

# **ROLE OF TRADE UNIONS IN SOCIAL SECURITY IN ASIA AND THE PACIFIC**

## **REPORT OF A REGIONAL SEMINAR**

**Kovalam, Trivandrum, Kerala State, India**

**21 March - 3 April 1979**



**International Labour Office**



48037

**ISBN 92-2-102114-9**

---

**ROLE OF TRADE UNIONS IN SOCIAL SECURITY IN ASIA AND  
THE PACIFIC:**

**Report of a Regional Seminar**

---

**Kovalam, Trivandrum, Kerala State, India**

**21 March - 3 April 1979**

**International Labour Office**

---

**Organised by the International Labour Office with financial support from  
the Norwegian Government.**

ISBN 92-2-102114-9

---

First published 1979

---

This Report of the Asian Regional Seminar on Role of Trade Unions in Social Security (Kovalam, Trivandrum, Kerala State, India) has been prepared by the ILO Regional Office for Asia and the Pacific, Bangkok, as a record of the discussions, technical documents and other background documents presented at the Seminar.

The Recommendations are as adopted by the Seminar and their publication does not necessarily constitute an endorsement by the ILO.

Copies of the Report may be obtained from the ILO Regional Office for Asia and the Pacific, U.N. Building, P.O. Box 1759, Sala Santitham, Bangkok, Thailand.

## TABLE OF CONTENTS

*Page*

### CHAPTER – I ORGANISATION AND DEVELOPMENT OF THE SEMINAR

(i)	Background and objectives . . . . .	1
(ii)	Participation . . . . .	2
(iii)	Technical organisation of the Seminar . . . . .	2-3
(iv)	Panel discussions . . . . .	3-4
(v)	Inaugural session . . . . .	5-6
(vi)	Drafting Committee . . . . .	6-7
(vii)	The Seminar Report . . . . .	7
(viii)	Acknowledgements . . . . .	7

### CHAPTER – II SUMMARY OF DISCUSSIONS

(i)	Concept of social security . . . . .	9-11
(ii)	Coverage by social security programmes . . . . .	11-12
(iii)	Social security benefits . . . . .	12-15
(iv)	Integration of existing social security schemes . . . . .	15-16
(v)	Financial aspects . . . . .	16-17
(vi)	Investment of social security funds . . . . .	18-19
(vii)	Rural social security . . . . .	19-21
(viii)	Workers' participation in planning and administration of social security schemes . . . . .	21-25
(ix)	Socio-economic ventures by trade unions . . . . .	25-27
(x)	Role of workers' education in social security . . . . .	27-29
(xi)	Orientation of employers, management and govern- mental agencies on social security . . . . .	29

## TABLE OF CONTENTS *(Continued)*

	<i>Page</i>
<b>CHAPTER — III</b>	
<b>RECOMMENDATIONS OF THE SEMINAR</b>	
(I) The concept of social security . . . . .	31
(II) Coverage by social security programmes . . . . .	31-32
(III) Financing . . . . .	32-33
(IV) Benefits . . . . .	33
(V) Workers' participation in planning and administration of social security schemes . . . . .	33-34
(VI) Integration of various social security schemes . . . . .	34
(VII) Socio-economic ventures by trade unions . . . . .	34
(VIII) Role of workers' education in social security . . . . .	34
(IX) Orientation of employers, management and govern- mental agencies on social security . . . . .	35
(X) Appeal . . . . .	35
<b>ANNEXES</b>	
(I) Lis of participants . . . . .	37-43
(II) Programme of the Seminar . . . . .	45-52
(III) List of documents . . . . .	53-56
(IV) Technical panels and panelists . . . . .	57-58
(V) Address by Hon'ble Chief Minister of Kerala, Mr. P.K. Vasudevan Nair . . . . .	59-61
(VI) Address by Hon'ble Minister for Labour and Housing, Mr. M.K. Raghavan . . . . .	63-64
(VII) Address by Mr. K.F. Yoshimura, Assistant Director- General Responsible for ILO Activities in Asia and the Pacific, Bangkok, Thailand . . . . .	65-67
(VIII) Address by Dr. P.P. Narayanan, President, Interna- tional Confederation of Free Trade Unions (ICFTU) . . . . .	69-70
(IX) "Concepts, Methods and Programmes of Social Security with Particular Reference to ILO's Role and Activities in Promotion of Social Security in Developing Countries in Asia" by T.I. Mathew . . . . .	71-107
(X) "Trends and Problems of Social Security in Devel- oping Countries in Asia" by K. Thompson . . . . .	109-144

## TABLE OF CONTENTS *(Continued)*

		<i>Page</i>
(XI)	"Financial Aspects of Social Security" by W.R. McGillivray . . . . .	145-158
(XII)	"Planning and Implementation of Social Security - the Role of Trade Unions" by Dr. P.P. Narayanan . .	159-166
(XIII)	"Workers' Participation in the Administration and Planning of Social Insurance and Social Security Schemes" by Bernt Heise . . . . .	167-182
(XIV)	"An Overview of Statutory Social Security Schemes in the Philippines" by Raynaldo Centano, Jaime Santiago and Crisanto Young . . . . .	183-204
(XV)	"Workers' Participation in Planning and Implementation of Social Security Schemes in Sri Lanka" by K. Duraiappah . . . . .	205-213
(XVI)	"Working of the Employees State Insurance Scheme in India, with Particular Reference to the Role of Workers' Representatives in the Planning and Implementation of the Scheme" by K.D. Madan . . .	215-236
(XVII)	"The Working of the Employees' Provident Fund and other Statutory Provident Fund Schemes in India, with Special Reference to the Role of Workers' Representatives in the Planning and Implementation of such Schemes" by C. Lal . . . . .	237-250
(XVIII)	"Evolution and Development of National Social Security Policy in India, with Special Reference to the Contribution of Trade Unions" by C.R. Nair . . .	251-272
(XIX)	"Social Security Schemes in Kerala" by V. Krishnamurthy, I.A.S. . . . .	273-300

**ILO/NORWAY ASIAN REGIONAL SEMINAR ON THE ROLE  
OF TRADE UNIONS IN SOCIAL SECURITY**

**Kovalam, Trivandrum, Kerla State, India**

**21 March - 3 April 1979**

**CHAPTER - I**

**ORGANISATION AND DEVELOPMENT OF THE SEMINAR**

## CHAPTER I

### ORGANISATION AND DEVELOPMENT OF THE SEMINAR

#### (i) BACKGROUND AND OBJECTIVES

1. The International Labour Organisation (ILO) with financial support from the Norwegian Government, organised this Regional Seminar in Kovalam, Trivandrum, Kerala State, India, from 21 March to 3 April 1979. The seminar was hosted by the Government of India with active co-operation of the State Government of Kerala.

2. A large number of developing countries in Asia and the Pacific have, in recent years, established statutory programmes of social security designed to protect wage-earners and salaried employees in the organised sector. While some countries in the region are currently engaged in consolidation of the social security schemes already introduced, others are embarking on new programmes. Irrespective of the type of programmes implemented, the statutory social security schemes in most developing countries in Asia and the Pacific are administered by Tripartite Governing Bodies or Councils in which governments, employers and workers are represented. In many countries of the region this tripartite participation has also come to be accepted as most beneficial in the planning and formulative phases of the social security programmes.

3. There has been an increasing recognition amongst most developing countries of Asia and the Pacific that workers (as principle, beneficiaries and partners of social security programmes) and their leaders should be adequately trained and equipped to deal with diverse and complex technical problems and issues relating to the planning, administration, and implementation of social security schemes. The main objective of this seminar was to provide an orientation to senior trade union leaders from the participating countries in Asia and the Pacific region, on the organisational, financial, economic, developmental, and operational aspects of social security programmes, aimed to equip them to participate effectively in the planning and administration of such schemes. The seminar was also expected to develop a well-informed and realistic attitude on behalf of workers' representatives towards further development of social security programmes in Asia and the Pacific. Linked to this broad objective, the seminar was designed to illustrate the machinisms of specific social security schemes as they operated in Asia so that the workers' representatives were able to learn how the schemes could be made more just and effective and which criteria could be applied to the investment of social security funds, taking into account, inflation and other special conditions prevailing in individual countries.



## (ii) PARTICIPATION

4. Twenty senior trade union leaders from the following 10 countries in Asia and the Pacific participated in the seminar;

Bangladesh	Pakistan
Fiji	Philippines
India	Singapore
Indonesia	Sri Lanka, and
Malaysia	Thailand

5. The trade union leaders nominated to participate in the seminar by their respective national trade union organisations were those who possessed a common background, viz., their personal experience in participation in tripartite institutions including Governing Bodies, Advisory Councils and/or Committees, dealing with national social security planning and administration.

## (iii) TECHNICAL ORGANISATION OF THE SEMINAR

6. Taking into account the objectives of the seminar, basic technical documents on the following topics were prepared and presented by specialists:

- (i) "Concepts, methods and programmes of social security with particular reference to ILO's role and activities in the promotion of social security in developing countries in Asia" by T.I. Mathew;
- (ii) "Trends and problems of social security in developing countries in Asia" by K. Thompson;
- (iii) "Financial aspects of social security" by W.R. McGillivray;
- (iv) "Planning and implementation of social security – the role of trade unions" by P.P. Narayanan;
- (v) "Workers' participation in the administration and planning of social insurance and social security schemes" by Bernt Heise;
- (vi) "Evolution and development of national social security policy in India, with special reference to the contribution of trade unions" by C.R. Nair;
- (vii) "Working of the Employees' State Insurance Scheme in India, with particular reference to the role of workers' representatives in the planning and implementation of the scheme" by K.D. Madan;
- (viii) "The working of the Employees Provident Fund and other Statutory Provident Fund Schemes in India, with special re-

ference to the role of workers' representatives in the planning and implementation of such schemes" by C. Lal; and

(ix) "Social Security Schemes in Kerala" by V. Krishnamurthy.

7. In order to provide an insight into the organisational, financial and operational aspects of typical programmes of social security prevailing in Asia and the Pacific, case studies were undertaken and presented by specially assigned consultants, on the social security schemes in the following countries:

Philippines

Sri Lanka

The results of such case studies were presented in the form of the following basic technical documents:

(i) "An Overview of Statutory Social Security Schemes in the Philippines" by Messrs. Reynaldo Centeno, Jaime Santiago, and Crisanto Young

(ii) "Workers' Participation in Planning and Implementation of Social Security Schemes in Sri Lanka" by K. Duraiappah.

8. The participants from the various national trade union organisations brought with them to the seminar documents specially prepared by them giving descriptive and analytical account of their national social security schemes (including administrative and financial aspects) highlighting the part played by trade unions in the administration of their respective national schemes. Such country papers prepared by them formed additional technical inputs to the seminar to facilitate exchange of detailed information on the participative role of trade unions in social security as well as the major problems of social security planning and implementation in the various countries of the region.

9. Specialists from the ILO, the Government of India, and the Government of Kerala were assigned to prepare and present basic technical documents for the seminar. They also provided technical inputs by way of participation in the general discussions on major topics as well as in the subsequent panel discussions which constituted an important part of the seminar activities.

10. The documents presented to the participants by Dr. P.P. Narayanan, as well as his contributions as a panelist, represented a significant technical contribution to the seminar.

#### (iv) PANEL DISCUSSIONS

11. This seminar was expected to generate ideas, opinions and suggestions on the various technical aspects (including financial, economic and develop-

mental aspects) of social security relevant to typical national situations. The panel discussions were, therefore, only partially structured; they were organised in a flexible and open-ended manner to enable the participants to come back to the panelists, to clarify issues and to put forward their own view-points.

12. In the presentation of documents as well as in the panel discussions, some trade union participants themselves served as panelists, along with specially invited consultants from academic, administrative and research institutions.

13. The following panel discussions were organised:

- (i) "Social security and the national economy, with special reference to promotion of employment and productivity";
- (ii) "Socio-economic ventures by trade unions — some experiences ideas and suggestions";
- (iii) "Social Security and the promotion of sound industrial relations";
- (iv) "Investment of social security funds — problems, issues and perspectives";
- (v) "Rural social security — some problems, issues, and suggestions"; and
- (vi) "Workers' participation in management — some ideas, experiences and suggestions".

14. The Inaugural session of the seminar was held in the Durbar Hall, Secretariat, Trivandrum, in the forenoon of Wednesday, 21 March 1979. The technical sessions of the seminar were held in the Palace Hall of Kovalam Beach Resort Hotel. The concluding session of the seminar was held on Tuesday, 3 April 1979 in the Palace Hall, Kovalam.

15. As part of the seminar activities, the participants made the following field visits:

- (i) Visit to the office of the Regional Provident Fund Commissioner, Trivandrum, Kerala; and
- (ii) Visit to the ESIC Hospital at Peroorkada, Trivandrum.

16. They were also given an opportunity to meet and exchange ideas with members of the Kerala Plantation Labour Committee which met at Trivandrum on 31 March 1979.

## (v) INAUGURAL SESSION

17. The inaugural session was presided over by Hon'ble Chief Minister of Kerala Mr. P.K. Vasudevan Nair who also gave the inaugural address. The welcome address was given by Hon'ble Minister for Labour and Housing, Government of Kerala, Mr. M.K. Raghavan. The Chief Secretary to the Government of Kerala, Mr. K. Bhaskaran Nair, IAS, was present at the inaugural session.

18. The inaugural session was also addressed by Mr. K.F. Yoshimura, Assistant Director-General Responsible for ILO activities in Asia and the Pacific, Bangkok, and Dr. P.P. Narayanan, President, International Confederation of Free Trade Unions (ICFTU), Brussels. The objectives of the seminar were explained at the inaugural session by Dr. T.I. Mathew, Chief, Labour Policy and Working Conditions Section, ILO Regional Office for Asia and the Pacific, Bangkok, Thailand. A vote of thanks was proposed by Mr. R. Ramachandran Nair, IAS, Secretary to Government of Kerala (Labour and Housing).

19. Although unable to be present at the inaugural session of the seminar, the Hon'ble Union Minister for Parliamentary Affairs and Labour Mr. Ravindra Varma came to Trivandrum and addressed the participants on Saturday, 24 March 1979. In his address, he raised a number of policy issues both in terms of the priorities in social security (including the strategies for development of approaches and techniques of rural social security) as well as the role to be played by trade unions in their efforts to formulate and implement effective social security programmes in the countries of Asia and the Pacific.

20. In his inaugural address the Hon'ble Mr. P.K. Vasudevan Nair stressed the importance of assigning a wider perspective for the very concept of social security to encompass such basic needs as those for food, housing, clothing, etc. He felt that it was essential to strike a balance between what was desirable in terms of needs and what was really possible by way of viable programmes set against the economic and social policies of individual countries. He took the position that the trade unions should get themselves as completely oriented as possible on the technical, legislative, and operational aspects of social security programmes in order to be able to participate meaningfully in the national planning exercises along with the Government.

21. In his address to the participants the Hon'ble Mr. M.K. Raghavan reiterated the point that the development of social security programmes appropriate to specific national conditions was possible only when workers and their representatives were placed in a position to assess continuously the merits of the programmes in operation and to scrutinise the options available to them.

22. Mr. Yoshimura stated that experience had shown that the planning exercises in the determination of national priorities in social security and the development of economically feasible and financially viable programmes be-

came more productive and meaningful when all the three principal participants in such exercises (viz., the Government, the employers and workers) understood the diverse, economic, social, administrative and political implications of social security measures under formulation.

23. Dr. P.P. Narayanan appealed to all trade unionists to be "social creators" rather than "social critics". He urged them to go beyond the traditional areas of collective bargaining and industrial relations and to come to grips with fundamental social and economic problems confronting workers and the society as a whole.

24. Dr. Mathew explained the objectives of the seminar (the first of its kind to be organised by the ILO) and stressed its significance and expected contributions to the overall efforts of the ILO in equipping trade union leaders in Asia and the Pacific region, to participate effectively in the planning and implementation of social security programmes in their respective countries.

25. In proposing a vote of thanks, Mr. Ramachandran Nair, IAS, thanked the ILO and Norway for organising seminar in Kerala.

#### (vi) DRAFTING COMMITTEE

26. At the first session of the Seminar, on 21 March 1979, the participants elected a Drafting Committee with Dr. P.P. Narayanan as Chairman, and consisting of the following:

(i)	I.C. Baptist	—	Member
(ii)	M. Chaudhry	—	"
(iii)	P. Ghate	—	"
(iv)	R. Jabar	—	"
(v)	C.R. Nair	—	"
(vi)	P.K. Sharma	—	"
(vii)	Parduman Singh	—	"
(viii)	K. Duraiappah	—	Resource Person
(ix)	B. Heise	—	" "
(x)	T.I. Mathew	—	Rapporteur.

27. The Drafting Committee held four sessions. At its second session, the Committee unanimously elected Mr. Parduman Sigh as its Chairman to take the place of Dr. P.P. Narayanan who had to leave Trivandrum to attend to an urgent item of work. The Drafting Committee examined in detail the draft findings, conclusions and recommendations that emerged from the deliberations at the seminar. The major recommendations of the seminar were presented to the participants by the Chairman of the Drafting Committee at the final session

of the seminar held on 3 April 1979. These were subjected to scrutiny and discussion. As a result, 25 unanimous recommendations emerged.

#### **(vii) THE SEMINAR REPORT**

28. A summary of the discussions held in the seminar highlighting the main points made by the participants on the various issues is given in Chapter II of this Report. The principal object of this summary is to show how the discussions led up to certain findings and conclusions and especially to the unanimous Recommendations arrived at by the Seminar. This summary should not, however, be regarded as a complete record of the proceedings of the seminar. Chapter III presents the Recommendations adopted by the seminar at its final session held on 3 April 1979. A complete list of the seminar participants, the detailed programme of the seminar, list of documents (including documents prepared by trade union participants) with authorship, the texts of addresses at the Inaugural Session, and the Basic Documents presented at the seminar, are given as annexes to this Report.

#### **(viii) ACKNOWLEDGEMENTS**

29. The Director-General of the International Labour Office wishes to express his gratitude to the Norwegian Government which, with its financial support, made it possible to organise this seminar.

30. He extends his gratitude to the Government of India for hosting the seminar and to the State Government of Kerala for the active collaboration in providing technical inputs and for the excellent organisational arrangements made for the implementation of the seminar project. He also thanks the national trade union participants, specialists, consultants and panelists whose technical contributions and active participation were key factors that ensured the success of the seminar.

## CHAPTER II

### SUMMARY OF DISCUSSIONS

#### (i) CONCEPT OF SOCIAL SECURITY

1. The Basic Document on "Concepts, methods and programmes of social security with particular reference to ILO's role and activities in the promotion of social security" (Annex IX), and its presentation, gave the starting point for discussion on the "concept" of social security. Although there was no fundamental objection among the participants to accept "social security" as "the protection furnished by society to its members through a series of public measures against the economic and social distress that otherwise would be caused by stoppage or substantial reduction of earning resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; and to provide for medical care and to subsidise families containing children", a number of participants expressed the view that such a concept of social security was contingency-oriented and that it was not very relevant and useful for policy and programme development in the third world where the problems to be tackled were much different from those obtaining in the developed countries. Many of them felt that the concept should be broad enough to cover areas like employment generation, housing, nutrition, education, etc.

2. On the other hand, some other participants put forward the opposing view-point that if the concept of social security were to be stretched too much to cover all the problems and ills of the developing countries, such a concept would fail to provide an operational framework for formulation of effective national social security policies and programmes that could be implemented by national administrations. Some of them pointed out that the enormous problems of unemployment, mal-nutrition, mass-poverty and low living conditions, needed to be tackled through much larger national interventions than "social security", although social security programmes would undoubtedly have their essential linkages and complementarity to such wider national programmes.

3. One participant feared that if the concept of social security, as put forward in the basic document were to be accepted and corresponding programmes implemented in the developing countries, some of the existing institutions like joint family, involving village solidarity and traditional family self-help, might be destroyed. This apprehension was not shared by the majority of the participants who took the view that with progressive industrialisation and urbanisation, institutions like the joint family would fast disappear in the developing countries, and what was worse, urban attitudes might increasingly get entrenched in the rural areas, making it necessary for providing

social security protection in the rural areas. It was also argued that access to resources from social security benefits could strengthen familial obligations and joint family system rather than weaken them since the aged relations with possession of some cash might, in many cases, be more acceptable within the family setting since they would not be seen as too burdensome to the rest of the family. In other words it was emphasised that social security could reinforce the joint family and kinship-relationship in the villages.

4. The participants came to a general agreement that while the concept of social security in the context of the conditions prevailing in the developing countries of Asia and Pacific might be broad-based so as to include such social welfare elements as employment generation, housing, nutrition, education, rehabilitation, etc., for practical considerations of formulation of social security policies and implementation of appropriate programmes, it was considered most necessary to delimit the concept within specific areas of intervention represented by the following contingencies and corresponding benefits:

- (i) The need for medical care;
- (ii) Suspension, loss, or substantial reduction of income due to:
  - (a) sickness;
  - (b) maternity;
  - (c) employment injury covering both accidents and occupational diseases;
  - (d) old age;
  - (e) invalidity;
  - (f) death of the bread-winner; and
  - (g) unemployment; and
- (iii) Family allowances.

5. The participants generally took the position that although social security programmes had come to be developed to meet the above contingencies in some of the developing countries in Asia and the Pacific, taking into account the widely varying economic and social conditions prevailing in the countries of Asia and Pacific, the national authorities responsible for social security planning and implementation as well as the representatives of workers and employers should consider the concept of social security as a dynamic one.

6. A large number of participants felt that taking into account the predominance of the unorganised sector in their national economies, it was necessary to scrutinise more closely the relevance of the techniques of social insurance as well as other self-financing methods of social security with a view to assessing their applicability in the respective country situations. It was also reiterated by



several participants that the traditional techniques of social security and social insurance for the organised urban sector would not be applicable for extension of coverage and protection to a vast majority of the working force largely located in the rural areas. To provide protection to such low-income groups including the agricultural workers and rural artisans, it was most necessary to look beyond the techniques so far developed and to search for methods and approaches to provide social security coverage to the rural population including the feasibility of extending welfare and public assistance programmes which did not lend themselves to the application of the techniques of social security and social insurance.

7. Taking into account the imperative of meeting the specific requirements of the conditions in the developing countries of Asia and Pacific, the participants urged the ILO to re-examine its own concept of social security to provide a more meaningful operational framework for formulation, legislation, implementation and evaluation of social security programmes designed to provide effective, continuous and stable protection to both urban and rural workers.

8. It was recognised by a large number of participants that while the concept of social security itself would be dynamic and represent a part of the broader concept of social welfare, specific programmes of social security would need to be developed in individual countries and that each country had to resort to an ordering of its own priorities with the overall social security package, keeping in view its current and emerging social and economic perspectives.

## **(ii) COVERAGE BY SOCIAL SECURITY PROGRAMMES**

9. The participants had the benefit of gaining some insight into the methods followed by different countries to extend coverage of their social security schemes from the presentations of Basic Technical Documents (ii) to (ix) as well as from the participants' own documents and presentation. Many of them felt that each country had gone ahead with a pattern of coverage suited to its own priorities as identified by the national authorities and consistent with the administrative capacity and viability of institutions entrusted with their implementation. Yet, some participants had specific questions on the subject. At what level of economic and social development could a country go in for a specified types of social security programme. The general consensus of opinion on this seemed to favour the view that at every stage of economic development, there was a "minimum" programme of social security which each country could accept as reasonable and capable of being implemented under the national programmes.

10. What about extending coverage to the large number of workers in the unorganised and informal sectors of the economy? There was a unanimous recommendation that while the existing social security programmes in certain countries had to follow the logic of progressive development and extension, immediate attention should be given by national authorities, employers' organisations, and trade unions to bring within the ambit of social security protection, the large groups of workers including the self-employed engaged in the unorganised small-scale and informal sectors in the urban areas could be achieved as fast as possible. It was also recognised that effective measures should be devised to provide the social security protection to migrant labour, wherever such protection was not available to such groups.

11. How could the redistributive effects of social security be maximised? There was a unanimous consensus that the redistributive effects of social security programmes would be realised only when social security coverage was extended to the vulnerable groups in the urban and rural areas. From this perspective, some participants felt that the governments should make a definite commitment in terms of substantial contributions to finance the rural social security programmes appropriate to each country's needs, requirements and priorities.

12. The participants recognised that appropriate technical studies and pilot project experimentation should be undertaken by national governments with active collaboration by trade union centres and employers' organisations as well as the organisations of rural workers in order to evolve workable and effective programmes of social security taking into account the needs and priorities of the rural areas. In such studies, it was decided to seek appropriate assistance from the ILO.

### **(iii) SOCIAL SECURITY BENEFITS**

13. From the presentation of technical documents and the exchange of views and ideas that took place at the various sessions, the participants seemed to have grasped the objective factors which guided the decisions of national governments to opt for provident funds or for pension insurance schemes for providing protection against the contingencies of old age, invalidity, and death of the breadwinner. After examining the advantages and disadvantages of the provident fund system as a method of providing old age security, the participants unanimously recommended that the existing provident fund schemes should be converted into pension insurance programmes to provide periodical benefit payments on a continuous basis after retirement of workers from active employment. However, in order to cater to the specific needs of workers, such reformulated schemes should enable the insured persons to receive lump-sum benefits through partial commutation to meet their current obligations.

14. The participants recognised such conversion as necessary, taking into account the prevailing disadvantages of provident fund beneficiaries in deriving adequate benefits in case of the contingencies of the death of breadwinners. The suggestion for conversion into pension insurance was also reinforced by the possibility of beneficiaries frittering away their provident fund lump-sum benefits especially where such beneficiaries belonged to lower income groups, incapable of taking care of their own interest through quick and safe conversion into value-appreciating assets.

15. Most participants recognised the fact that under normal pension insurance programmes, it was possible to neutralise the ill-effects of inflation through revalorisation of such benefits by two factors, viz., cost of living and movement of wages, while such adjustments were hard to apply in the case of provident funds.

16. It was recommended that once the pension insurance programmes were established, it would be necessary to make it statutorily obligatory for the authorities to undertake actuarial valuation of pension benefits at specified interval to ensure that such benefits did, in fact, keep pace with the increase in cost of living as well as movement of wages. The frequency of such actuarial valuations to be undertaken in each country would depend undoubtedly on the rate of inflation as well as the extent of movement of wages.

17. Many participants held the view that in the Asian context, the expectation from a long-term pension insurance scheme would substantially vary from those in the developed countries in as much as the pension beneficiaries in the developing countries of Asia and Pacific might expect to meet some of their basic obligations towards the members of their families and to themselves during their working lives. From this angle, they recognised the merits of developing a pension insurance which would have a mechanism and benefit formulae that would enable lump-sum payments to meet such specific obligations as financing the cost (whole or part) of constructing residential houses (including flats), meeting the cost of education of children and, in some cases, (depending on the type of society), such familial obligations as meeting the expenses of marriage of children, the excessive cost of treatment of chronic illnesses, since in the absence of financial support from sources other than normal remuneration those covered by traditional pension insurance schemes might be highly vulnerable.

18. Having accepted the overriding merits of conversion of provident funds into flexible types of pension-cum-annuity programmes, to cover old age and survivors benefits, the participants recognised the necessity to examine the financial and contributory bases of such converted or newly established pension insurance schemes to ensure their financial viability and stability. In this context the participants made a strong recommendation that the existing schemes of

provident funds should be subjected to technical, economic and actuarial scrutiny to ensure effective conversion into pension insurance schemes and to provide the maximum benefits to workers.

19. The participants also took note of the already prevailing innovations built into national provident funds (such as those in India) to provide family pensions in case of death of the worker while in service within the framework of provident fund schemes, and the deposit-linked insurance, to provide additional protection to those who face the contingencies of the death of the breadwinner while in service (as provided under the Indian scheme), the large-scale programme of public housing financed from resources of provident funds (as provided for in countries like Singapore) as well as other types of periodical payment made available from provident fund schemes elsewhere.

20. It was recommended that while designing and developing new pension insurance programmes or in converting the existing provident fund schemes into pension insurance schemes, care should be taken to ensure that the lower income groups would not end up with meagre pension benefits totally inadequate to meet their basic needs. For this purpose, the necessity to establish a "minimum" pension for all workers who became eligible to receive pension and survivor benefits was reiterated.

21. The question of undertaking effective accident prevention and compensation schemes as part of social security programmes was raised by a number of participants. Some of them quoted specific examples of growing incidence of occupational diseases linked to new professions and work-activities, especially in the un-organised and rural areas. Several participants emphasised the essential linkage between social security and accident prevention and compensation.

22. Most participants took the position that wherever sickness insurance and other types of statutory social insurance programmes operated, there was a convincing case to contribute substantially from social security reserves to finance programmes and activities for accident prevention and compensation. In this context, many participants stressed the need to examine afresh the nature and extent of occupational diseases prevalent in the developing countries in both urban and rural areas and to diagnose the causes, determine methods of intervention to prevent such accidents and to finance appropriate programmes. Reduced to practical level, such interventions from social security institutions should, some of them thought, take the form of financial support to governmental and stable non-governmental institutions to build up and complement their activities in accident prevention.

23. Some participants considered it most desirable to examine the professional hazards of new occupations and professions in the developing countries and especially those which might become more pronounced following the industrial and occupational changes expected to take place. In the case of

the relatively more developed countries in Asia, the question of accident prevention and compensation was seen as a part of an exercise in which many national institutions including the social security institutions would assume collective responsibility for accident prevention and for providing effective compensation for the victims of such accidents and occupational diseases.

24. In examining the whole question of accident prevention and compensation, it was recommended that compensation should follow scientifically established methods and procedures of determining the residual working capacity of the victims and to provide for effective rehabilitation, re-training and orientation to put the injured workers back to their original levels of earning, wherever possible, and to ensure adequate benefits in case of partial and permanent invalidity. It was also recommended that in cases where the workers experienced severe incapacity and were unable to be rehabilitated and put back to active employment, the social security systems should be capable of giving benefits not just related to their level of earnings alone (which might happen to be meagre considering the needs of such people) but also to ensure that such necessary provisions as constant attendance allowances are provided to meet their basic physical needs. In case, where workers faced temporary incapacity to work following employment injury and accidents it was felt that their full earnings should be ensured during periods of treatment, convalescence, and recuperation.

25. What type of priority should be accorded to the various benefit programmes under social security? The advantages and disadvantages of following a standard pattern of priorities was fully discussed. It was recommended that each country should determine its own needs and priorities in establishing the various benefit programmes and that each country should be free to make a beginning either with short-term benefits like medical care, employment injury (including occupational health and safety) benefit schemes, or long-term benefit programmes.

#### **(iv) INTEGRATION OF EXISTING SOCIAL SECURITY SCHEMES**

26. The description of the various national schemes of social security, as provided by the participants, seemed to prove the point that, for historical and administrative reasons, the social security schemes in most countries were dispersed among a number of administrative departments and organisations. Some participants argued that such a dispersal precluded the possibility of national authorities undertaking effective planning exercises for the overall advancement of social security protection in the country. Another, drawback of such dispersal, some participants pointed out, was the excessive costs of administration when such programmes were compartmentalised and administered by different agencies. Some others highlighted the problems faced by workers in realisation of benefits from different administrative agencies.

27. The obvious disadvantages of the dispersal prompted the participants to recommend that from the point of view of providing effective protection and benefits to workers and to achieving economy and efficiency in social security administration, the national authorities should make urgent and serious efforts to integrate their social security programmes. Such integration was recognised as necessary for effective policy planning and programme development in social security, and for establishment of the complementarity of social security schemes with other social development programmes, designed to sustain anti-poverty strategies.

28. While a convincing case was made for consolidation and integration of social security programmes, it was also considered necessary, by some participants, to examine the pros and cons of such integration in terms of effectiveness of benefit dispensation and administrative efficiency. In other words, the participants were very conscious of the need to balance the consideration of cost reduction in administration through integration as opposed to the possible absence of personal touch between the institutions and beneficiaries that might result from formation of a large institution to administer all types of programmes.

#### **(v) FINANCIAL ASPECTS**

29. The varied systems of financing social security programmes in the different countries of Asia and Pacific were examined by the participants in the light of factual information on the systems provided by the basic documents, participants' own papers and presentations, and the panelists. Most participants recognised the constraints under which social security programmes were financed in the developing countries. Such limitations, in their view, were to be related largely to the limited capacity of workers to contribute adequately to the financing of the scheme. Considering the limitation of the working classes in the urban and rural areas to contribute adequately to financing of their social security programmes, it was recommended that the governments should contribute substantially to finance social security programmes, especially those in the rural areas.

30. Quoting examples of the provident funds and other social security schemes operating in the developing countries of Asia, many participants expressed concern about the rapidly falling value of social security benefits caused by rising cost of living and the failure of benefits to catch up with the rising cost of living. Although inflation was a common phenomenon experienced in both developed and developing countries and social security beneficiaries in all parts of the world felt the impact of inflation on their benefits, many participants felt that the severity of inflation was most acute in developing countries where social security benefits were minimal and the rates of inflation relatively higher and unpredictable. In the light of the continuously eroding value of

social security benefits, there was a unanimous view that the governments should take appropriate steps to guarantee the real value of social security funds and benefits. Most participants recognised that in the case of long-term benefits, this might be possible provided the national authorities opted for systems based on social insurance under which the periodical benefits could be revalorised by two factors, viz., changes in cost of living and movement of wages.

31. The financial aspects of employment injury benefit programmes (both insurance-based ones as well as the workmen's compensation schemes) were examined indepth. The participants fully endorsed the prevailing practice in a number of countries of the employers financing employment injury programmes. However, they felt that this progressive tendency was reversed when, under short-term benefit programmes based on social insurance, part of the financing was achieved through workers' contributions. Considering both the merits and demerits of such a system of financing, the participants recommended that following the well-established practice of employers financing employment injury and occupational diseases, such schemes should be solely financed from the resources of the employers.

32. A large number of national schemes of social security (including provident funds) were subjected to very close scrutiny from the perspective of their role in resource mobilisation. Some participants pointed out that certain national schemes of social security (including provident funds) succeeded in accumulating very large amount of resources much larger than what was needed for social security benefit payments, reserve fund maintenance and meeting administrative expenses. While most of them took the position that the national authorities were well within their right to make use of the accumulated resources of social security funds for the purpose of nation-building projects (so long as there was a national underwriting for the safety and liquidity of the funds) all of them maintained that it was necessary to re-examine the position to ensure that social security schemes did not accumulate resources far more than what was really necessary. Some participants felt that in capital-scarce economies where the limits to normal instruments of taxes were reached, the governments showed a tendency to rely on indirect methods of resource mobilisation through social security. In their view, it was more equitable to rely on conventional methods of resource mobilisation rather than resorting to the "impounding" of resources from social security schemes. One participant even felt that the ability of national authorities to manipulate social security funds at will, created a climate in which social security institutions grew as strong financial intermediaries, often out-reaching the conventional financial institutions. Such a position, they thought, was not desirable since social security institutions would then be devoting their attention to matters strictly not falling within their purview. It was therefore recommended that social security programmes should not be permitted to become "para-fiscal" instruments for resource mobilisation only.

## (vi) INVESTMENT OF SOCIAL SECURITY FUNDS

33. The participants recognised the fact that in a number of countries where provident funds and pension insurance programmes had been developed, such schemes had resulted in the accumulation, over a period of years, of sizeable resources. Following established criteria for investment of such funds (viz. safety, yield, liquidity and socio-economic purposes), such funds had been diverted to national economic development projects and programmes. They also recognised the fact that while the investment criteria were generally common, the pattern of investment itself varied from country to country. While in some countries the investment of funds were directed mostly to government bonds and debentures, in certain other countries a sizeable portion of such funds were utilised for the purpose of financing large-scale public housing projects and similar social development activities. Most participants positively viewed the merits of upholding the basic criteria for investment of social security funds (including provident fund reserves); they were also anxious to ensure that their provident fund accumulations earned a reasonable rate of interest.

34. From the point of view of ensuring safety and liquidity of funds, the participants unanimously agreed that there should be a clear-cut enactment of policies, statutorily established and applied. This would, in their view, amount to strict parliamentary control, efficiency auditing and financial appraisals as appropriate, just as much as other public and co-operate funds were subjected to.

35. Although some participants would not view provident funds as conventional social security schemes for old age benefits, in the absence of pension insurance programmes, provident funds were, in their opinion, to be regarded as substitutes for pension programmes till the time they were converted into insurance-based programmes with pooling of risks and resources.

36. The purpose of investment of social security funds, in the context of individual national situations, was examined in detail by the participants and it was generally agreed that in those countries where the problems of unemployment and under-employment remained acute and public policies and programmes were specifically geared to employment generation, especially in the unorganised and rural sectors, a dominant consideration ought to be to regard employment itself as an element of income security to such vulnerable groups. From this stand-point, a large number of participants supported the idea that social security resources (including provident fund balances) should be earmarked for investment in national projects designed to generate employment opportunities in both urban and rural sectors. While this viewpoint was supported by most participants, they also insisted on appropriate underwriting by the Government to ensure the safety and liquidity of such funds diverted from the schemes.



37. Most participants recognised the merits of public housing financed through social security reserves. In this context, they commended the achievements already made in this regard by certain countries in Asia and the Pacific, which had succeeded in effectively applying social security resources for public housing, including workers' housing. While they supported whole-heartedly the idea of diverting such funds for investments in housing, most of them insisted that such funds should be entrusted for investment to technically-equipped bodies like national housing boards, in order to ensure the quality, stability and utility of such housing assets. Most participants also held the view that the social security institutions should not directly involve themselves in the investment of such funds in housing projects or in the management of such projects since they were not equipped to do so.

#### (vii) RURAL SOCIAL SECURITY

38. Some developing countries in Asia had succeeded in attaining a level of development and pace of growth capable of sustaining social security programmes at a reasonably high level. But what about other countries which were still grappling with major problems posed by mass poverty, unemployment, under-employment and the inability to provide for the basic needs to the large sections of people, both in urban and rural areas? Following this line of thinking some participants thought that social security programmes would have to be viewed in a broader perspective so that their priority would evolve in the overall national setting.

39. Some participants highlighted the widely varying levels of economic development, growth and strength achieved by countries of Asia and the Pacific. They, therefore, recognised the necessity for each country to reckon with a level and content of social security commensurate with the national situations. Besides, they also recognised the logic of each country following its own order of priorities and pace of implementation of programmes depending on the industrial relations setting, the experience and effectiveness of already operational social development programmes including social security, the strength of labour and social security administrations, the efficacy of national and local institutions to ensure effective welfare dispensation and particularly the level of participation of trade unions and employers in social security planning, implementation and evaluation. Taking into account the widely varying national setting available in the Asian and Pacific region, the participants found it necessary to exercise discretion and to follow a pattern of social security development suited to typical national situations.

40. Some participants maintained that in a large number of developing countries in Asia, where the majority of the labour force worked in the informal and small sectors in the urban areas and in the unorganised sectors in the rural areas, the techniques and methods developed for providing social security

benefits specifically designed to benefit the urban population would not be suitable. For such countries, they argued, an entirely new package of social security benefits tailored to the needs of the hitherto unprotected population in the urban and rural sectors would have to be evolved on the basis of applied research, fact finding and pilot project experimentation. In this context, the participants recognised the need to rely on substantial initiatives from the national governments as well as other national institutions in terms of financial resources, streamlining of administrative structures and undertaking of field studies and pilot project experimentation to arrive at methods and techniques to cater to the needs of the rural population. They also recognised the need to ensure very close association between trade unions and employers' organisations in both urban and rural sectors in joining hands with the governments in such endeavours.

