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Securing today and tomorrow



**A Social Security Policy for India**  
भारत के लिए एक सामाजिक सुरक्षा नीति

## Social Security: Introduction सामाजिक सुरक्षा: प्रस्तावना

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- Social Security means a program that-
  - Is provided by a system created by Government
  - can be used to make provision of support (both monetary and non-monetary) to workers (and their dependents)
  - who are unable to earn wages (or income) due to certain contingencies.
- Most essential features of Social Security are –
  - (a) Mandatory / Non Optional
  - (b) Configured through Law
  - (c) Can be Taxpayer funded or Contribution funded or Employer funded (or combination of these)
  - (d) The administrative structure is government provided and
  - (e) Procedural guarantees for complaints and appeals

## Existing Social Security Provisions सामाजिक सुरक्षा - मौजूदा प्रावधान

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- Organised Sector –
  - Employer provided social security ( EC Act, MB Act, Gratuity Act)
  - Contribution funded social security ( EPF Schemes / ESI Schemes)
- Unorganised Sector –
  - Cess Funded Schemes (BOCW, Beedi Worker Schemes etc.)
  - Government Funded Schemes (IGNOPS, NHPS etc)
  - State Government Funded Schemes for BPL

Though the statutory social security provisions contemplate coverage for the entire formal sector (including the informal employment in that sector), in reality they cover only a small segment of the organized work force having a direct regular employer-employee relationship within an organization.

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## Existing Provisions - Problem and Issues वर्तमान प्रावधान: समस्याएं और मुद्दे

- Not universal and discrimination by sector (Fragmented Approach)
  - Multiplicity of Policies and Laws : Lack of comprehensive policy
  - Many Agencies, Ministries, Governments, Administering Authorities
    - High compliance costs to companies
    - High claim cost to beneficiaries
  - Limited Outreach of Schemes : Most of the population not covered (Exclusion of Unorganised & informal sector)
- Inadequacy and unsustainability
  - Dependence on budgetary provisions leads to Inadequate cash SS benefits as well as Lack of resources in States' health system leading to Poor quality of health services
- Non-progressive
  - No roadmap for inclusion of the excluded sectors in future under the same umbrella.
- Social Assistance Programs do not have a tripartite structure.

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## Existing Provisions - Problem and Issues वर्तमान प्रावधान: समस्याएं और मुद्दे

- Collective Financing e.g. risk pooling between rich (excluded) and poor, organized sector employees and unorganized sector employees MISSING.
- Social security not right based, can be compromised without any compensation to the worker. Penalties collected not linked to compensation.
- Migration of unorganized sector worker leads to loss of contributions made.
- Exclusion in implementation
  - Poor Administrative structure & lack of capacities for delivery and enforcement
  - Thresholds and Ceilings lead to Loopholes and Perverse incentives
  - Unsystematic identification and registration system of unorganized/informal sector workers

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## Need for Universal SS legislation

सर्वभौमिक सामाजिक सुरक्षा कानून की आवश्यकता

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- Recommended by 2<sup>nd</sup> National Commission on Labour (2002)
- Remove duplicity and fragmentation
- Single (decentralised) Authority for Implementation
- Reduced Compliance requirements : Ease of Doing Business
- Delegation of more powers to States
- Removal of loopholes (thresholds and ceilings)

Provision of adequate Social Security for the entire workforce regardless of the nature of their employment has also been accepted as a fundamental element towards achievement of Goal 8 (Decent Work and Economic Growth) of the 2030 Sustainable Development Goals Agenda adopted at the UN Summit held in September 2015.

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## Existing Acts to be subsumed

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- ESI Act
- EPF & MP Act
- Payment of Gratuity Act
- Maternity Benefit Act
- Employee Compensation Act
- Unorganized Workers Social Security Act
- Existing Labour Welfare Fund & Cess Acts- Construction workers, Beedi workers, Cine workers, Mine workers



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## Administrative Structure प्रशासनिक संरचना

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- A **three tier** Social Security Administration Structure proposed with tripartite representation in all these bodies.
  - **National Social Security Council** headed by the Prime Minister to be the Apex Social Security Organization in the Country for overall regulation;
  - **Central Board of Social Security** at Union level (for management and Investment of funds, Providing Centralized IT Backbone for registration, contribution payment etc and coordinating basic national schemes)
  - **State Board(s) of Social Security** at State/UT level for implementation of the Social Security framework.
- Panchayat infrastructure to be used for providing registration / grievance redressal services

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## New Administrative Structure नई प्रशासनिक संरचना

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One Registration  
One Return  
One Contribution  
One Inspectorate  
Reduced Compliance Costs

State Social Security Boards

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## Why Decentralisation? विकेंद्रीकरण क्यों?

