well as a brief introduction of the whole work done in the thesis. It deals with the methodology used in the research viz. purpose of the study, hypothesis taken, research objectives, nature of study, sources of research data, data interpretation and analysis, research methodology and scheme of the study.

The second chapter deals with the review of literature including the work done by others. In this chapter it has tried to incorporate the relevant thesis, reports and articles published in India as well as in different countries.

The third chapter comprises the brief introduction of social security in the global context. The issue is the growing coverage gap of social security programmes in many parts of the world. The harsh reality is that most of the world’s citizens do not enjoy neither health insurance nor retirement benefits. The efforts have been made to suggest suitable measures to improve the social security system all over.

The fourth chapter consists of basic legislative problems exist in various laws provided by the Indian Government and how they are being implemented and tackled in India. The legislative provisions have been discussed that are provided for the betterment of the over all industrial workers engaged in economic activities of the country. After critically evaluating the various provisions with given benefits to the laboue force, the study has analysed the
coverage gap between the amount prescribed in the legislative provisions and actual amount given to the beneficiaries.

The fifth chapter has gone through the conclusions, which has further followed by the suitable suggestions, useful in amending the laws and improving schemes and programmes of social security in India.