41. Although a number of participants would endorse the case of social insurance programmes which seemed to provide satisfactory financial bases for the schemes, there was a general feeling that the scope of self-financing under the social insurance techniques might not be applicable entirely for financing social security programmes in the developing countries.

42. Some participants thought that it was essential for countries embarking on rural social security programmes, in the first instance to understand the full implications of such schemes in terms of financial and administrative implications of such measures.

43. A large number of participants supported the idea that the urban trade unions should favourably view the idea of a modest contribution from their own social security funds as a symbolic contribution to enable the Governments to initiate rural social security programmes. The magnitude of such contributions in their view, might be marginal in most countries considering their modest coverage and the relatively low paying capacity of the urban workers. On the other hand, such contributions would amount to the expression of genuine solidarity by urban workers for their rural confrères.

44. In the national exercises for formulation of rural social security programmes, it was considered most essential to rely increasingly on national institutions which possessed knowledge of the actual working conditions and the needs of the rural populations. Some participants felt that the introduction of rural social security schemes would, by itself, provide an opportunity to strengthen and develop the rural institutions and that this would, in turn, provide an impetus for the consolidation and development of rural institutions.

45. Since rural social security programmes were entirely new to most developing countries of Asia and the Pacific, it was recommended that the agencies of national governments responsible for formulation of such schemes, the trade union organisations and corresponding employers' organisations should

be enabled to observe and study the working of the rural social security programmes in other countries so that they were able to identify the enabling factors and to assess the feasibility of adopting such methods in their own countries so as to participate meaningfully in such national exercises. It was also recommended that the ILO should provide, on request, its technical support in the form of expert assistance, fellowship grants, group study tours, and provision of technical literature.

46. While the ILO might be approached for such technical assistance, the participants felt that an equally effective approach to assimilation of the problems, issues and pre-requisites to development of rural social security would be to rely also on bilateral assistance. In this context, it was emphasised by some participants that technical assistance to national trade union organisations provided by other national trade union bodies and institutions capable of providing such technical assistance, should be worked out through a system of technical co-operation among developing countries (TCDC). In such ventures, they insisted, the ILO should play the role of a "catalyst" and a "promoter".

47. How could a developing country raise resources to implement rural social security programmes? A number of approaches to resource mobilisation to finance rural social security were considered. Most participants appreciated the fundamental problems of raising resources for financing rural social security programmes where the paying capacity of the people in such areas was extremely limited and the prospects of resource transfer from sources external to the area were also limited. Examining the results of experiments undertaken in developing countries in other parts of the world, the participants took a unanimous view that self-financing as a mechanism was not feasible in the rural areas and that genuine attempts were needed to raise resources through a variety of fiscal instruments the scope and nature of which might vary from country to country. It was, therefore, recommended that resources for financing rural social security programmes, should be raised through a variety of taxes and levies such as graded agricultural income taxes, cesses, etc., apart from necessary resource transfer from organised urban sectors and the Government. A modest contribution from urban social security funds was also recommended as a gesture of solidarity.

48. Some participants were strongly in favour of continued and substantial subsidy from the government to organise and implement rural social security programmes.

#### **(viii) WORKERS' PARTICIPATION IN PLANNING AND ADMINISTRATION OF SOCIAL SECURITY SCHEMES**

49. The documents made available by the trade union participants and resource persons (as well as their presentations), and the ideas and experience

shared during panel discussions, enabled the participants to gain an insight into the mechanics of workers' participation in social security planning and implementation as obtaining in different countries of Asia and the Pacific. Some participants maintained that the existing practice of over-weighted representation to government on the managing boards and advisory councils of social security institutions did not keep in line with the principle of tripartite participation. In their view, the weightage of representation on such bodies ought to be equal as between government, employers and workers.

50. How could trade unions participate in social security planning and administration when the unions were not strong and equipped to participate? One participant reiterated the necessity to build up the trade union strength by reducing multiplicity of unions and through structural strengthening of the trade union organisations so that the trade unions attained the required strength and influence. Dealing with the theme of trade union strength and stability, many participants felt that it was most desirable to insist on an effective check-off system under which the trade union members paid their dues and their organisations were financially enabled to attain a level of technical and organisational build-up to participate in social security planning and implementation.

51. Another participant mentioned that in the case of trade union organisations, it was most important to ensure that they themselves become ideal employers in so far as the workers' employed by them were concerned. From this point of view, the participants who held positive views of the merits of socio-economic ventures by trade unions (discussed later in this Report) affirmed that such ventures would be successful, in the long run, only when they were run strictly on professional and commercial bases, with the help of appropriate technical personnel working full-time and not when things are handled by trade unionists who did not have specialised experience in such areas.

52. In the light of the experiences obtaining in the various countries of Asia and Pacific, many participants recognised the fact that the degree of involvement in planning and implementation of social security by trade unions varied considerably from country to country. Although trade union participation in social security planning and implementation has had considerable impact on shaping social security policies and programmes in certain countries, such participation and involvement had not been substantial in certain other countries. There was also a general feeling that the participation by trade unions was more pronounced in the implementation stage rather than in the planning stage, in so far as social security schemes were concerned. Even where the trade unions were involved in participation and implementation of social security programmes, there was a general consensus that trade union participation in social security planning and implementation was inadequate and not effective enough to influence national policies and development in social security.

53. There was a feeling among the participants that in a number of countries in Asia and the Pacific where social security programmes operated, trade unions participated only in an advisory capacity, their influence in policy formulation and programme implementation being constrained by the advisory character of their involvement. To strengthen trade union participation in social security planning and implementation, a number of participants suggested that the representation of trade unions on Advisory Boards and Councils of social security institutions should be improved. Some participants proposed that workers should have an equal representation along with employers and Government. Some others went a step further and suggested that trade unions should hold 50% of the seats on these bodies, leaving the remaining 50% to be distributed equally among the employers and the Government. Some participants also held the view that social security programmes should be managed entirely by the trade unions. In order to ensure effective participation by workers in planning and administration of social security schemes, it was recommended that trade unions should have equal representation along with employers and government in the management boards and councils of social security institutions.

54. An unanimous recommendation which emanated from the participants related to the status of the Governing Councils and Boards of Social Security Institutions. Most participants held the view that so long as the Councils and Boards of Social Security Institutions remained, as they were, in an advisory capacity, they would constitute nothing more than vocal forums. There was, therefore, a consensus that the Social Security Institutions should be made autonomous subject of course to the normal parliamentary control, auditing, and external evaluation. Although the necessity for demanding autonomous character of Social Security Institutions was motivated by the need to ensure the active involvement and participation of workers' and employers' representatives in the planning and implementation social security programmes, most participants came to the conclusion that such a change-over to an autonomous position would indeed be facilitated by a national recognition of the fundamental role of the trade unions to participate in socio-economic policy formulation and implementation.

55. There was a general consensus among the participants that while the prevalence of sound industrial relations system in a country provided a suitable climate for the birth and growth of appropriate social security programmes, social security programmes had their own justification by virtue of the fact that the workers had a right to social security whatever be the state of industrial relations or other factors which conditioned the general economic and social climate in the country.

56. The participants recognised the inter-relationship between social security, economic development and productivity. There was a general recog-

dition of the contributions made by the social security to economic development through stabilisation of manpower as well as the improvement in standards of health and efficiency provided by short-term and long-term benefit programmes, and above all the substantial contributions made by social security resources to economic and social development. While most participants recognised the rationale of investing social security funds for capital formation and economic development, they held the unanimous view that the close association of trade union organisations in the investment policies of social security funds would contribute to the strengthening of their capacity to participate in implementation of social security schemes. Although investment policies often involved technical and complex issues which needed professional understanding, the continued participation of trade unionists in such matters was expected to progressively enhance their ability to contribute effectively to policy and programme development. It was, therefore, recommended that the investment policy of social security funds should be determined by the autonomous social security institutions, keeping in line with the established criteria of security, yield, liquidity, and social and economic development imperatives.

57. Does the operation of social security programmes in any way contribute to the strengthening of trade unions? Many participants felt that operation of social security programmes and workers' ability to participate in their operation enabled the trade unions to develop their own technical skills and faculties to understand socio-economic planning and implementation in some detail. In this sense, they recognised the reinforcing effect of social security programmes to equip trade unions to participate more effectively in matters of common concern to the general public. To give effect to the idea of strong and capable trade unions, many participants stressed the need to ensure professional build-up and structural strengthening of the trade unions through a series of measures initiated and implemented by trade unions themselves. Although the Government might provide a proper climate and support for trade union stability and growth, the trade unions should learn how to strengthen themselves through streamlining of their administrations, self-discipline, dedication and hard work. Many participants also recognised the need to ensure economic and financial viability the trade unions attained through economic independence. For this purpose, it was felt by some participants, adequate resource should be raised by trade unions from their own ranks and from revenues derived from their own ventures.

58. Some participants stressed the importance of social security programme as instruments for strengthening labour administration in enhancing their perspective and facilitating a shift from their image linked to their regulatory and control functions to that of a development-oriented welfare dispenser. This change of image was most welcome in the context of the new character of labour administration envisaged by recent demands on labour administrations to participate in economic and social programmes. Some participants thought

that the responsibility in planning and administration of social security programmes assumed by the labour administrations in most countries also updated their skills and capability to participate more effectively in the discussions and debates which took place at the national level amongst the various departments including Central Planning Agencies while drawing up the priorities and programmes of Social Development, including Social Security Planning.

59. Are there any fundamental differences in the attitudes of the various national trade unions in regard to the role and significance of social security? The discussions showed that there was complete unanimity of objectives amongst the trade unions in this matter. Recognising the fact that the problems of social security planning and development were of common and genuine concern to all workers whether employed, unemployed, or partially employed, self-employed or whether they worked in industry or agriculture, and the fact that the social security schemes were powerful instruments for social and economic development, the seminar recommended that widest possible unity and joint action among trade unions, irrespective of their political or ideological affiliations, should be sought to be achieved for the attainment of comprehensive and integrated social security schemes.

#### **(ix) SOCIO-ECONOMIC VENTURES BY TRADE UNIONS**

60. The participants had the benefit of special presentations on the theme of socio-economic ventures by trade unions in a Panel Discussion (led by Dr. P.P. Narayanan) during the course of which they were able to seek clarifications and to bring up their own points of view. Participants representing some developing countries of Asia (where socio-economic ventures by trade unions had been developed, promoted and implemented with success) were very emphatic about the merits of such programmes in developing the trade union strength and their participative skill in socio-economic activities. The participants from Singapore and Malaysia gave concrete examples of the working of socio-economic ventures developed and implemented by their respective national trade union organisations. They also described how the trade unions were able to effectively mobilise capital through their saving schemes and how such capital was invested in labour intensive industrial projects. Equally important were the educational programmes that have also been devised so that the workers were able to enhance the opportunities for their children to acquire better education.

61. Some participants took the position that basic to the philosophy and practice of socio-economic ventures by trade unions was the political will to recognise trade unions as important elements in the development process. Equally important was the political will to utilise trade union potential for industrialisation and also the merits of encouraging trade unions in developing countries to help workers to become owners of the means of their livelihood,

i.e. they must be partners in the industries in which they work. One participant, therefore, made a strong plea to re-examine the governments' attitudes towards trade unions and to move away from the traditional concept that trade unions were stumbling blocks to industrialisation to using trade unions to enhance the rate of growth in industrialisation. In his view, the following steps could be taken to improve the utilisation of trade union potential in the process of industrialisation:

- (i) recognise trade unions as responsible organisations which reflect the view of labour in the country;
- (ii) consult trade unions on all matters with respect to laws and their relevance in the context of policy of industrialisation;
- (iii) invite (by government) representatives of labour to collaborate in statutory bodies involved in the implementation of industrialisation programmes;
- (iv) develop a formal two-way communication channel between trade unions and official planners to ensure that the aspirations of the workers were incorporated in the development plans and the strategy of development plans were explained to trade unions;
- (v) encourage trade unions to use their organisational capacity to enhance resource mobilisation, e.g. capital formation through saving schemes, co-operative and educational and training programmes for improving the quality of labour;
- (vi) encourage trade unions to collaborate with the industrialists and public corporation to invest, especially in industries which are economically viable and labour intensive; and
- (vii) consideration by governments to make it mandatory on the part of entrepreneurs to offer shares to workers in their respective establishments.

He maintained that what was necessary was the political will to accept trade unions as partners in development.

62. Most participants recognised the significant role played by trade unions in some countries in moving away from the traditional areas of collective bargaining and industrial relations to the new horizon represented by socio-economic ventures evolved, developed and implemented by themselves. Some participants felt that although the assumption of responsibility of socio-economic ventures by trade unions was possible under certain unique conditions of trade union strength and stability, in so far as trade unions with heterogeneous grouping and interests were concerned, they would have to study the



implications of such ventures before they emulated the examples of other countries.

63. How could the national trade unions take the initiative in developing their socio-economic ventures? Many participants held the view that a start could be made by enabling trade union leaders to visit countries where such ventures had operated for some time and to study in depth the working of such schemes in order to assess for themselves the applicability of those schemes to their own country situations. Some participants felt that although a large number of study missions (some of them under the aegis of the International Labour Organisation) had already been undertaken by trade union leaders of selected countries to observe the working of socio-economic ventures, it was most desirable to enlighten the trade unionists of some developing countries on the prospects and possibilities of embarking upon such ventures through mutual help and collaboration between national trade union organisations of Asian countries. This type of technical co-operation among developing countries, they appealed, might be supported by the national governments and should indeed be co-ordinated, wherever necessary, by the International Labour Office and its regional and national structures.

64. The participants, while recognising the merits of emulating the examples of socio-economic ventures by trade union organisations, expressed the preference for making a start by initiating service-oriented ventures on a modest scale in order to test their feasibilities and to consolidate the experience before enhancing the scope and perspectives of such attempts.

65. On the question of the responsibility of the governments to promote and develop socio-economic ventures by trade unions, appropriate to typical national situations, a large number of participants accepted the position that the trade unions themselves should volunteer to come forward with income support and welfare oriented programmes to complement the efforts of the Government.

66. It was, however, agreed by a large number of participants that while such trade union initiatives would establish the complementarity of social action by governments, trade unions and employers' organisations, the responsibility to initiate national action and to substantially contribute to the financing of national schemes of social security should vest with the Government. To be precise, the participants came to the unanimous conclusion that social security as such was essentially the responsibility of the national Government, the trade union organisations playing only a complementary role.

#### **(x) ROLE OF WORKERS' EDUCATION IN SOCIAL SECURITY**

67. What role did workers' education have in strengthening the trade union organisations as well as in enhancing their participatory skills in planning and

implementation of social security programmes? Through their national experiences as described in their documents, presentations and interventions, the participants were enabled to analyse in-depth the principal factors which determined the level and effectiveness of trade union participation in social security planning and implementation as well as their general participation in socio-economic processes at the national level. They came to the unanimous conclusion that if the trade unions were to be enabled to participate meaningfully in social security planning and implementation and to contribute substantially to the formulation of policies and administration of benefits, they needed to be technically equipped to undertake such exercises in equal partnership with employers and government representatives on the management boards and governing councils of social security institutions. Such a training of trade union leaders, it was noted by many participants, was possible only through systematic attempts at trade union orientation and education at all levels of leadership as well as among the ranks of the trade unions. While some participants recognised the merits of initiatives taken by certain governments in the workers' education field, the overwhelming majority of participants thought that workers' education, as a serious effort in trade union motivation and development, was to be undertaken between trade unions themselves although they might resort to technical aid and expert assistance from a number of institutions, including government.

68. Most participants felt that to be of practical utility and to serve trade union ranks, the syllabii and course contents for workers' education programmes should be scrutinised, developed and updated by well-informed trade union experts trained in the techniques of workers' education and orientation. On the question of the role of trade unions in social security, the participants unanimously recommended that through education programmes, workers should be enabled to attain appropriate technical insight into the theoretical and philosophical bases of individual social security programmes, their feasibility and relevance to national policies, especially those relating to development and growth. From this stand-point, there was a unanimous recommendation that in the developing countries of Asia and the Pacific where social security programmes have been introduced and such programmes were in the process of development, a concerted effort should be made to develop appropriate workers' education programmes within the trade union organisations themselves so that the policy and programme options in social security were fully comprehended by the trade union leaders.

69. In developing appropriate workers' education programmes, some participants representing national trade unions in certain countries volunteered to offer the assistance of their organisations to other Asian and the Pacific countries in sharing their experiences and knowledge in development of workers' education programmes so that to the extent possible, such experiences, ideas

and techniques developed in other countries could be scrutinised and tested for adaptation.

70. What role will the ILO have in assisting national trade union organisations in the promotion of workers' education programmes? The participants recommended that the International Labour Office should, to the extent possible, extend its Regional Advisory services and technical assistance to the trade union centres through its regular and extra budgetary resources to equip them to develop their workers' education programmes through its established procedures.

71. There was a general consensus that the national media for information and publicity, including newspapers, films, radio and television, should be increasingly utilised to promote workers' education programmes including those relating to the workers' awareness on the scope and content of social security programmes, both operational as well as those in the offing.

#### **(xi) ORIENTATION OF EMPLOYERS, MANAGERIALS AND GOVERNMENTAL AGENCIES ON SOCIAL SECURITY**

72. If workers' education could be counted upon to enhance the trade unions' ability to participate in social security planning and implementation what about the methods to enhance the technical skills of the other key elements in the planning processes, viz., the employers (management) and governmental agencies responsible for social security planning and implementation? Should they also not be enabled to widen their perspectives on the subject of social security? Some participants held the view that although major employers and managers of large enterprises were usually aware of the implications of social security programmes as well as the specific obligations expected of them in the operations of the schemes, in the context of growing industrialisation and rapid proliferation in the ranks of management, there was indeed a strong case for orienting the "employers" as a category on social security programmes. This, in their view, was also intended to assist them in removing some of the misconceptions and apprehensions which they held on the true effects of social security on productivity, profits, entrepreneurial growth, etc.

73. It was also stated by some participants that policy making officials in all government departments concerned with the planning processes in social security should be oriented and equipped to undertake their tasks effectively. In this context, some participants commended the ILO-sponsored national seminars on "social security and national development" organised in some countries of Asia and the Pacific. Some participants suggested that the social security administrations themselves should take the initiative to publicise the philosophical and operational bases of their schemes for the benefit of govern-

mental agencies so that the latter were technically equipped to handle the problems and issues in social security planning and implementation.

74. Taking into account the prevailing situations in the developing countries of Asia and the Pacific, it was recommended that steps should be taken to provide effective orientation to employers, managements and government departments responsible for planning, administration and implementation of social security schemes. In this connection, the ILO was requested to render its assistance.

## **CHAPTER - III**

### **RECOMMENDATIONS OF THE SEMINAR**

#### **I. THE CONCEPT OF SOCIAL SECURITY**

1. While the concept of social security in the context of the conditions prevailing in the developing countries of Asia and the Pacific might be broad-based so as to include such social welfare elements as employment generation, housing, nutrition, education, rehabilitation etc., for practical considerations of formulation of social security policies and implementation of appropriate programmes, it was considered most necessary to delimit the concept within specific areas of intervention represented by the following contingencies and corresponding benefits:

- (i) the need for medical care,
- (ii) Suspension, loss, or substantial reduction of income due to;
  - (a) sickness;
  - (b) maternity;
  - (c) employment injury covering both accidents and occupational diseases;
  - (d) old age;
  - (e) invalidity;
  - (f) death of the bread-winner; employment, and
- (iii) family allowances.

2. Taking into account the imperatives of meeting the specific requirements of the conditions in the developing countries of Asia and the Pacific, the Seminar urged the ILO to re-examine its own concept of Social Security to provide a more meaningful operational framework for formulation, legislation, implementation and evaluation of social security programmes designed to provide effective, continuous and stable protection to both urban and rural workers.

#### **II. COVERAGE BY SOCIAL SECURITY PROGRAMMES**

3. It was recommended that while the existing social security programmes in certain countries had to follow the logic of progressive development and extension, immediate attention should be given by national authorities, employers' organisations and trade unions to bring within the ambit of social security protection, the large groups of workers including the self-employed engaged in the unorganised small scale and informal sectors in the urban areas so that the target of covering employees and wage earners in the urban areas could be

achieved as fast as possible. It was also recognised that effective measures should be devised to provide social security protection to migrant labour, wherever such protection was not available to such groups.

4. The Seminar recommended that appropriate technical studies and pilot project experimentation should be undertaken by national Governments with active collaboration by trade union centres and employers' organisations as well as the organisations of rural workers in order to evolve workable and effective programmes of social security for rural population taking into account the needs and priorities of the rural areas. In such studies it was decided to seek appropriate assistance from the ILO.

### III. FINANCING

5. Considering the limitations of the working classes in the urban and rural areas to contribute substantially to financing of their social security programmes, it was recommended that the Governments should contribute substantially to finance social security programmes, especially in the rural areas.

6. It was also recommended that resources for financing rural social security programmes, should be raised through a variety of taxes and levies such as graded agricultural income taxes, cesses etc., apart from necessary resource transfer from organised urban sectors and the Government. A modest contribution from urban social security funds was also recommended as a gesture of solidarity.

7. In the light of the continuously eroding value of social security benefits caused by inflationary pressures, the Governments should take appropriate steps to guarantee the real value of social security funds and benefits.

8. Following the well-established practice of employers financing employment injury, and occupational diseases protection programmes, it was recommended that such schemes should be solely financed from the resources of the employers.

9. It was recommended that social security programmes should not be permitted to become "para-fiscal" instruments for resource mobilisation only.

10. In examining the whole question of accident prevention and compensation, it was recommended that compensation should follow scientifically established methods and procedures of determining the residual working capacity of the victims and to provide for effective rehabilitation, retraining and orientation to put the injured workers back to their original levels of earning, wherever possible, and to ensure adequate benefits in case of partial and permanent invalidity. It was also recommended that in cases where the workers experienced severe incapacity and were unable to be rehabilitated and put back to active employ-

ment, the social security systems should be capable of giving benefits not just related to their level of earnings alone (which might happen to be meagre considering the needs of such people) but also to ensure that such necessary provisions as constant attendance allowances should be provided to meet their basic physical needs. In cases when workers face temporary incapacity to work following employment injury and accidents, their full earnings should be ensured during periods of treatment convalescence and recuperation.

#### **IV. BENEFITS**

11. Recognising the advantages and disadvantages of the Provident Fund system as a method of providing old age security, the seminar recommended that the existing provident fund schemes should be converted into pension insurance programmes to provide periodical benefit payments on a continuous basis after retirement of workers from active employment till their death, in which event the benefits would automatically accrue to their dependents. However, in order to cater to the specific needs of workers, such reformulated schemes should enable the insured persons to receive lump sum benefits through partial commutation to meet their current obligations.

12. It was recommended that once the Pension Insurance Programmes were established, it would be necessary to make it statutorily obligatory for the authorities to undertake actuarial valuations of pension benefits at specified intervals, to ensure that such benefits did in fact keep pace with the increase in cost of living as well as movement of wages. The frequency of such actuarial valuations to be undertaken in each country would depend undoubtedly on the rate of inflation as well as extent of movement in wages.

13. It was recommended that while designing and developing new pension insurance programmes or in converting the existing provident fund schemes into pension insurance schemes, care should be taken to ensure that the lower income groups would not end-up with meagre pension benefits totally inadequate to meet their basic needs. For this purpose the necessity to establish a "minimum" pension for all workers who became eligible to receive pension and survivor benefits was reiterated.

14. It was recommended that each country should determine its own needs and priorities in rural social security benefits and that it should be free to make a beginning with either short-term benefits, like medical care, employment injury benefits, occupational health and safety etc., or long-term benefits.

#### **V. WORKERS' PARTICIPATION IN PLANNING AND ADMINISTRATION OF SOCIAL SECURITY SCHEMES**

15. In order to ensure effective participation by workers in planning and administration of social security schemes, it was recommended that trade unions

should have equal representation along with employers and Government in the managing boards and councils of social security institutions.

16. It was unanimously recommended that social security institutions should be made autonomous, subject, of course, to normal parliamentary control, auditing and external evaluation.

17. It was recommended that the investment policy of social security funds should be determined by the autonomous social security institutions, keeping in line with the established criteria of security, yield, liquidity and social and economic development imperatives.

## **VI. INTEGRATION OF VARIOUS SOCIAL SECURITY SCHEMES**

18. The seminar recommended that from the point of view of providing effective protection and benefits to workers and to achieving economy and efficiency in social security administration, national authorities should make urgent and serious efforts to integrate their social security programmes, while ensuring that such integration did not result in diminution of existing benefits. Such integration was recognised as necessary for effective policy planning in social security schemes and for establishment of their complementarity with other social development programmes designed to sustain anti-poverty strategies.

## **VII. SOCIO-ECONOMIC VENTURES BY TRADE UNIONS**

19. Recognising the merits of socio-economic ventures by trade unions, it was recommended that a start be made by initiating service-oriented ventures on a modest scale in order to test their feasibility and experiences before enhancing the scope and perspectives of such attempts.

## **VIII. ROLE OF WORKERS' EDUCATION IN SOCIAL SECURITY**

20. It was recommended that workers' education, as a serious effort in trade union motivation and development, should be undertaken by the trade unions themselves although they might resort to technical and expert assistance from a number of institutions, including the Government.

21. It was recommended that the syllabi and course contents for workers' education programmes, especially relating to social security, should be scrutinised, developed and updated by well-informed trade union experts trained in the techniques of workers' education and orientation. On the question of the role of trade unions in social security, the participants unanimously recommended that through education programmes, workers should be enabled to attain appropriate technical insight into the theoretical and philosophical bases of individual social security programmes, their feasibility and relevance to national policies, especially those relating to development and growth. From



this standpoint, there was a unanimous recommendation that in the developing countries of Asia and the Pacific, where social security programmes have been introduced and such programmes were in the process of development, a concerted effort should be made to develop appropriate workers' education programmes within the trade union organisations themselves so that the polity and programme options in social security were fully understood by trade union leaders.

22. It was recommended that the International Labour Office should extend its regional advisory services and technical assistance to the trade union centres through its regular and extra-budgetary resources to equip them to develop their workers' education programmes through its established procedures.

23. Since rural social security programmes were entirely new to most developing countries of Asia and the Pacific, it was recommended that the agencies of national Governments responsible for formulation of such schemes, the trade union organisations, corresponding employers' organisations and organisations of rural workers should be enabled to observe and study the working of the rural social security programmes in other countries so that they might be in a position to identify the enabling factors and to assess the feasibility of adapting such methods in their own countries. It was also recommended that the ILO should provide, on request, its technical support in the form of expert assistance, fellowship grants, group study tours, and provision of technical advice for pilot project experimentation.

## **IX. ORIENTATION OF EMPLOYERS, MANAGEMENT AND GOVERNMENTAL AGENCIES ON SOCIAL SECURITY**

24. Taking into account the prevailing situation in the developing countries of Asia and the Pacific, it was recommended that steps should be taken to provide effective orientation to employers, managements and Government departments responsible for planning, administration and implementation of social security schemes. In this connection, the ILO was requested to render its assistance.

## **X. APPEAL**

25. Recognising the fact that the problems of social security planning and development were of common and genuine concern to all workers, whether employed, unemployed, or partially employed, self-employed or whether they worked in industry or agriculture, and the fact that the social security schemes were powerful instruments for social and economic development, the seminar recommended that widest possible unity and joint action among trade unions, irrespective of their political or ideological affiliations, should be sought to be achieved for the attainment of comprehensive and integrated social security schemes.

## LIST OF PARTICIPANTS

<i>Country</i>	<i>Name &amp; Address of participants</i>
<b>I. TRADE UNION ORGANISATIONS</b>	
<b>BANGLADESH</b>	
(Bangladesh Shramik League)	1. Mr. Mohamed Nurul Islam (Babu) Advocate, Law & Bargaining Secretary 62/2, Purana Palten Post Box No. 2693 G.P.O. DACCA 1 (Bangladesh)
(Jatiya Shramik Federation)	2. Mr. S.M. Omar Farooque Member, Central Committee Jatiya Shramik Federation 251, Sultanganj Road Royer Bazar DACCA 9 B.D. (Bangladesh)
<b>FIJI</b>	
(Fiji Trade Union Congress)	1. Mr. Mahendra Chaudhry Fiji Trade Union Congress P.O. Box 1418 SUVA 3 (Fiji)
<b>INDIA</b>	
(Indian National Trade Union Congress (NTUC))	1. Mr. P.K. Sharma Indian National Trade Union Congress 19, Jopling Road Lucknow, U.P. (India)
(All India Trade Union Congress (AITUC))	2. Mr. Parduman Singh Secretary Punjab State Committee, A.I.T.U.C. Ekta Bhavan, Putlighar Amritsar (Punjab) (India)

*Country*

*Name & Address of participants*

(Hind Mazdoor Sabha)

3. Mr. Shivram Bharathy  
President  
H.M.S. Kerala Unit & Kerala Union  
Plantation Workers Union  
P.O. Kozhinjampara  
Palghat Dist. (Kerala)  
(India)

(Bharateeya Mazdoor Sangh)

4. Mr. Prabhakar Ghatge  
Bharatiya Mazdoor Sangh  
Felix Pai Bazar  
MANGALORE 575001  
(India)

**INDONESIA**

(All Indonesian Labour  
Federation (FBSI))

1. Mr. Hawis Djokosuseno  
NIBA FBSI  
(i) Jl. Tamah Abang III/6  
JAKARTA, (Indonesia)  
(ii) Jl. Hos. COKROKMINOTOSG  
JAKARTA, (Indonesia)

(All Indonesian Labour  
Federation (FBSI))

2. Rachmat Fatah  
Inland Waterways Transport Union  
All Indonesian Labour Federation  
Jln P. Jayakarta No.28  
JAKARTA PUSAT  
(Indonesia)

(All Indonesian Labour  
Federation (FBSI))

3. Mr. Vintje Eduard Torindatu  
Chairman  
Construction & Public Works Union  
Jakarta Regional Jakarta  
Jacan Juanda 39  
JAKARTA  
(Indonesia)

**MALAYSIA**

(Malaysian Trade Union  
Congress)

1. Mr. Sivakuru Mahathevan  
Malaysian Trade Union Office  
University Hospital  
KUALA LUMPUR  
(Malaysia)

*Country*

*Name & Address of participants*

- |  |   |
|--|---|
| (Malaysian Trade Union Congress)                             | 2. Mr. S. Santhanasamy<br>Malaysian Trade Union House<br>32-B Jalan Gajah, Pudu<br>KUALA LUMPUR 06-11<br>(Malaysia)   |
| PAKISTAN<br><br>(All Pakistan Federation of Trade Unions)    | 1. C.H. Zaheer Ahmed Taj<br>Vice President<br>All Pakistan Federation of Trade Unions<br>Trade Union House, Bunloharan<br>O/S Bohair Gate, Multan<br>(Pakistan)   |
| PHILIPPINES<br><br>(Trade Union Congress of the Philippines) | 1. Mr. Luto Bienvenido<br>Trade Union Congress of the Philippines<br>7th floor, Cardinal Building<br>Pedro Gil<br>Cor. Agoncillo St. 3<br>MANILA<br>(Philippines) |
| (Trade Union Congress of the Philippines)                    | 2. Mr. Diosdado Martineze<br>Trade Union Congress of Philippines<br>PTGWD Building<br>13th Street, Port Area<br>MANILA<br>(Philippines)                           |
| (Federation of Free Workers)                                 | 3. Mr. Ramon Jabar<br>Federation of Free Workers<br>4th floor, Cuevrs Building<br>Pedro Gil Street, TAFT Avenue<br>MANILA<br>(Philippines)                        |
| SINGAPORE<br><br>(Singapore National Trade Union Congress)   | 1. Mr. E.K. Choo<br>National Trade Union Congress<br>Trade Union House<br>Shenton Way<br>SINGAPORE<br>(Republic of Singapore)                                     |

*Country*

*Name & Address of participants*

(Singapore National Trade  
Union Congress)

2. Mr. Ivan C. Baptist  
National Trade Union Congress  
Trade Union House  
Shenton Way  
SINGAPORE  
(Republic of Singapore)

SRI LANKA

(Ceylon Workers Congress)

1. Mr. V. Devaraj  
Ceylon Workers' Congress  
72 Ananda Coomaraswamy Mawatha  
COLOMBO 7  
(Sri Lanka)

THAILAND

(Labour Congress of  
Thailand)

1. Mr. Ari Bhoktavi  
Labour Congress of Thailand  
121 Chakpet Road  
BANGKOK  
(Thailand)

## **II. INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS**

Dr. P.P. Narayanan  
President, ICFTU  
37 rue Montagne aux-Berbeg  
BRUSSELS  
(Belgium)

Special Invitee and  
Resource Person

## **III. INTERNATIONAL SOCIAL SECURITY ASSOCIATION**

Mr. S.K. Wadhawan, F.C.I.I. (London)  
Director of the Regional Office  
R-39, Greater Kailash-1  
NEW DELHI 110048  
(India)

Special Invitee

## **IV. GOVERNMENT OF INDIA**

1. Mr. K.D. Madan  
Additional Secretary & Director General  
Employees State Insurance Corporation  
NEW DELHI  
(India)

Resource Person

- |    |   |                 |
|----|---|-----------------|
| 2. | Mr. C. Lal<br>Central Provident Fund Commissioner<br>Mayur Bhavan<br>NEW DELHI<br>(India)   | Resource Person |
| 3. | Mr. C.R. Nair<br>Deputy Secretary<br>Ministry of Labour<br>Shram Shakti Bhavan<br>NEW DELHI<br>(India)                            | Resource Person |
| 4. | Mr. A.S. Sattanathan<br>Regional Provident Fund Commissioner<br>Travandrum, Kerala State<br>(India)                               | Delegate        |
| 5. | Mr. T.V. Suryanarayanan<br>Assistant Provident Fund Commissioner<br>Employees Provident Fund Organisation<br>NEW DELHI<br>(India) | Delegate        |
| 6. | Dr. M.J. George<br>Administrative Medical Officer<br>E.S.I. Scheme<br>Travandrum, Kerala State<br>(India)                         | Delegate        |
| 7. | Mr. Purshotam Kumar<br>Labour Conference Section<br>Ministry of Labour<br>Shram Shakti Bhavan<br>NEW DELHI<br>(India)             | Seminar Officer |

## V. GOVERNMENT OF KERALA

- |    |  |                 |
|----|--|-----------------|
| 1. | Mr. R. Ramachandran Nair I.A.S.<br>Secretary<br>Labour Department<br>Government of Kerala, Trivandrum<br>Kerala State<br>(India) | Special Invitee |
|----|--|-----------------|

- |    |  |  |
|----|--|--|
| 2. | Mr. K. Srinivasan, I.A.S.<br>Labour Commissioner<br>Government of Kerala, Trivandrum<br>Kerala State<br>(India)                                | Special Invitee and<br>Liaison Officer of the<br>Seminar |
| 3. | Mr. V. Krishnamurthy, I.A.S.<br>District Collector<br>Government of Kerala, Travandrum<br>Kerala State<br>(India)                              | Resource Person  |
| 4. | Dr. I.R.Poduval<br>Executive Director<br>Kerala Institute of Labour and<br>Employment, Travandrum<br>Kerala State<br>(India)                   | Delegate   |
| 5. | Mr. Mathew Kadavan<br>Senior Fellow<br>Kerala Institute of Labour and<br>Employment, Travandrum<br>Kerala State<br>(India)                     | Delegate   |
| 6. | Mr. N. Rajendran<br>Additional P.A. to the Minister for<br>Labour and Housing, Government<br>of Kerala, Trivandrum,<br>Kerala State<br>(India) | Observer   |

## VI. INTERNATIONAL LABOUR OFFICE

- |    |   |  |
|----|---|--|
| 1. | Mr. K.F. Yoshimura<br>Assistant Director General<br>Responsible for ILO Activities<br>in Asia and the Pacific<br>P.O. Box 1759<br>BANGKOK<br>(Thailand) | Representative of the<br>Director-General, ILO |
|----|---|--|

- |   |   |
|---|---|
| 2. Mr. Bimal Ghosh<br>Director<br>ILO Office for India, Sri Lanka,<br>Nepal and Bhutan<br>NEW DELHI<br>(India)  | Director of ILO Office,<br>New Delhi      |
| 3. Dr. T.I. Mathew<br>Chief<br>Labour Policy & Working Conditions<br>Section<br>ILO Regional Office for Asia and<br>the Pacific<br>P.O. Box 1759<br>BANGKOK<br>(Thailand) | Seminar Director                          |
| 4. Mr. M.N. Unni Nayar<br>Director<br>ILO Office<br>MANILA<br>(Philippines)   | Resource Person                           |
| 5. Mr. K. Duraipappah<br>Regional Adviser on Workers' Education<br>ILO Regional Office for Asia and the Pacific<br>P.O. Box 1759<br>BANGKOK<br>(Thailand)                 | Resource Person                           |
| 6. Dr. B. Heise<br>Senior Specialist in Social Security<br>Social Security Department<br>International Labour Office<br>CH 1211, GENEVA 22<br>(Switzerland)               | Resource Person                           |
| 7. Mr. K. Natarajan<br>ILO Office<br>7, Sardar Patel Marg<br>Chanakya Puri<br>NEW DELHI 21<br>(India)   | Administrative Officer<br>for the Seminar |



**PROGRAMME OF THE SEMINAR**

**WEDNESDAY, 21 MARCH 1979**

0800 – 0830      Registration of participants (Seminar Secretariat, Palace Hall, Kovalam Beach Hotel)

0945              All participants and guests to be seated for the Inaugural Ceremony (Durbar Hall, Secretariat Building, Trivandrum)

1000 – 1130      Inaugural Ceremony

Prayer

Welcome Address by Hon'ble Minister for Labour and Housing, Mr. M.K. Raghavan

Introductory Remarks by Seminar Director, Dr. T.I. Mathew (ILO)

Inaugural Address by Hon'ble Chief Minister of Kerala, Mr. P.K. Vasudevan Nair

Address by Assistant Director-General Responsible for ILO Activities in Asia and the Pacific, Mr. K.F. Yoshimura

Address by President of the International Confederation of Free Trade Unions (ICFTU), Dr. P.P. Narayanan

Vote of Thanks by Mr. R. Ramachandran Nair, IAS, Secretary to Government of Kerala (Labour and Housing)

National Anthem

1130              Close of Inaugural Ceremony

1130 – 1230      Refreshments

1230 – 1530      Lunch and rest

**FIRST SESSION OF THE SEMINAR**  
(Palace Hall, Kovalam Beach Resort Hotel)

1530 – 1615      Introductory remarks on the programme and working of the seminar by the Seminar Director and Representatives of the Kerala Government

Clarification for participants on technical and administrative aspects of the seminar

1615 – 1630      Tea Break

- 1630 End of First Session
- 2000 Dinner hosted in honour of the participants by Hon'ble Chief Minister of Kerala, Mr. P.K. Vasudevan Nair (Kanakakkunnu Palace, Trivandrum)

**THURSDAY, 22 MARCH 1979**

**SECOND SESSION OF THE SEMINAR**

- 0930 – 1015 Presentation of Basic Document No. 1: "Concepts, methods and programmes of social security with particular reference to ILO's role and activities in the promotion of social security in developing countries in Asia" by Dr. T.I. Mathew
- 1015 – 1100 Discussion on the presentation of Basic Document No. 1
- 1100 – 1115 Tea Break
- 1115 – 1230 Presentation of viewpoints by participants and conclusion of discussion on the theme of Basic Document No. 1.
- 1230 – 1430 Lunch Break
- (Afternoon free for study of Basic Document No. II: "Trends and problems of social security in developing countries in Asia" by Mr. K. Thompson)