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- Recommended by 2<sup>nd</sup> National Commission on Labour
- Expansion of Coverage – 4.5 Crore to 45 Crore
- Federal Structure of the Country
- Labour – Concurrent List
- Many SS schemes run (and its funding is done) by States – for integrating them
- Administering/ Enforcement Agency – decentralised is more effective
- Coverage of informal workers like housemaids can only be achieved through involvement of Local Bodies.

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## Registration पंजीकरण

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FOR WORKERS

Vishwakarma Karmik Suraksha Khata (VIKAS)  
(Aadhar Based)

FOR ESTABLISHMENTS

Entity Registration

To be done at Local Body Level, Coordinated by State Boards

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## Categorisation of Workers श्रमिकों के वर्गीकरण

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Registered Worker

SEC - I

SEC - II

SEC - III

SEC - IV

Parameters for Categorisation Will be decided in Rules

Categorisation to be done On the basis of data declared At the time of registration

Categorisation necessary To determine contribution liability

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## Contribution अंशदान

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- A consolidated contribution is to be made by the Employer / worker into the State Social Security Fund.
- This contribution received in the State SS Fund will be initially credited to the VIKAS of each individual worker.
- SEC-IV Workers do not pay any contribution. Government may credit contribution on their behalf.
- SEC-III workers who are self employed – pay lump-sum contribution (without reference to their income)
- Rest pay contribution as a percentage of wage / income upto a ceiling (max 12.5%)
- Employer pay Employer's contribution which is also percentage of wage (max 17.5%)

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## Funds निधियाँ

- Social Security Fund (Funded by Contribution)
- Scheme Funds (Funded by apportionment of Social Security Fund)
- Contribution Augmentation Fund (Sectoral Funds Funded by Government and Collection of Cess)
- National Stabilization Fund (Funded by actuarial surpluses of Social Security Fund and Unclaimed amounts, grants of Central Government, for assistance to states in case of distress)
- Social Security Reparation Fund (Funded by Penalty for payment of compensation)
- Gratuity Fund

*Central Board will perform the Investment function on behalf of the State Boards.*

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## Apportionment of contribution अंशदान का संविभाजन

The diagram illustrates the process of contribution apportionment. On the left, three circles labeled 'Employers contribution', 'Employee's contribution', and 'CA Fund Contribution' are connected by plus signs to a central circle labeled 'Employee's SS Account'. An arrow points from this central circle to a larger central circle labeled 'Employee SS Account' on the right. From this central circle, arrows point to five surrounding circles: 'Pension Scheme' (top), 'Medical Scheme' (right), 'Maternity Scheme' (bottom right), 'Insurance Scheme' (bottom left), and an ellipsis '...' (left).



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## Schemes योजनाएं

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- Central Government to prescribe and frame the **National basic social security schemes** in consultation with the National Council. These scheme will be uniform throughout the country and portability of benefits under these schemes shall be provided.
- The State Governments have also been empowered to prescribe one or more supplementary schemes in addition to the schemes made by the Central Government.
  - Contributions to such additional Schemes by reducing contribution to PF Scheme
- Social Security Fund in each State to provide for schemes such as
 

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▪ Pension,</li> <li>▪ Sickness Benefit,</li> <li>▪ Maternity Benefit,</li> <li>▪ Disablement Benefit,</li> <li>▪ Invalidity Benefit,</li> <li>▪ Dependent's benefit,</li> </ul> | <ul style="list-style-type: none"> <li>▪ Medical Benefit,</li> <li>▪ Group Insurance Benefit,</li> <li>▪ Provident Fund,</li> <li>▪ Unemployment Benefit.</li> </ul> |
|--|--|

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## Social Assistance Schemes सामाजिक सहायता योजनाएं

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- Government funded SAPs
- For SEC-IV classified persons only
- Why?
  - To take care of present beneficiaries of SA Programs who can not be covered under Schemes
    - E.g. current OAP / disability pensioners
    - Home makers
  - As an option to the state Governments who are unwilling to pay the contribution for future beneficiaries from SEC IV.
  - To make sure that SS Infrastructure only is used for delivery of SS Benefits.
- Social Assistance Programme may include-
  - Pensions
  - Maternity support
  - Disability support
- Special Registration of such persons

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## Unique Features of the Schemes योजनाओं की अद्वितीय विशेषताएं