**FRIDAY, 23 MARCH 1979**

**THIRD SESSION OF THE SEMINAR**

- 0930 – 1015 Presentation by Dr. B. Heise of Basic Document No. III: "Financial Aspects of Social Security" by Mr. W. McGillivray
- 1015 – 1100 Discussion on the presentation of Basic Document No. III
- 1100 – 1115 Tea Break
- 1115 – 1230 Presentation of viewpoints by participants and conclusion of discussion on the theme of Basic Document No. III
- 1230 – 1430 Lunch Break

**FOURTH SESSION OF THE SEMINAR**

- 1430 – 1515 Presentation of Basic Document No. IV/1: "Planning and

Implementation of Social Security — The Role of Trade Unions” by Dr. P.P. Narayanan

Presentation of Basic Document No. IV/2: “Workers’ Participation in the Administration and Planning of Social Insurance and Social Security Schemes” by Dr. B. Heise

1515 — 1600 Discussion on the presentation of Basic Documents Nos. IV/1 and IV/2

1600 — 1615 Tea Break

1615 — 1715 Presentation of viewpoints by participants and conclusion of discussion on the theme of Basic Documents Nos. IV/1 and IV/2

1830 Music Concert at V.J. Town Hall, Trivandrum and Dinner hosted in honour of the participants by Hon’ble Mr. S. Varadarajan Nair, Finance Minister, Government of Kerala

**SATURDAY, 24 MARCH 1979**

**FIFTH SESSION OF THE SEMINAR**

0930 — 1015 Presentation by Messrs. Unni Nayar, Bienvenido, Martineze and Jabar, of Basic Document No. V/1: “An Overview of Statutory Social Security Schemes in the Philippines” by Messrs. Raynaldo Centeno, Jaime Santiago and Crisanto Young

1015 — 1100 Presentation of Basic Document No. VI/1: “Workers’ Participation in Planning and Implementation of Social Security Schemes in Sri Lanka” by Messrs. K. Duraiappah and V. Devaraj

1100 — 1115 Tea Break

1115 — 1230 Address to participants by the Hon’ble Union Minister for Parliamentary Affairs and Labour, Mr. Ravindra Varma

1230 — 1430 Lunch Break

**SIXTH SESSION OF THE SEMINAR**

1430 — 1545 Panel discussion on the topic: “Social Security and the National Economy, with special reference to the Promotion of Employment and Productivity”

1545 — 1600 Tea Break

- 1600 – 1715 Conclusion of panel discussion on the topic: “Social Security and the National Economy, with special reference to the Promotion of Employment and Productivity”
- 2000 Dinner hosted in honour of the participants by Mr. B. Ramamurti, Managing Director, Travancore Titanium Products Limited (Mascot Hotel, Trivandrum)

SUNDAY, 25 MARCH 1979 )

) Field visits to Thekkady and Periyar

MONDAY, 26 MARCH 1979 )

TUESDAY, 27 MARCH 1979

### SEVENTH SESSION OF THE SEMINAR

- 0930 – 1100 Panel discussion on the topic: “Socio-economic Ventures by Trade Unions: some experiences, ideas and suggestions”
- 1100 – 1115 Tea Break
- 1115 – 1230 Conclusion of discussion on the theme: “Socio-economic Ventures by Trade Unions: some experiences, ideas and suggestions”
- 1230 – 1430 Lunch Break

### EIGHTH SESSION OF THE SEMINAR

- 1430 – 1515 Presentation of Basic Document No. VII/1 on the theme “Working of the Employees’ State Insurance Scheme in India, with particular reference to the role of workers’ representatives in the planning and implementation of the scheme” by Mr. K.D. Madan
- 1515 – 1600 Discussion on the presentation of Basic Document No. VII/1
- 1600 – 1615 Tea Break
- 1615 – 1715 Presentation of viewpoints by participants on the theme of Basic Document No. VII/1 and conclusion of discussion on the theme.
- 2000 Dinner hosted in honour of the participants by the Chairman and members of the Kerala State Electricity Board (Hotel Tara, Trivandrum)

WEDNESDAY, 28 MARCH 1979

**NINTH SESSION OF THE SEMINAR**

- 0930 – 1015      Presentation of Basic Document No. VIII/1: "The working of the employees' Provident fund and other statutory provident fund schemes in India, with special reference to the role of workers' representatives in the planning and implementation of such schemes" by Mr. C. Lal
- 1015 – 1100      Discussion on the presentation of Basic Document No. VIII/1
- 1100 – 1115      Tea Break
- 1115 – 1230      Presentation of viewpoints by participants and conclusion of discussion on the theme of Basic Document No. VIII/1
- 1230 – 1430      Lunch Break

**TENTH SESSION OF THE SEMINAR**

- 1430 – 1600      Panel Discussion on the topic: "Social Security and the Promotion of Sound Industrial Relations"
- 1600 – 1615      Tea Break
- 1615 – 1715      Conclusion of panel discussion on the topic: "Social Security and the Promotion of Sound Industrial Relations"
- 2000              Dinner hosted in honour of the participants by the Chairman of the Kerala State Industrial Development Corporation Limited, Trivandrum (Trivandrum Club, Trivandrum)

THURSDAY, 29 MARCH 1979

**ELEVENTH SESSION OF THE SEMINAR**

- 0930 – 1015      Presentation of Basic Document No. X/1: "Social Security Schemes in Kerala" by Mr. V. Krishnamurthy
- 1015 – 1100      Discussion on the presentation of Basic Document No. X/1
- 1100 – 1115      Tea Break
- 1115 – 1230      Presentation of viewpoints by participants and conclusion of discussion on the theme of Basic Document No. X/1
- 1230 – 1430      Lunch Break

## **TWELFTH SESSION OF THE SEMINAR**

- |             |   |
|-------------|---|
| 1430 – 1600 | Panel discussion on the topic: "Investment of Social Security Funds – problems, issues, and perspectives"   |
| 1600 – 1615 | Tea Break   |
| 1615 – 1715 | Conclusion of panel discussion on the topic: "Investment of Social Security Funds – problems, issues, and perspectives"   |
| 2000        | Kathakali programme and dinner hosted in honour of the participants by Hon'ble Minister of Transport Mr. K. Narayana Kurup, Government of Kerala (Mascot Hotel, Trivandrum) |

## **FRIDAY, 30 MARCH 1979**

- |             |   |
|-------------|---|
| 0930 – 1030 | Visit to the Office of the Regional Provident Fund Commissioner, Kerala |
| 1030 – 1045 | Tea Break   |

## **THIRTEENTH SESSION OF THE SEMINAR**

- |             |  |
|-------------|--|
| 1045 – 1130 | Presentation of Basic Document No. IX/1: "Evolution and Development of National Social Security Policies in India, with special reference to contributions of Trade Unions" by Mr. C.R. Nair |
| 1130 – 1200 | Discussion on the presentation of Basic Document No. IX/1  |
| 1200 – 1230 | Presentation by Mr. P.V. Sankaranarayan on "Labour Welfare Schemes of Kerala"  |
| 1230 – 1430 | Lunch Break  |
| Afternoon   | Free for consultation of documents   |
| 2000        | Dinner hosted in honour of the participants by ILO (Kerala Guest House, Thycaud, Trivandrum)   |

## **SATURDAY, 31 MARCH 1979**

- Forenoon                      Field visit to E.S.I.C. Hospital in Peroorkada, Trivandrum
- Lunch hosted in honour of the participants by the Association of Planters of Kerala (Mascot Hotel, Trivandrum)
- 1500 – 1630                  Meeting with the Kerala Plantation Labour Committee (Durbar Hall, Secretariat, Trivandrum)
- 1900                              Cultural programme and Dinner hosted in honour of the participants by Hon'ble Minister for Labour and Housing, Mr. M.K. Raghavan (Jawahar Balbhavan, Trivandrum)

**SUNDAY, 1 APRIL 1979**      Visit to Cape Comorin

## **MONDAY, 2 APRIL 1979**

### **FOURTEENTH SESSION OF THE SEMINAR**

- 0930 – 1130                  Panel discussion on the topic: "Rural Social Security – some problems, issues and suggestions"
- 1130 – 1145                  Tea Break
- 1145 – 1300                  Panel discussion on the topic: "Workers' Participation in Management – some ideas, experiences and suggestions"
- 1300 – 1430                  Lunch Break
- Afternoon                      (Reserved for meeting of the Drafting Committee)
- 1800                              Tea Party in honour of the participants hosted by Her Excellency the Governor of Kerala (Raj Bhavan, Trivandrum)

## **TUESDAY, 3 APRIL 1979**

### **FIFTEENTH SESSION OF THE SEMINAR**

- 1000 – 1045                  Discussion and adoption of the recommendations of the seminar
- 1045 – 1100                  Tea Break
- 1100                              *Closing Ceremony*
- (i) Presentation of main findings, conclusions and recommendations of the seminar by Seminar Director

- (ii) Valedictory address by the Hon'ble Minister for Labour and Housing, Government of Kerala, Mr. M.K. Raghavan
- (iii) Address by Mr. C.R. Nair, Deputy Secretary, Government of India
- (iv) Address by representative of the Government of Kerala (Mr. R. Ramachandran Nair, IAS, Secretary for Labour and Housing)
- (v) Address by representative of the participants (Mr. Martineze)
- (vi) Vote of thanks by ILO officials (Messrs. Heise, Duraiappah and Mathew)

1230

Close of the seminar.



## LIST OF DOCUMENTS

<i>S.No.</i>	<i>No. of Paper</i>	<i>Title of Document</i>
1.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ I/1/79	"Concepts, Methods and Programmes of Social Security with particular reference to ILO's Role and Activities in the Promotion of Social Security in Developing Countries in Asia" by T.I. Mathew.
2.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ II/1/79	"Trends and Problems of Social Security in Developing Countries in Asia" by K. Thompson.
3.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ III/1/79	"Financial Aspects of Social Security by W.R. McGillivray.
4.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ IV/1/79	"Planning and Implementation of Social Security — The Role of Trade Unions" by P.P. Narayanan.
5.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ IV/2/79	"Workers' Participation in the Administration and Planning of Social Insurance and Social Security Schemes" by Bernt Heise.
6.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ V/1/79	"An Overview of Statutory Social Security Schemes in the Philippines" by Messrs Reynaldo Centeno, Jaime Santiago and Crisanto Young
7.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ VI/1/79	"Workers' Participation in Planning and Implementation of Social Security Schemes in Sri Lanka" by K. Duraiappah.

<i>S.No.</i>	<i>No. of Paper</i>	<i>Title of Document</i>
8.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ VII/1/79	"Working of the Employees State Insurance Scheme in India with particular reference to the Role of Workers' Representatives in the Planning and Implementation of the Scheme" by K.D. Madan.
9.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ VIII/1/79	"The Working of the Employees Provident Fund and other Statutory Provident Fund Schemes in India, with speical reference to the Role of Workers' Representatives in the Planning and Implementation of such Schemes" by C. Lal.
10.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ IX/1/79	"Evolution and Development of National Social Security Policy in India, with special reference to the Contribution of Trade Unions" by C.R. Nair.
11.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ X/1/79	"Social Security Schemes in Kerala" by V. Krishnamurthy.
12.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/1/79	"Social Security Schemes in India and the Role of Trade Unions" by Parduman Singh (India).
13.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/2/79	"Social Security in India" by Prabhakar Ghate (India).
14.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/3/79	"Social Insurance in Thailand" by Ari Bhokthavi (Thailand).
15.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/4/79	"Social Security in Indonesia" by Messrs Ventje Eduard, Torindatu, Hawis Pringgo Djokosuseno, and Rachmat Suryadi Fatah (Indonesia).

<i>S.No.</i>	<i>No. of Paper</i>	<i>Title of Document</i>
16.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/5/79	"Social Security in Indonesia" by Rachmat S. Fatah (Indonesia).
17.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/6/79	"Social Security in Singapore" by Choo Eng Khoon and Ivan Baptist (Singapore).
18.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/7/79	"Social Security in Malaysia" by Messrs. S. Santhanasamy, and S. Mahathevan (Malaysia).
19.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/8/79	"Evolution and Development of Social Security Schemes in the Philippines and Current Stage of Development of each Statutory Scheme" by Diosdado M. Martineze (Philippines).
20.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/9/79	"Social Security Schemes in the Philippines" by Bienvenido I. Luto.
21.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/10/79	"Social Security in Sri Lanka" by V. Devaraj (Sri Lanka).
22.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/11/79	"Statutory Social Security Schemes in the Philippines" by Ramon J. Jabar (Philippines).
23.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/12/79	"Role of Trade Unions in Social Security in Indonesia" by V.E. Torindatu (Indonesia).

<i>S.No.</i>	<i>No. of Paper</i>	<i>Title of Document</i>
24.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/13/79	"Social Security Evolution and Development in Fiji" by M.P. Choudhry (Fiji).
25.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/14/79	"Social Security Schemes in Pakistan." by Zaheer Ahmed Taj.
26.	Basic Document No. ILO/NOR/SEM/SOC SEC/TRIVANDRUM/ XI/15/79	"Role of Trade Unions in Social Security in Bangladesh" by Md. Nurul Islam (Babu).

**ILO/Norway Asian Regional Seminar on  
The Role of Trade Unions in Social Security  
(Trivandrum, Kerala State, India, 21 March – 3 April 1979)**

**TECHNICAL PANELS AND PANELISTS**

<i>Panel</i>	<i>Panelists</i>
1. "Social Security and the National Economy, with special reference to Promotion of Employment and Productivity"	(i) Dr. P.P. Narayanan, President, ICFTU (ii) Mr. Ivan C. Baptist, SNTUC, Singapore (iii) Dr. T.I. Mathew, ILO
2. "Socio-economic Ventures by Trade Unions – Some Experience, Ideas and Suggestions"	(i) Dr. P.P. Narayanan (ii) Mr. Ivan C. Baptist (iii) Mr. P.V. Sankaranarayanan, Chairman, Labour Welfare Fund Board, Government of Kerala, India (iv) Dr. B. Heise, ILO
3. "Social Security and the Promotion of Sound Industrial Relations"	(i) Mr. P.N. Krishna Pillai, Specialist in Industrial Relations, India, (ii) Mr. Ivan C. Baptist (iii) Mr. V. Krishnamurthy, IAS, District Collector (Formerly Labour Commissioner, Kerala, India)
4. "Investment of Social Security Funds – Problems, Issues and Perspectives"	(i) Mr. C.K. Kochukoshy, IAS, Chairman of the Kerala Electricity Board (formerly Secretary to Government, Department of Labour, Kerala, India) (ii) Mr. C. Lal, Central Provident Fund Commissioner, India (iii) Dr. T.I. Mathew, ILO
5. "Rural Social Security – Some Problems, Issues and Suggestions"	(i) Mr. V. Devraj, Ceylon Workers Congress, Sri Lanka (ii) Mr. V. Krishnamurthy, IAS (iii) Mr. K. Duraipappah, ILO (iv) Dr. T.I. Mathew, ILO

*Panel*

6. "Workers' Participation in Management – Some Ideas, Experiences and Suggestions"

*Panelists*

- (i) Prof. S.K. Warriar, Managing Director of Kerala State Industrial Development Corporation, India
- (ii) Mr. M.P. Chaudhry, Fiji Trade Union Congress, Fiji
- (iii) Mr. Parduman Singh, All-India Trade Union Congress, India
- (iv) Mr. P. Ghate, Bharateeya Mazdoor Sangh, India
- (v) Mr. K. Srinivasan, IAS  
Labour Commissioner, Kerala, India
- (vi) Dr. B. Heise, ILO

## ADDRESS

*by*

Hon'ble Chief Minister of Kerala,  
Mr. P.K. Vasudevan Nair

I am very much honoured to have been called upon to preside over the inaugural session of the ILO/Norway Asian Regional Seminar on the Role of Trade Unions in Social Security. This seminar organised by the ILO with financial support of the Norwegian Government is, to my mind, a very significant event. Social security is one of the most important methods of social intervention and trade union's role in planning and implementation of social security is equally vital.

Comprehensive social security programmes have been established in the developed countries decades ago; many of them are currently engaged in improving their existing programmes and enhancing their operational efficiency. Where do the developing countries stand in comparison to the standards and excellence in benefits provided by such programmes? I am told that in developed countries like those in Western Europe, the expenditure on social security reportedly work out to some 15 to 25% of the gross national product of those countries. As compared to this, the developing countries register much lower level of expenditure on such programmes. International comparisons of social security expenses could sometimes be misleading. After all, social security, like other programmes designed to benefit the workers, is essentially correlated with the economic capacity and the level of developments in other comparable sectors. Faced with the problems of mass poverty and unemployment, which prevail in large number of countries in Asia, one might even be tempted to question the very logic of assigning of high priority to social security. People in the low income brackets are probably more concerned with assuring their sustenance "today" than caring to secure their "tomorrow". Faced with the weight of their day-to-day problems, they might tend to discount the real worth of the programme. To my mind, it is a short-sighted attitude to ignore the real needs of social security and postpone such measures for a future when all things would be ideal. A start has to be made at some point in ordering the priority in social security.

To the working class, what they earn in terms of wages is important. Equally important is the real value of their wage payments as well as the standards of life which they are able to maintain during their working life. But can anyone deny the case of assuring them adequate social security protection against such contingencies as sickness, unemployment, employment injury, occupational hazards, old age and invalidity? The question is to strike a reasonable balance between what is desirable in terms of social security needs

and what is really possible by way of viable programmes set against the country's economic capacity. In this context, the trade unions have a responsible role. They should get themselves as completely oriented as possible on the technical, legislative and operational aspects of the social security programmes in order that they are able to participate meaningfully in the national exercises along with the Government.

In the developing countries, the form and substance of social security programmes would naturally be different from those obtaining in the developed world. The availability of employment itself might be regarded as a type of social security.

Could we think in terms of a wider perspective for the very concept of social security to encompass, within the concept of social security such basic needs as those for food, housing, clothing, and education?

In the developed countries most of the population are covered by social security. The position is far from satisfactory when we examine the position in the developing countries. This is because those who are covered by statutory programmes are largely those in the industrial and organised sectors. The large majority of the population and especially those in the unorganised and rural sectors do not receive social security benefits. Can anyone be satisfied with this state of affairs? Admittedly, the techniques of social security that have hitherto been developed in the third world seem to have been patterned to serve the working force in the organised sector. Regular employment and earning capacity provides the basis for the contributory base for the social insurance-based programmes like the Employees State Insurance Scheme in India. I gather that more or less similar situations prevail in many other developing countries also where the schemes are designed to benefit the organised working class. Can we think of any new methods of providing social security protection to the rural people who face the same contingencies which the urban workers encounter? If we are to reckon with this reasoning of equity, what type of conceptual and methodological changes would be necessary to provide social security protection to the rural people?

It has often been stated that a factor that stands in the way of extension of social security to the working classes in the rural areas is the absence of rural institutions to promote such schemes in the rural areas. But surely, there are rural institutions both official and non-official operating in many countries. Can the existing rural institutions like the Community Development or other Rural Development Agencies in the Asian countries take on the additional load of social security? If they do this will the burden of welfare dispensation side-track them from their primary functions of development and growth? Again what type of contributions and guidance could the urban trade unions provide in order to promote social security in the rural areas? These are some of the issues which, in my opinion, deserve careful consideration by the participants.



Social security does not operate in a vacuum; in all countries, the fate of such programmes are inextricably linked with the efficacy of industrial relations system, the consciousness and responsibility of the trade unions, and the efficiency and viability of labour administration. What type of suggestions could be provided by the trade unions to make the scheme more effective and consistent with the national development strategies? Here again, this seminar has an important role to play in bringing out the various issues and problems of social security planning and their interrelationship with basic aspects of development income distribution and social security.

From the high level of participation and excellence of expertise that have been mobilised for this seminar from international and national sources, I am confident that the participants would be able to deliberate effectively on the various topics in order to arrive at some concrete suggestions to strengthen the participative capacity of trade union organisations in shaping their respective national social security systems and in maximising the benefits from the programmes. It would also enable them to view both social security programmes as well as the various options available from a broader perspective so that they themselves would be in a position to judge what is good for them in the long run. I am extremely happy that the Assistant Director-General of the ILO Mr. K.F. Yoshimura is present at this seminar along with this experts to ensure that the objectives of this seminar are achieved.

I look forward to reading the conclusions and recommendations of this seminar. I am immensely happy to inaugurate this seminar.

## ADDRESS

*by*

Hon'ble Minister for Labour and Housing,  
Mr. M.K. Reghavan

I deem it a proud privilege of mine to welcome you all to this inaugural session of the Asian Regional Seminar on the Role of Trade Unions in Social Security. It has, indeed, been a most welcome decision on the part of the ILO to hold this important seminar in Kerala. I wish to express my grateful appreciation to the Government of India for having accepted the responsibility to host this Asian Regional Seminar in India, and especially to have this event take place in the Kerala State.

The International Labour Office and its activities for the amelioration of the working and the living conditions of workers, especially those in the developing countries of the world, are now too well-known to need any elaboration from me. Probably, some of the distinguished participants who come from outside India may not be aware of the very healthy collaboration which the Indian Government has had with the ILO in planning, legislation and implementation of her social security programme. It was more than 30 years ago that India received technical assistance from the ILO in drawing up the blue-prints of the country's most significant social security scheme, namely, the Employees' State Insurance Scheme. Starting with a modest coverage of two industrial centres in 1952, the scheme now covers well over 400 centres and 6.4 million insured workers, i.e. more than 25 million beneficiaries, protected by the scheme. We have other major social security schemes like the Employees' Provident Fund Scheme, the Employees Deposit Linked Insurance Scheme, and other types of programme designed to benefit several categories of workers, especially in the mining and plantation sectors. In Kerala we are having in addition (1) Labour Welfare Fund; (2) Toddy Welfare Fund; (3) Beedi Workers Welfare Fund. We are considering Welfare Fund Schemes for Cashew Workers, Agricultural Workers, Coir Workers, tree climbing workers and workers engaged in fishing industry.

I am very happy to learn that the Norwegian Government is funding this Seminar Project. Kerala has received significant technical assistance from the Norwegian Government, especially in the development of the fishing industry. It is, therefore, most welcome that Norway should have thought of sponsoring this seminar.

It is well known that social security programmes that have been developed in the various countries in Asia have reached very widely varying levels of maturity following national policy thrusts in social development as well as the emphasis received for development of labour protection measures. To my

mind, the development of social security programmes appropriate to specific national conditions is possible only when workers and their representatives are able to assess continuously the merits of the programme in operation and scrutinise carefully the options available to them. A conscious attempts at planning social security can be taken in hand by any responsible Government only with the full awareness of the real social security needs and priorities of the working population. Social security schemes drawn up without adequate knowledge of the real needs of the working people are bound to be ineffective when applied in practice. It would be advantageous to examine in this context the growing tendency among the Beedi and Handloom workers to get out of the existing scheme in Kerala. What is more significant, the workers' representatives have to join hands with the Government to revise and reformulate the scheme to match the changing socio-economic situation in each country.

I can assure you that the Indian trade unions have played a significant role in the implementation of social security programme in this country.

I should think that this seminar will provide an excellent opportunity to exchange the experience and methodology of workers' participation in social security planning and implementation in the Asian and Pacific countries and to assimilate what is best for each country.

I notice that the social security schemes of Kerala have been subjected to analysis by one specialist from Kerala. I hope that the participants might be in a position to gather some ideas about the trends and problems of social security in Kerala as well as the uniqueness of some of the Kerala schemes.

## ADDRESS

*by*

Mr. K.F. Yoshimura,  
Assistant Director-General responsible for ILO activities  
in Asia and the Pacific, Bangkok, Thailand

Your Excellency, Mr. P.K. Vasudevan Nair, Honourable Mr. M.K. Raghavan, Dr. P.P. Narayanan, Distinguished representatives of the Government of India and Government of Kerala, Distinguished participants, Distinguished guests, Colleagues from the ILO, Ladies and Gentlemen,

It is a great privilege and honour for me to participate in this inaugural ceremony of the Asian Regional Seminar on the Role of Trade Unions in Social Security. In the first place, I wish to express my sincere gratitude to the Government of India for hosting this seminar and His Excellency Mr. Vasudevan Nair in honouring us by his presence and his inaugural address.

I am extremely happy that the Government of India should have decided to hold this seminar in Kerala, well known for its natural beauty, high level of literacy and long experience in industrial relations and labour welfare activities. I am also grateful to the Government of Kerala for its generous technical and organisational support to this ILO-sponsored seminar project.

India has a long tradition and rich experience in planning and implementation of social security schemes. Some of the Indian social security schemes like the Employees' State Insurance Scheme and the Employees' Provident Fund Scheme, were launched nearly three decades ago. These schemes could undoubtedly be regarded as pioneering programmes of social security in the developing world of Asia and the Pacific. The trade union organisations of India, I am told, have had and continue to have very substantial involvement in the development and implementation of these schemes. It is, therefore, most appropriate that this Asian regional seminar should take place in India.

I must express my gratitude to the Government of Norway for funding this seminar project. This is one among the several projects which the ILO is organising in Asia with Norwegian support.

\* \* \* \* \*

Recent times have witnessed a steadily increasing interest on the part of many developing countries in Asia and the Pacific to make serious attempts

to develop viable systems of social security consistent with their national economic situation and administrative resources. Experience has shown that the planning exercises in determination of national priorities in social security and the development of economically feasible and financially viable programmes, become more productive and meaningful, when all the three principal participants in these exercises, viz., the government, the employers, and workers, understand the diverse economic, social, administrative (and sometimes political) implications of the social security measures under formulation. In many developing countries in Asia and the Pacific, it has become an accepted practice for representatives of workers and employers to participate in the national discussions and dialogues which usually precede the introduction of social security programmes. Such tripartite participation is invaluable in the sense that those responsible for determining the financial, legislative and administrative aspects of the schemes as well as their scope of benefits, are in a position to take decisions on the basis of adequate knowledge of the problems and issues involved in the launching and operation of such programmes.

Since tripartite participation in social security planning and implementation is increasingly becoming popular in many developing countries in Asia and the Pacific, it is only natural that as principal beneficiaries and partners of social security programmes, the workers and their leaders should be adequately trained and equipped, to deal with some of the complex problems involved in the planning and operation of such schemes.

As in many other areas of social interventions in the developing countries of Asia and the Pacific, the options in social security are no doubt limited. Today, nobody will question the need for providing social security. But set against the background of scarcity of resources and the pressing claims of other social needs, there could be a strong temptation to treat social security as a peripheral sector while drawing up overall national priorities. This could indeed lead to tardy and often less adequate development of social security in relation to the actual capacity of national economies. On the other extreme, the enthusiasm for social security, unrelated to the national economic situation, might result in the development of programmes which could eventually turn out to be unrealistic both financially and administratively. What is significant is to recognise the fundamental truth that for every country, there is such a thing as a "minimum" programme of social security which that country's economy and administration can sustain at each stage of economic development. But a challenging task that confronts social security administrators, development planners as well as representatives of workers and employers, is to collectively determine the components that should go into the minimum programme, and to establish an order of priority.

This brings me to certain fundamental questions which I hope will receive due attention by the participants in this seminar. Can some practical

approaches and techniques be suggested to extend social security coverage to the large number of people located in the rural and unorganised sectors in the developing countries? The techniques of social security and especially those based on social insurance, developed for workers in the organised industrial sector would hardly be relevant to the large majority of self-employed and partially-employed people in the rural areas. What type of initiative and solidarity could be expected from national trade union organisations in developing viable programmes of rural social security? A challenging task before social security planners, development planners as well as leaders of national organisations including trade union organisations, is to find a solution to the problem of absence of social security protection to the lowest-income groups in the developing countries of Asia and the Pacific.

There are again some fundamental issues like the reconciliation of the objectives of social security with the broader national objectives of development and growth as well as the need to ensure the compatibility of social security development with increasing productivity, better industrial relations and enhanced distributional justice in society as a whole. How will we ensure the protection of the real value of social security benefits in the face of growing inflation and rising cost of living which seem to baffle experts and the general public in both developed and developing countries? What type of criteria could be evolved for investment of social security funds in order to maximise the welfare of workers and to contribute meaningfully to economic and social development in the countries of Asia and the Pacific? I am sure the participants of this seminar would apply their minds to some of these issues.

I am gratified to see that the President of the International Confederation of Free Trade Unions, Dr. P.P. Narayanan, himself is present here to provide valuable technical inputs to the seminar. The ideas and suggestions which emanate from him as well as other eminent trade union leaders who are participating in this seminar would, I am sure, result in the emergence of some concrete suggestions to make the trade union participation in social security planning and implementation more effective and fruitful in the developing countries of Asia and the Pacific. Dr. T.I. Mathew and his colleagues from the ILO and other distinguished specialists would of course, join hands with the participants in achieving this objective.

In conclusion, I once again thank the Government of India and the representatives of the Government of Kerala for their support and cooperation to the ILO in making this regional seminar a truly successful event. I look forward to reading the conclusions and recommendations of this seminar and I wish you all success in your deliberations during the coming two weeks.

Thank you very much.

## ADDRESS

*by*

DR. P.P. NARAYANAN

PRESIDENT

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU)

Mr. Chairman, ladies & gentlemen,

Allow me, at the outset, to thank the organisers of this seminar for giving me this opportunity to say a few words at the opening. The ILO and Norway should be congratulated for taking the initiative to organise this seminar on the vital theme of social security and the role of trade unions.

Two seminars in the recent past have been held on similar related topics and it is now appropriate that trade unionists meet and discuss their role in social security. The topic of social security has, of course, various dimensions and detailed discussions on every aspect of social security are important for an objective understanding of the relevance and significance of social security in our countries.

We, in the trade union movement, especially from developing countries face unique challenges. In our formative days, especially during the colonial era, we acted as catalysts for solidarity and the struggle for independence. During this period, our energies were directed at establishing basic guidelines which will guarantee workers' welfare. Most of the employers during the colonial era were, of course, by and large, instruments of colonial economic policies.

Hence, we are faced with an uphill task which gives us the confidence and strength to overcome the obstacles we face today. The principal areas of our interests during that period was to improve wages and working conditions. In most countries, we see some definite progress in these two areas, although there is plenty of room for improvement.

Since Independence, our challenges have acquired new dimensions. Our responsibilities in nation-building, particularly to achieve greater output and equitable distribution, need careful consideration.

As trade unionists, we have to maximise our welfare objectives for workers within the constraints that will naturally arise in young developing nations. As a potent organisation representing workers' interests, trade unions will have to examine their responsibilities beyond the narrow scopes of collective bargaining and industrial relations.

Trade unionists must now examine every variable in the life of the worker that influences his welfare, both economic and social. This demands greater involvement of trade unions in the planning and development process. Every plan for the worker has to be carefully examined and scientifically implemented so that both social and economic justice is achieved.

Today's seminar deals with the vital welfare instrument of social security for workers. Institutionalised forms of social security is the goal of trade unions. This goal, however, is the ideal and its achievement will need a process of identification, planning, implementation and evaluation. This seminar will help us to examine the role of trade unions in this process.

I am sure there will be several important contributions that will arise from our discussions in this seminar. The role of trade unions will be better understood and some effective projects can be identified and examined in greater detail for practical implementation. The next few days will be most rewarding to all of us and I am sure that we will produce some meaningful social security projects for workers in our countries.

A thought which I would like to leave with you is that social security is an integral part of every culture. It is taken for granted. However, with social change and industrialisation, our culture forms of social security have become less effective. Perhaps, in our seminar today we can find some way of building up national social security programmes which will have roots in our traditions and culture so that what is identified, planned, implemented and evaluated will not be alien to our way of life and can be readily acceptable by our people. There is always a tendency to think big and emulate others. What is important is to recognise our inherent abilities and means for social security. It is, therefore, prudent to look at small but effective forms of social security projects which can be improvements of existing forms of social security.

Once again, I thank the ILO for giving me this opportunity to be with you and share your experiences.



# **"CONCEPTS, METHODS AND PROGRAMMES OF SOCIAL SECURITY WITH PARTICULAR REFERENCE TO ILO'S ROLE AND ACTIVITIES IN PROMOTION OF SOCIAL SECURITY IN DEVELOPING COUNTRIES IN ASIA"**

*by*

**T.I. Mathew\***

1. The objective of this paper is to elucidate, in some detail, the basic concepts, definitions and methods of "social security", the programmes that have been developed over the years to provide social security protection, and to explain the role and activities of the International Labour Organisation in the promotion of such programmes in the developing countries, and especially those of Asia.

## **I. CONCEPT, METHODS, AND PROGRAMMES**

2. The concept of "social security" has admittedly emerged through a long period of evolution. Its history is probably as old as the history of man. The quest for survival has prompted mankind, from the beginning of its existence, to devise ways of protecting itself from the hazards of life. In the primitive societies, the contingencies against which protection was sought centred round the need for self-preservation against the vagaries of nature and external aggression and were largely conditioned by the environments in which people lived. However, with the passage of time, both the nature of contingencies as well as the methods developed to meet them, changed a great deal. Biblical stories tell us how during the years of famine, Joseph tried to tide over the situation by making use of surplus stocks of grain which he had stocked during earlier years of plenty. In this example, we see some elements of social security. But both the society in which Joseph lived and its problems underwent drastic changes over the years. The intervening centuries between Joseph's times and the modern era saw very important changes in the structure of society, the role and functions of the State, men's expectations from the society and the State, the economic and social situation, and, above all, the role and functions of social institutions. It is probably not necessary to trace the course of transition from these early stages to modern times and the factors which changed the character of people's needs. The changes from primitive to pastoral society, from agrarian society to the industrial age and to the present-day highly materialistic and

---

\* Co-ordinator, Labour Policy and Working Conditions Section, ILO Regional Office for Asia and the Pacific, Bangkok, Thailand.

urban era also brought about changes in the social values and institutional patterns. The break-up of the joint family following the emergence of urbanisation and industrialisation and, in the process, the withering away of the institutional base for security and support, made it clearer that security, in case of need, had to be increasingly provided by society through its own solidarity and that an individual alone could not be expected to fend for himself. Equally significant was the change that took place in the value orientations of people in the villages where rural conditions prevailed but urban attitudes to family and familial relationships became increasingly evident. The various efforts made by men to provide for security in times of need — that is, when their incomes stopped on account of reasons beyond their control, viz., sickness, injury, unemployment, old-age, invalidity, etc., are recorded in history. These early efforts, approaches and devices and their gradual metamorphosis into varied forms, such as mutual-aid (self-help), assistance from philanthropic organisations, saving plans, private insurance, social insurance and finally social security, were a logical outcome of the development of society and social institutions which took place in the course of centuries.<sup>1</sup>

3. Although there is no universally accepted definition of the concept of social security, it is now generally understood that “social security” is the protection furnished by society to its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old-age and death; and to provide for medical care and to subsidise families containing children. Thus, the contingencies normally dealt with by social security include:

- (i) the need for medical care;
- (ii) suspension, loss or substantial reduction of income due to —
  - (a) sickness;
  - (b) maternity;
  - (c) employment injury, covering both accidents and occupational diseases;
  - (d) old age;
  - (e) invalidity;
  - (f) death of the breadwinner;
  - (g) unemployment; and
- (iii) responsibility for maintaining children.

To meet the foregoing contingencies, social security programmes provide a series of benefits which include: (a) medical care; (b) sickness benefit; (c)

---

<sup>1</sup> For an appreciation of the historical perspectives in the development of the various approaches, please see ILO: “Approaches to Social Security — An International Survey” — Studies and Reports Series (Social Insurance) No. 18, Geneva, 1953.

maternity benefit; (d) employment injury benefit; (e) old-age benefit; (f) invalidity benefit; (g) survivors' benefit; (h) unemployment benefit and (i) family benefit. Apart from medical care and cash benefits, several social security schemes also provide various welfare services to persons protected by them. Such welfare services (e.g. vocational rehabilitation of disabled persons, services for convalescents, vocational training and retraining of unemployed workers, facilities for recreation, etc.) are provided by, or through, arrangements made by, social security administrations. It appears useful to give some elaboration on the character of some of the major social security benefits.

#### (i) *Medical Care under Social Security*

4. The objective of medical care under social security is to maintain, restore or improve the health of the person protected and his ability to work and to attend to his personal needs. The broad term "medical care" is expected to include a series of services which include: (a) general practitioner care, including visits to home; (b) diagnostic examination; (c) care by specialists; (d) pharmaceutical supplies; (e) maternity care by qualified midwives and doctors; (f) nursing and maintenance in hospitals; (g) dental care; and (h) other forms of treatment, including provision of orthopaedic aids, and (i) rehabilitation services, etc. However, paucity of personnel, financial and material resources often set constraints to the organisation of medical care services within the framework of social security. Thus, especially in the case of developing countries, where such resources are usually scarce, a policy of gradual extension of medical care under social security is viewed as most expedient.

5. There are indeed different methods of providing medical care under social security. A number of countries have *national health service* under which fairly complete free medical care is provided by the State as a public service for all citizens. In most developing countries, shortage and maldistribution of medical personnel, and health care infrastructure, coupled with inadequate resource allocations for this purpose from revenue budgets, set a limitation to the application of this method. Voluntary insurance programmes for medical care which operate in certain countries have some advantages and many disadvantages. While such programmes provide people with the freedom of choice and also preserve the traditional relationship between doctor and patient, they suffer from certain serious handicaps. The coverage of voluntary schemes cannot be comprehensive; there might be important exclusions, e.g. for such ailments as heart-diseases, cancer, mental diseases, etc. The poorer sections of the people might not normally volunteer to join these schemes. Even if they do, since the premiums under such schemes are not related to the incomes of insured persons, the poorer sections tend to contribute larger percentages of their incomes to the scheme, as compared to the affluent sections.

6. In many countries, compulsory *health insurance* has come to be de-

veloped as a principal mechanism of providing medical care within the framework of social security. Apart from payment of cash benefits to compensate for income loss due to sickness or maternity, such schemes usually provide medical and maternity services to the insured persons and their dependants. The principal methods applied under such programmes take the form of (a) limited refund of medical expenses incurred by protected persons; (b) direct provision of medical care by medical personnel employed by the insurance schemes; and (c) direct payment by the scheme to providers of medical care for the protected persons. It has to be pointed out that a number of health insurance schemes stipulate a certain qualifying period of contributions or employment for realisation of medical care benefits; varied formulas are adopted in the national schemes.<sup>2</sup>

## (ii) *Cash Benefits*

7. Cash benefits under social security undertake to replace a part but not all of normal earnings or income of the person protected. This is necessary both to prevent abuse and to avoid excessively high cost. It is also important for any social security schemes to retain some incentives to encourage workers to return to work as soon as they are able to work. Such an incentive cannot be maintained when practically the same amount is available to a worker whether working or not working. There are two types of cash benefits: one is wage-related and the other is a flat rate. A benefit formula prescribing a flat rate for all persons protected may not be appropriate where substantial differences in wages prevail. A flat rate benefit may equal or exceed the wages of lower paid workers, or it may not be enough to ensure adequate protection for higher paid workers.

8. The following table indicates rates of cash benefits (periodical payments) provided for in ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102); the calculations are based on the previous earnings of the beneficiary or his breadwinner.<sup>3</sup>

---

<sup>2</sup> For a detailed description on organisation of medical care under social security in selected countries (both developed and developing) and an analysis of the principal problems involved, please see ILO: "The Organisation of medical Care under Social Security" by Milton I. Roemer, Geneva, 1969. For a more recent analysis of the problems faced in some developed countries, please see ILO: "Medical Care Systems" by Derick Fulcher, Geneva, 1974.

<sup>3</sup> In the case of schemes where flat rate benefits are provided the benefit rates must attain the same percentages of the total wages of an ordinary adult male labourer.

<i>Contingency</i>	<i>Standard Beneficiary</i>	<i>Percentage</i>
Sickness	Man with wife and two children	45
Unemployment	Man with wife and two children	45
Old Age	Man with wife of pensionable age	40
<b>Employment Injury:</b>		
Incapacity for work	Man with wife and two children	50
Invalidity	Man with wife and two children	50
Survivors	Widow with two children	40
Maternity	Woman	45
Invalidity	Man with wife and two children	40

It needs to be stressed that the above rates are an internationally accepted minimum standard and that, in practice, a number of national legislations provide rates of benefits higher than those indicated in the above table. Taking this fact into account, the recently adopted social security Conventions prescribe the following rates in respect of the previous earnings: 60 per cent, in case of sickness under the Medical Care and Sickness Benefits Convention, 1969 (No. 130); 45 per cent in case of old age and survivor benefits and 50 per cent in case of invalidity under the Invalidity, Old-age and Survivors' Benefits Convention, 1967 (No. 128); and 60 per cent in the case of employment injury for temporary incapacity for work and invalidity and 50 per cent for death of the breadwinner under the Employment Injury Benefits Convention, 1964 (No. 121).

9. Social insurance cash benefits are usually paid throughout the contingency in the form of periodical payments. However, in the case of sickness and maternity benefits, it is usual to provide for a maximum period during which the benefit is payable. Furthermore, the sickness benefit (and, if separately introduced, the employment injury temporary incapacity benefit) may not be payable for the first few days (but usually not more than three days) of incapacity for work. This represents the so-called waiting period. The intention is to lighten considerably the administrative load as well as the financial burden of the new scheme by eliminating a number of small claims. However, an increasing number of countries now provide for the benefit to be payable retroactively for the waiting period whenever incapacity continues for longer than a prescribed period, such as half a month or one month, and not to impose the requirement of a waiting period where the second spell of incapacity follows the first within a specified time of short duration (for example fifteen days or less).

10. In order to safeguard the financial equilibrium of the social insurance schemes and to avoid abuse, it is necessary to limit the payment of benefits to

*bona fide* members of the scheme, i.e., persons protected by the scheme. Accordingly, members are required to have been in covered employment for a specified minimum period before being considered eligible for the benefit. Such a period, which may be expressed by the number of contributions paid or length of coverage of the scheme, is naturally shorter for the entitlement to sickness, maternity and unemployment benefits than for old-age, invalidity and survivors' pensions. The qualifying period for disability pensions and survivors' pensions should, however, be shorter than for old-age pensions, since the contingencies in which the first two pensions are payable may occur in the productive life of the person protected and, if a long qualifying period were fixed, it would practically deprive a considerable number of persons of protection. Thus, the qualifying period for invalidity and survivors' pensions is usually reduced to a minimum required as a test to make sure that the claimant or his breadwinner was actually in the group of persons protected.

11. Where a person protected suffers the contingency concerned as a result of employment injury, the benefit (i.e. temporary incapacity benefit, permanent disability pension — or grant — or survivors' pension) is always paid without the requirement of a qualifying period; he should be entitled to the benefit even if the employment injury occurs on the first day of work. Furthermore, if a protected person sustains disability or dies as a direct result of an accident, even of non-occupational origin, the benefit is paid in some cases without applying the provisions concerning the qualifying period. Examples of this type of provision could be found in the schemes of certain countries.<sup>4</sup>

## II. PERSONS PROTECTED BY SOCIAL SECURITY

12. Social security schemes in most countries usually aim to protect the entire population. However, as in many other areas of social protection, the actual coverage by such schemes depends not only on what is socially desirable, but also on what is economically feasible and administratively viable. In most developing countries, the objective needs for social security are genuine and the subjective needs arising from the awareness of operation of similar schemes in other countries are rapidly increasing. It would, however, be unrealistic to expect that a comprehensive social security scheme covering the entire population or even all the economically-active population might be established all

---

<sup>4</sup> See, T. Higuchi, "Special Treatment of Employment Injury in Social Security", International Labour Review, Vol. 102, No. 2, August 1970, Geneva, for a detailed discussion and critical examination of the historical, legal and practical arguments used to justify the special treatment meted out to victims of industrial accidents and occupational diseases more favourably than the victims of accidents and diseases of non-occupational origins. The author highlights the emerging attitudes (as reflected by national legislations) in a number of countries which do not distinguish between accidents of occupational origin as opposed to others.

at once in a developing country. Therefore, in planning the introduction of social security schemes, many countries have followed a policy of gradual extension of their schemes depending on growth in economic and administrative capacity and other related facilities. In many countries, the economically-active persons who are first covered by social insurance are wage earners and salaried employees whose numerical and political importance has been steadily increasing, and whose means of subsistence depend entirely or largely on their wage earnings. However, there has been an increasing awareness in many developing countries that the rural people who largely remain outside the ambit of organised schemes by social security, should be provided with social security benefits. This matter will be touched upon later in this paper.

(i) *Employees in small establishments*

13. While the national legislations of social insurance in many countries envisage the coverage of all wage earners and salaried employees, the legal framework of the schemes is invariably designed in such a manner as to enable the authorities to extend the scope of their application by stages. For example, at the initial stage of its implementation, a particular scheme might cover only employees in the establishments having, say, twenty or more workers in one or two specified areas; this limitation might gradually be abolished after the scheme has been in operation for some time. If the scope of a scheme includes smaller establishments from the initial stages of its operation, the scheme might face some serious administrative difficulties. For example, some small establishments might be short-lived and it may be impossible to trace their employers or their employees, resulting in duplication in registration of such employees in the social insurance institutions. For small enterprises, it may not normally be an easy task to follow some of the complex procedures of social insurance operations in view of the limitations of their staff resources. However, in practice, the national legislations of many countries provide that once an undertaking is covered by a particular scheme, it should remain in the scheme even when the number of employees decreases below the prescribed minimum.

(ii) *Higher paid employees*

14. Some social security schemes exclude from the scope of application, persons earning remuneration in excess of a prescribed limit. This is the case, for example, in many workmen's compensation schemes based on the principle of individual employer's liability as well as in some social insurance schemes of certain countries. Such exclusion of higher paid employees is an old practice when social security was regarded as a measure specifically for the protection of the lower income groups and when higher income groups were assumed to be able to make their own private arrangements for protection against the contingencies covered by social security. This assumption is not valid taking into account the social and economic changes that have taken place in the

post-war period. From the technical point of view, the remuneration limit unduly complicates the administration of the social insurance scheme, since individuals might have wage earnings above and below the limit in consecutive periods. In many countries, the practice of exclusion has largely disappeared following the emergence of social solidarity. On the other hand, a number of existing social insurance schemes do contain provisions which specify a maximum of earnings to be taken into account in calculating the amount of contribution to be paid and that of benefits payable. Thus, employees whose earnings exceed the maximum are also compulsorily covered by the scheme but they pay the contribution, and receive the benefit, on the basis of that maximum.

### (iii) *Casual Workers*

15. Coverage by social insurance schemes of casual workers is one of the problems which confront many countries. The contributions paid by them or on their behalf may be wasted, since the qualifying conditions for benefits will, in many cases, not be satisfied, while both employers and workers, and the social insurance institutions, are obliged to carry out the formalities of registration and maintenance of contribution records. It is also difficult to determine whether or not the worker has the intention of earning his living as an employee. However, in the case of social insurance covering the contingency of employment injury, the coverage of casual workers does not raise the same administrative difficulties, since in this particular case it is usual, and justifiable not to provide for a qualifying period for the entitlement to benefit which should be granted whenever an accident occurs while in employment. Thus, in a number of countries, casual workers are covered by employment injury benefit programmes for which only employers pay the contributions.

### (iv) *Commercial and Non-manual Workers*

16. Some national enactments of social security exclude employees in commerce and/or non-manual workers. This is particularly the case in workmen's compensation laws of some countries. The distinction between industry and commerce or between manual and non-manual work is, however, not easy to draw in practice. The criterion of danger is not adequate by itself because a wide range of commercial undertakings present risks of accident equal to, or greater than, some branches of the manufacturing industry. Not only are there risks involved in all kinds of transport and dock work, but also in such activities as the handling of heavy goods in shops, meat-trade, window cleaning, etc. Thus many social insurance schemes tend to make no distinction in this respect.

### (v) *Public employees*

17. The officials and permanent wage-earning staff of the state and of local and other public authorities are often left out of social insurance on the ground that better benefits are already available to them. There is, however,



a tendency to cover all the employees in both public and private sectors by a single scheme. It should also be mentioned that exclusion of employees in the public sector from the common scheme contradicts the concept of solidarity between the different groups of the gainfully-occupied population.

(vi) *Self-employed persons*

18. The application of social insurance to independent workers or persons working on their own account (self-employed persons) presents some difficulties. It is administratively difficult, and expensive, to collect contributions individually from self-employed persons and to make satisfactory arrangements to verify abstention from work and consequent loss of income giving rise to claims for benefits. Again in the case of self-employed workers, the question of bipartite contributions (employers' and employees' financial participation) does not arise. Thus those who fall within this category should be able, and willing, to pay contributions sufficient to maintain the financial equilibrium of the scheme or else, to be financially viable, the scheme should receive a substantial subsidy from the public exchequer. The latter alternative might not appear feasible in many developing countries. In spite of these bottlenecks, the need to provide social security coverage to the large number of self-employed farmers, rural artisans, and those engaged in informal sectors in urban areas, is increasingly seen as genuine and urgent; techniques to provide protection to these vulnerable groups are in the process of development in many developing countries.<sup>5</sup>

### III. FINANCIAL AND ADMINISTRATIVE ARRANGEMENTS

(i) *Some financial problems*

19. In any country, the financing of a social security scheme would involve national decisions on the proportion of the country's financial resources which could be devoted to this sector. This is particularly important in the case of non-contributory benefit schemes entirely financed from the general revenue of the country. In order to determine the financial resources needed for social security, a series of elements will have to be taken into consideration: the persons to be protected, the type of benefits to be provided and the economic and social conditions prevailing and projected to prevail in the country. The direct and indirect impact of the various methods of social security financing will be determined by the general level of wages, the economic situation of different sectors of the national economy, the structure of the economically-active population, the demographic situation and the national fiscal system.

---

<sup>5</sup> See (i) ILO, "Social Security in Agriculture" by Robert Savy, Geneva, 1972.

(ii) ILO, "Report on the Asian Regional Symposium of National Specialists on Population Aspects of Rural Social Security" (Kuala Lumpur, 17-26 November 1975), ISBN 92-2-101491-6.

20. Newly established social insurance schemes in many countries are designed as self-supporting programmes, i.e. financed by contributions from insured persons and their employers, without any form of regular State subsidies which are considered not justifiable, where, at least at the initial stages of their implementation, they apply to a rather limited sector of the total working population of the country. However, it has often proved necessary to make available a certain amount of loan or grant from the treasury to cover the initial cost needed for the period during which the organisation responsible for the administration of the scheme is engaged in the preparatory work. Often, such loans are refunded to the treasury in an appropriate manner after the scheme has been in operation and some reserves have been built up.

21. The participation of the employers in financing of social security has been considered justified and desirable in many countries. Employers derive advantages from social security. It is certain that in both industrialised and developing countries, social security helps to maintain industrial peace and the stability of the social order. Its benefits conserve the workers' productive capacity without which the industry would be less prosperous. It is a fact that in the absence of State intervention, enlightened employers are accustomed to initiate and provide welfare measures of many kinds for their employees, and this fact seems to show their sense of social responsibility and their awareness that generosity on their part brings, as it should, a reward. Besides, in certain countries, collective bargaining appears to have had a positive influence on social security legislation especially in regard to enhancement of benefits.<sup>6</sup> While an employee's right to benefits may be based on his employment rather than his participation in the financing of social security, his contributions are justified on the ground that his right to benefit is reinforced by the fact of the contribution payment. In addition, participation of the protected persons in the administration of the scheme and their active interest in its proper management are often ensured by this direct financial participation. Besides, employees may wish to demonstrate by their contributions, their conviction that the employees' contribution is an expression of his personal responsibility for himself, for his family and for his fellow workers.

22. ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) laid down the general principle regarding the cost-sharing of social security as follows: "The cost of the benefit . . . and the cost of administration of such benefits shall be borne collectively by way of insurance contributions or taxation or both in a manner which avoids hardships to persons of small means and takes into account the economic situation of the member-country and of the classes of persons protected". The Convention has also set a maximum

---

<sup>6</sup> See, for example, "The interaction between collective bargaining and legislation on social security and protection in India" by Dr. R.C. Singh, *Indian Labour Review*, Vol. 18, No. 6, June 1977.

limit for the contributions of the employees: "The total of the insurance contributions borne by the employees protected shall not exceed 50 per cent of the total of the financial resources allocated to the protection of employees and their wives and children. For the purpose of ascertaining whether this condition is fulfilled, all the benefits provided by member, in compliance with this Convention, except family benefit and, if provided by a special branch, employment injury benefit, may be taken together.

23. A major problem in the field of social security financing is the maintenance of the real value of benefits, particularly those payable in the case of long-term contingencies. It may be accepted that benefits should bear a certain relationship to the value of labour at the time when they are payable. In other words, certain safeguards must be worked out to protect the value of benefits during the inflationary period.<sup>7</sup> Another important problem in this sphere is the ever-increasing cost of medical care which has an impact on social security financing, irrespective of whether medical care is provided through public services or social insurance. Even where the morbidity rate is decreasing or not increasing, the cost per case per person tends to go up. This invariably happens on account of the increasing price of drugs, development of medical science and demands by public for medical care of higher standards.

24. The financial reserves built up under social security schemes, and especially those providing pensions, have an important economic influence. This is particularly significant in developing countries, where domestic savings are insufficient to meet the requirements of capital for economic development. The ultimate effect of such savings will depend on the manner in which they are utilised. But if appropriately invested, the reserves accumulated under a social security scheme can help to an important degree in meeting the acute shortage of capital. It should, however, be mentioned that in the absence of well-defined investment criteria and corresponding investment policies, the capital accumulation under Social Security Schemes might be dissipated or misused.<sup>8</sup>

---

<sup>7</sup> The maintenance of purchasing power of pensions in times of inflation is a major problem faced by many countries, both developed and developing. For a fuller understanding of the effect of inflation on pensions as well as the remedial measures adopted in selected countries, please see ILO "Pensions and Inflation - an international discussion", Geneva, 1977 (ISBN 92-2101683-8).

<sup>8</sup> See (i) "Social Security: A means of Savings Mobilisation for Economic Development" by Franco Riviglio, I.M.F. Staff Papers, July 1967.

(ii) "The Investment of Social Security Reserves and Development Problems: The Philippines as a Case History" by Robert J. Lampman; a paper presented at the Seminar organised by the University of Wisconsin in Co-operation with the Social Security Administration and the Agency for International Development, 1968.

(ii) *Some Problems of Organisations*

25. All social security programmes, however well formulated, will be futile if they are not properly implemented. The implementation of social security schemes involves many administrative operations, such as the registration of protected persons and their employers, identification of the persons concerned, collection of contributions, adjudication of claims, payment of benefits, inspection, procedures for appeal, etc. These administrative operations must be completed quickly and accurately in accordance with the law and regulations on which the schemes are based. In some cases the number of members in fact contributing is smaller than the number of those who are nominally registered under the scheme. The reasons for such situations may be: very ambitious legal provisions or political decisions; the intention to cover as many persons as possible in the shortest time, in spite of various limiting factors, etc. Apathy and even intentional evasion of the law on the part of some employers and workers might sometimes hinder the efforts of the social security institutions to ensure a fuller coverage. Some social security institutions might also encounter difficulties on account of paucity of administrative and staff resources.

26. The administrative functions in a social security scheme are normally distributed between central and local offices having regard to the convenience of the persons protected and considerations of economy. Those branches of the scheme which frequently come into contact with beneficiaries will require local offices in all localities where the insured population attains a minimum density. The insured persons value simplicity and promptness. Every effort is therefore made usually to ensure their easy access to the scheme, and in this sense, local offices have their own importance. According to usual practice, the main index of employers and insured persons is maintained at a central office from where information is supplied, as necessary, to the local offices in connection with the determination of entitlement to benefit. In addition, there are special units in the central office to deal with matters of general concern to the scheme such as finance and audit, collection of statistics, staff records and supervision, equipment and maintenance of offices, etc.

27. While the objective is to avoid any gap between legislation and administration, such gaps can occur. In some countries, the social insurance schemes in fact protect only a portion of the employees who, according to the law, are entitled to protection. In some cases the number of members in fact contributing is smaller than the number of those who are nominally registered under the scheme. The reasons for such situations may be: very ambitious legal provisions or political decisions; the intention to cover as many persons as possible in the shortest time, in spite of various limiting factors, etc. Apathy and even intentional evasion of the law on the part of some employers and workers might sometimes hinder the efforts of the social security institutions to ensure

a fuller coverage. Some social security institutions might also encounter difficulties on account of paucity of administrative and staff resources.

#### IV. PROGRAMMES OF SOCIAL SECURITY IN ASIA

28. In the Asian countries, the national governments have adopted one or more of the following four types of social security programmes: (i) employers' liability schemes under which individual employers are made legally liable to provide certain benefits directly to the workers who qualify for benefits; (ii) social insurance schemes established on the basis of a central fund build-up on the principle of pooling of risks and resources; (iii) statutory provident funds which are operated on the basis of individual accumulation of savings from the contributions of employers and workers and the addition of interest, and (iv) non-contributory benefit schemes which provide income security not related to employment and without financial participation of employers and workers.<sup>9</sup>

#### V. ROLE AND ACTIVITIES OF THE ILO IN PROMOTION OF SOCIAL SECURITY IN DEVELOPING COUNTRIES IN ASIA

##### The mandates

29. When the ILO was established in 1919, its objectives, as specified by its Constitution included "the protection of workers against sickness, disease and injury arising out of their employment . . . provision for old age and injury, protection of the interest of workers when employed in countries other than their own". This original mandate which might appear today as too restricted was consistent with the stage of development reached at the time (1919) by collective measures of protection against the consequences of social contingencies. In 1919, very few countries of the world had established compulsory social security schemes for workers and their dependants. However, with the evolution of social insurance, and the emergence in the late 1930s of more comprehensive ideas about State responsibility towards the welfare and well-being of its citizens, the mandate of the ILO in the social security field was formulated in 1944 in the Declaration of Philadelphia (that became in 1946 an integral part of ILO's Constitution) which set the obligation of the ILO to promote world programmes to achieve the extension of social security measures aimed at providing a basic income for all in need of such protection.<sup>10</sup>

<sup>9</sup> For details on the scope, coverage and limitations of social security programmes which currently operate in Asia, as well as their perspectives, please see the Basic Paper on "Trends and Problems of Social Security in Developing Countries in Asia", by K. Thompson.

<sup>10</sup> See Guy Perrin "Reflections on fifty years of social security", *International Labour Review*, Geneva, March 1969, for a detailed discussion on the development of concepts and practices in social security over the years, and the contributions of ILO in promoting both national and international action in social security.

30. In order to initiate a new phase of international action to deal with substantive problems arising out of the implementation of the Social Security concept, the ILO adopted in 1944, two basic Recommendations, one dealing with income security (No. 67) and the other with medical care (No. 69). Recommendation No. 67 suggested extending income security to all workers, (whether wage-earning or self-employed) and to their dependants, that is, to the whole working community considered as a unit for reasons of the solidarity needed to combat hardship and want. Recommendation No. 69, on the other hand, proposed guaranteeing medical care to all members of the community, whether gainfully occupied or not — a fundamental guarantee deriving from the right to health of every person as a member of an organised society. These two instruments provided the doctrinal basis on which the social security programmes and activities of the ILO were further developed and on which they stand at present. The most recent policy statement which up-dates these mandates and which has an impact on ILO's current and future activities in social security is embodied in the Resolution concerning future activities of the International Labour Organisation in the field of social security adopted by the 56th Session of the International Labour Conference (Geneva, 1971).<sup>11</sup>

31. The principal instruments applied by the ILO for realisation of its objectives in social security are, Standard Setting, Research and Studies and Technical Co-operation. All these three instruments are closely interrelated and mutually reinforcing.

#### (i) *Standard Setting*

32. Between 1919 and 1939, the guiding principles contained in the ILO Conventions and Recommendations on Social Security — often in advance of national legislation — have been instrumental in the development in many countries' systems of social insurance which might otherwise have remained experiments for the benefits of a privileged group of workers. During the latter part of the 1940s, the ILO played a decisive role in developing world-wide awareness and acceptance of the new and much broader concept of social security based on the principles of universality of protection, adequacy of benefit coverage and unification of individual branches of insurance within the framework of a national system. In this context, the part played by the two basic policy instruments, viz., the Income Security Recommendation No. 67 and the Medical Care Recommendation No. 69, has already been mentioned in para. 30 above.

---

<sup>11</sup> The major policy and programme thrusts emanating from this important Resolution include (i) intensification of efforts for rapid extension of social security protection to the hitherto uncovered vulnerable groups such as migrants and rural workers; (ii) special measures for adjustment of social security benefits to variations in the cost of living; (iii) inclusion of "social security" in workers' education and management training programmes; and (iv) intensification of technical co-operation activities to strengthen national social security programmes.

33. Social Security (Minimum Standards) Convention (No. 102) adopted by the International Labour Conference in 1952 marked a significant landmark in social security standard-setting. The instrument provided internationally acceptable standards of basic protection, account being taken of the fact that they had to reckon with the specific conditions of a wide range of countries having reached different stages of economic and social development. This Convention provided a practical framework to apply the modern concept of social security in national legislation and has also served as a model.

34. The revision and up-dating in the 1960s of the Pre-war Social Insurance Conventions was the logical consequence of the evolution that had taken place in national legislation and of the awareness that international regulations, just as much as national laws, must be able to adapt themselves to changes in social conditions and techniques of social interventions. Thus the Employment Injury Benefits Convention 1964 (No. 121), Invalidity Old-age Survivors' Benefits' Convention 1967 (No. 128) and Medical Care and Sickness Benefits' Convention 1969 (No. 130) were all aimed at improving the standard of social security protection in the different countries. From 1919 till 1977, a total of 149 Conventions were adopted by the International Labour Conference, 25 of them in the field of social security.

35. The various Conventions and Recommendations on Social Security have had a profound influence in the development of national legislation for social security as well as evolution of schemes in different countries to provide specific protection. In many developed countries, such standards helped to further consolidate and improve the coverage and benefits of their social security schemes, while in the developing countries they brought about the realisation of the gap between what is necessary and what is in fact available in terms of social security in those countries.

#### (ii) *Research and Studies*

36. The research and studies undertaken by the ILO provide the foundation for ILO's standard-setting and technical co-operation activities. These studies and research might be classified into the following three broad groups:

- (a) *Policy and Standards* — mainly studies providing the basis of international standards, and studies prepared for use at the regional level, primarily through regional conferences;
- (b) *Specific subjects* — including the elucidation of actuarial techniques, studies directed towards the needs of developing countries, comparative studies; and
- (c) *Training-oriented publications* — which are designed for social security administrators and executives.

It would be useful to give some specific examples of the research and studies in

social security undertaken by the ILO merely by way of illustrating the range of subjects and areas covered. An important research activity has been the continuing comparative examination of the factual basis of social security law and practice throughout the world. The periodical ILO inquiry into the "Cost of Social Security" undertaken since 1949 and the publication of the results have a two-fold purpose. Firstly, it attempts to provide a consolidated statement of the financial operations of all social security schemes existing in industrial and developing countries, according to a common working definition of "Social Security" and to a uniform pattern of analysis. The second objective is to provide an international comparison of the data by determining the trends in social security costs for various countries during the period covered by the successive inquiries and by comparing the distribution of the cost of social security between different sources of revenue and between different types of social security schemes. In order to assess the importance of social security in the national economy, the data are also related to various national account aggregates, such as gross national product or domestic consumption expenditure either as aggregates or per head of population. The 1972 issue of this publication contained a special supplement on the scope of coverage, in terms of the number of persons protected, of different branches of social security. The latest issue of this publication (Geneva, 1976) also contains a supplement on the cost of non-statutory schemes.<sup>12</sup> Research efforts have also been devoted to a number of technical problems which are of concern to a great number of countries especially in the developing world, e.g. the planning and implementation of medical care schemes, the extension of social security to the hitherto uncovered sections of the population, in particular to vulnerable groups, such as rural and migrant workers and financial and actuarial organisation of social security schemes. Some of the relatively more recent publications especially relevant to developing countries are:

- The Organisation of Medical Care under Social Security, ILO, Geneva, 1969;
- The Report of a Joint ILO/WHO Expert Committee on Personal Health Care and Social Security, ILO, Geneva, 1971;
- Social Security in Agriculture, ILO, Geneva, 1972;
- Medical Care Systems, ILO, Geneva, 1974;
- Social Security for the Unemployed, ILO, Geneva, 1976.

37. The International Labour Review, a monthly journal published by the ILO from Geneva, frequently publishes legal and technical articles on major

<sup>12</sup> See S. Boye, "The cost of social security, 1970-71 some national economic aspects", International Labour Review, Geneva, May-June, 1977, which contains some analysis and elaboration of such aspects as "social security and savings", "the relationship between social security resources and the level of economic activity", "social security benefit expenditure and economic growth", etc.



aspects of social security, contributed by officials of the ILO and by external experts. Some of these articles are based on studies specifically undertaken by experts in various fields relevant to social security. A list of articles on social security published during the last 10 years in the *International Labour Review* is given in *APPENDIX I*.

38. It is also necessary to take into account the research and studies undertaken by the ILO, as part of its efforts to assist national governments in the integration of social security planning within the overall framework of national economic and social development planning and by way of developing suitable approaches to rural social security.<sup>13</sup>

### (iii) *Technical Cooperation*

39. Technical cooperation for the development of social security programmes has indeed a long history. In the course of the last 20 years, practically every developing country received technical assistance from the ILO in the planning, development and improvement of its social security schemes. The ILO social security advisers and experts have helped to shape national policies, influence legislators, guide administrators and advise financial experts at a time when social security was taking roots in the developing countries of Africa, Asia, and Latin America. Evidently, what has been achieved in the developing countries of the world in the social security field cannot be credited to the ILO alone: the success is to be attributed to the determination of national governments, trade unions, employers and the general public opinion in these countries, to have social security programmes planned, established or improved. It is true that in very many countries, the ILO has been called upon to sustain and to orient national policies and programmes by providing the indispensable technical know-how and framework to translate what often was no more than a vague aspiration into tangible results. The advisory services provided from the ILO can be broadly grouped under the following headings:

- (a) analysis of the demographic, social and economic background, with recommendations for the introduction of social security schemes and the establishment of an order of priority among the schemes;
- (b) assistance in drafting social security legislation, and in the formulation of appropriate rules and regulations, for the introduction of new schemes or the improvement of schemes which already exist;

---

<sup>13</sup> (a) Report on the ILO/Norway Asian Regional Seminar on Social Security National Economy and Planning (Philippines, October-November 1974), Geneva, 1975.  
(b) "Social Security for Rural Population in India", by T.I. Mathew, *International Labour Review*, Geneva, October, 1973.  
(c) Report on ILO/UNFPA Asian Regional Symposium of National Specialists on Population Aspects of Rural Social Security (Malaysia), November, 1975.

- (c) preparation of actuarial studies, and advice on social security financing;
- (d) advice on administrative or accounting methods and procedures, and mechanisation or computer techniques, and assistance in staff training;
- (e) assistance in the planning and organisation of medical services of social security schemes, and their co-ordination with public health services;
- (f) advice on policies for the adaptation of existing programmes to the needs of the rural population or to low-income self-employed persons.

40. Methods of providing expert advisory services to national governments are diverse. Where the assistance required is of a short duration involving, for example, a preliminary and exploratory mission or the provision of quick specialist advice, such assistance is provided by senior staff of the Social Security Department or a Regional Specialist. The long-term projects, which receive substantial support from the United Nations Development Programme, call for staffing with experts recruited on an ad hoc basis outside the Office. The job is often difficult. Apart from technical qualifications, it calls for tact, diplomacy and imagination, a facility for quick adaptation to the very different conditions prevailing in developing countries, and an appreciation that methods and techniques in the industrialised countries from which experts are usually drawn will not necessarily bring the desired results elsewhere.<sup>14</sup> The expert has, of course, the ILO's international standards to guide him in planning and legislation, but there are manifest risks inherent in the possible isolation of the expert and his uprooting from what can be an entirely different technical environment. To minimise these risks, the staff of the Social Security Department and the Regional Specialists systematically support, orient and help technical cooperation experts. In this connection, contacts with organisations of workers and employers are arranged to assist experts in the developing countries to understand local circumstances and needs, and since, in the large majority of social security institutions receiving ILO assistance, representatives of these organisations share management responsibility with Government officials, they can directly follow the work of the expert and effectively contribute when consideration is given to implementing the proposals made by the ILO.

41. There are, of course, some failures in technical cooperation due, in some instances, to shortcomings of the expert in meeting the demands of this challenging work, and, in others, to lack of initiative and determination on the part of the recipient country in implementing proposals for the introduction

---

<sup>14</sup> Of late, there has been an increasing tendency to recruit experts drawn from developing countries where the national social security schemes have attained stability and maturity through experience.

or reform of social security, or to its political instability. It can also happen that the Government plans have been unrealistic or too ambitious in the stage of national development so far attained, and are abandoned, or that the ILO service proves to be untimely because, for example, of prolonged but unavoidable delay in finding a suitable expert. But the large majority of technical cooperation missions so far have been successful, even though some may take longer than expected to come to fruition.

42. It is difficult to analyse in detail within the limits of this paper the technical assistance provided from the ILO to the developing countries in Asia. Some typical examples of specific assistance provided from the ILO in planning, development and consolidation of social security programmes in the developing countries of Asia and the Pacific, are given in *APPENDIX II*. More than anything else, it is possible to perceive the long history of ILO's active participation in the national efforts to plan and build up their social security systems.

43. The success of any social security programme obviously depends on the financial organisation selected, which must take account of a variety of issues and also balance the need for capital formation against the desirability of keeping labour costs within reasonable limits — especially in the case of young and developing economies. Ill-advised investment policies could be disastrous. The financial system for the social security programme has to be based on a careful assessment of all the relevant factors and calls for complex and highly sophisticated actuarial techniques. Only in this way can governments, planners and social security administrators receive the experienced and informed actuarial advice which is essential to estimate the future level of income and expenditure under various economic, demographic and biometric assumptions, and to recommend the method of financing and the investment guidelines best suited to the country's development and income distribution goals. Moreover, after a social security scheme starts operation, its financial development needs to be continuously monitored and its financial organisation reassessed at frequent intervals — usually between 3 and 5 years — in the light of changing circumstances. This requires the carrying out of actuarial reviews of the social security scheme, a matter which is statutorily provided for in many countries in their social security laws. Actuarial advice is also indispensable when important modifications are being envisaged in an existing social security scheme. Taking into account the shortage of adequately qualified and experienced actuaries in many developing countries, and the problems of international recruitment of these specialists at short notice, the ILO has already established, within the Social Security Department, Geneva, an International Actuarial Service to provide quick and efficient service to the needy countries.

44. In addition, it is necessary to mention the ILO's study and fellowship programmes funded by the UNDP, as well as from ILO's Regular Budget resources, to aid social security administrators in the developing countries who

are responsible for planning of their schemes, as well as in varied operational aspects of their schemes. These fellowships are valuable, although they cannot replace the long periods of practical study into techniques, management, accounting and other aspects, which need to be mastered by officials in developing countries to become competent executives in social security. Intensive study of the operational processes and problems of social security administrations in other countries with parallel schemes, would be invaluable, especially to those entrusted with the responsibility to plan the introduction of new programmes.

### SOME CONCLUDING REMARKS

(i) From the foregoing analysis, it is possible to perceive the concept, methods and programmes of social security as relevant to an area of intervention by public authorities to provide benefits to workers and their dependants in case of certain specified contingencies. But a fundamental question could arise in the minds of those responsible for conceptualisation, planning, development and implementation of social security programmes in the developing countries of Asia and the Pacific. The question is: Are these programmes totally relevant and fully adequate to meet the requirements of the developing countries in the region? Linked to this fundamental question, a series of other questions could be raised concerning the scope of social security programmes for the developing countries, the techniques to be applied to achieve the objectives of social security in the third world, and the methods of trade union participation designed to maximise the effectiveness of social security measures to bring real benefits to the lowest-income groups in these countries.

(ii) Can the techniques of social insurance be realistically applied to provide protection to the large majority of the working force engaged in the rural and unorganised sectors? If the techniques of social insurance are not relevant to such groups, what alternate techniques in the social security package could be developed to benefit them? Empirical studies in the West and common experience in the East, would suggest that the "vertical" and "horizontal" distribution of income attainable through social security programmes are, in fact, attainable only when such programmes are broad-based and cover the lowest-income groups. A pertinent question might arise in one's mind about the income re-distributing abilities of the prevailing schemes in the various countries. Obviously, social security programmes developed for the organised sector will need to proceed simultaneously with serious attempts at developing appropriate social welfare and income support measures designed to benefit those sections of society which cannot be covered within the ambit of social security schemes developed for the organised sector. To most countries with established priorities and policies for social development and income distribution, the search for viable methods to extend social security coverage to the

vulnerable low-income groups in the rural and unorganised sectors would indeed present a complex problem. However, the question cannot be assumed away because in our anxiety to develop and implement social security programmes for the organised sector, we might overlook the case for distributional justice to the lowest-income groups who might not always satisfy the required norms of employer-employee relationships simply because they are either not in the employment market or have only intermittent or low income earning capacity. What combination of social security, social welfare and social assistance or other innovative methods could be developed to protect such low-income groups?

(iii) To what extent could the prevailing social security programmes in the developing countries serve as effective instruments in their anti-poverty strategies? In the developed countries like the United States, social security programmes have indeed proved their effectiveness in pulling up the income levels of sizable numbers of families who would otherwise have fallen below the poverty line. This was possible because the social security programmes in the developed countries, including the United States, do cover the majority of people in those countries. As opposed to this, what could be the role of social security programmes in the developing countries to work as anti-poverty devices? The answer is quite clear. At their present stage of coverage and development, the social security programmes in most developing countries cannot, by themselves, solve the problems of mass poverty or income maintenance of the large masses of people who fall below the poverty line. Objectively perceived, other public interventions such as employment generation schemes, low-cost and self-help housing schemes, social welfare and specifically-designed public assistance and related programmes will continue to bear the brunt of responsibility till such time social security programmes could be developed to extend their coverage to the low-income groups in the developing countries. However, it is unwise not to recognise the inevitable complementarity of social security programmes of social welfare and assimilated schemes in the developing countries. The role of social welfare programmes in developing countries, therefore assumes special significance. On the other hand, we should also reckon with the reality that the concept of social security itself will have a much broader meaning in the developing countries for many years to come. "Social security" would increasingly become broad-based to cover welfare-oriented services and benefits that are crucial to the betterment of social and family conditions prevailing in the developing countries, although they are not specifically listed as benefits in the ILO's Social Security (Minimum Standards) Convention 102 of 1952.

(iv) What would be the role of social security programmes in economic and social development in the developing countries? When emerging national programmes of social security are discussed and debated upon, the most weighty considerations would of course be linked to their potential contri-

butions to stability of manpower through enhanced commitment of the labour force, better industrial relations and overall improvement in productivity. However, a good deal of interest would also be evinced by some who view the potentialities of such schemes to contribute directly to capital formation. In a situation where capital scarcity is a continuous phenomenon, it is only natural that those responsible for formulation and development of social security programmes might look upon such schemes as convenient instruments for resource mobilisation. Although nobody could justifiably question the logic or rationale of utilising social security resources for developmental purposes, it would amount to a reversal of the true objectives of social security to conceptualise, design and develop social security programmes as "para-fiscal" instruments for resource mobilisation. This is an area where, at the national scene, those responsible for social security planning and implementation will have to ensure that the primary objective of social security, viz. the welfare, income maintenance and income support of the people for whom such schemes are set up, is upheld and the levels of their contributions to economic development are carefully determined, at each stage, keeping this primary objective in view. Are there viable safeguards to ensure this delicate balance between the real objective of social security and requirements of economic development?

(v) Over the years, the ILO's policies and programmes in the field of social security through its standard setting, research and technical co-operation activities have been geared to help the developing countries including those in Asia in planning and implementation of social security programmes consistent with their economic and administrative resources. The approaches to ILO policies and programmes are also periodically reviewed and decided at regional forums. In a sense, this seminar itself provides an excellent forum to review the approaches and methods of ILO's activities in the field of social security. What innovative methods or approaches could be suggested so that ILO's contributions to national social security planning and development could be more effective and beneficial to the developing countries?

(vi) There is an unmistakable trend visible in many developing countries in Asia for diverse departments and national organisations, including employers and workers' organisations to participate in social security planning and implementation. In the discussions and dialogues at the national level which normally precede the introduction of social security programmes, it is customary for representatives of both employers and workers to take an active part. Such tripartite participation even at the initial stages of formulation of schemes has proved to be useful. Problems and issues are clarified and understood by all parties. When once the social security schemes become operational, the tripartite co-operation in implementation will be based on informed participation. The present seminar gives an excellent opportunity to provide suggestions for making more effective the tripartite participation in social security planning and implementation. What fresh approaches could be suggested towards this goal?