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- Each Social Security Scheme has an independent financial model based on Contribution ↔ Benefits.
- Scheme will provide benefits to all those whose contribution is received – whether from employer, employee or the government.
- Any actuarial surpluses in any scheme or unclaimed amounts will be credited to the **NATIONAL STABILISATION FUND**, and it will be used if any state's scheme fund falls in distress.
- Employer liability replaced by Fund liability for-
  - (a) Maternity Benefit
  - (b) Employee Compensation
  - (c) Gratuity (partially)

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## Alternate Coverage Mechanism वैकल्पिक कवरेज तंत्र

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- Establishments that are willing to run own PF and Gratuity Fund can be permitted to operate alternate coverage mechanism in respect of provident fund and/or gratuity schemes.
- Available to establishments which provide the workers equal or better benefits than those provided for through the schemes.
- Available only to establishments employing at least 100 workers

Provisions are similar to existing provisions

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## Transparent Enforcement पारदर्शी प्रवर्तन

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- The Commissioner may notify a system for inspection of entities which may be designed taking into account, inter alia, such characteristics i.e. whether the entity is a household, small business or a large undertaking, geographical dispersions, type of employment , nature of work such as long and irregular working hours, irregular incomes, etc.

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## PPP in Social Security सामाजिक सुरक्षा में निजी-सार्वजनिक भागीदारी

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- Provision for licensing of Intermediate Agencies in the fields of
  - Fund Management,
  - Point of Presence,
  - Service delivery
  - Benefit disbursement,
  - Record keeping and
  - Facilitation
 for enabling PPP system in administering social security.
- Adequate safeguards for exercising control over Intermediate Agencies for protecting the interest of subscribers.

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## State's Medical Set up राज्य का चिकित्सा ढाँचा

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- 'Medical Benefit Scheme' can be gradually expanded by increasing 'Notified Areas'
- All workers (and their family members) in 'Notified Areas' will be entitled to avail benefits of the Medical Benefit Schemes.
- Reduces load on the State's Medical / Public Health Infrastructure.
- State Governments may integrate the State's Medical / Public Health Infrastructure with the State Board in notified areas.
- In case the Remittances in Medical Benefit Schemes are inadequate to meet the expenditure in this Scheme, the State Government to meet the balance cost.
- Central Government may support states financially to bear this cost.

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## Management of Investments निवेश प्रबंधन

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- Investment management will be done by Central Board on behalf of State Boards.
- State Boards to transfer surpluses(if any) [remittance – expenditure] from Funds to the Central Board for investment management.
- State Boards can draw back the amounts whenever there are deficits [i.e. when remittances are less than expenditures].



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## Officers and Staff – State Board स्टेट बोर्ड के अधिकारी एवं कर्मचारीगण

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- constitution of a Service named Indian Social Security Service (ISSS) , Organized Group A service under MoLE
- The officers of ISSS can be posted in any of the Social Security Organizations by the Central Government.
- ISSS will man certain percentage of posts in the respective Boards, and the rest will be manned by departmental officers of the concerned Board.
- The method of recruitment, salary and allowances, discipline and other conditions of service of the officers and employees of the State Board shall be such as may be stipulated in By-laws.
- State Board may on approval of the State Government make a departure from the said By-laws.
- Existing Staff of States-
  - Welfare Department
  - Medical / Public Health Department
 Can be brought under the ambit of the State Boards for efficient functioning.

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## Control over State Boards राज्य बोर्डों पर नियंत्रण

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- The State Government may give the State Board all such directions as it considers necessary in respect of maintenance, operations, standards and services of Hospitals, Dispensaries, and other health institutions vested in the State Board or maintained wholly or partly by grants paid out of the Medical Benefit Scheme Fund and the State Board shall comply with all such directions.
- The National Council too may issue Directions to State Board for proper implementation of the Code.

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## Inputs Required सुझाव आमंत्रित

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- Rule Making Power of States -
  - Where all power should be delegated to states to make Rules
- Criteria to identify 'poor' workers who can-not pay contribution
- Assessment of State's capacity to pay contributions
- Current Expenditure of States in Social Security / welfare schemes
- Views on integration of State Medical Set-up with Social Security set-up.
- State Level Workshops / Discussions may be organised by States with stakeholders
  - Employer's Organisations / Associations
  - Workers' Organisations / Unions / Associations
  - NGOs / Unorganised workers organisations
  - Labour Law Practitioners
  - Academicians and Experts

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## THANK YOU धन्यवाद