## Appendix I

### LIST OF SELECTED ARTICLES OF SOCIAL SECURITY PUBLISHED IN RECENT YEARS IN THE INTERNATIONAL LABOUR REVIEW (ILR)

<i>Author</i>	<i>Title of Article</i>	<i>Date of Publication</i>
Creutz, H.	"The ILO and social security for foreign and migrant workers"	April 1968
Paukert, F.	"Social Security and income redistribution: a comparative study"	November 1968
Perrin, G.	"Reflections on fifty years of social security"	March 1969
Mallet, A.	"Diversification or standardisation: two trends in Latin American Social Security"	January 1970
Fisher, P.	"Minimum old-age pensions"	July and September 1970
Higuchi, T.	"The special treatment of employment injury in social security"	August 1970
Wedel, J.	"Social Security and economic integration"	November and December 1970
Loroque, P.	"Women's rights and widows' pensions"	July 1972
Lantseve, M.	"Progress in social security for agricultural workers in the USSR"	March 1973
Roemer, M.I.	"Development of medical services under social security in Latin America"	July 1973
Leal de Araujo, L.	"Extension of social security to rural workers in Mexico"	October 1973
Veldkamp, G.M.J.	"Coherence of social security policy"	November 1973
Mathew, T.I.	"Social Security for the rural population in India"	October 1973
Rzhanitsina, L.	"Public consumption funds in the USSR"	December 1973

<i>Author</i>	<i>Title of Article</i>	<i>Date of Publication</i>
Godfrey, V.N.	"Broader role for national provident fund: The Zambian experience"	February 1974
Higuchi, T.	"Medical care through social insurance in the Japanese rural sector"	March 1974
Macleod, G.K.	"Health maintenance organisations in the United States"	October 1974
Alonso Olea, M.	"Prevention and compensation of employment injury in Spanish legislation"	May 1975
Belberg, S.M.	"Social Security and women: a partisan view"	December 1975
Ghiarelli, C.A.G.	"Social Security for rural workers in Brazil"	March-April 1976
Tamburi, G. and Mouton P.	"Social security indicators"	September—October 1976
S. Boye	"The cost of social security, 1970-71: some national economic aspects"	May-June 1977



## Appendix II

### ILO ASSISTANCE TO DEVELOPING COUNTRIES IN ASIA AND THE PACIFIC IN PLANNING, DEVELOPMENT, CONSOLIDATION AND IMPLEMENTATION OF SOCIAL SECURITY PROGRAMMES - SOME TYPICAL EXAMPLES

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
Afghanistan	February - March 1964	Expert assistance under ILO's Regular Programme of Technical Assistance to carry out a preliminary survey with a view to establishing the degree of priority among the various social security measures contemplated by the Government, within the framework of the country's economic and social policies and taking into account financial and administrative possibilities.
Burma	March - April 1952	(i) Expert assistance (in social security planning and in social security actuarial advice) to the Government in drawing up social insurance schemes suited to the national and economic circumstances of the country;
	August - December 1953	(ii) Expert assistance in preparation of draft legislation and administrative plans for implementation of social security scheme in the country;
	February - June 1954	(iii) Expert assistance in preparing a modest social security scheme to provide medical care and cash sickness benefits to non-agricultural employees in Rangoon or in one of two other cities; the scheme was intended to be gradually extended on the basis of experience gained in the implementation of the initial programme;
	March - August 1955;	(iv) Expert assistance to the Government in the implementation of the Social Security Act of 1954; to advise on the administration

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
	July 1955 - June 1965; November 1956 - May 1957	of the Law during the early stages of operation of the scheme; and to analyse the financial and actuarial problems of broadening the scope and coverage of social security scheme in the country;
	November 1962 - August 1963	(v) Expert assistance to undertake actuarial valuation of operations under the social security scheme; to advise on the steps required for substantial extension of the scheme to additional sections of the population;
	August - September 1974	(vi) Technical advice to solve operational problems as well as advise on the introduction of a comprehensive pension scheme including the administrative requirements and the possible use of data processing techniques;
	September - October 1976	(vii) Technical advice on administrative and financial reorganisation of the social security scheme; advise on finalising the pension programme preparatory to the future introduction of that branch of social security; and help in determination of the nature and pattern of technical assistance inputs connected with the launching of the pension insurance scheme;
	April 1977 - June 1979	(viii) Technical advice on legislative and administrative aspects of a pension insurance scheme.
India	1945 - 1946	(i) Expert assistance in reviewing a scheme on health insurance for industrial workers designed by a national expert and to finalise it in the light of social insurance principles and practices adapted in other

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		countries. The efforts of the national expert and ILO specialists assigned to assist the Government resulted in the Workmen's State Insurance Bill 1946, which was passed by the Legislature in April 1948 as Employees' State Insurance Act 1948 which, in turn, gave the legislative base of the Employees' State Insurance Scheme of India which was implemented in 1952 onwards;
	September 1952 - March 1953	(ii) Expert advice on the administrative and organisational aspects of the Employees' State Insurance Scheme including the development of a penal system, and designing of training programmes for the ESI Corporation;
	June - August 1967	(iii) Expert advice on the feasibility of introducing an unemployment insurance scheme.
Iran	May - June 1971	(i) Expert advice on the incorporation of family planning care within the medical services of the social insurance organisation;
	October 1969 - June 1971	(ii) Expert advice on the legislative and administrative aspects of a programme of providing rural social security to rural population;
	November - December 1972	(iii) Expert advice on the planning of an unemployment insurance scheme in the country;
	July - December 1974	(iv) Expert assistance in undertaking in-depth studies and research to identify the essential components of an unemployment benefit scheme and to elaborate an outline of the scheme;
	June 1975 - continuing	(v) Expert assistance to the Government on determination of policy and planning of a comprehensive social security pro-

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		gramme designed to provide insurance coverage to practically the whole population in the country;
	April 1976	(vi) Expert assistance to the Government in the introduction of an unemployment insurance scheme.
Indonesia	September 1952 - February 1953	(i) Expert assistance to undertake a survey of the existing conditions and needs in the social security field and to prepare short-term and long-term programmes of social security for consideration of the Government;
	April 1957 - March 1958	(ii) Expert assistance in the implementation of the voluntary sickness insurance scheme; to advise on the setting up of a compulsory social insurance scheme based on the voluntary sickness insurance scheme;
	October 1969	(iii) Advice of the Government on social security planning;
	December 1973 - April 1974	(iv) Expert assistance to draft rules and regulations for the establishment and administration of an employment injury insurance fund;
	January - March 1974	(v) Assistance in the establishment of actuarial cost estimates for the Employment Injury Insurance Fund and advise on the financial organisation of the scheme;
	June 1974	(vi) Sponsored from ILO's Regular Budget, a Tripartite Study mission by a five-man team from Indonesia consisting of representatives of the Social Security Fund, the BAPPENAS (National Planning Commission), the Employers' Organisation and Workers' Organisation, to observe the working of operational programmes of social security long-term benefit programmes in the

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		Philippines and Egypt, and to receive technical orientation in ILO Regional Office, Bangkok, and in Geneva. This study team played a key role in subsequent planning exercises undertaken in Indonesia in the social security field;
	July 1975	(vii) Expert assistance to the Government in reviewing the planning efforts of the Government Department in Social Security and to assist the Government in drawing up its priorities in programme development, including preparation of a draft UNDP/ILO project document for technical assistance in the field;
	November 1976	(viii) Expert assistance in finalising the project document and to undertake preparations for the launching of project activities;
	August 1977 - April 1979	(ix) Expert assistance in administrative aspects of Employment Injury Insurance Fund.
Republic of Korea	October - November 1969	(i) Expert assistance along with the WHO, to explore the possibility of introduction of a sickness and maternity insurance scheme for employees;
	July - August 1973	(ii) Expert consultative services to the Ministry of Health and Social Affairs in the planning and formulation of the national welfare pension scheme, and to provide advice on legislative and management aspects of the scheme;
	January - April 1974	(iii) Expert assistance to review the draft legislation on the National Welfare Pension Scheme and to prepare rules, regulations and

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		procedures for the administration of the scheme;
	November 1973 - January 1974	(iv) Advice to the Government on the actuarial aspects of the National Welfare Pension Scheme;
	January - February 1975	(v) Technical advice to review the plans for implementation of the National Welfare Pension Scheme.
Malaysia	July 1959 - January 1960	(i) Expert assistance in reviewing the existing social security and related programmes and to advise on the feasibility of instituting social insurance schemes to meet certain common economic contingencies, notably those of unemployment, sickness and maternity;
	March 1970 - February 1973	(ii) Expert assistance to the Government in the administrative and training aspects of the social security scheme (providing employment injury and general invalidity benefits) launched in 1971;
	May - June 1974	(iii) Technical advice on streamlining the administrative procedures of the social security scheme;
	August 1975 - July 1979	(iv) Expert assistance in the reorganisation of the social security organisation and to advise on computerisation of main administrative processes and organisation of staff training programmes;
	September 1975 - September 1977	(v) Expert assistance in establishing legislative base for a social insurance scheme providing medical care, maternity, sickness, old-age and survivors' benefits and to advise on the methods of extending social security coverage to farmers and fishermen, including self-employed workers.

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
Pakistan	September - November 1952	(i) Expert assistance in assessing the feasibility of introducing social security schemes in the country;
	July 1957 - June 1958; November 1957 - April 1958	(ii) Expert assistance in the field of social security legislation and medical care, to assist the Government in the planning of a social security programme including drafting of legislation;
	October 1964 - March 1966; October 1964 - January 1967	(iii) Expert assistance in the fields of social security administration and social security accounting, to the Government in the implementation of the social security scheme in Pakistan;
	February 1969	(iv) Technical assistance to review the operation of the social security scheme in West Pakistan and to explore the prospects of implementation of a social security scheme in East Pakistan;
	March - April 1970	(v) Expert advice on amendments of legislation regarding social security scheme in West Pakistan and to review the plans of East Pakistan Government regarding the introduction of a social security scheme;
	November - December 1973	(vi) Advisory assistance in the planning of an Employees' Old-Age Pension Scheme; technical assistance to the Government in reorganisation of administrative structure of existing scheme;
	November 1974	(vii) Expert assistance to the Government in the preparatory work in the implementa-

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		tion of a consolidated social security scheme providing both short-term and long-term benefits including pensions; preparation of training programmes for key personnel of the social security institutions; assistance in drafting of consolidated legislation in respect of all branches of social security in operation as well as for the proposed pension scheme;
	July 1975 - February 1976	(viii) Expert assistance to the Government on the future planning and development of medical care services provided to insured population through the social security programme; advise on the establishment of appropriate administrative and operational relationships amongst the provincial social security medical care services and the personal health services of the public health sector;
	October 1975 - October 1976	(ix) Expert assistance in establishing actuarial estimates and in deciding on the financial organisation of the proposed pension scheme; actuarial valuation of the existing social security scheme;
	April 1977	(x) Expert assistance in assessing the Government's plans in improvement of the social security system.
Philippines	June 1961 - March 1962	(i) Expert assistance in undertaking an actuarial study of the working of the Social Security System implemented in the Philippines (which provides protection against sickness, old-age, disability and death) and to provide recommendations for further extension of the benefit range of the scheme;
	July - August 1971	(ii) Technical advice on the improvement in the Workmen's compensation legislation; review of the operations of the Social



<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		Security System, and to explore the feasibility of introducing an unemployment insurance scheme;
	October - November 1972	(iii) Expert advice on the drafting of Workmen's Compensation Legislation;
	February - April 1974	(iv) Expert assistance on the legislative and administrative aspects of the Employees' Compensation and State Insurance Fund; advise on administrative aspects of the Social Security System;
	July - August and September November 1974	(v) Technical assistance to undertake the actuarial and financial study of the Employees' Compensation and State Insurance Fund.
Singapore	October 1955 - September 1956	(i) Expert assistance in reviewing the existing measures of social security and to formulate proposals for the introduction of new measures aimed to eliminate gaps and deficiencies in social security, with a view to eventually producing a comprehensive and rationally integrated system of social security in Singapore;
	December 1958	(ii) Expert assistance in drafting the principal legislation for the proposed social insurance scheme, covering cash sickness and maternity benefits and replacing the provident fund by old-age and survivors' insurance; assistance to Government in preparing the administrative arrangements for the social insurance programme;
	September 1967 - February 1968	(iii) Expert assistance in examining the feasibility of introducing an unemployment insurance scheme; advise on the evolution of a long-term programme for the implementation of a Social Security Scheme;

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
	October 1969	(iv) Technical review of the plans of the Government in regard to implementation of social security scheme, following the assistance provided during 1967-68.
Sri Lanka	October - December 1975	(i) Expert advice to the Government to review the then existing measures of social security, and to indicate the bases for the possible introduction of a social insurance scheme in the country;
	July 1968 - July 1970	(ii) Expert assistance to the Government in the preparation of a social insurance bill; further assistance in the preparations for the implementation of the scheme, including drafting of rules and regulations, training and instruction manuals for the staff;
	January - February 1976	(iii) Expert assistance in reviewing the working of the Employees' Provident fund, and the possibility of extending the benefits of the fund to agricultural, seasonal and casual workers.
Thailand	October 1955 - January 1956	(i) Expert assistance to advise the Government on the steps necessary for the implementation of the Social Insurance Act passed in Thailand in February 1954;
	September 1957 - July 1958; January - May 1958	(ii) Expert assistance to establish co-ordination of administration of the Social Security Scheme with the Programmes of protection for industrial injury, maternity and sickness embodied in the Labour Act of 1956; advise on the organisation of medical care;
	February - December 1961	(iii) Expert advice on the formulation of a

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
		comprehensive social insurance programme, advise on the legislative and administrative aspects of such a programme;
	July - August 1970	(iv) Expert advice on the Government's plans for the proposed introduction of a social security scheme covering sickness, maternity, employment injury, old-age invalidity, death of bread-winner, and unemployment;
	January - April 1973	(v) Actuarial and financial advice on the employment injury benefit scheme - one of the technical inputs for the design and implementation of the Workmen's Compensation Fund of Thailand.
	September 1978 - Continuing	(vi) Assistance in planning a health insurance scheme.
Democratic Kampuchea (Cambodia)	July 1973 - May 1975	Expert assistance in reorganisation of the Family Allowance Fund and in drawing up draft legislation for introduction of social security scheme to provide both short-term and long-term benefits.
Socialist Republic of Vietnam	August - October 1955	(i) Exploratory study of the feasibility of introducing Social Security Schemes;
	September 1958 - February 1959	(ii) Expert assistance in consolidation of the Family Allowance Fund;
	March 1974 - April 1975	(iii) Expert assistance in the reorganisation of the Family Allowance Fund and in the introduction of the Employment Injury Insurance Scheme.
Fiji	May 1972	(i) Technical assistance to review the social security measures in force and to advise on possible improvements;

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
	March 1976	(ii) Technical assistance to review the Workmen's Compensation Scheme and to advise on the desirability of its conversion into a social insurance scheme for employment injury; study of the feasibility of introducing a social insurance scheme to provide sickness benefits.
Papua New Guinea	January - June 1976	(i) Technical assistance to the Government to review a proposal for the establishment of a national provident fund as a first step in establishing a long-term benefit scheme and to recommend the most appropriate form of such fund; assistance in preparing the draft legislation of the fund and to work out the organisational and administrative plans for the operation of the fund.
	December 1978 - Continuing	(ii) Technical assistance in implementation of the national provident fund scheme.
Tonga	November 1968	(i) Technical advice on a pension scheme for Government employees;
	May 1972	(ii) Technical advice on the introduction of workmen's compensation legislation in the country;
	April 1976	(iii) Technical advice on the adequacy or otherwise of the proposed Workmen's Compensation Bill; exploration of the feasibility of introducing social security (long-term benefits) schemes in Tonga; and the study of feasibility of introducing social security for self-employed work force.
Western Samoa	April - May 1972	(i) Technical advice on the establishment of a provident fund for employees in the private sector; advise on the legislative aspects of a workmen's compensation scheme and a pension programme for Government employees;

<i>Country</i>	<i>Year</i>	<i>Specific nature of assistance from ILO</i>
	March - April 1976	(ii) Technical advice to the Government on the Workmen's Compensation Scheme and Bill; advice on the formulation of a Sickness Benefit Scheme.

## **“TRENDS AND PROBLEMS OF SOCIAL SECURITY IN DEVELOPING COUNTRIES IN ASIA”**

*by*

K. Thompson\*

### **I. INTRODUCTION**

1. The purpose of this paper is to describe the major trends and problems of social security in developing countries in the Asian region. The social security situation is diverse and changing. It is intended to identify the main features rather than to analyse all aspects exhaustively; however, some relevant information on social security schemes and their structure is set out in appendices for references. This is referred to as necessary in the text.

2. A full understanding of the present social security programmes and the perspective for their future development requires some knowledge of the origins and methods of evolution of these systems of social protection. Accordingly, these aspects are described in the first sections of this paper, followed by a review of the most significant trends and problems of social security and the outlook for its further development in the Asian region.

### **II. ORIGINS OF SOCIAL SECURITY IN DEVELOPING COUNTRIES**

3. Social security may be defined as the protection given by society to its members, or various categories of them, through a series of public measures from the economic distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age, and death, for providing medical care to these groups in the population and also for subsidising families containing a number of children.<sup>1</sup>

4. Amongst the developing countries not only in Asia but in other regions of the world, it has long been widely recognised that social security protection, shown by long experience in Europe and elsewhere to be an effective instrument

---

\* ILO Expert in Social Security, Burma (previously ILO Regional Adviser on Social Security, ILO Regional Office for Asia and the Pacific, Bangkok, Thailand).

<sup>1</sup> For a full description of conceptual aspects reference should be made to the Basic Document No. ILO/NOR/SEM/SEC SOC/TRIVANDRUM/I/1/79 on “Concepts, Methods and Programmes of Social Security with Particular Reference to ILO’s Role and Activities in Promotion of Social Security in Developing Countries in Asia” by T.I. Mathew.

of social progress, is a right of their populations.<sup>2</sup> Whilst governments have in mind the long-term objectives of complete and universal social security schemes, they do not attempt to introduce such ambitious programmes immediately, but instead adopt a policy of gradual and progressive development. The need for a gradual policy is dictated by various reasons such as the lack of physical resources for health programmes, the level of economic development, and administrative limitations. This is not to say that social security programmes are to be regarded simply as an economic burden, or that the slow progress of evolution and patterns of development of the original social security schemes in Europe should be the accepted standard today. Whilst a degree of economic development is necessary for social development, there is a widespread recognition that social and economic progress must be closely combined.<sup>3</sup> As factors in both social and economic development, properly designed social security schemes have an important role to play in developing countries.

5. Therefore governments wishing to initiate social security programmes have to decide a number of major questions in order to frame their policy. They must determine which groups in the population should benefit, and to what extent their needs can be met within the existing physical, financial and administrative constraints. One step of fundamental importance taken by many governments is to make the national health services free to the population as a whole, or at least to those with low incomes. In considering other steps many factors have to be taken into account, not least those relating to the social, demographic and economic situation.

6. The evolution of social security programmes in developing countries in Asia and elsewhere has been given its main impetus by the conditions existing in the organised sector of employment in urban areas as the process of industrialisation gets under way. The new generation of workers, many of whom left rural areas in search of adequate employment, rely solely or mainly upon their wages for the support of their families and themselves. Living in usually overcrowded cities and towns, generally ill-equipped to cope with the influx of persons from rural areas, there is little or no chance to duplicate the village pattern of a plot of land on which to grow food and keep livestock, which would provide a buffer in times of need. Given the extent of unemployment and underemployment in developing countries,<sup>4</sup> wages in some sectors and grades

2 Example of national constitutions conferring rights to social security are provided by India and Burma.

3 This was expressed in an address to the Board of Governors of the World Bank Group on 25.9.72 by Robert S. McNamara when he declared that an issue central to the success of the Second U.N. Development Decade was that of "the critical relationship of social equity to economic growth" (Quoted in "Social Security in Africa" ILO, Geneva, 1975).

4 It has been estimated that in the developing countries of the world about 283 m persons are unemployed or underemployed which is about 40% of the labour force. Of the group about 55 million were in urban areas representing 31% of the labour force. In the case of Asia, about 30% of the urban labour force was regarded as unemployed. ("Employment, Growth and Basic Needs: A One-World Problem" ILO, Geneva 1976).

of employment, particularly for unskilled personnel tend to be low.<sup>5</sup> There is no possibility of saving adequate sums or taking out insurance against the risks and hazards which can interrupt or terminate a workers' income. Since the systems of mutual aid prevalent in the rural communities do not exist to the same extent amongst the urban workers, the latter are greatly in need of alternative forms of social protection. In this situation, which has existed in most of the developing countries and is still generally applicable today, governments turn to social security measures as the solution to the problem.

7. The concern of governments and industry itself is related also to the need to build up a trained and experienced labour force in the modern sector. Whilst some industries, such as the construction industry, may operate on a seasonal basis with large proportions of unskilled labour, the mills and factories, constituting an important element in the drive for economic development, need a more permanent and skilled reservoir of workers. They can ill afford to train personnel and have them return to their villages after a year or so. It is indeed vital to the industrialisation process that workers become attuned to modern systems of production rather than the pattern of the agricultural communities they have left. It is also too well known to need emphasis that satisfactory levels of industrial production and of labour productivity have to be reached and maintained, which calls for, *inter alia*, a stable, well motivated and healthy work force. The fact that social security systems can play an important role through income maintenance programmes and medical care schemes is a strong inducement for governments to introduce them.

8. In this sense, the interests of governments, employers and workers coincide. Governments concerned with social and economic development, employers wishing to promote conditions leading to higher productivity, and trade unions seeking solutions to the major pressing problems of workers, all recognise the effectiveness of the social security mechanism. In any case, employers already bear a measure of responsibility for their employees through recognised legal obligations in the event of injury or death at work. In the large companies and state enterprises conditions of service are progressively improved to cover a number of contingencies. It is a natural step to extend these types of occupational benefits on a wider basis so that they are not linked to employment in a particular company, but are available through a general scheme. This is both more equitable and also a contribution to the freer movement of labour, for instance from declining to expanding industries. Another important factor in the evaluation of social security schemes is the example set by the civil or public services, which almost invariably have a pension scheme of their own and enjoy various other forms of social protection in advance of what is generally available in the private sector.

---

<sup>5</sup> In some developing countries in Asia although wages have increased considerably in recent years, consumer prices have risen more sharply resulting in a decline in real wages (1974 Report on the World Social Situation, United Nations).



9. A further incentive of some importance in developing countries is the need to generate funds for investment. Usually there is a serious shortage of savings which handicaps governments in their efforts to promote social and economic development. Therefore, in addition to the motives described above, governments may well look to social security schemes as a source of finance for developmental purposes. It is often found that the investment policy of social security schemes is closely related to official requirements of this nature. This is another facet of the capacity of social security to contribute to social and economic progress in developing countries.

### III. DEVELOPMENT OF SOCIAL SECURITY SCHEMES

#### The Social Security Situation in General

10. The decision to have a social security scheme and to apply it to workers in the modern organised sector brings up the question of which contingencies should be covered. This is a matter related to the social situation and demographic characteristics of the group concerned. One of the outstanding features of the labour force in developing countries in Asia is the predominance of younger persons. Female employment in the modern organised sector is almost non-existent in some countries but in others is quite significant. Due in large measure to improved medical care the number of dependents, both young and old, is quite high. Almost without exception, the prime importance of a system of compensation for industrial accidents, comprising both cash and medical benefits, is recognised. This is relatively inexpensive and usually is accompanied or quickly followed by provision for other contingencies. The choice generally lies between action regarding the immediate occurrences which affect incomes, such as sickness and maternity, or those of a long-term nature concerned with old age, permanent invalidity and death. The position in developing countries in the region is that generally they have tended to make provision first for the short-term contingencies of sickness and maternity (as can be seen from columns 2, 3 and 4 of the Appendix I). This choice has been dictated by two main factors: firstly, the priority needs of the workers concerned who, with their low average age, are more concerned about their current rather than their future economic problems, and, secondly, the availability of methods of meeting these needs. Nevertheless, there are a number of national provident funds which accumulate what are virtually compulsory savings for the contingencies of old age, permanent invalidity and death. When the initial programme has been implemented it becomes possible after some years to consider the extension of the scheme to other branches of social security.

11. There are four main methods of providing statutory social security protection. Programmes may be made entirely the employers' responsibility in that they are legally bound to meet the costs and to give the benefits directly to those of their workers who qualify; these are called *employers liability* schemes.

Often such schemes are converted after some time into *social insurance systems* which have the advantage of a central fund organised on the principle of pooling of risks and finances. The third type of scheme is the *statutory provident fund* which lacks the insurance element being merely a collection of individual and entirely separate accounts. The fourth method is a *non-contributory scheme* which affords income protection from public funds.

12. A summary of the position in developing countries in Asia and the South Pacific as regards methods of income protection is given in Appendix I. This lists the contingencies covered and the types of schemes in force. Every developing country shown has a scheme for employment injuries (or Workmen's Compensation, to use the older term), most of them being the type relying upon the employer to provide the benefits; however, out of 20 countries listed 9 have later instituted a social insurance system for the contingency which is functioning side by side with the original Workmen's Compensation scheme, the objective being eventually to supersede the employer's liability scheme. Fourteen countries have employer's liability legislation on paid sick leave, 5 of which have reached the point of applying social insurance principles to this contingency as well as that of employment injuries. Sixteen countries have provision for paid maternity leave, of which only 4 have incorporated maternity benefits into their social insurance scheme. In the case of the major contingencies of old age, permanent invalidity and death of the breadwinner, there are only 11 statutory schemes (of which the Hong Kong non-contributory scheme is of a very limited nature, as explained in the Appendix), six of which use the Provident Fund method, and 4 social insurance techniques.

13. The choice of system has a decisive effect on the standards of social protection which could be achieved. Therefore to gain a full appreciation of the present social security situation it is necessary to examine the effectiveness and shortcomings of each of the four main methods in use.

### **Employers' Liability Schemes**

14. As indicated, the employer liability method is extensively used for employment injury, sickness and maternity, these being contingencies of an essentially short-term nature for which action is more feasible than the long-term contingencies of old age, permanent invalidity and death of the breadwinner. Governments have enacted legislation placing the necessary obligations upon employers to give paid leave in respect of sickness and maternity, and to provide medical and cash benefits in the event of work-connected accidents or the contracting of occupational diseases. The preference for the employer liability method may be due to the ease of implementation; compared with the task of organising more elaborate schemes, Governments have been able to make a greater impact on the problem of industrial accidents than was possible through the Civil Law. Well designed and properly enforced employer liability schemes can achieve worthwhile improvements in the position of employees. Even so,

such are the limitations of employer liability systems that they can only be regarded as a transitional stage in the development of social security schemes.

15. The limitations are evident in the short duration of sick leave (such as 14 days in Malaysia) and maternity leave (6 weeks in the Philippines)<sup>4</sup> but more particularly in the deficiencies of Workmen's Compensation Schemes. In the first instance, these schemes usually apply to only a proportion of the work force facing the risks of employment accidents and occupational diseases. Usually the legislation was framed with only manual workers in mind, and categories of non-manual employees are included only if they are earning less than prescribed amounts. An example is provided by the scheme in Hong Kong, whereas in Sri Lanka there is an earnings limit of 500 rupees per month for both categories of workers, although of course the recipients of higher remuneration may well face the normal risks of the employment. Secondly, the contingency itself is defined in a very limited way, natural to its legalistic background. The phrase "arises out of and in the course of the employment" would, if not amplified and liberalised in its interpretation, seriously restrict the impact of the legislation and leave the victims and the dependants in a weak position. Thirdly, the schemes do not meet the expectations of the injured worker for adequate medical care and all necessary measures to restore his health and earnings ability to the maximum possible extent. Fourthly, the financial compensation usually is set at inadequate levels and is not increased in line with rises in the cost of living or in wages. Another important criticism is that lumpsum cash benefits for serious disablement and death are not in the best interest of the recipients because of tendencies to spend the money quickly; pensions, which are not to be expected in an employer liability scheme, are recognised as a much superior form of social protection.

16. The position in most countries is that whilst reputable employers set exemplary standards in meeting their legal obligations under Workmen's Compensation Schemes, and also in supplementing the benefits due to employees, the deficiencies in the letter of the law are compounded by the spirit in which it is implemented throughout industry as a whole. Even modest schemes encounter evasion by non-disclosure of accidents and the payment of no compensation or of lower amounts than are prescribed. When employer liability schemes are converted into social insurance systems, usually there is a marked increase in the number of reported accidents, attributable in part to the removal of the direct financial restraints on compliance with the law. It is a very different situation when an injured worker has to claim medical attention and cash payments not from the employer but from the social security fund set up for the purpose. In its absence, a worker injured, and possibly disabled, as a result of an accident at work may be so dependent upon the goodwill of his employer that he is deterred from fully asserting his rights to compensation if the former decides to contest the case. This is particularly true in the serious unemployment situation prevailing in many developing countries, and where workers are not organised

into trade unions. In fatal cases, dependants may face great difficulties in the event of opposition to their claims, especially where legal aid facilities are inadequate. Considerable delays can occur, causing hardship and in such circumstances some cases may be settled privately on terms unfavourable to the claimants. Where the Courts become involved automatically under the terms of the legislation, as in death cases, the legal procedures usually are long drawn out, placing the dependants in financial difficulties. There is also the danger of the insolvency of the employer, when liable for sums equivalent to 3 or 4 years' wages, which would result not only in reduced or no compensation but the loss of employment for all of the workers in the company. Insurance on a voluntary basis is not the general answer to the problem because the financially weaker companies tend to avoid such expenses. Compulsory insurance would not lead to the necessary all-round improvement of the workers' position because of the retention of a significant proportion of financial resources by the insurance companies and also their tendency to resist claims in the interest of profitability.

17. Similar problems exist also with legislation on sick and maternity leave, resulting in a proportion of workers being deprived of part or all of their entitlement. In the case of maternity, female workers may face dismissal or refusal to reinstate after the confinement, in spite of the fact that the law may prohibit such actions. Enforcement of the legislation often is not effective enough to prevent serious malpractices.

18. The main causes of the serious deficiencies of employer liability schemes are the financial burden and risk borne by employers, either directly or through commercial insurance. Even large companies, if in hazardous sectors of industry, may be seriously concerned about the extent of their possible liability in respect of work-connected accidents or disease; smaller companies operating with limited capital have inadequate margins to meet heavy payments. Consequently, the schemes are framed within severe constraints to avoid excessive costs falling upon employers. It is not possible, therefore, for employer-liability systems to attain satisfactory standards of social protection. Many countries, including those with developing economies, have converted employer-liability programmes into social insurance systems which, by the sharing of risks and the pooling of financial resources, are able to set higher objectives in respect of the contingencies of employment injury, sickness and maternity. The extent of this pronounced trend is evident from Appendix I. The latest countries to convert employers-liability systems for employment injuries were Indonesia and the Philippines; the same step in respect of employment injuries, sickness and maternity probably will be taken by other countries in the near future.

### **Social Insurance Schemes**

19. The effectiveness of social insurance principles was recognised by the Income Security Recommendation (No. 67 of 1944) which declares that "In-

come security should be organised as far as possible on the basis of compulsory social insurance, whereby insured persons fulfilling prescribed qualifying conditions are entitled, in consideration of the contributions they have paid to an insurance institution, to benefits payable at rates, and in contingencies defined by law." There are a number of social insurance schemes, primarily for the shorter-term contingencies, which have attained significantly higher standards of social protection than the employer-liability schemes which they replaced. Sick and maternity leave usually are of greatly increased duration,<sup>6</sup> although as a matter of policy the cash sickness benefit is at a lower rate than when paid by employers.<sup>7</sup> The centrally organised employment injury schemes apply to more categories of workers, have more liberal definitions of accidents, better medical benefits including rehabilitation of disabled or injured employees, and superior cash benefits extending to pensions, all without necessarily raising overall costs to any significant extent.

20. The financial systems have a dynamic element in the assessment of contributions as percentage of earnings<sup>8</sup> which ensures that cash benefits are maintained at a desired proportion of recent wages and salaries. When there are large-scale pension programmes, problems can occur in maintaining the value of the pensions, but this stage has not been reached in the developing countries of the region; however, the rising cost of medical care does pose financial difficulties, since the medical branch is the most expensive in the type of scheme found in Burma, India and Pakistan, which may have helped to restrict their growth. Sickness schemes also are confronted with the problem of malingering which, if effective controls over certification are not applied, can cause financial losses as well as have some adverse effects on production.

21. Although there are indications of improvements in the situation, the expansion of the social insurance scheme in respect of the contingencies covered and the persons protected generally has been on a smaller scale than anticipated. There has been as yet only very limited development of long-term benefits for old age, permanent invalidity and death of the breadwinner, whilst the existing schemes have a restricted application to workers, due to the exclusion of those in the smaller establishment<sup>9</sup> and the slow progress of geographical expansion. More important in a numerical sense is the failure or inability to extend social

---

6 Sick leave in Burma, India, Pakistan and the Philippines in a period of a year is respectively 26 weeks, 91 days, 121 days and 120 days with provision for extended periods in India and Pakistan for example, a further 309 days may be paid in India in respect of certain serious disease). Maternity leave is 12 weeks' duration in Burma, India and Pakistan.

7 In Burma, India and Pakistan, sickness benefit is 50% of average earnings, according to wage-classes (in India extended sickness benefit is 62.5%). In the Philippines, it is at the rate of 85% of recent earnings, according to wage-classes.

8 Details of financial arrangements are given in Appendix III.

9 The scope of coverage of persons is described in Appendix II.

protection to those independent traders and self-employed persons whose incomes are low and vulnerable to interruption due to social security contingencies, domestic workers, and, above all, workers in agricultural and associated pursuits.

22. Some statistics on the growth of membership of social security schemes are given in Appendix IV. It may be significant that the schemes providing extensive and direct medical care have experienced a relatively slow rate of expansion, the national shortage of doctors and medical facilities being compounded by maldistribution in favour of heavily populated centres, constituting a severe constraint on efforts to expand operations.<sup>10</sup> Lack of trained administrative personnel has proved to be another handicap. In the rural sector the techniques by which the modern organised sectors of industry were assimilated have been applied to plantations, but are not suitable for the more traditional economic activities in agriculture. Until alternative methods can be devised, there can be little prospect that the great majority of employed persons in developing countries can be given the forms of social protection which they undoubtedly need.

### National Provident Funds

23. There are relatively large national provident funds in Fiji, India, Malaysia, Singapore, Sri Lanka and Western Samoa.<sup>11</sup> These schemes are the main form of financial provision for retirement, permanent invalidity and survivorship.<sup>12</sup> Those in Asia started mostly in the 1950s and have amassed very considerable funds. The salient features of the provident funds are that the benefits consist of the accumulated contributions of the members and their employers, usually plus compound interest, paid in single lump sums. Consequently, a person in covered employment for many years could receive a substantial sum equivalent to some years wages, the contribution rates being quite high (Appendix III, Part B). Equally, a member with a shorter period in the fund would receive a correspondingly smaller sum, the essential point being that there is no sharing of risks or pooling of finances which in a pension scheme ensures that the benefits correspond as closely as possible to the social needs of the recipients both at the time of initial payment and throughout the contingency. For ex-

---

<sup>10</sup> Data on hospitals and health personnel is given in Appendix V, that for Japan being a standard by which to assess overall shortages in developing countries. The problem of maldistribution can be illustrated by variations in Malaysia in the number of persons per doctor. Recently, in the State of Selangor there were 1,829 persons per doctor, but as many as 10,422 in the State of Kedah.

<sup>11</sup> There is also a scheme in Nepal which, although largely concerned with government employees, the Army, the civil servants also has members in public corporations. With about 100,000 members it is of some importance in the country.

<sup>12</sup> The national provident funds have large memberships. For example, at the end of 1975 the scheme in Malaysia had about 2,600,000 active members, Sri Lanka had over 1,200,000, Singapore about 1,100,000, and the Employees Provident Fund in India had approximately 4,875,000 members (March 1976) with another 2,969,000 in exempted establishments.

ample, if after 5 years an employee becomes permanently incapable of work he would receive a lump sum equivalent to some months' wages, whereas a properly designed pension scheme would make periodical payments of a proportion of his recent earnings for the rest of his life, followed by pensions to any eligible survivors. When the provident fund benefit is paid on retirement it may have a lower value than anticipated at the start of membership due to the effects of periods of unemployment, and of inflation. In any event, some provident funds allow the earlier withdrawal of all or part of the members' credit,<sup>13</sup> which can reduce the extent of the protection received on the occurrence of the prescribed contingencies. The financial systems of pension schemes make provision for increases in existing provisions from time to time, as required, but once the provident fund benefit has been paid there is no mechanism for supplementation later. This is an important advantage of pension schemes, more so in times of inflation and also as life expectancy at the age of retirement increases.

24. Another aspect causing concern is the system of paying the benefit in a lump sum, since it is hardly reasonable to suppose that the members in general, the majority of whom have been accustomed to low wages, will have the experience, or opportunity, to manage sizable capital sums so as to derive financial support on a long-term basis. There is a lack of data on what is done with the lump sums; undoubtedly, a proportion is wisely used and it is equally certain that some are frittered away. There appears to be a general tendency to dispose of the money one way or the other which leaves the worker and his dependants without adequate means of support. This is in direct contrast to pension schemes which marshal the capital resources to pay old age pensions for the rest of the members' lives, and then continue to provide for their survivors.

25. That properly designed pension schemes are much more effective systems of long-term maintenance can be shown by the comparison of 2 model schemes constructed for the purpose of analysing the respective abilities of provident funds and pension schemes to build up capital resources.<sup>14</sup> It is assumed, for the purposes of the study, that membership starts at age 15, the salaries remain at a uniform 100 monetary units, the contributions of employers and workers total 10 per cent and that an annuity is purchased with the provident fund lump sum. In the event of permanent invalidity, the pension would be 35.1 units if the claimant is age 20, or an assumed maximum of 42.1 units from age 30 onwards. The annuity would amount to 7.5, 12.2, 21.0, 36.2 and 47.6

---

<sup>13</sup> In Singapore, the full amount may be withdrawn to purchase approved housing accommodation, whilst in Malaysia up to one-third can be claimed at age 50. Amongst several reasons for obtaining non-refundable advances from the Employees' Provident Fund in India are the financing of life insurance policies, the purchase of a house or land for building a house, children's higher education and daughters marriages. In 1975-76 over Rs. 117 millions was paid out compared with Rs. 63 million in 1974-75.

<sup>14</sup> "The role of provident funds and pension schemes in capital formation" by S.N. Iyer (ILO).

units respectively at ages 20, 30, 40, 50 and 55. Thus the pension scheme gives higher invalidity benefits up to and including age 50, which is also true of benefits for survivors. The most important benefit is that for old age. On the assumption that the old age pension is not payable until completion of a qualifying period of 15 years, the provident fund is superior up to 15 years' terms, but thereafter the pension is higher than the annuity until the members have 37 years or more service. In actual practice, new pension schemes give older entrants pensions for shorter periods than 15 years (such as 5 years). Whilst these examples may suffice to show the advantages of the social insurance principles underlying pension schemes, it can also be pointed out that the national provident funds do not convert their benefits into annuities, and furthermore, members are not all able to complete the very lengthy periods of service, such as 35 years, which affects the lump sums to a greater extent than their pensions.

26. As may be evident from the example in the preceding paragraph, comprehensive pension schemes could be financed by the present levels of contributions to national provident funds. Nevertheless, although the limitations of provident funds are increasingly recognised, the fact remains that none has been converted into pension schemes, one reason being a lack of popular support for such a change. Lump sums are popular with the members, whilst there is some unfamiliarity with the concept of pensions. As yet, only India has taken steps to rectify the situation by introducing the Family Pension Scheme in 1971 intended to provide periodical payments to survivors.<sup>15</sup> Even so, this is a limited measure which significantly, does not apply to the full membership of the Employees' Provident Fund and the Coal Mines Provident Fund.<sup>16</sup> The introduction of annuities is under consideration in some countries<sup>17</sup> but this, whilst overcoming the problem of lump sum payments, would not affect the fundamental change to social insurance principles. Of greater significance is the trend towards the introduction of pension schemes as manifested by Pakistan, the promulgation of the necessary legislation in the Republic of Korea, and the advanced planning of the important step in at least 3 other countries.

### **Non-contributory Benefit Schemes**

27. There are various types of non-contributory benefit schemes in developing countries in Asia, notably the public health services; there are various schemes making cash payments in emergencies; in respect of destitution or in

---

<sup>15</sup> See Appendices II and III for details of the scope and financial system of the Employees' Family Pension Scheme.

<sup>16</sup> In the Employees' Provident Fund about 40% and 31% of the members in un-exempted and exempted establishments respectively were members of the Family Pension Scheme on 31 March 1976. In the Coal Mines Provident Fund about 52% opted to join at the inception of the Coal Mines Family Pension Scheme.

<sup>17</sup> Annuities are available on a voluntary basis in the Fiji Provident Fund. This facility was introduced a few years ago and initially, at least, members took lump sums in the main, not annuities, in spite of financial incentives to do otherwise.



certain contingencies such as old age which help to fill gaps in existing social security programmes, and therefore may be regarded as transitional in nature. Examples are Hong Kong, which provides standard non means-tested allowances for severely disabled persons and for persons aged 75 or over, and Sri Lanka which has a wide range of public assistance. Nevertheless, considering the general inadequacy of public funds for social services, there is little prospect that non-contributory cash benefits can attain any real measure of importance in the developing countries of the region.

#### IV. SOCIAL SECURITY PERSPECTIVES IN DEVELOPING COUNTRIES IN ASIA

##### General

28. In general, apart from the industrialised countries, it is evident that social security is in the relatively early stages of development in the Asian region. This is shown by the prevalence of the unsatisfactory employer liability system, the limited provisions for long-term contingencies, and the restricted scope of social insurance schemes in terms of the categories and numbers of protected persons. Another indication is given by the information in Appendix VII on the distribution of social security expenditure among different schemes. It can be seen that the broad category "social insurance and assimilated schemes"<sup>18</sup> is in Asian developing countries of lesser relative importance than the public health services and the schemes for public employees. In contrast, the distribution of expenditure in Japan and, of more relevance, in a few representative developing countries in other regions, shows a much greater emphasis on social insurance and assimilated schemes, which is characteristic of well-established social security programmes. Finally, the analysis of social security receipts and expenditure in Appendix VIII gives further evidence of their relatively low level in developing countries in Asia in monetary terms (Table 1) and expressed as percentage of G.D.P. (Table 2).

29. Nevertheless, the figures in Appendix VII in respect of developing countries in Asia generally are an improvement over the position in the preceding years; further, the progress made since 1971 (for instance through the introduction of social insurance schemes in Indonesia, Malaysia and Thailand, and the growth and expansion of others) probably would be reflected in higher proportions of expenditure in the category of "social insurance and assimilated schemes."<sup>19</sup> It would also be expected that receipts and expenditure per head would show increases.

---

<sup>18</sup> "Social insurance and assimilated scheme" includes social insurance, provident funds, employers' liability and non-contributory benefit schemes.

<sup>19</sup> This would also depend upon trends in expenditure on other programmes such as public health.

30. The general perspective for social security development in the region may be gained from the increasing interest and action in this field in recent years both in introducing new schemes and in expanding existing programmes in respect of contingencies and the coverage of persons. There are strong indications that more employers' liability legislation will be superseded by social insurance systems which, in some instances, may extend to the provision of medical care to members, and possibly their dependants. The need for social security protection in the major contingencies of old age, permanent invalidity and death of the breadwinner is receiving more attention, as evidenced by the planning of pension schemes. The widely expressed concern with the plight of such low income groups as some categories of self-employed persons, domestic staff and workers in the smallest establishments can be expected to increase the pressure to bring them within the scope of social security schemes. Before other aspects of social security development are discussed, it may be appropriate to enlarge upon some of the main problems which would be encountered in achieving these objectives in respect of the short-term contingencies.

### **Administrative Problems**

31. The demands for expansion put a severe strain upon administrations which generally are short of trained and experienced personnel, so much so that some schemes have difficulties in achieving satisfactory standards of efficiency in such basic tasks as registration of employers and workers, collecting contributions, maintaining records and determining benefit claims. Faced as they are with large volumes and negative attitudes of a proportion of employers, workers often assert that social security administrations are too bureaucratic and not as responsive to the users as they should be. They also complain that the schemes are complicated and that claimants are burdened with too much form filling. Employers contend that they are involved in excessive paper work, for instance, in preparing detailed monthly returns which add to their expenses, and often are critical of the schemes' running costs. Sometimes the legislation places statutory limits or controls on administrative expenditures.<sup>20</sup> Another form of control is through the tripartite governing bodies or advisory councils of social security institutions. One trend amongst social security institutions is to pay greater attention to the training of staff and the introduction of more efficient

---

<sup>20</sup> The social security law of the Philippines contains such provisions. It is necessary to interpret quoted administrative costs carefully, since the bases may change on increasing the contributions but it may be useful to note that operating expenses in the Philippines were 10.30% and 10.80% of the contributions income in 1974 and 1975 respectively. In the social insurance schemes in India administrative expenditure ranged from a low of 7.5% to a high of 10.4% in a 5-year period, whilst in Pakistan the percentage was of a similar order, also over a 5 year period. Furthermore, the size of the administrative organisation can be gauged from the fact that the Indian scheme had the following ratios of staff of each one lakh of insured persons in the 5 years beginning 1970-71, 190, 192, 182, 177 and 171 respectively.

methods<sup>21</sup> and the aids to efficiency, such as machinery and computers. However, the introduction of automated methods is not a guarantee of efficiency and instances have arisen in the region where difficulties have worsened, for example due to technical problems in matching the input with the records on the computer files. After such experiences it is more widely understood that the use of such methods as computerisation must be planned very carefully if they are to bring real benefits to the social security administration and the members they serve.

### Medical Care Under Social Security

32. Administrative weaknesses impose severe constraints on expansion, especially in respect of categories of workers outside the organised sector, or in the very numerous small businesses. The difficulties of many such persons in paying social security contributions is another handrance to their inclusion in schemes. On the medical side there are additional obstacles to extension of services, such as the shortages of doctors and facilities. Also, in spite of elaborate controls, systems of large-scale purchasing of medicines and the adoption of generic names for drugs, the cost of medical care continues to rise. One factor which is beyond the control of the social security medical care services is the extent of disease attributable to the unhealthy conditions in which a proportion of members live and work. This problem has led to suggestions for more preventive action by social security medical systems in the interest both of the workers and the scheme itself. Some schemes have vaccination programmes but in general preventive work has been on a limited scale. Consequently, there have been calls for a strengthening of co-ordination with public health programmes.

33. The relationship between the social security medical scheme and the public health services is of key importance. At times in various countries the concept of a separate medical service for insured workers and their families has encountered opposition. Where there is inadequate finance for the immense task facing the public health services in developing countries, social security can make a real contribution through the funds it channels to the health sector.<sup>22</sup> Provided there is full co-ordination with the public health services, it is a big advantage to the latter when responsibility for the medical care of a proportion of the population is assumed by social security. It is a considerable undertaking to organise and run a medical scheme in conditions of shortages of doctors and facilities, and where health problems abound. An additional factor in some

---

<sup>21</sup> For example, because of deficiencies in the operation of the contribution stamp system in Malaysia, it is being phased out in favour of a payroll system.

<sup>22</sup> Another aspect is the additions to the country's stock of medical facilities. For instance, in India the social insurance scheme has built 59 hospitals containing over 11,000 beds. (The rationale for medical care under social security is set out in "Personal Health Care and Social Security". Report of a Joint ILO/WHO Committee, WHO Technical Report Series No. 480, Geneva).

countries (Burma and India) is the execution of the medical programme by other authorities. This leaves the social security organisation in the position of having responsibilities to the users without necessarily always possessing enough authority to carry them out. This issue has been debated a good deal in India because of apparent differences in standards amongst the States carrying out the programme.

34. In the actual running of the social security medical care services there are numerous problems due to the pressure put on the outdoor programme, especially at times of local seasonal epidemics. Doctors have little time to spend with each patient and sometimes there are shortages of certain medicines. For their part, patients sometimes are very demanding and unpleasant. In some schemes workers try to insist on being granted sick leave or in being prescribed certain branded medicines against the doctor's advice. As a result of these conditions many doctors are unwilling to work as medical officers in social security dispensaries. Another problem is the relatively inadequate career structure for doctors which causes them to transfer to other posts. This tendency worsens the situation since inexperienced doctors find the work of the dispensary even more exacting. The "brain drain" is another cause of doctors leaving the service. In order to reduce the turnover of doctors some schemes have developed a hierarchical structure of senior medical officers and above, some of their tasks being to deal with difficult cases, including persistent malingerers and also to carry out inspections of dispensaries.

35. In certain schemes problems have arisen due to the participation of doctors and medical institutions other than through the direct system. For example, the panel system is in force in certain areas in India and Pakistan and also in the employment injury scheme in Malaysia. The tendencies noted have been some laxity in medical certification and also above average incidence of referrals to specialists. In the Philippines a fee for service system is in force for hospitalisation only. The social security institution there has detected cases of unwarranted hospitalisation, high charges and other excesses due to the financial incentives given for more elaborate and sophisticated treatment. This type of problem requires extensive controls and the full co-operation of the medical profession. The indirect pattern of providing medical services under social security is popular in some respects with users because they have a freer choice of doctors. There are reasons to doubt that it is a more satisfactory method than the direct pattern, notably when the respective costs are taken into account. It is not surprising that an ESIS Review Committee in India concluded that "the service system offers better possibilities of giving satisfactory medical services to the insured persons and families."

#### **Perspectives in Selected Countries**

36. The social insurance scheme in India was a pioneer for those introduced in the last two decades, during which social security has become established

amongst the developing countries in the region. Burma and the Philippines enacted legislation in 1954 which was implemented a few years later. Pakistan and Malaysia launched their social insurance programmes in the late 1960s and early 1970s respectively, whilst Thailand and Indonesia have begun operations only in the last few years. These schemes have very little in common, except that they all deal with the contingency of employment injury, but it can be said that, except for the two recently introduced, all are fully established and able to consider further development. The last two decades also have seen the consolidation and growth of the national provident funds in India, Malaysia, Singapore and Sri Lanka. Their benefit payments are now at a high level for long-term members and furthermore the size of their reserves gives these schemes considerable importance.<sup>23</sup>

37. Against this background it may be noted that the established social insurance schemes in the main are taking action in respect of the long-term contingencies. The Philippines already has a scheme mature enough to be paying normal term pensions (as opposed to those provided for short periods of service). The Pakistan scheme for old age and invalidity pensions started in 1976, whilst Burma is engaged on the initial design of a comprehensive pension scheme. India, with an Employees' Provident Fund and Coal Mines Provident Fund, apparently is not contemplating similar steps. It is of some interest that Malaysia also is designing a pension scheme which may be started independently of the national provident fund there, or be co-ordinated with it in a manner yet to be determined. Developments of this nature may give some indication of what action is possible, if desired, in respect of other national provident funds in Asia.

38. Turning to some individual countries, in *Burma*, the social insurance scheme has made steady progress, now being applicable in a large number of towns throughout the country. Continued expansion is planned in accordance with the administrative capacity of the social security institution. Close co-ordination is maintained with the Ministry of Health which has jurisdiction over the social security medical facilities. The Government has decided to introduce a comprehensive pension scheme. This also has possible implications for the expansion programme, since it is in the interests of the members to have as wide a coverage as possible when the pension scheme starts. First of all, a number of administrative changes have to be made, two of the main tasks being to upgrade the system of monthly returns and to set up a records system. It is intended to study the feasibility of using computerised techniques to maintain the records of pensions service. Burma is therefore entering a phase of very significant development which when completed will virtually transform the present scheme.

---

<sup>23</sup> The magnitude of resource mobilisation in a mature scheme can be understood from the fact that recently the Employees' Provident Fund in Malaysia held over M\$ 3,600 million which it is estimated on present trends may be trebled in another 10 years.

39. In the case of *Malaysia* the entry into the social insurance field was relatively late, but the present scheme, dealing with employment injury and invalidity insurance has made rapid strides reaching a total of over 800,000 members in a little over 5 years. This is a somewhat rare example of a social security scheme in the mainstream of national development with a set of definite objectives allocated in the development plans. As such, there is little doubt that the scheme will expand in respect of the persons protected and the contingencies covered. Plans are well advanced for the introduction of sickness, maternity, survivors' and old age benefits. A far-reaching administrative reorganisation also is in progress which extends to the computerisation of many of the main processes, including record-keeping. An additional dimension is added by the Government's intention to extend social security coverage to farmers and fishermen, as soon as this is feasible. The prospect for Malaysian social security is of very substantial progress, aspects of which may have some implications for other countries in the region.

40. *Sri Lanka* is at a comparatively early stage of social security development, relying to a large extent on employers' liability legislation and the national provident fund. However, the very general practice of converting Workmen's Compensation Schemes into social insurance systems seems likely to be followed eventually in Sri Lanka; it is possible that provisions for sickness and maternity could be made at the same time. In fact, a social insurance scheme in respect of the contingencies of employment injury, sickness and maternity was prepared a few years ago, but not introduced. There is also a wish to confer some forms of social protection upon rural workers, i.e. the existence of a Crop Insurance Scheme and certain rural institutions giving a possible basis for action to be started. There are no indications of any changes in the provision for long-term contingencies through the national provident fund. The perspective, therefore, is of improvements in respect of the short-term contingencies with the possibility of eventual steps concerning a scheme for rural areas.

### **Rural Social Security**

41. Since it is proving difficult to extend social security coverage to various disadvantaged groups in the urban workforce, it would seem that there is no real prospect of setting up systems of social protection in rural communities. Certainly, the present structures are not suitable for such features of the traditional or unorganised rural sector as the irregular and seasonal character of agricultural work, the non-cash element in remuneration, the generally low paying capacity, and the absence of institutional bases for the processes of registration, collecting money and paying out benefits. Many persons are tenant farmers, which illustrates the difficulty also of determining the need for social security protection - for example, in the case of an accident at work there could well be no real loss of income because of sharing of labour amongst the family, or other persons, or due to seasonal lulls in activity.

42. Nevertheless, many or all of the developing countries in Asia have placed in the forefront of their policies the comprehensive and fundamental improvement of the conditions in rural areas. The introduction or strengthening of systems of social protection is seen as an important step related to many others concerned with such basic matters as land ownership, economic progress, rural development and rural institutions. This strong drive can be expected to achieve some progress in the social security field, possibly in the study of new concepts, especially in respect of financing and experimentation with various model schemes. Development of social security schemes also is dependent to a certain extent upon satisfactory progress in other spheres, such as in the improvement of health facilities. Since rural social security schemes eventually may be evolved as an element in broader development and, furthermore, there are additional complexities in some countries, substantial changes in the situation cannot be envisaged as yet. However, as mentioned earlier, one country (Malaysia) has a set definite objectives for the extension of social security protection to farmers and fishermen. Progress in this instance may well raise expectations that other countries which are also working on the problem can overcome the many obstacles to development of their own rural social security schemes, greatly needed as they are, not only for their contribution to the improvement of conditions, but also because of the high proportion of the population in rural areas.<sup>24</sup>

#### **Planning of Social Security Development**

43. The intensive efforts to develop rural areas betokens a reorientation of policies previously largely concerned with national economic development. In a number of countries, the introduction or improvement of social security schemes has come about outside the framework of national plans. Advocates of social security have encountered opposition due to the fact that the costs of new programmes can be measured more precisely than the benefits. For example, the conversion of an employers' liability Workmen's Compensation Scheme into a social insurance system may not take place if there is a belief that production costs will be raised to an excessive extent. Consequently, in such situations priorities could be established more on the basis of the contribution social security can make to economic development rather than to social protection. This could lead to emphasis on schemes, such as national provident funds, which accumulate large reserves of capital, greatly needed for the financing of national development plans and to constraints on other desirable and more urgent forms of expansion of social security programmes.

44. It is of the utmost importance that all concerned with the subject should be fully aware of the potential of social security schemes to contribute

---

<sup>24</sup> Information on the percentage of the population in rural areas can be obtained from Appendix VI.

to both social and economic development. There can be no doubt that social security medical care services have done a great deal for the death of workers, whilst also the considerable sums paid out in cash benefits have some social and economic importance. These aspects ought to be studied fully by development planners, as well as representatives of employers and workers in order to bring about a greater understanding of the effects of social security schemes. In addition, a wider appreciation of the various concepts underlying modern well-designed social security schemes, not least amongst the workers themselves, probably would promote further progress to that which can already be envisaged in what is increasingly recognised as an important field in developing countries in the Asian region.



## APPENDIX I

### SOCIAL SECURITY CONTINGENCIES COVERED AND TYPE OF STATUTORY GENERAL SCHEMES OF INCOME PROTECTION\* FOR EMPLOYED PERSONS IN SELECTED DEVELOPING COUNTRIES IN ASIA AND THE PACIFIC

(EL = Employers' Liability; SI = Social Insurance; NPF = National  
Provident Fund; NC = Non-Contributory)

<i>Country</i>	<i>Contingencies Covered</i>					<i>Death of the bread- winner</i>
	<i>Employ- ment Injury</i>	<i>Sick- ness</i>	<i>Mater- nity</i>	<i>Old Age</i>	<i>Invali- dity</i>	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bangladesh	EL	EL	EL	1	1	1
Burma	EL/SI	EL/SI	SI			
Cambodia <sup>2</sup>	EL	EL	EL			
China	EL & SI	EL	EL	SI	SI	SI
Fiji	EL	3	EL	NPF	NPF	NPF
Hong Kong	EL	EL	EL	NC <sup>4</sup>	NC <sup>4</sup>	
India	EL/SI	EL/SI	EL/SI	NPF	NPF	NPF <sup>5</sup>
Indonesia	EL/SI	3	EL			
Korea, Rep. of	EL		EL	6	6	6
Malaysia	EL/SI	EL	EL	NPF	NPF	NPF
Nepal	EL	EL				
Pakistan	EL/SI	EL/SI	EL/SI	SI	SI	
Papua New Guinea	EL					
Philippines	EL/SI	EL/SI	EL	SI	SI	SI
Singapore	EL	EL	EL	NPF	NPF	NPF
Sri Lanka	EL	3	EL	NPF	NPF	NPF
Thailand	EL/SI					
Viet Nam <sup>7</sup>	EL/SI	EL/SI	EL/SI	SI	SI	SI
Western Samoa	EL	EL		NPF	NPF	NPF

\* In addition, medical care is provided by the social insurance schemes in Burma, India, Pakistan and the Philippines. In the case of the first 3, this is mainly through the social security institutions' own network of clinics and hospitals; in the Philippines a fee for service system exists for hospitalisation only.

## *Notes*

1. There is a statutory provident fund which applies only to workers in the tea plantations.
2. Up to 1975. The present position regarding social security provisions in Cambodia is not known. In addition to the schemes shown as being in force in 1975 there was also an employment-related family allowances system.
3. Collective agreements generally provide for periods of certified sick leave with pay.
4. Persons aged 75 and over who satisfy certain conditions mainly concerned with residence in Hong Kong qualify for infirmity allowance. Severely disabled persons are entitled to disability allowance. Both types of allowance are non-means tested.
5. In addition to the provident fund benefits, there is a Family Pension Scheme for survivors, a Gratuity Fund for termination of employment by superannuation, resignation, retirement or death and a deposit-linked insurance scheme for additional payments on death in certain circumstances.
6. Legislation for a National Welfare Pension Scheme was enacted in 1973 but has not been implemented.
7. The Appendix summarises the separate schemes in force before unification of Viet Nam. The present position is not known. There was also an employment-related family allowance system which is not shown in the Appendix.

## APPENDIX II

### SCOPE OF SOCIAL INSURANCE SCHEMES AND NATIONAL PROVIDENT FUNDS IN SELECTED ASIAN COUNTRIES

#### PART A – SOCIAL INSURANCE SCHEMES

<i>Country</i>	<i>Persons Protected</i>	<i>Persons Specifically Excluded</i>
Burma	Employees of establishments with 5 or more workers in industry and commerce, and those in other specified undertakings.	Permanent public servants who have a separate system of benefits.
India	For the social insurance schemes run by the Employees State Insurance Corporation, employees in factories with 10 or more workers and using power, non-power using factories with 20 or more persons, and certain other types of establishments (shops, hotels, road motor transport, etc.) with a minimum of 20 employees. For the Family Pension Scheme operated by the Employees' Provident Fund, employees in firms with 10 or more workers, or 20 in certain agricultural establishments (after 120 days work during 6 months or less with the same employer or on becoming permanent whichever is the earliest).	For the social insurance scheme, employees earning more than 1,000 rupees a month, and workers in commerce and agriculture. For the employees earning more than 1,600 rupees per month or covered by equivalent private plans'.
Malaysia	Employees in commercial and industrial establishments with 5 or more workers.	Persons with earnings of \$500 or more per month (they remain members of the Invalidity Pension Schemes if earnings exceed limit after joining); in respect of invalidity, if over 50

<i>Country</i>	<i>Persons Protected</i>	<i>Persons Specifically Excluded</i>
		at date of application of the Scheme or at age 55. Certain agricultural and domestic workers and fishermen.
Pakistan	Employees in establishments with 10 or more workers (domestic workers entitled to medical care through their employers).	Employees earning over 500 rupees per month and agricultural employees. Persons in the service of the State including members of the Armed Forces, Police force and railway employees.
Philippines	All employees.	Government (separate system). Family workers, private domestic employees, share or leasehold tenant workers not employed for a continuous period of 6 months in a year, and casual workers.
Thailand	Employees in establishments with 20 or more workers in Bangkok metropolitan area, and 5 provinces.	Workers engaged in cultivation or fishing and domestic and railroad employees.

#### PART B – NATIONAL PROVIDENT FUNDS

<i>Country</i>	<i>Persons Protected</i>	<i>Persons Specifically Excluded</i>
India	Employees in specified industrial, commercial and plantation enterprises having 10 or more workers or 20 in certain agricultural establishments. Separate schemes exist for miners, railway workers and public employees.	Persons whose earnings exceed 1,600 rupees a month unless already a member. Exemptions allowed for workers in equivalent private plans.
Malaysia	Employees aged 16 or over (compulsory after one month with the same employer unless coverage agreed from the start of employment).	Members of existing equivalent private plans and fishermen.

<i>Country</i>	<i>Persons Protected</i>	<i>Persons Specifically Excluded</i>
Singapore	All employees earning more than \$10 per month plus special categories of self-employed workers.	Members of existing equivalent private plans, and temporary workers.
Sri Lanka	All employees in the private sector and in public corporations, including casual workers.	Persons employed by the day, family workers and public employees, and workers covered by approved private plans.

# FINANCIAL ARRANGEMENTS OF SOCIAL INSURANCE SCHEMES AND NATIONAL PROVIDENT FUNDS IN SELECTED ASIAN AND PACIFIC COUNTRIES

Country	Branches covered	Contributions by Employers, Employees and Governments	Maximum earnings for Assessment of Contributions
---------	------------------	--	---

133



<i>Country</i>	<i>Branches covered</i>	<i>Contributions by Employers, Employees and Governments</i>	<i>Maximum earnings for Assessment of Contributions</i>
	Medical care*	Employer: 1.25% of pay- ) according to roll ) 6 wage- Insured person: 1.25% of ) classes. earnings	300 Pesos per month.
	Sickness, old age, invalidity and death	Employer: 4.1% of payroll) according to (for low wage employees ) 10 wage- 4.7%-5.6%) classes Insured person: 2.9% of ) according to earnings (for low wage ) 10 wage- earners, 1.6% to 2.4%) ) classes.	1,000 Pesos per month.

#### PART B — NATIONAL PROVIDENT FUNDS

<i>Country</i>	<i>Contributions by Employer</i>	<i>Contributions by Employees</i>	<i>Maximum earnings for Assessment of Contributions</i>
Fiji	6% of wages	6% of wages	
India	6.25% of payroll, or 8% for factories with 50 or more workers, plus 0.37% for cost of administration (2.48% for factories with 50 or more workers). For deposit-linked	6.25% of earnings, or 8% in factories with 50 or more workers.	Employees earning over 1,000 Rupees per month are excluded.



<i>Country</i>	<i>Contributions by Employer</i>	<i>Contributions by Employees</i>	<i>Maximum earnings for Assessment of Contributions</i>
	insurance scheme, 0.5% plus 0.10% for administration (Government pays 0.25% plus 0.05% for administration).		
Malaysia	7% of payroll according to 24 wage-classes	6% of earnings according to 24 wage-classes.	In East Malaysia, workers earnings over \$500 are excluded.
Singapore	16% of monthly earnings upto S\$ 600.	16% of monthly earnings upto S\$ 600.	As stated.
Sri Lanka	9% of payroll	6% of earnings	500 Rupees per month.
Western Samoa	5% of payroll	5% of earnings	-

## APPENDIX IV

### GROWTH IN NUMBER OF PERSONS PROTECTED IN ASIAN SOCIAL INSURANCE SCHEMES

<i>Country</i>	<i>Year of Basic Law</i>	<i>Year</i>	<i>Number of active persons protected</i>	<i>Percentage increase over the period</i>
(1)	(2)	(3)	(4)	(5)
Burma	1954	1971-72	217,763	8.23%
		1972-73	222,319	
		1973-74	231,626	
		1974-75	252,447	
		1975-76	235,677	
India	1948	1971-72	4,591,450 <sup>1</sup>	
		1974-75	5,050,000	
		1975-76	5,500,000 (Approx)	
Malaysia	1969	1971	24,707 <sup>2</sup>	257.23% (1972- 1976)
		1972	226,394	
		1973	428,157	
		1974	562,407	
		1975	645,933	
		1976	808,739	
Pakistan	1965	1970-71	313,000 <sup>1</sup>	40.25%
		1971-72	340,000	
		1972-73	394,000	
		1973-74	431,000	
		1974-75	444,000	
		1975-76	439,000	
Philippines	1954	1971	2,838,462	86.85%
		1972	3,100,964	
		1973	3,917,520	
		1974	4,278,790	
		1975	4,553,880	
		1976	5,309,000	

*Note:* 1. The schemes in India, Pakistan and the Philippines provide forms of medical care to dependants, who average at least 4 per insured person.  
2. The scheme began operations in October 1971.

# APPENDIX V

## HEALTH INDICATORS IN SELECTED ASIAN AND PACIFIC COUNTRIES

Country	Hospital Establishments				Health Personnel						
	Year	Total	Beds	Popula- tion per bed	Year	Physicians	Popula- tion per Physician	Dentist	Pharma- cists	Nursing Personnel	Mid- wifery Personnel
Bangladesh	1972	...	10,310	6,946	1973	7,663	9,345	...	...	...	...
Burma	1972	385	24,074	1,199	1973	4,280*	6,906	146	54	4,199	5,320*
Fiji	1971	26	1,513	350	1971	256	2,070	40	39	618	229
Hong Kong	1973	102	16,486	252	1973	2,533	1,642	496	209	2,401	5,031
India	1968	15,731*	325,000*	1,571	1973	138,000	4,162	8,750	66,000	88,000	70,000
Indonesia	1971	1,199	86,022	1,452	1973	6,221*	20,028	100	1,510	14,231*	10,840*
Japan	1971	38,175	1,364,327	78	1973	124,684	868	39,486	71,569	316,803	26,854
Korea, Rep. of	1973	266	19,934	1,651	1974	13,013	2,571	2,286	13,748	13,294	2,915
Malaysia (West)	1972	213	33,446	276	1971	1,881	4,774	630	...	...	...
Nepal	1971	55	2,006	5,628	1972	122	96,311	1	2	208 <sup>1</sup>	1
Pakistan	1973	3,497	36,025	1,853	1973	16,485 <sup>2</sup>	4,049	539 <sup>2</sup>	852 <sup>2</sup>	5,751 <sup>2</sup>	4,356 <sup>2</sup>
Papua New Guinea	1972	452	15,255	169	1973	226	11,327	13	38	1,118	158
Philippines	1969	764	43,492	822	1970	14,000	2,632	...	...	19,000	...
Sri Lanka	1973	456	39,732	333	1972	3,251	4,007	280	455	6,458	3,586
Thailand	1973	615	51,435	774	1973	4,662	...	596	1,616	9,184	15,702
Western Samoa	1972	15	655	226	1974	52	3,076	12	3	402	57

\* Provisional or estimated figure.

1 Data for midwifery personnel are included with nursing personnel.

2 Number of registered persons, not all of whom are resident and working in the country.

Source: 1975 Statistical Yearbook, United Nations.

## APPENDIX VI

### TOTAL POPULATION 1970 AND 1973 AND URBAN POPULATION AS PERCENTAGE OF TOTAL POPULATION 1970 AND 1975 IN SELECTED ASIAN COUNTRIES

<i>Country</i>	<i>Mid-Year Population (Millions)</i>		<i>Percentage Urban</i>	
	<i>1970</i>	<i>1973</i>	<i>1970</i>	<i>1975 (Projected)</i>
Bangladesh	68.12	73.21	6	7
Burma	27.0	28.9	20	22
China	771.84	811.35	22	25
Hong Kong	3.96	4.16	93	95
India	538.88	574.22	20	21
Indonesia	117.89	124.60	17	19
Korea, Republic of	31.30	32.91	42	47
Malaysia	10.87	11.17 (1971)	27	30
Nepal	11.23	12.06	6	7
Pakistan	59.99	66.75	24	26
Philippines	36.85	40.22	33	35
Singapore	2.07	2.18	86	90
Sri Lanka	12.51	13.25	22	24
Thailand	36.21	39.79	15	16

*Source:* Data on mid-year populations — Statistical Yearbook for Asia and the Pacific 1974; on urban population — 1974 Report on the World Social Situation, United Nations.

## APPENDIX VII

### DISTRIBUTION OF SOCIAL SECURITY EXPENDITURE AMONG THE DIFFERENT SCHEMES (PER 1,000 OF TOTAL EXPENDITURE)

#### PART A - DISTRIBUTION IN SELECTED COUNTRIES IN ASIA

Country	Financial Years	Social Insurance and Assisted Schemes	Family Allowance	Public Employees Military & Civilian	Public Health Services	Public Assistance and Assisted Schemes	Benefits for War Victims	Administrative Expenditure not Allocated Among Different Schemes	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Burma	1968-69 <sup>1</sup>	44		411 <sup>2</sup>	545				1,000
	1969-70	36		420	544				1,000
	1970-71	29		418	553				1,000
	1973-74	20		392	598				1,000
India	1968-69	214		361	420	5			1,000
	1969-70	218		333	444	5			1,000
	1970-71	236		340	419	5			1,000
	1973-74	199		395	400	6			1,000
Japan	1968-69 <sup>3</sup>	638		124	51	106	81		1,000
	1969-70	648		123	49	106	74		1,000
	1970-71	649		123	46	106	76		1,000
	1973-74	591	12	136	46	142	73		1,000

<i>Country</i>	<i>Financial Years</i>	<i>Social Insurance and Assi- milated Schemes</i>	<i>Family Allowance</i>	<i>Public Employees Military &amp; Civilian</i>	<i>Public Health Services</i>	<i>Public Assistance and Assi- milated Schemes</i>	<i>Benefits for War Victims</i>	<i>Adminis- trative Ex- penditure not Allo- cated Among Different Schemes</i>	<i>Total</i>
Philippines	1968-69	223		272	422		83		1,000
	1969-70	216		261	450		83		1,000
	1970-71	209		313	399		79		1,000
Sri Lanka	1968-69 <sup>1</sup>	143		205	586	58		8	1,000
	1969-70	174		191	553	74		8	1,000
	1970-71	199		214	534	46		7	1,000
Singapore	1974	496		97	398	9			1,000
PART B - DISTRIBUTION IN SELECTED COUNTRIES IN OTHER DEVELOPING REGIONS									
Brazil	1969	789	60	119	32				1,000
	1970	778	58	141	23				1,000
	1971	799	57	122	22				1,000
	1974	805	59	119	17				1,000
Mexico	1969	669		225	62	44			1,000
	1970	680		212	63	45			1,000
	1971	685		213	60	42			1,000
	1974	650		244	88	18			1,000

<i>Country</i>	<i>Financial Years</i>	<i>Social Insurance and Assi- milated Schemes</i>	<i>Family Allowance</i>	<i>Public Employees Military &amp; Civilian</i>	<i>Public Health Services</i>	<i>Public Assistance and Assi- milated Schemes</i>	<i>Benefits for War Victims</i>	<i>Adminis- trative Ex- penditure not Allo- cated Among Different Schemes</i>	<i>Total</i>
Tunisia	1969	137	319	132	412				1,000
	1970	156	294	129	421				1,000
	1971	160	277	153	410				1,000
	1974	145	195	242	418				1,000
Zambia	1968-69 <sup>3</sup>	119		182	699				1,000
	1969-70	165		139	696				1,000
	1970-71	188	-	139	673				1,000
	1973-74	126		133	741				1,000

*Source:* Calculations from data supplied by Social Security Department, ILO, Geneva. The classification "Social Insurance and Assimilated Schemes" includes social insurance, provident fund, employees liability and non-contributory benefit schemes.

*Note:* 1 October - 30 September.

2 Benefit expenditure has been treated as total expenditure.

3 1 April - 31 March.

## APPENDIX VIII

### ANALYSIS OF SOCIAL SECURITY RECEIPTS AND EXPENDITURE<sup>1</sup>

Table I: Average Annual and Social Security Receipts and Expenditure Per Head of Population  
(In National Currency Units)

Country	Year	Per Head of Total Population			Per Head of Population 15-64 Year		
		Receipts	Expenditure	Benefits	Receipt	Expenditure	Benefits
Burma	1970-71	K 7.79	7.42	7.37	.	.	.
India	1970-71	R 22.88	14.75	14.51	41.52	26.77	26.33
Malaysia	1971	M\$ 59.4	31.1	30.2	114.5	60.0	58.3
Philippines	1970-71	P 22.8	13.0	11.5	42.7	24.4	21.6
Singapore	1971	S\$ 190.5	87.9	86.6	323.8	149.4	147.3
Sri Lanka	1970-71	R 55.0	37.2	32.6	94.0	63.6	55.6
Sweden	1971	K 5,681.5	4,643.8	4,545.6	8,706.0	7,115.9	6,965.4
Germany	1971	M 2,235.1	2,144.3	2,016.6	3,516.6	3,373.7	3,172.6
U.K.	1970-71	£ 131.5	126.4	118.7	208.7	200.7	188.3
U.S.A.	1970-71	\$ 614.6	547.5	512.3	993.1	884.7	827.7
Australia	1970-71	A\$ 257.0	237.5	229.7	409.0	377.9	365.6
Mexico	1971	P 328.0	288.4	240.7	655.2	576.1	480.9
Venezuela	1971	B 174.4	157.3	114.6	345.7	311.8	227.1
Tunisia	1971	D 7.94	7.72	6.34	15.70	13.29	12.54

<sup>1</sup> Source: "Cost of Social Security", International Labour Organisation, Geneva, 1976.



Table II: Receipts and Expenditure of Social Security Schemes as  
Percentages of Gross Domestic Product in Purchasers' Value

<i>Country</i>	<i>Year</i>	<i>Receipts</i>	<i>Expenditure</i>	<i>Benefits</i>
Sweden	1974	28.8	24.4	23.9
Austria	1974	18.9	18.2	17.4
Germany	1974	20.6	20.3	19.4
U.K.	1973-74	15.7	14.5	13.6
U.S.A.	1973-74	14.4	12.5	11.7
Canada	1973-74	16.5	13.9	13.5
Australia	1973-74	11.4	11.0	10.6
New Zealand	1973-74	13.3	12.5	12.2
Japan	1973-74	9.3	6.5	5.5
India	1973-74	3.2	(2.0)	1.9
Philippines	1970-71	1.7	1.0	0.8
Malaysia	1974	5.5	3.4	3.1
Sri Lanka	1970-71	5.3	3.6	3.1
Singapore	1974	7.8	2.6	2.6
Mexico	1974	3.9	3.4	2.9
Venezuela	1974	3.7	2.9	2.7
Tunisia	1974	4.4	3.4	3.1
Kenya	1971	3.0	2.0	2.0

## “FINANCIAL ASPECTS OF SOCIAL SECURITY”

*by*

W.R. MCGILLIVRAY\*

### Introduction

1. The financial organisation of a social security scheme refers to the manner in which the scheme receives and administers the income which it disburses in the form of benefit payments and operational expenses. The topic includes the determination of the income necessary to meet current and projected expenditures and the investment of funds surplus to the scheme's immediate requirements. The effective management of the various elements in the financial organisation is an essential component of a successful social security scheme.

2. The benefit structure, that is, the types and levels of benefits and the conditions pertaining to their payment, and the financial organisation are interdependent; however, if it is assumed that matters relating to benefits have been determined, figure 1 illustrates the flow of funds in a social security scheme. A particular social security scheme may not contain all the elements of income or benefit expenditures indicated in figure 1. However, the figure provides a framework for a discussion of the financial organisation of a social security scheme. The benefits (and their levels) must be established with due regard to the capabilities of the contributors to finance them.

3. A social security scheme must be financed so that benefit payments can be made as they fall due and administration expenses can be paid. It is the primary objective of the financial organisation to ensure that this condition of solvency within the system exists.

4. In order to maintain public confidence in the scheme and to avoid excessive economic dislocations it is desirable that the rates of contribution by employers and insured persons (assuming both parties are contributing) to the scheme remain stable over relatively long periods of time. In a new social security scheme, it is important that the contribution rates be set at levels which will not create an undue burden for the contributors and lead to adverse reactions to the new scheme. These secondary objectives are important factors to be borne in mind in determining the appropriate financial organisation, particularly

---

\* Mr. W.R. McGillivray is Senior Actuary in the Social Security Department, International Labour Office, Geneva.

in the case of long-term benefits. All these financial considerations must be tempered by the realities of the socio-economic environment in which the scheme will operate.

5. As a result of the operation of the typical methods of financing social security benefits, for a considerable period after its inception a new contributory social security scheme (particularly one offering pension benefits) normally builds up a surplus from the excess of the contributions it receives over its expenditures. Until these surplus funds are required for benefit payments they are invested, thereby producing income for the scheme. The potential social and economic implications of the investment of these surpluses must be assessed before the appropriate financial organisation of the scheme can be determined. The impact of these investments on the national economy depends on the nature of the economy and the capacity of the economy to absorb these surpluses in investments which are appropriate for social security schemes. Surpluses of social security schemes can become a major source of capital. This is particularly true in the case of developing countries. However, this apparently desirable situation can create problems in these countries should the funds available for investment exceed the opportunities for suitable investments.

#### **Income of social security schemes**

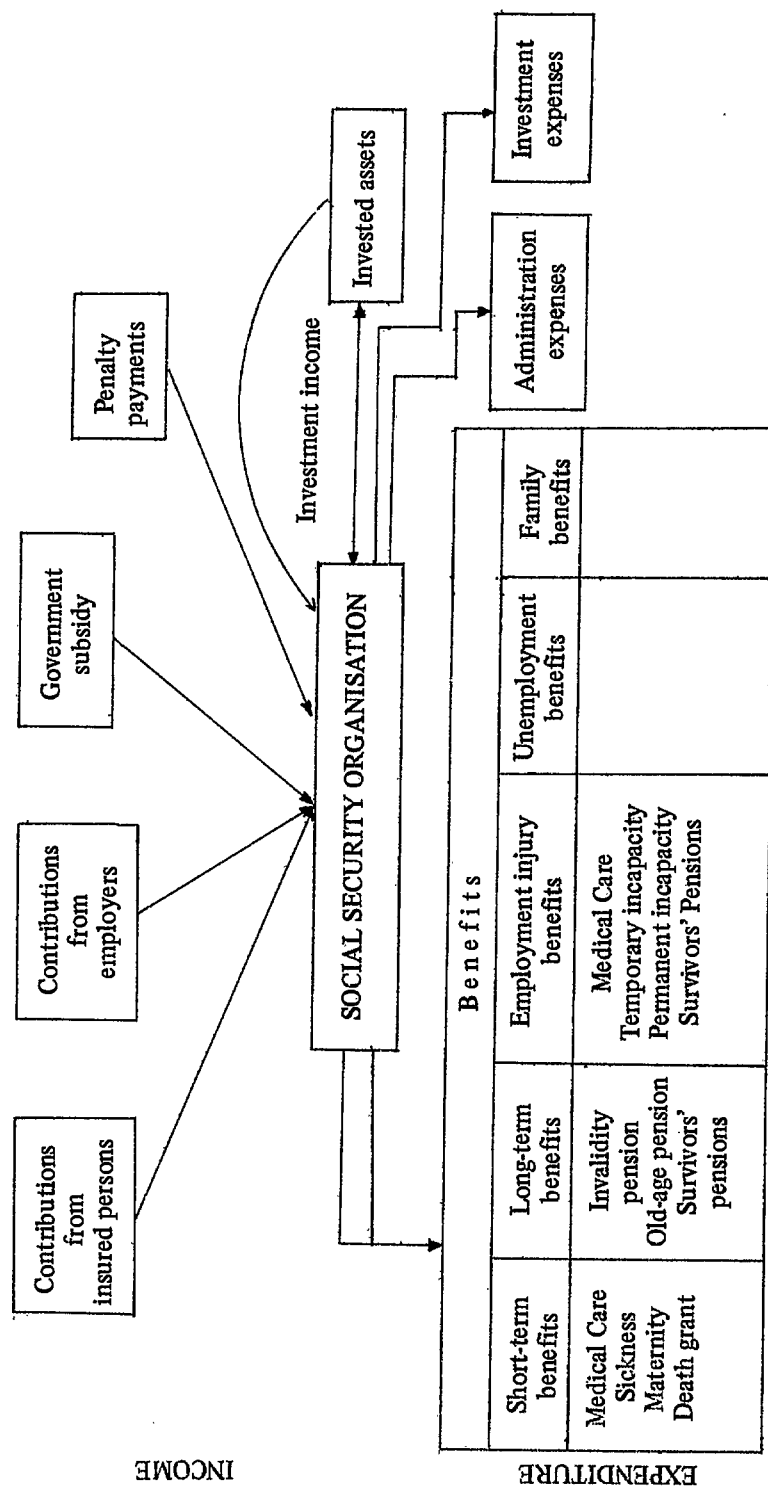
6. Generally, social security schemes receive contribution income from both insured persons and their employers. Income may also be derived from special taxes levied to support the social security scheme. The government may also make a contribution related to insured persons' or employers' contributions (or both) or it may make a payment related to expenditures on certain benefits or on administration. Another possibility is that the government may make funds available only when the income of the scheme is inadequate to meet its expenditures.

7. The sources of funds for a particular scheme are determined with reference to the nature of the scheme and the social, economic and political considerations in the country concerned. The estimation of the total income or the rate of contribution necessary to finance the scheme is an aspect of the financial organisation, as are the arrangements whereby this income is received and recorded.

8. The invested assets of a social security scheme yield investment income which is an important source of funds, particularly for the payment of long-term benefits.

9. Another source of income is the penalties assessed against employers for failure to observe the regulations of the scheme. Ideally, there would be no income from this source, and it is ignored in the determination of the appropriate level of contributions.

Figure 1. Flow of funds in a social security scheme



10. Contributions to a social security scheme may be of a uniform amount or they may be related to wages or salaries or classes of wages or salaries. Again, the basis for determining contributions is not solely determined by financial considerations. It depends on the types of benefits included in the scheme and again on social, economic and political factors. The financial arrangements for the collection of contribution income must, of course, be designed with reference to the basis which is adopted for the assessment of contributions.

### **Expenditures of social security schemes**

11. The expenditures of a social security scheme are cash benefit payments, expenses which fall under the general heading of administration expenses and capital expenditures. The cost of undertaking investments is another expense; however, this expense is normally met out of the gross investment income.

### **Systems of financing social security benefits**

12. The systems of finance which may be applied to social security programmes refer to the methods in which funds are set aside in advance in order to provide the expected benefits as they fall due. The advance funding of benefits may be at a high or a low level, or there may be none at all, in which case, certain benefit expenditures may be met out of the current income of the social security institution. The appropriate system of finance for a particular benefit depends primarily on the nature of the benefit. Additional important considerations include the scope of coverage (that is, the proportion of the population covered by the scheme), the advisability and necessity of maintaining reserve funds to meet future benefit payments, the investment opportunities for these funds, the need to retain relatively stable contribution rates and the necessity of establishing contribution rates which do not prove burdensome to employers and insured persons. In the case of a scheme which is in operation, the maturity of the scheme must also be considered.

13. The systems of finance imply a pooling of the contributions and they can produce a redistribution of income from one generation to another or a subsidy of one generation by another. This pooling of contributions can also result in a redistribution of income in a period among insured persons in different income groups.

14. Social security benefits are thus funded under various systems of finance in order to meet the expected expenditures as they fall due. The actuary estimates the amounts which will be necessary to pay benefits at various times in the future, but he cannot state exactly the amounts which will be required. Variations from his estimates must occur due, for example, to changing demographic patterns which will affect the numbers and durations of pension payments or due to epidemics which create an increase in the number of sickness

benefit claims over the number estimated. Because it is impossible for estimates of the amounts and numbers of benefits payable in any period in the future to be exact, funds referred to as contingency reserves must be set aside to meet unexpected increases in the benefits payable over the expected amounts of the benefits. The appropriate levels of the contingency reserves for the various social security benefits depend on the types of benefits and the contingencies which may cause variations in the amounts payable from those estimated.

15. In order to analyse the systems of finance of social security benefits it is convenient to consider short-term and long-term benefits as separate branches. Employment injury benefits which have characteristics of both short and long-term benefits are also considered as a separate branch. This analysis is confined to compulsory social security schemes. Provident funds which are essentially compulsory savings schemes which do not involve a pooling of risks are discussed later.

16. There are a multitude of systems of finance which could be employed to finance social security benefits. In practice a few systems which may be regarded as model systems of finance are commonly used. Mixed systems are also found where a benefit or a class of benefits is financed utilising more than one system of finance.

17. The system or systems of finance which are to be followed in a particular social security scheme may be stated in the law or the regulations or the matter may be left to the discretion of the board. In order to provide a firm but sufficiently flexible basis for defining the systems of finance to be applied, the matter should normally be dealt with in the regulations.

### *1. Short-term benefits*

18. The short-term benefits include sickness and maternity cash benefits, medical care benefits and unemployment benefits. Family benefits although generally payable for longer periods may also be included in this category. These benefits are characterised by an ultimate annual expenditure which is relatively stable when expressed either as a proportion of the total insured earnings or as an average amount per insured person, since over a period of years the annual frequencies and average durations of these benefits are relatively stable. Immediately following the inception of a benefit there is a lag period before this condition of stability is reached. This occurs when the contingency upon which the benefit becomes payable must occur after the inception of the scheme and because insured persons must acquire the right to claim the benefit. A further cause of this lag is that during this period, insured persons are not always aware of their rights to claim the benefits.

19. A financial system which recognises these characteristics of short-term benefits is the "annual assessment" or "pay-as-you-go" system. Under this

system, contributions in respect of the benefits are set at a level so that in any year the contributions (plus any investment income earned on the contributions) will be adequate to meet the benefit expenditures incurred in the year and the administration expenses. In order to maintain stable contribution rates, a small margin is added to the contribution rate and the funds arising from this margin are held in a contingency reserve against adverse fluctuations in the amount of benefit payments or contribution income. The excess of contributions over benefit payments during the initial lag period provides the funds to establish this contingency reserve. Since funds are not set aside to meet benefit payments after the current year (aside from the contingency reserve), the pay-as-you-go system is unfunded.

## *2. Long-term benefits*

20. Long-term benefits include old-age, invalidity and survivors' pensions. These benefits are generally payable for longer periods than the short-term benefits and additional factors must be considered in the selection of an appropriate financial system.

21. The benefits are generally payable on the occurrence of the contingency of old age, invalidity or death after an insured person has qualified, for example, on the basis of his having made a specified minimum number of contributions. The number of people qualifying for the benefits will be low (perhaps zero) at the inception of a scheme and will thereafter increase. The amounts of the benefits are also generally related to the number of contributions which an insured person has made prior to the occurrence of the contingency. Hence the average amounts of benefit will increase for many years after the inception of the plan even if the wage or salary base for computing the benefits were to remain static. In countries where the demographic pattern of the population is such that the number of insured persons reaching retirement age is expected to increase for many years, there will be increasing numbers of persons who can become eligible for an age pension.

22. The phenomenon of increased longevity resulting from improved standards of medical care, sanitation and other factors means that persons receiving pension benefits in the future will do so for longer periods. If pension benefits are related to wages or salaries at or near the occurrence of the contingency upon which they become payable, an increasing trend in wages and salaries will produce a corresponding increase in the average amounts of pension. Similarly, increases in pensions which are being paid to account for increases in the level of wages or the cost of living will increase the benefit expenditure. Long-term benefits are then subject to a number of factors which will produce steadily increasing annual expenditures when expressed in absolute amounts as a propor-

tion of the total insurable earnings or as an average amount per insured person.<sup>1</sup>

23. If the pay-as-you-go system were applied to finance the long-term benefits, a steadily increasing percentage of insurable earnings (or average amount per insured person) would be required to pay the benefits in successive years. Since this would be an unsatisfactory situation, some form of funding, that is setting aside funds in advance to pay future benefits, is normally introduced.

24. At any point in time, the maturity of the scheme (the extent to which the annual increases in benefit expenditures have moderated) and the scope of the scheme are fundamental factors to be considered in assessing the current and projected size of the fund which is allocated to meet future benefit payments under a particular system of finance. The evolution of the fund and the ensuing investment implications must be considered along with the capacity of the insured population and employers to support the accumulation of the fund.

25. Participants in a scheme providing old-age benefits frequently regard the oldage pension as a deferred wage. They consider that they relinquish receipt of a portion of their income during their insured employment in return for a pension payable during their retirement. They receive a promise that the long-term benefits will be paid to insured persons qualifying for them. Their confidence in this promise is increased if funds to pay these benefits are set aside in a systematic manner from the income which they have forgone.

26. Generally, the government is entitled to borrow from the funds which a social security scheme holds which are surplus to the scheme's immediate requirements. The government may find it expeditious for the scheme to accumulate a substantial fund from which the government may then borrow since this means of securing funds is less difficult for the government than if it raises the same amounts through taxation or borrowing elsewhere.

27. Full funding of the long-term benefits may be achieved through the "general average premium" system of finance. Under this system, a rate of contribution is established which is sufficient to ensure indefinitely (based on the actuarial assumptions) that all benefits will be paid without any changes in the total contribution rate. This level of contribution rate is determined by equating the present value of contributions of existing insured persons and future entrants plus the value of any existing funds on hand to the present value of the benefits which are expected to be paid in the future in respect of the existing members and future entrants into the scheme.

---

<sup>1</sup> Theoretically, given the conditions of a stable insured population and stable earnings, the annual increase in pension benefit expenditures would cease and the benefit expenditure would remain level at a plateau.



28. Certainly, variations from the actuarial assumptions on which the level of premium is based must be anticipated. At the periodical actuarial reviews, the actuarial assumptions and the operations of the scheme are analysed and appropriate revisions are then made.

29. As a result of the increasing incidence of benefit payments, during the initial years of a scheme, under the general average premium system the contribution rate will be relatively high in relation to the benefits being paid. Hence a reserve consisting of funds which are not utilised to meet benefit payments will be built up.<sup>2</sup> This accumulation of reserve funds will continue for many years, and an amount which can become a significant portion of a nation's capital resources may eventually be held to the credit of the social security scheme. This amount must be invested and the rate of return on the investments must be adequate to meet the rate assumed by the actuary in the balancing of the equation relating the benefits and contributions. Due to the size of the amounts to be invested it is possible that the social security institution will be unable to invest them either constructively or to produce the required yield. For these reasons, the general average premium system is considered to be an unsuitable method of financing long-term social security benefits.

30. On the other hand, occupational pension schemes set up by private employers generally adopt the general average premium system or a variation of this system to finance their retirement benefit schemes. This approach recognises that the employer who is (in part at least) financing the promised benefits may cease to operate at some time, and at that time the members of the private plan should be guaranteed the eventual receipt of the benefits which they have accrued since the inception of the plan.

30. In a social security scheme which is not subject to premature cessation as is a private pension plan an alternative system of finance which avoids the problems associated with the general average premium system has been developed. This financial system which results in the accumulation of reserve funds at a rate lower than that under the general average premium system is the "scaled premium system". Under this system the contribution rate lies between the rates which would apply under the pay-as-you-go system and the general average premium system. As a result there is a moderate accumulation of reserve funds which must be invested.

32. The principle of the scaled premium system of finance is that during a stipulated period of equilibrium the annual contributions plus interest on the reserve funds which have been accumulated must be adequate to meet the bene-

---

<sup>2</sup> These reserve funds should not be confused with contingency reserves which are held to meet eventualities which cannot be anticipated. These reserves, sometimes referred to as technical reserves, are the amount of assets which the scheme must have on hand in order to pay future benefits.

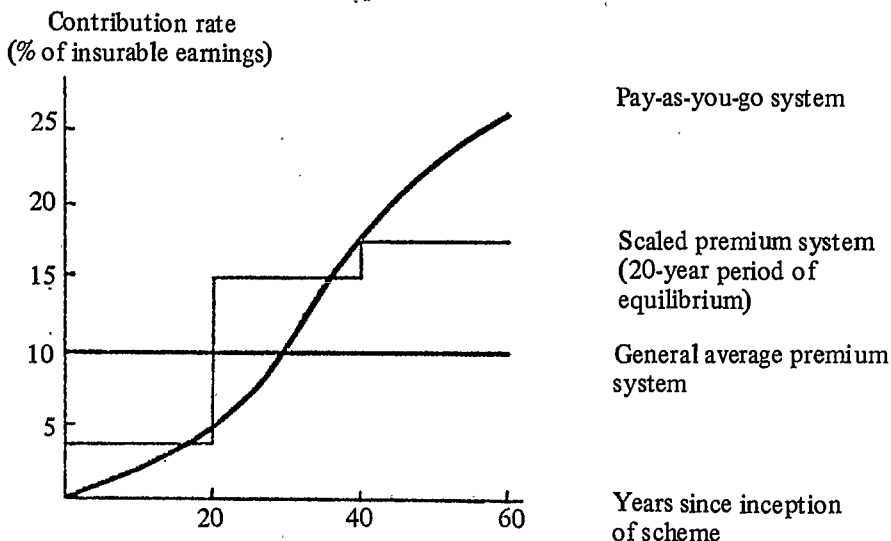
fits which must be paid each year. Typical periods of equilibrium are 10, 15 or 20 years. This system permits investments to be made for whatever periods are most advantageous to the scheme since the capital is not required to meet benefit payments during the period of equilibrium. Since the actuarial assumptions must be made for a limited period, the likelihood that they will be realised is greater than in the case of the general average premium system.

33. Frequent reviews of the scaled premium contribution rate which is initially assessed must be made so that a large increase in the rate will not be required at some point. Under the scaled premium system, the contribution rate is expected to increase in the future. The actuarial reviews should ensure that these increases are gradual.

34. It is desirable that pension benefits be adjusted to account for increases in the general level of wages or the cost of living at least to the extent of resulting loss of purchasing power. These adjustments are more readily made under the scaled premium system with its relatively lower level of funding than under the general average premium system.

35. The scaled premium system of financing long-term social security benefits was considered particularly suitable for new pension schemes in developing countries by the Actuarial Sub-committee of Social Security Experts at its 1964 meeting. The typical relationship between the pay-as-you-go, general average and scaled premium systems of finance is illustrated graphically in figure 2. The actual benefit expenditures on pensions (including administration expenses) as a percentage of insurable earnings follow the curve of the pay-as-you-go system.

Figure 2. Contribution rate under different financial systems for pension benefits



## **Employment injury insurance**

36. Employment injury insurance whereby medical care and temporary incapacity as well as permanent incapacity and survivors' benefits are provided includes benefits which correspond to both the short and long-term benefits. The employment injury benefits are generally financed by employers only and they are frequently treated separately. In some countries, however, the short and long-term benefits under employment injury insurance are included with the short and long-term branches of the social security scheme.

37. The permanent incapacity and survivors' benefits under employment injury insurance are of the same promissory nature as the old-age, invalidity and survivors' benefits in the long-term branch. However, the incidence of the long-term employment injury benefits is low, and the amount of the pension benefit is normally independent of the employee's total period of service at the time he is invalided or dies. Funds are not normally set aside in advance of the occurrence of these contingencies.

38. From the financial organisation point of view, the temporary incapacity and medical care benefits are treated in the same manner as are other short-term benefits. The permanent incapacity (including constant attention) and survivors' benefits are normally financed under a different system from other long-term benefits to which they are similar. All the employment injury benefits are generally financed so that all amounts payable, both in the year and in the future on account of claims incurred in a year, are totally financed from contributions made in that year.

39. For the medical care and short-term temporary incapacity benefits this is achieved by using the pay-as-you-go system of finance. For the permanent incapacity and survivors' benefits which are normally in the form of pensions, the value of future pension payments to the claimants must be determined at the time the pensions are awarded, and amounts to pay them set aside from the contributions in the year they are incurred. This is accomplished by utilising the financial system of "assessment of constituent capitals". Under this system, the actuarial present value of each long-term employment injury benefit claim is calculated at the time the benefit is awarded. In other words, the value of all future benefit payments on account of the claim is determined at the time the benefit is awarded. This amount is financed from the contributions to the employment injury branch in the particular year and is set aside and forms a reserve for the long-term benefits in this branch. This reserve is invested in long and perhaps medium-term securities. Each year the reserve is credited with interest at the rate assumed in calculating the actuarial present value (assuming this rate is not greater than the net rate of interest actually earned in the year) and debited by the amount of benefit payments made in the year.

40. In addition to this technical reserve, a contingency reserve such as that

established for the short-term branch must be established for the medical care and temporary incapacity employment injury benefits. The actuarial present values of the permanent incapacity and survivors' benefits include a margin to cover the likelihood that the assumptions used by the actuary in calculating these present values are not realised. At the times of periodical actuarial valuations the adequacy of the reserves for these benefits is reviewed.

41. The contribution rate for the employment injury benefits must take into account both the long and short-term employment injury benefits. If the employment injury benefits contribution rate is uniform for all classes of industry or risk the contribution in respect of the short-term benefits is determined in a manner similar to that for the short-term benefits branch. The expected cost of the invalidity and survivors' employment injury benefits in a year is estimated by estimating the frequency and severity of claims for these benefits and calculating the actuarial present values of these estimated benefits. This sum is then related to insured salaries in order to determine the contribution rate in respect of the long-term employment injury benefits.

42. The rate of contribution to an employment injury scheme may vary according to the risks to which various categories of insured persons are exposed. In this situation the contribution rate is determined for each risk class or industry class utilising assumptions as to the frequency and severity of the risk which are appropriate to each particular class or industry. Each class is then considered to be an autonomous financial unit and separate accounts and statistics must be maintained for each unit. A further refinement in the setting of the contribution rates may be introduced by utilising an experience rating system whereby the contribution rate applicable to each establishment is determined with reference to the employment accident experience or the accident prevention measures taken in the establishment.

### **Financing provident fund benefits**

43. The systems of finance which have been discussed are applicable to social insurance schemes where there is a pooling of risks and the benefit is related to an insured person's insurable earnings at or near the time the benefit becomes payable and sometimes to his period of covered employment. A provident fund where the benefit is whatever amount has accrued to a member's credit at the time the benefit is payable may be regarded as a scheme which is fully funded on an individual basis. At any time the amount required to pay a provident fund benefit is balanced exactly by the credit of the member in the fund.

### **Financial records**

44. The different systems of finance of the long-term, short-term and

employment injury branches of social security schemes demand that separate accounts of the various items of income and expenditure be maintained for each branch, and that the funds accumulated in each branch be separately recorded. At the times of the periodic actuarial reviews, these accounts and records are examined to determine whether the contribution rates established for each branch are appropriate and whether in fact the actuarial assumptions are being realised. The contribution rate established for each branch should be adequate under the financial system being used to permit the branch to be self-supporting. A deficit in one branch should not unwittingly be met from funds contributed or allocated to another branch. For example, a deficit in the short-term branch (financed on the pay-as-you-go basis) which cannot be met by drawing on the contingency reserve for this branch should not be met by a transfer from the reserve funds of the long-term branch unless there is full recognition that this method of meeting the deficit is being undertaken; and the intention of replenishing the long-term reserve from future income of the short-term branch and the formulation of a plan to do this. Failure to operate the branches in this manner results in meeting current deficits at the risk of incurring a serious short-fall in the long-term branch funds at some time in the future.

45. It should be noted, however, that some social security schemes do not insist on such strict separation of any funds which have been accumulated in the branches. This is a deliberate action on the parts of these schemes which may, for example, be universal benefit schemes.

### **Principles of investment of social security funds**

46. Although the accounts of the contribution and investment income and the expenditures of a social security scheme must be kept separately for each branch, this does not mean that the investment of funds surplus to the scheme's immediate requirements for expenditures must be separated. The funds should be invested with due regard to the cash flow requirements of all branches and the net investment income should be allocated among the branches on the basis of an appropriate formula.

47. Funds which are received under the pay-as-you-go system of finance (generally in respect of short-term benefits) and contingency reserves which are established to meet unexpected contingencies should be invested in short-term investments<sup>3</sup> with a high degree of liquidity, since the investment income is not a primary component of these reserves. The technical reserves which arise from contributions in excess of current disbursements under the scaled premium, general average premium and assessment of constituent capitals systems

---

<sup>3</sup> Short-term investments may be considered those maturing in a year or two while long-term investments mature in five years or more.

of finance should be invested in long-term investments. Since the yield on long-term investments has historically exceeded that on short-term investments, this difference may be taken into account by a refinement of the formula for the allocation of investment income to the various branches.

48. The basic principles which govern the investment of social security funds are not different from those of other fiduciary organisations: (1) safety, (2) yield, and (3) liquidity. However, another factor should be considered after the first three prerequisites have been met: (4) social and economic utility.

49. The requirement that the funds be safely invested refers not only to the preservation of the capital invested (nominal safety) but also the maintenance of the real value of the investment. This implies that capital appreciation should be sought in an investment.

50. The yield on investments is of particular importance for investments made with reserve funds arising from contributions to the long-term branch. The net yield rate on these investments must at least be equal to the rate of interest assumed by the actuary when he computed the contribution rates. Otherwise, an increase in the contribution rates may be necessary. In any financial system which utilises advance funding (either full or partial) of the benefits, a satisfactory yield on the invested assets is necessary in order to keep the contribution rates low.

51. The requirement of liquidity is directly related to the cash flow projections of income and expenditures of the scheme. Investments of contributions in respect of short-term benefits and contingency reserves must be readily realisable. The investments made in respect of the reserve funds for long-term benefits financed under the scaled premium, general average premium or assessment of constituent capitals systems need not be readily realisable and may be invested in long-term securities. The investments of a provident fund are also normally of a long-term nature; however, care must be taken in projecting the future cash flows of a provident fund since at the time a benefit is payable the entire credit of a member is paid out, not just a (smaller) periodic payment.

Finally, after considering the factors noted above, social security funds should, to the extent possible, be invested in order to improve the overall quality of life in the country. Investments in health and education infrastructure in the form of loans guaranteed by the government, and in development banks which in turn invest in enterprises which create employment opportunities are in this category. By these and other similar investments, the social security scheme indirectly meets this investment objective.

The social security institution is in effect the trustee of funds contributed to the scheme. This relationship must be borne in mind when the institution selects the investments which it will undertake.

## Actuarial valuations

52. The initial contribution rates for the various benefits and the appropriate financial organisation are recommended by an actuary. In order to make his recommendations he must collect and analyse economic and demographic data pertinent to the operation of the social security scheme. If, as is frequently the case, these data are unavailable, incomplete or unreliable, he must make his recommendations on the basis of assumptions which in his best judgement are appropriate to the scheme.

53. As an illustration of some of the factors which the actuary must consider in formulating his recommendations for the contribution rate for the long-term branch, estimates or assumptions of the following items must generally be made: total insured population and the age and sex distribution of the insured population; annual rate of increase in the insured population; mortality rates of the insured population and of persons receiving old-age, invalidity and survivors' pensions; morbidity rates of the insured population; proportion of male insured persons who are married; distribution of ages of wives at various ages of husbands; number of children and their age distribution at various ages of insured workers; density of employment (proportion of a period worked by insured persons); average insured earnings and progression of average insured earnings by age; expected increases in insured earnings in the future; rate of interest which may be earned for various durations of investments to be made in the future; expenses of administration.

54. Certainly when recommending the initial contribution rates it is impossible for an actuary to select a set of assumptions and later find that they are all realised. Rather, he must draw on his experience and the data available and recommend a contribution rate which will permit the scheme to commence operations on a sound basis. His assumptions will be refined in the light of the statistical and financial data on the actual operations of the scheme.

55. This refinement of the original assumptions and the recommendation of modifications in the contribution rates and other aspects of the scheme are the functions of subsequent actuarial valuations. These valuations, which are intended to ensure that the scheme operates on a sound financial basis, are generally statutory requirements and are undertaken triennially or quinquennially.

## **“PLANNING AND IMPLEMENTATION OF SOCIAL SECURITY – THE ROLE OF TRADE UNIONS”**

*by*

**DR. P.P. NARAYANAN\***

### **Introduction**

1. Trade unions are workers' organisations which endeavour for improvements in their economic and social welfare. As integral institutions in the framework of society and its changes for progress, their endeavour is manifested in a twin-pronged action programme viz.,

- (i) the improvements of immediate benefits obtainable from employers through negotiations and collective bargaining; and
- (ii) interaction with the Government to evolve public policy measures conducive to institutionalising the economic and social instruments which guarantee the means to economic and social welfare standards of workers.

The former is reflected in efforts of trade unions to improve wages and working conditions through involvement in the dynamics of the labour market, and the latter in the laws that are enacted for the protection of the means of economic and social welfare standards of workers in a country. Both these efforts are important and complement each other to achieve the desired goals of trade unions for workers.

2. Although trade unions spearhead the cause of workers, the realisation of any positive contribution for workers' welfare in any country is the result of joint action of workers, employers and the government. This is only natural as all three organisations are involved in the labour market - the worker as the seller of his services, the employer as the buyer of workers' services and the government as the public institution which provides the framework for employer-employee relationship in the context of economic and social justice for both parties. The mainstay of this joint action is to improve the means available to workers to enable them to enjoy a higher standard of living. Hence, the methods of improving the means focuses on the question of distribution mechanism in society namely;

---

\* President of the International Confederation of Free Trade Unions (ICFTU).



- (i) the free market mechanism; and
- (ii) public policy measures.

The effectiveness of improving distribution of income through market forces has some limitations in that the relative strength of trade unions cannot be exhaustively used to achieve their goals. Moreover, increasing money income has repercussions of inflation and related disturbances in the performance of the economy. It is therefore necessary to use public policy measures to complement the efforts in the free market in order to achieve improved distribution of real income and wealth - the key to economic and social justice.

3. Public policy measures institutionalises the basic means to minimum standards of economic and social welfare of workers. These, of course, will include terms and conditions of employment, wages, housing and associated welfare amenities for workers' welfare. An important aspect of public policy for labour is the formulation and implementation of social security for members.

### **Social security**

4. "Social Security" is the protection furnished by the society to its members through a series of public measures against the economic and social distress that otherwise would be caused by the absence of earnings or substantial reduction or stoppage of earnings resulting from sickness, maternity, employment injury (including occupational diseases) unemployment (including absence of employment) and underemployment, invalidity, destitution, social disability and backwardness, old age and death; and further to provide for health care, including preventive measures.

5. Social security can be looked at from two points of view. In a narrow and popular sense, discussed earlier, social security is looked at as a means of obtaining some contingency payment by workers. Thus, it is looked at as a series of benefits which include medical care, sickness benefits, maternity benefits, employment injury benefits, old age benefits, invalidity benefits, survivors' benefits, unemployment benefits and family benefits.

6. In some cases, welfare services such as vocational rehabilitation to disabled persons, services for convalescence, vocational training and re-training of unemployed workers, facilities for recreation are also included in social security policies.

7. In a broader sense, social security is more than just a contingency measure. We will have to look at it from a total concept of social security for workers in the context of their society, and the functional role of social security in the achievement of the goals of workers' welfare. The former depends on the social values of a society with respect to levels of welfare standards for workers

while the latter reviews the social usefulness in providing the means for improved welfare. We would therefore need to look at social security measures not only on contingency payments but also as that which would contribute to provide the means for guaranteeing opportunities for employment, education of workers and their children, home-ownership and guaranteed insurance for workers' dependents. The latter of course looks at social security as a mechanism which will guarantee delivery of means of basic goods and services for workers' welfare.

### **Trade unions and social security**

8. The role of trade unions in tripartite participation of planning and implementing of social security is indeed an important and significant one. More often, the views and involvement of trade unions are disregarded, regarded as less important, or kept as a 'rubber-stamp' for social sanction. This arises out of negative attitudes where profit maximizers and groups with vested interests view trade unions as impediments to their own views of progress. However, history has proved that trade unions are responsible and are in fact important social instruments in achieving equitable distribution in a free enterprise system. The recognition of trade union as instruments of welfare is important. Hence, every opportunity must be given to them for playing their role effectively to achieve their desired goals in the interests of the workers. The role envisaged here is not one of a 'watch-dog' but as an active and involved partner in the entire process of identifying, planning, implementing and evaluating social security which is necessary for the achievement of the goals of social security. In the context of the broad goals of workers' welfare, trade unions must ensure the full involvement in the planning process to ensure that workers' views are fully taken into account.

### **Planning**

9. Planning is a multi-disciplinary exercise. It is an integrated process by which we are able to acquire a clear sense of purpose and direction for our actions. This process has therefore got to be carefully broken down into definite stages to examine the trade union input in crystallizing policies for social security. In most developing countries, the exercise of planning has reached sophisticated levels. However, the planners in some cases seem to be an isolated group who sometimes tend to move away from the realities of detail amongst the ordinary people. Enthusiasm to devise immediate solutions sometimes has tended to produce more haste and less speed. It is, therefore, necessary particularly in the context of planning for workers' representatives to be involved at all levels in the hierarchy of the planning machinery. This will ensure that workers' hopes and aspirations are taken into account. The trade unions on their part therefore will have to equip themselves with professional technocrats who will translate the ordinary workers' needs into the planners' language for effective policy formulation and implementation.

## **Identifying the target groups**

10. Economic and social welfare conditions of workers in developing countries especially in the lower income groups, reflect a need for institutionalised means of fulfilment of their basic wants viz., employment, insurance, health and related benefits, education, home-ownership and training facilities. The current state of low incomes coupled with low productivity stifle their development and progress. They are caught in a vicious cycle of poverty which progressively deteriorates their standards of welfare. Hence, any effort to evolve policy measures must begin with the identification of the needs to be fulfilled and the target groups for whom these measures will prove beneficial. This step is extremely vital as it sets out the fundamental direction of our policy measures. Knowledge of workers to whom public policy matter is essential. Workers will have to be studied from all points of view in order that a comprehensive exact knowledge of the situation is obtained. Knowledge of characteristics of labour must be from a point of view of all disciplines. Any bias towards just economic or sociological considerations will of course give a warped view of the workers and their needs. This clinical knowledge of workers' society will help identify the target groups which need to be helped most. It will also help guide our priorities. Important variables that will need to be considered by trade unionists will be occupational characteristics, income distribution, dependency ratio, age and geographical distribution. Associated with these, we will need knowledge of environmental characteristics which influence the relatively backward conditions the workers are in. This initial step in the planning stage is crucial, for any discrepancy will hatch a mis-guided policy measure. The role of trade unions at this stage of planning is of course to facilitate planners, and researchers by giving them every co-operation and practical assistance to obtain a clear and objective knowledge of the situation as possible.

## **Target groups and social security**

11. A close study of the characteristics of workers will indicate that kind of social security policies and types of social security desired by workers vary according to income groups, occupational types and levels and environment especially rural and urban. Hence, it is necessary that trade unionists draw the attention of policy makers to the need for different types of policies which will have to be enforced according to the need of target groups. In this context, the important element is to ensure that the lower income groups of workers are able to enjoy the maximum possible benefits through institutionalised means of social security. We must realise that the capacity of lower income groups to enjoy the benefits of compulsory schemes enhances their quality of life through their increased opportunities and improved real income. This is to be expected particularly when social security crystallizes a discipline in their income and

expenditure behaviour. Given the spectrum of goals of social security (contingency payments of all kinds and improvement of opportunities) it is obvious that workers contribute and receive benefits particularly for their basic needs with respect to health, education, employment and income. A particular problem that can arise here is the classification of groups of workers who are self-employed, those who are seasonal and those in the informal sector. While it is possible for trade unions to bring to the attention of planners the plight of workers in organised labour markets, it is relatively difficult to draw to the attention of policy makers the need for definite types of social security programmes that can be enforced particularly in the formal sector. In developing countries, rural workers and urban informal sectors are those that are hard hit by their inability to participate and enjoy the fruits of social security.

### **Type of social security**

12. The determination of characteristics of labour will indicate the need and types of social security measures that will help remedy the situation. In the choice of types of social security, we can consider those in the contingency payment group and those in the supply of basic goods. These two broad categories will then need a definite type of programme. This can be broadly categorised into:

- (i) employers liability schemes
- (ii) social insurance schemes
- (iii) statutory provident funds; and
- (iv) non-contributory schemes.

The above classification is based on sources of resources. We note the contribution for these schemes are generated from employers and employees and the government. Some of these spread their risks through insurance. The choice of any particular type of scheme will depend upon the economics of costs and benefits of a scheme and whether it can be implemented in a pragmatic fashion in the context of a given society. Some of the types of social security are as follows:

- (1) Workmen's Compensation
- (2) Employees' Insurance
- (3) Provident Fund
- (4) Maternity Benefits
- (5) Gratuity
- (6) Health Insurance & Medical Benefits; and
- (7) Death Benefits

In the context of our discussion of the total concept of social security, we will now need to look at social security which will also guarantee education, training opportunities, home-ownership and special relief during unemployment. The latter schemes are of course ambitious, particularly in the developing countries where characteristics of labour pose constraints in devising pragmatic types of social security. However, trade unionists can, in their own way, with the co-operation of employers and government, resort to micro-level social security measures for their members. This will, to some extent, pave the way for the evolution of a national programme for the particular effective groups. This initiative on the part of the trade union movement must be harnessed to organise labour and improve their welfare.

### **Resources and their implications**

13. Resources for social security is mobilised from employers, employees, or in the form of subsidies from government. The right mix for contributions for any type of schemes can best be decided upon the determination of the goals and types of social security. In the planning stage, quantification of benefits that need to be disbursed within a time frame will give a magnitude of the resource base that is required for practical implementation of any one type of social security. The required fund will then have to be mobilised from contributions by employers, employees and the government. The process of resource mobilisation also provides a comfortable source of development funds for society. This will of course provide opportunities for investment for greater economic growth. The important thing to bear in mind is that social security resources are responsible for generating and distributing desired levels of benefits. This will therefore, have to be looked at in the context of utilising scarce resources to achieve the maximum possible benefit. The trade unionist will have to look at two aspects of resource utilisation. Firstly, in the narrow considerations of the viability of the social security programme, the trade unionist must ensure that the funds mobilised are effectively used in a scientific and efficient manner to guarantee the achievement of the stated goals. Hence, scrutiny of fund utilisation for reserves, investment, administration and disbursement of benefits will be immediate areas of consideration. In a broader context, trade unionists must ensure that the use of funds for investment and reserves in particular, contribute to benefits which will enhance the quality of life of the workers. As an example, in Malaysia, the Employees' Provident Fund Scheme has recently launched a loan scheme for low cost home-ownership for workers, especially in the lower income group. This fund is, of course, allocated from the surpluses derived from the Employees Provident Fund. What trade unionists need to examine, especially in this context, is to ensure that every possible means of increasing the supply of basic goods and services for workers, through utilisation of surpluses from social insurance schemes, must be implemented. Governments and employers will, of course, be competing for the same source of

funds for use in alternative investments. In developing countries, especially where a high proportion of development funds is deployed for the building of infrastructural facilities, the diversion of surpluses from social security programmes for such investments is quite common. A practical view will be to weigh the social costs and benefits of these funds in the various projects. Externalities, such as incremental employment opportunities and potential consumption benefits to workers, will need to be internalised before a careful decision is made. In my view, the trade union can be the best moderator in a tripartite management situation where competition for funds is intense.

### Administration

14. The administration of social security programmes, although governed by tripartite policy-makers, needs careful co-ordination and enforcement. Social security covers a wide range of needs and is implemented through different types. Thus, it is necessary that there has to be a special agency in the government that deals with all types and aspects of social security. In most developing countries this task is left to the Ministry of Labour. It is, perhaps, a starting point. However, when we seek to give greater coverage of social security to workers, we must have a specific establishment (perhaps within the Ministry of Labour) to look at all aspects of social security. It is also necessary to establish regional or district-level committees of workers, employers and government officers to ensure the smooth and efficient implementation of social security programmes at the grass-roots level. This will also enhance the trade unions' role, in particular where they will help mobilise more workers into the mainstream of formal labour market. The technical functions of implementation are best left to technocrats who will be responsible to the policy-makers.

### Evaluation

15. Evaluation of any programme from time to time improves its effectiveness. Social security programmes will also need periodic evaluation to gauge performance and prospects for improvement. Such an evaluation must be done within a time frame and has to be carried out objectively in the context of the goals set out for each programme. A definite tendency without evaluation will be to develop obsolescence and inefficiency. With the changes that will take place in society, it will be necessary for organisations to change their roles and take on additional roles, or merge with others, with a view to increasing their capacity and benefits for society. Organisational rigidities can also be removed to improve efficiency. The deviation between stated goals and operational goals can only be narrowed through evaluation. Social security programmes can begin in a small way within trade unions and later develop into national programmes. Such a development can only be done when there is a definite plan, implementation and evaluation.

## Conclusion

The above discussion is a trade unionist's view on social security, planning and implementation. From practical experiences and observations, the trade union input in social security is significant. It is not unrealistic to say that trade unions can initiate social security programmes on their own. It is in fact small programmes such as death benefit funds, education funds and health insurance which can be promoted by trade unions in the initial stages to be later integrated and streamlined into national programmes. The conceiving, mobilising and implementation stages are the more important tasks. The co-operation of employers and the government can of course overcome a lot of the difficulties that is expected in the initial stages.

Today's theme of development has moved more towards welfare and distribution goals in society. Achievement of these goals can be accelerated through social security programmes which will increase real incomes and reduce economic and social inequalities - the goals of trade union endeavour.

## **“WORKERS’ PARTICIPATION IN THE ADMINISTRATION AND PLANNING OF SOCIAL INSURANCE AND SOCIAL SECURITY SCHEMES”**

*by*

Bernt HEISE\*

### **A. Workers’ Participation in the Administration of Social Insurance and Social Security Schemes**

#### **I. Introduction**

1. Those countries which have pioneered formal social insurance schemes are now approaching a century of experience in developing and administering their schemes, while many other countries with social security schemes have more than fifty years’ experience behind them.

2. Inevitably, as schemes have developed, the administrations have also developed, varied and sometimes changed.

3. For certain parts of the world — including Europe — the role of governments in the administration of social security schemes has gradually increased. Extension of the scope of coverage of schemes so as to embrace the great majority of people, and the development of health and medical care services, a decline among insured persons in the idea of proprietorship of funds created by their contributions (many nowadays regard insurance contributions in the same light as other taxes — some countries even use the term “social security tax”) have all led governments to take an increasing share in the control of administrative operations. In some cases this has meant strengthening government representation on management boards, or controlling the appointment of permanent heads of the executive body. In other cases, governments have taken over responsibility for administration, limiting the part played by representatives of protected persons and employers to membership of advisory or consultative committees. A trend to increase State participation has particularly been clear for example in many developing countries.

4. In these, responsibility for the administration of social security was originally vested in tripartite management boards comprising representatives of employers, workers and governments. The boards were autonomous and financially independent, but subject to State control. Many changes have since

---

\* Dr. Bernt HEISE is a Senior Specialist in the Social Security Department, International Labour Office, Geneva.



occurred to reflect increasing State control. These include, for example, increased numbers of government representatives on boards at the expense of employers' and workers representation; government nominees being appointed as board chairman; and, in an extreme case, the transformation of the board into an advisory body with management responsibilities transferred to a government department.

5. Where responsibility for administration is vested in a government department it is usual to find *advisory committees* established. These usually contain representatives of insured persons and employers, and also — according to the function of the committee — members of the medical profession and other persons with specialist knowledge who can advise, for example, on matters concerning investment of funds, employment injury, etc. This is in accordance with Convention No. 102 concerning Minimum Standards of Social Security, which lays down only two principles concerning the administration of schemes. First, the government should accept general responsibility for the proper administration and for the solvency of schemes. Second, when the administration is not entrusted to a government or public body, the representatives of the insured persons shall, and the representatives of employers and the government may, participate in the management in a consultative capacity.

6. There are, however, also *exceptions to this trend*. In other countries responsibility for administration has been moved from government bodies to independent trusts, with tripartite management boards to take the place of former advisory committees. *Autonomous administration* has often been advocated as a means whereby bodies set up to administer contributory social insurance schemes can be managed by representatives of the contributors. The German social insurance legislation of 1883, inspired by the English mutual aid societies, provided that the bodies created by it to administer the schemes of sickness and pension insurance should be composed of workers and employers, partly by both jointly, varying with the source of the contributions. The same principle was followed in social insurance schemes successively introduced in other countries in Europe, especially in Luxembourg, Holland, Austria, Belgium and Italy. The tradition so built up, has been observed in a number of schemes of later origin elsewhere in the world. Today, there are still a certain number of schemes — especially in countries with well-organised trade unions and employers' organisations — in which the autonomous bodies responsible for the administration of social insurance schemes are largely composed of elected representatives of employees (workers) and employers, and sometimes governments.

7. Where administration is carried out by an autonomous body it is usual to find a deliberative assembly and a smaller executive committee, both containing the elected representatives. The deliberative assembly is responsible for formulation of policy. It may meet to discuss and decide upon broad ques-

tions of policy, and to approve the financial budget for the ensuing year. The executive committee is responsible for current operations and decisions, with the permanent head of the administration made responsible for the day-to-day running of the scheme.

8. The powers of autonomous management boards are usually limited. Social insurance schemes are based on laws which promise benefits in return for contributions. A government will not divest itself if boards are subject to government supervision.

## II. Workers' participation in the administration of social insurance schemes

### (a) *Sickness insurance*

9. Autonomous administration has always been most useful and active in the field of sickness insurance. This is mainly due to the fact that protection against sickness and consequently the establishment of sickness funds started by applying the principle that administrative bodies were to be managed by representatives of the contributors of the funds from which benefits were paid. Another characteristic features of sickness insurance is that it has to be within convenient reach of the insured persons. Claimants to sickness benefits and medical care are likely to need close and frequent contact with the fund and the medical care services. Consequently, there has been and will be a trend towards the establishment of local funds and local offices with local participation in the administration by representatives of local interests.

10. Owing to the considerable number and various types of autonomous administration of sickness funds, the kind of workers' participation is so manifold that it is impossible to list all of them here. Three examples will therefore be given: participation in the running of funds at the company level (Japan) and at local, regional and national levels (Federal Republic of Germany, France) with decentralised structures.

11. In *Japan*, under the health insurance scheme which compulsorily covers the workers employed in the establishments having 5 or more employees, an undertaking may organise its own health insurance fund, subject to the approval of the public authorities concerned, and provided that it has more than 300 employees. (in practice, approval is given to the undertakings having 1,000 or more employees.) Under the law, such a fund must be run jointly by the employer and his employees through their own representatives. It may be noted that Japanese trade unions are organised at the level of undertakings. Thus, in this particular case, trade union representatives participate directly in the administration of a social insurance scheme.

12. In the *Federal Republic of Germany* about 1,000 sickness insurance funds at company, local and national levels cover 92 per cent of the population

under compulsory insurance. They are administered autonomously within the framework set by the legislation, and under the supervision of the government.

13. The insured persons and the employers elect, at 6-year intervals, the members of a *General Assembly* for each fund – each party 50 per cent. The General Assembly is entitled to fix the rate of contributions (within the limits provided by the law), to approve supplementary benefits (in addition to the “minimum” benefits as provided by the law) to establish the budget and to approve the accounts.

14. The *Executive Committee* which is elected by the General Assembly is responsible for the implementation of the policy laid down by the Assembly. The chairman of the executive committee is obliged to report to the supervisory authorities (governments) if he gets the impression that decisions taken are not in conformity with the law.

15. A full-time management (a Director and his Deputy) is appointed by the executive committee for the day-to-day running of the scheme. The managers are ex officio advisory members of this committee.

16. In *France* the business connected with sickness, maternity and death is entrusted to 122 primary sickness insurance funds, 16 regional sickness insurance funds and the National Sickness Insurance Fund.<sup>1</sup>

17. Each *primary sickness insurance fund* is managed by a governing body comprising the following persons:

- 9 of its members are representatives of the employees covered by the fund, appointed by the most representative trade unions;
- 9 of its members are representatives of the employers appointed by the most representative organisations.

18. Three commissions for medical care, dental care and pharmaceutical products are attached to the governing body in an advisory capacity. Technical committees composed of representatives of the industrial organisations of employees and employers respectively, in equal numbers, exist for various branches or groups of branches of activity, and are responsible for assisting the governing body in dealing with the risks of industrial accidents and occupational diseases.

19. The chairmen of these commissions and committees, as well as a representative of the Mutual Aid Societies and persons noted for their studies of sickness insurance and industrial accidents attend the meeting of the governing body in an advisory capacity.

---

<sup>1</sup> These funds are also concerned with Invalidity and Survivors' Benefits, Employment Injuries and Occupational Diseases.

20. The primary sickness insurance funds are obliged to establish branch offices in towns or villages other than in the town where the fund has its head office.

21. The duties of the Regional Sickness Insurance Funds are the following: to provide for the regional equalisation of the liabilities for the risks dealt with by the primary funds; to encourage and co-ordinate measures for the prevention of industrial accidents and occupational diseases; to encourage and direct the promotion of public health and social welfare by all the primary funds for the whole region, within the scope of the general organisation set up by the Minister of Health and in accordance with the instructions given by the National Sickness Insurance Fund.

22. Each *Regional Sickness Insurance Fund* is managed by a governing body comprising 9 members appointed by the governing bodies of the primary funds from among the employees' representatives and 9 members appointed by the said governing bodies from among the representatives of employers. Representation on the governing body in an advisory capacity is similar to those practised at the level of the primary funds.

23. The duties of the *National Sickness Fund* are — *inter alia* — the following: to provide for the national equalisation of the liabilities for the risks dealt with by the regional funds, and to guarantee their solvency, to manage 6 funds for sickness insurance, for employment injury insurance, for the prevention of industrial accidents and occupational diseases, for public health, for medical control, and for social welfare measures. The National Fund has to organise and direct medical supervision for the whole country, and to give advice on all matters pertaining to its fields of competence and those referred to it by the competent authorities.

24. The National Sickness Insurance Fund is managed by a governing body composed of the following persons: one representative of the Minister of Labour and Social Security; one representative of the Minister of Economic Affairs; 18 elected representatives, 9 of whom are employees and 9 of whom are chosen from among the representatives of employers.

#### (b) *Pension Insurance*

25. In pension insurance the original German scheme of 1889 has again been influential in a number of countries. Responsibility for the administration of many pension programmes rests with various types of autonomous institutions or funds. In some countries the executive committees or management boards are composed equally of representatives of insured persons and employers. In other countries the composition of committees or boards is tripartite (insured persons-employers-governments).

26. Many pension schemes have become, or are now becoming, national in character with a central administration, although autonomous administration under State supervision is still maintained. This is, for example, the case with the *Federal Republic of Germany* where only a Federal Insurance Institute for non-manual workers and 18 Regional Insurance Institutes for manual workers exist. (These Institutes apply the same law as the sickness insurance funds as regards autonomous administration). In *Italy*, the National Social Insurance Institute is managed by a tripartite governing body; in the *Netherlands* the administration lies with the Social Insurance Bank managed by a tripartite board and assisted by bipartite Labour Councils.

27. The establishment of large nationwide pension insurance schemes appears to be justified. Management of big central institutions does not involve the frequent concern over personal and local problems or the flexibility which is required of the smaller institutions which handle sickness insurance.

### (c) *Employment Injuries Occupational Diseases*

28. Protection of workers against the consequences of employment injury evolved in the latter part of the last century in the wake of industrialisation. The schemes were based on the principle of occupational risk and employers were invariably made liable for the provision of benefits.

29. There has, however, been a general trend — slowly but steadily — towards placing such schemes on a social insurance basis rather than on a private one.

30. Today most countries in the world have established benefit programmes in the case of employment injury and occupational diseases. The majority of them, especially in industrialised countries, have based their schemes on social insurance principles. The employers in these countries are obliged to pay contributions to Employment Accidents Insurance Funds, which in turn pay the benefits to the injured persons. For these funds there exist, in one form or another, administrative bodies under State supervision, which sometimes provide also for the participation of insured persons or their representatives. This is the case in many *European* countries.

31. Other countries, including the *United States*, require employers to insure their employees under private arrangements. In *Belgium*, the employer has a choice of insuring his liability either with an employers' mutual association or with a private insurance company. In this group of countries, certain workmen's compensation laws simply require the employer to pay direct compensation (lump sums) as the main means of providing benefits.

32. The administration of schemes in countries where employers are either not required to insure their liability, or where they can insure with private

insurance carriers, obviously differs widely from country to country where these insurance schemes exist.

33. The development in industry, exposing workers to new risks, the improvement in medical knowledge, the idea that the first objective of employment injury insurance is to prevent industrial accidents and occupational diseases, may all contribute to a permanently changing situation in this field.

34. Consequently, there should always be a steady pressure from the trade unions for participation in the administration of Employment Accidents Insurance Funds, and in the decision-making process as regards improvement of workers' protection.

#### (d) *Unemployment Insurance*

35. Unemployment insurance systems in developed countries are being administered by government departments, by autonomous administrative bodies under State supervision (normally tripartite in character), or by trade unions under government supervision.

36. In *England*, the National Insurance Fund and the Assistance Scheme of Supplementary Benefits, which provide the bulk of cash assistance (short-term and long-term benefits) to the unemployed, are administered by the Department of Employment and its regional and nearly 1,000 local offices. Local employment committees, known as District Manpower Committees, exist in an advisory capacity. They consist — *inter alia* — of members drawn from local authorities, employers and trade unionists.

37. In the *Federal Republic of Germany* unemployment insurance and assistance is administered by the Federal Labour Office, 9 Land Labour Offices and 146 Local Labour Offices. In addition, a total of 558 auxiliary or temporarily staffed Branch Labour Offices have been opened.

38. Unemployment insurance and assistance are administered by autonomous boards under the legal supervision of the Ministry of Labour and Social Affairs. *The central organs are the Board of Trustees and the Executive Board*; in the Land employment offices and the local employment offices the functions of self-government are performed by the administration committees. All organs are composed of equal numbers of representatives of employees, employers and public bodies, who are proposed for appointment by the relevant associations and State authorities.

39. *The position of the Board of Trustees* corresponds approximately to that of a legislative body. It enacts the statutes of the Federal Labour Office and determines its budget. Within the scope of its autonomy it issues regulations according to the provisions of the Employment Promotion Act to define the benefits and services rendered by the scheme.

40. The *Executive Board* is the management board of the Federal Labour Office. It represents the Federal Office insofar as this is not the responsibility of the President (General Manager) of the administration within the scope of the day-to-day work. As far as staff is concerned, the Executive Board plays an important part in deciding upon appointments to leading positions. It is also responsible for the administration and investment of the funds of the Federal Institution.

41. The Administrative Committees of the Land and local employment offices assume the duties of self-government for their respective districts. Within these limits they deal with everything concerning the execution of the functions of the Federal Office and any matters in connection with them. Their efforts are directed towards ensuring that these specialised functions, such as placement, vocational guidance, vocational training incentives, also improvements in the district organisational structure, are carried out as successfully as possible. The Administrative Committees are called in on discussions concerning the preparation of their individual budgets and important staff matters.

42. In *Denmark, Finland and Sweden* unemployment insurance funds exist in occupations which are operated by the trade unions. Membership in these funds is usually compulsory for trade union members, but must also be open to voluntary application. The funds operate under State supervision. Another type of scheme can be found in *France*. In addition to the unemployment benefit scheme operated through communal or departmental assistance agencies, there exists a supplementary unemployment insurance system based on a *Collective Agreement* of 1958 which is jointly administered by employers' associations and trade unions.

43. Active participation of workers in the administration of unemployment insurance schemes appears to be most important for reasons beyond the mere questions as regards contributions and cash benefits. To give a few examples: placement services are closely related to the administration of the schemes; a number of countries have merged the administration of their unemployment insurance and employment services, and — last, but not least — many governments, particularly in Western Europe, have elaborate measures to prevent unemployment. In many countries, trade union representatives on the administrative boards of Unemployment Insurance schemes play an important role with regard to promoting professional and geographical mobility of labour, and to avoid unemployment due to economic and technological development.

### III. The administration of social security schemes through central authorities and workers' participation on bodies with consultative (advisory) status

44. Since 1945 it has become apparent that the role played by autonomous boards in the administration of the scheme of "social protection" has been diminishing throughout the world.

45. This is due to a very large extent to the fact that the idea and the concept of the "welfare state", which represents the engagement of the society as a whole to provide a universal and comprehensive system of income maintenance and of medical care, has gained more and more general recognition.

46. A good deal of influence on this development has been exercised by the *United Kingdom*. In 1948 England abolished the old system of autonomous societies administering sickness benefits (which enjoyed a century ago prestige throughout Europe and had influenced the development of autonomous administration on the continent), and introduced one unified system — the National Health Service — administered by a government department.

47. During the last years, the social security approach has gained profound understanding in those countries which have been on the way to introducing new social security safeguards without any previous history or experience of autonomous administration as practiced by mutual aid societies or insurance schemes. Parallel to the increasing acceptance of this "philosophy of comprehensiveness" the governments tended to make themselves responsible for the administration of their schemes — thus following by and large the pattern as exercised in the United Kingdom.

48. Workers' participation under these circumstances is often provided through their representation on Consultative (Advisory) Committees. These committees are, however, in general not involved in the administration of the schemes. They are basically designed to gain the help of employers, trade unions and other parties concerned with a view to making policy recommendations on the improvement of the schemes.

49. It is useful to describe in this connection the tasks and the composition of two advisory bodies — attached to social security departments in the *United Kingdom* — the National Insurance Advisory Committee, and the Industrial Injuries Advisory Council. Most of the new regulations must be submitted in draft to the *National Insurance Advisory Committee* by the Secretary of State. The draft must be made public so that interested people may comment on it to the committee which subsequently advises the Secretary of State if it thinks changes ought to be made. The committee's members are representatives of organisations of employers and insured persons and other members chosen for their relevant experience: for example, a doctor or an actuary.

50. The *Industrial Injuries Advisory Council* considers proposals for regulations and any other questions relating to the scheme on which the Secretary of State requests advice, in particular, questions on whether a disease satisfies the conditions for inclusion in the list of prescribed industrial diseases. There is no limitation on the council's size, but four of the members are appointed after consultation with employers' associations and four after consultation with the Trade Unions.



#### IV. Administration of social security schemes through Trade Unions in East European countries

51. In East European countries social security planning is part of the National Economic Plans. Social Security is therefore linked with the entire social and economic policy. The administration of social security is consequently based on the same principles as the whole State management system. Certain management functions are fulfilled by State management bodies in conjunction with social organisations, or by social organisations themselves, such as the trade unions. In *Bulgaria* the persons covered by social security administer these schemes through their trade unions within the existing statutory framework. In *Hungary* the General Directorate of Social Security of the Central Trade Union Council is responsible for the administration of pensions and other benefits, and the collection of contributions through its local branches. In the *C.S.S.R.* national administration of cash benefits in case of sickness, maternity and employment injuries (except pensions) is entrusted to the Central Trade Union Council and its regional and local offices. In the *U.S.S.R.* the State has entrusted the trade unions with the direct administration of the most important spheres of social security: they are empowered to participate in the activities of the State social security organisation and exercise control over the latter's work. The main work involved in social insurance is done by the Trade Union Committees of the enterprises and public establishments. They are elected at general meetings of the trade union members.

52. Enterprises and public establishments with more than one hundred employees have to elect a "Social Insurance Commission". (In smaller units the Trade Union Committee is the only body responsible for social insurance matters). Both committees are responsible for the payment of benefits (for example, cash sickness benefits, maternity benefits, temporary disability benefits, children's allowances) and the allocation of further allowances for stays in convalescent and holiday homes, maintenance of children in health camps etc.

53. Both committees are also concerned with problems of occupational diseases. In collaboration with the medical staff of the enterprise they elaborate and implement measures to reduce sickness rates, avoid employment injuries etc. Another important task is the control of pension payment (which has been entrusted by the Government to the enterprises and public establishments) to retired people, and to ensure that disabled people are provided with suitable work.

54. Social security activities of local trade union organisations are supervised by the corresponding committees established at regional trade union levels. The final authority lies with the All-Union Central Council of Trade Unions (AUCCTU).

- (d) Some countries have placed the responsibility for checking the legal validity of decisions on insurance benefits with the ordinary courts.

60. Among the group of special tribunals established especially to deal with social insurance and social security disputes, there exist *tribunals with equal representation* (lawyers, representatives of insured persons and representatives of employers). This is in all countries the most frequent type of tribunal, as it corresponds best to the organisation of social security and facilitates participation by insured persons and employers before the tribunals in matters which are of vital importance for the protected persons. This type of organisation of the legal process of verification and check also provides for the insured persons' and employers' representatives to obtain a better understanding of the position and thus also makes it easier for the social security administrative bodies to understand better the problems that arise in the operation of the scheme.

61. The social insurance appeals tribunal in *Austria* consists of a permanent president together with members representing insured persons and their employers. The decisions are taken in sub-committees, which consist of a chairman and two members each, one of these members being a workers' representative and the other an employers' representative.

62. In *Poland*, the legal validity of decisions under the sickness and maternity insurance schemes is verified by special supervisory committees set up at the provincial branches of the social insurance institution. Three-fifths of the members of these committees are chosen by the trade union organisation and the remaining two-fifths by the executive committee of the People's Assembly. These committees each appoint special commissions of five members which are responsible for deciding on insured persons' appeals. Such decisions can be adopted only where at least three members are present, including two representatives of the trade unions.

63. In the *Federal Republic of Germany* a particular system of special administrative tribunals for social cases has been set up. In the first instance the tribunal has one regular judge and two honorary judges; for second and third instance appeals, however, there are three regular and two honorary judges. Insured persons act as honorary judges for the oral consideration of the cases and judgements.

64. The Commission which in *France* in the first instance verifies the legality of decisions taken by the social security institutions has a lawyer as chairman and two other members, one of whom represents the insured workers and the second the employers or self-employed persons. The Commission is competent only in cases which do not involve questions of incapacity for work or invalidity. In such cases the procedure is introduced before an expert com-

55. The AUCCTU deals with state social insurance throughout the country: it organises and directs the work of the USSR's 25 branch trade unions on the implementation of legislation, draws up and presents drafts of laws to the legislative organs, comments on draft laws presented by other bodies, issues (as the government directs) instructions, rules and explanations on the application of existing legislation on social insurance, compiles the draft budget for state social insurance and ensures its execution. Within the AUCCTU there is a department to deal with state social insurance.

#### **B. Workers' Participation in Appeals Procedures in Social Insurance and Social Security**

56. In these countries where social insurance or social security schemes exist, there must be grounds for dispute between at least two parties, one of which are those persons who are involved with the scheme in one way or another as claimants, beneficiaries or contributors, and the other one comprising a social insurance or social security institution.

57. Disputes arise in a variety of ways. Questions of law and questions of fact are involved. Does the law apply to this particular case? Is it legal to deny the person benefit because he is in receipt of some other benefit, for example? If the law is not in dispute but the facts are argued about, what is the truth of the matter?

58. In most schemes this distinction about questions of law and facts is very necessarily made. In the final analysis interpretation of the law is a matter to exercise the existing judicial authorities, although where the number of cases likely to arise is great it may be found desirable, if not absolutely necessary, to set up a special Tribunal, charged with the judicial function of interpreting social security. Any special Tribunal used for social insurance and social security legal interpretation and judgement must, of course, be quite independent of the administration/executive.

59. The national laws of different countries make available to insured persons four different groups of Tribunals:

- (a) In some countries there are special tribunals credited for social insurance and social security alone, which are competent for relevant questions and for nothing else.
- (b) In some countries the insured person can appeal before an administration tribunal, which is responsible not only for social security questions, but also for other decisions.
- (c) In some countries the insured person must take the appeal to the labour court.

mission which consists of officials and medical experts. Thus this organ has a more expert character than the commission referred to above. But in this procedure, representatives of the employees, the employers and self-employed persons also participate.

65. In *Great Britain* the first instance verification of the legal validity of social security decisions is dealt with by a local tribunal. This consists of a lawyer, an appointee of the Lord Chancellor and two other members. Each of these persons is chosen from a list of names. Two lists are drawn up, one containing representatives of employers and insured persons, who are not employees; the second contains representatives of insured employees. The lists are prepared by the Minister and remain in force for three years.

66. The first instance tribunal in the *Netherlands* consists of a chairman who must be a lawyer and two lay members. The lay members and the chairman are appointed by the government. The lay members are nominated on the proposal of the employer and worker respectively.

67. The appeals procedure in the *U.S.S.R.* available to insured persons is different from the above-mentioned types. In the *U.S.S.R.* the decisions on social security benefits taken by the "Social Insurance Commission" are subject to appeal before the "Trade Union Committee" of the enterprises and the public establishments, or, if necessary, before the regional or national trade union committees.

### C. Workers' Participation in Social Insurance and Social Security Planning

#### I. Introduction

68. In chapter "A" of this paper, examples of the various concepts, institutional and administrative forms of social insurance and social security have been mentioned. They are based on different historical developments, different attempts to find solutions to the essential tasks assigned to respective measures, and different societies.

69. There has also always been a strong political element in social security and social insurance development. Governments of economically developed market economy countries did not, until recent years, undertake any planning of the social security or insurance sector. Although the need for planning is now in principle being recognised in these countries, it must be stressed that neither the concepts nor the techniques to be used in this process meet with the unanimity of experts working in that field.

70. The trend in *market economy countries* as regards social security or insurance planning might best be explained by dividing them into *two groups*.

By far the largest group is found in countries practicing ad hoc reviews of their social security or insurance legislation. In these countries, doubts have still been maintained and expressed as to whether planning with more or less detailed targets and time-schedules is feasible.

71. The second group consists of countries with market economies which have embarked on some programme of national economic planning, and introduced, or are about to introduce, planning procedures in the social sector.

72. On the other hand, in countries with *centrally planned economies*, the planning of objectives in the field of social security is determined by the aims which are adopted in the process of elaboration of the National Economic Plans. The State social security budget is a separate component of the State budget. Its planning is part of the over-all planning of the national economy and is consequently governed by the requirements of the development of different sectors of public expenditure in proportion to other sectors.

## II. Market economy countries without national planning

73. In the *Federal Republic of Germany*, trade union participation in the field of social insurance development starts at the level of the preparation of the draft legislation, which will always be discussed with — *inter alia* — employers' associations and the trade unions. Only after these discussions will the Minister approve the draft. In many cases, the process of establishing a social insurance law involves discussions at further levels. For this purpose the Federal Ministry for Labour and Social Affairs has a Permanent Scientific Council and ad hoc technical committees in which the trade unions are represented. In 1970, the Ministry convened for the first time, a "Discussion Circle for Social Policy" where the representatives of employers and workers and other parties concerned met together and expressed their views on possible long-term objectives — *inter alia* — in the field of social insurance.

74. In *Great Britain* a report of the Department of Health and Social Security describes the process of legislative development in the field of social security as follows:

75. "Whilst both the initiative in the development of policy and the actual administration of social security benefits rest with the Government of the day, the modification of policy objectives and the evolution of new measures arise from the interplay of political programmes, administrative planning, pressure groups and public opinion".

76. The production of a White Paper represents the culmination of a lengthy process of policy discussion and administrative planning in which account is taken of statistical and other information relating to the existing schemes and the probable effects of various possible future developments.

77. In *Austria*, the social mechanism which generates new legislation on social security is put into motion mostly on the initiative of interest groups and political parties which put forward proposals concerning improvement of the existing scheme. The Ministry for Social Administration examines such proposals and prepares a Bill which is sent for observation to competent authorities (the Federal Chamber of Industry, the Chamber of Workers and Salaried Employees, the Conférence of Presidents of Chambers of Agriculture, the Trade Unions and the Employers Federation). Amendments proposed by these bodies may lead to modifications of the text already at this stage. Subsequently, the Bill is submitted to the Council of Ministers and passed on, in the form of a government proposal, to Parliament.

### III. Market economy countries with national economic and social planning

78. In these countries governments have often appointed national advisory committees for social problems, including social security, normally composed of employers' and workers' representatives and those of other interested groups. These committees are sometimes established on a continuing basis, sometimes only for ad hoc purposes. They evaluate facts in their relevant fields, analyse the implications of government measures and make recommendations for policy decisions.

79. In the Western European countries, which follow in principle that pattern, Belgium, Italy and France might be mentioned.

80. Annual accounts of the social security system in *France* are presented in a document entitled "Social Budget of the Nations". This report published by the Government since 1956 is essentially an informative document for the Assembly, which makes it possible to have a clear picture of the volume of social expenditure for each financial year. The "*Office of the Plan*", which has been set up within the government, is directly responsible to the Prime Minister. It consists of a limited number of officials and various consultative committees whose members are nominated from amongst representatives of different trade union organisations, professional bodies and associations representing the interests of different groups of the population. The body which plays a prominent consultative role in social security planning is the "Social Benefits Commission" composed of representatives of ministries having responsibility in this field and — *inter alia* — employees' and trade union representatives.

81. Members of the Committees who are in principle designated for the duration of the Plan, put forward the views of their respective organisations on different questions dealt with in the Plan.

82. On the basis of the reports, the "Office of the Plan" prepares a first draft of the report on the Plan. This first draft is then submitted to the Govern-

ment which proceeds with the amendments and with decisions regarding matters on which conflicting opinions were expressed and which it considers necessary to make within the framework of its general policy, and transforms in this way the first draft of the Plan into a draft. Economic and Social Council, and, taking account of possible amendments resulting from the discussion in the Council, submitted to Parliament in the form of a Bill.

#### IV. Countries with centrally planned economies

83. Insofar as countries with centrally planned economies are concerned, participation of the trade unions in the planning of social security within the framework of the national economy is in many cases guaranteed by the role assigned to the trade unions in the administration and development of social security.

84. This explains, for example, in the U.S.S.R. the fact that the draft State Budget for social security is established by the All-Union Central Council of Trade Unions which submits it to the Council of Ministers of the U.S.S.R. for consideration and inclusion in the State Budget.

85. In *Poland* general guidelines for social security policy are worked out by a Committee of Labour and Salaries, which is set up by the Council of Ministers. This Committee works in close collaboration with those ministries and bodies responsible for planning, as well as with the representatives of trade unions and other organisations. Special committees are often set up, composed of representatives of the government, trade unions, professional organisations and of experts, to examine questions of special importance.

86. Similar procedures exist in other countries with National Economic Plans. In *Hungary* the income and expenditure of social security are included in the State budget. Before the social security budget becomes an integral part of the State budget, the medium-term and long-term economic and social objectives to be included in the plan have to be discussed and then approved. The decision-making process is — *inter alia* — strongly influenced by the trade unions which ascertain and compile the views of the workers on the different social security benefits, as well as proposals for future social security requirements.

87. In *Bulgaria*, the social security system is administered by the trade unions. Social security planning and the forecast for long-term periods are carried out by the State planning authorities and the trade unions, taking into account the requirements of the national plan for economic development.

## AN OVERVIEW OF STATUTORY SOCIAL SECURITY SCHEMES IN THE PHILIPPINES

*by*

Raynaldo Centano\*  
Jaime Santiago\*  
and  
Crisanto Young\*

### I. EVOLUTION OF STATUTORY SOCIAL SECURITY SCHEMES IN THE PHILIPPINES

#### Introduction

1. Social Security is a responsibility that has been strongly recognised by the Philippine Constitution which provides that "the promotion of social justice to insure the well-being and economic security of all the people should be the concern of the state." (1935 Constitution, Art. II, Sec. 5).

2. Historically, a country provides social security in gradual stages, first to government employees, then to private employees, the self-employed individuals, until universal coverage of the whole population is finally achieved. Likewise, benefits under social security start with a limited scope and level of protection and is gradually improved to meet changing economic and social needs. The same evolutionary pattern is followed in the Philippines.

3. The earliest social security-related law was the Employer Liability Act passed in 1908. This law was passed not so much because of agitation from political influences like labour organisations and similar groups but from an arbitrary decision of the American authorities that such a law would be advantageous for the Philippines. Following this is the Workmen's Compensation Act passed in 1927. Both laws were non-contributory and fixed the responsibility of employers to compensate for financial losses resulting from death or injury incurred by workers while at work.

4. The Government Service Insurance System (GSIS) was established in 1937. The programme provided death, disability and retirement benefits to government employees through group insurance.

5. During the years from 1945 to 1954, several bills on social security

---

\* Social Security System of the Philippines.



were proposed to the Philippine Congress. Among the more important ones were the following:

- (i) A bill entitled "Social Security Act of 1946" (May 27, 1946) provided unemployment and old age benefits.
- (ii) Senate Bill 92 (Sept. 6, 1946) - created a Social Security Division in the Department of Labour.
- (iii) Senate Bill 218 (May 13, 1947) - provided for compulsory accident insurance and a minimum wage for laborers.
- (iv) House Bill 1976 (June 16, 1948) - revisions of earlier bills in social security.
- (v) Senate Bill 373 (Feb. 4, 1949) - provided for unemployment, sickness, maternity and disability benefits; old age pensions, family and widows' assistance and public assistance to needy persons.
- (vi) Senate Bill 438 (May 17, 1949) - created the Bureau of Public Assistance and Child Welfare and the Department of Social Welfare, respectively.

6. Most of the early bills on social security suffered from poor draftsmanship and lack of research and actuarial studies. The belief at the time was that social security benefits would be the same as full equity benefits like those given in private benefit plans.

7. The first serious effort to rationalise and institute a workable programme for the Philippines was substantiated when President Quirino created a Social Security Study Commission in 1948. The Commission provided the leadership for the following-

- (i) In-depth investigations of the social and economic problems of the working classes;
- (ii) Research on social security experience from other countries
- (iii) Study of rates and characteristics of risks confronting the working classes; and
- (iv) Construction of actuarial tables to be used as basis for costing of benefits.

8. The Commission was headed by Dr. Jorge Bocobo with Maurice Stack of ILO as technical adviser. The 17-man group consisted of labour leaders, management figures and representatives of the medical profession. A tentative proposal for a social security scheme was submitted in 1949.

## **The Social Security Act of 1954 (June 18, 1954)**

9. The first social security act was passed in 1954. It provided death, disability, sickness, old age and unemployment benefits to workers in the private sector. As recommended by the Stack Paper, initial implementation was done on a pilot project basis. The design of retirement benefits under this act gave more weight to individual equity than social adequacy as thought along commercial insurance approaches still prevailing at this time. This Act, however, was not fully implemented due to various oppositions from labour and management groups.

## **The 1957 Amendments**

10. The Social Security Law was amended in 1957 resulting in the following changes:

- (i) Expansion of operations from a pilot project basis to nationwide implementation.
- (ii) Elimination of unemployment insurance from the benefit package due to impracticality.
- (iii) Reduction of qualifying period for retirement pensions from 10 to 2 years.
- (iv) Adoption of Administrative regulations allowing refund of contributions to persons who ceased to be protected due to non-payment of contributions for over 6 months.

The Social Security Law was implemented on September 1, 1957.

## **The 1960 Amendments**

11. Changes made in the law in 1960 further brought the benefits along social insurance principles. Among these are the following:

- (i) Lifetime entitlement to benefits once covered, regardless of contributions paid. Benefits, however, were reduced in proportion by non-payment of contributions.
- (ii) Increase in retirement benefits to a level approaching the standards set by the 1952 Geneva Convention.
- (iii) Proportionately higher benefits for the low-income groups.
- (iv) Additional increments to retirement benefits in proportion to number of contributions paid in excess of 120.

## **Social Security Trends**

12. Subsequent amendments in the social security law have considerably

expanded the scope and raised the level of benefits. In 1963, the third amendment to the Social Security Act was approved providing for:

- (i) 20 per cent average increase in retirement benefits.
- (ii) Coverage of employees of foreign governments or international organisations or their wholly-owned instrumentalities in the Philippines, upon agreement with the Philippine government.

13. The amendments in 1966 brought about the most significant and substantial increases in benefits, wider coverage, simplification of administrative procedures and implementation of decentralised services. The most important features of the 1966 amendment included substantial increases in benefits as follows:

- (i) A 60 per cent average increase in retirement benefits
- (ii) A 25 per cent increase in death benefits for part-time and seasonal workers;
- (iii) Increase in sickness benefits, including an increase in the minimum daily sickness allowance from P7.00 to P8.00.
- (iv) Replacement of the lump sum benefit for permanently and totally disabled employees who have paid at least thirty-six (36) monthly contributions by monthly pension equivalent to the proposed old-age retirement pension. The new disability pension amounted to about 200 per cent of the lump sum benefit in terms of percentage increase in value.

14. In 1969, the Philippine Medicare Law was passed. Medicare provided fee-for-service medical and surgical expense benefits to government and private employees and their dependents.

15. The following were the significant changes in the law effected through the 1972 amendments:

- (i) Increase in retirement benefits by 50 per cent effective December 1, 1972 and thereafter.
- (ii) Increase in sickness benefits for persons without dependents by 75 per cent and increase in the maximum daily sickness allowance from P8.00 to P22.00.
- (iii) Increase of contributions by 1 per cent of the monthly compensation base, first on January 1, 1974 and then on January 1, 1979. Increase in the maximum compensation base, for contributions and benefits' computation from P500.00 to P1,000.00.

16. In 1975, the old Workmen's Compensation was replaced by the Em-

ployees' Compensation programme and integrated into social security operations.

17. Also in 1975, amendments to the law further increased retirement benefits and introduced new ones. Salient changes are as follows:

- (i) Across the board increase in old age pension by another 15 per cent, effective July 1, 1975.
- (ii) Monthly pension for each dependent child not to exceed five, beginning with the youngest without substitution, born when the retiree was aged 57 or less, equivalent to 10 per cent of the basic monthly pension in addition to the retiree's pension, effective July 1, 1975. This is a new benefit.
- (iii) Increase in sickness benefits from 70 per cent to 85 per cent of the average daily wage with a reduction of the waiting period for entitlement from 5 to 3 days, and the maximum daily allowance raised from P12 to P16.
- (iv) Monthly pension for each dependent child not to exceed five, beginning with the youngest without substitution in the event of death of a disability pensioner. This is a new benefit.
- (v) Monthly pension for a permanently and partially disabled member who has paid 36 monthly contributions, payable for not longer than the designated number of months, according to the degree of disability. This is a new feature.

18. The 1978 amendments provided for the following:

- (i) Granting of maternity leave benefits equivalent to 10 per cent of the daily salary credit for a period of 45 days to qualified female employees starting January 1, 1978 for the first four deliveries after March 13, 1973 or for abortions and miscarriages.
- (ii) A monthly maternity contribution equivalent to 0.4 per cent of the monthly salary credit of the employee, male and female, shall be paid solely and remitted by the employer to the SSS.
- (iii) Across-the-board increase in disability and death benefits by 15 per cent effective January 1, 1978.
- (iv) Graduated increase equal to 7.7 per cent of the difference of the monthly pension and 340 in old age, disability and death monthly pensions which shall not be less than P10.00 per month.
- (v) Increase in the minimum monthly pension for retirement from P51.75 to P100.00.
- (vi) Increase in the minimum monthly pension for permanent total disability and death from P45.00 to P100.00.

- (vii) Increase in the minimum lump sum for permanent total disability and death benefits from ₦500.00 to ₦1,000.00.
- (viii) Monthly pension for each dependent child, not to exceed five, beginning with the youngest without substitution upon the permanent total disability of a member.

19. The series of amendments over the period from 1963 to 1978 resulted in average increase as described in the following table:

<i>Type of Benefit</i>	<i>% Increase over 1966 Levels</i>
(i) Sickness: (daily sickness allowance)	112% for members without dependents 21% for members with dependents 100% increase in the maximum daily sickness allowance.
(ii) Retirement pension	For a pensioner with ₦500.00 average monthly salary:  118% for pensioners without dependents 228% for pensioners with 5 dependents 223% increase in the minimum pension.
<i>Death</i>	
a. Survivors' pension	New Benefit
b. Lump sum	30% increase for those receiving ₦500.00 average monthly salary.  100% increase in minimum lump sum benefit.

20. The average replacement ratio for retirement benefits increased for 29 per cent in 1966 to 61 per cent in 1978.

21. The most recent development awaiting implementation is the coverage of self-employed professionals.

## II. CURRENT STATUTORY SOCIAL SECURITY PROGRAMMES

### (A) SOCIAL SECURITY SYSTEMS (SSS)

#### Administration

22. The Social Security System is under the general supervision of the Social Security Commission composed of the Secretary of Labour, the Social Security System Administrator and six appointive members, two of whom represent the labour group, two, the management group and two, the general public.

The Administrator serves as the chief executive officer immediately responsible for carrying out the benefit programmes of the system and the policies of the Commission.

23. It is the duty of the Commission to insure the making of the necessary actuarial studies and calculations concerning the financial stability of the system and to make, within the limitations provided in the Act, such readjustments of benefits, scope of protection, or the proportion of the fund allocated to the contingencies covered as may be necessary, taking into consideration such studies and calculations.

24. It is also the duty of the Commission to establish branches of the system whenever it may be expedient or necessary. The Commission is responsible for adopting from time to time a budget of expenditures, including salaries of personnel, against all funds available to the System under the Act. It may enter into agreements or contracts for such service and aid, as may be needed for the proper, efficient and stable administration of the System.

### **Benefits**

25. The contingencies covered by the System under the Social Security Act of 1977 are retirement, death, permanent total disability, permanent partial disability, sickness and maternity. Certain conditions are required for benefit entitlements and in the case of the first four contingencies, a distinction is made between monthly pension benefits and lump sum benefits depending on the number of contributions made by the covered member before the date of contingency.

#### *Qualifying Conditions:*

(i) Retirement benefit - A covered employee who has:

i. paid 120 contributions, and

ii. reached age 60 and not receiving a monthly salary of ₱300.00 or reached age 65

is entitled for as long as he lives to the monthly pension and his dependents born before his retirement of a marriage when he was fifty-seven years old to the dependent's pension.

If he has less than 120 contributions but meets condition (ii), he is entitled to a lump sum benefit.

(ii) Death benefit - Upon the covered employee's death, his primary beneficiaries (his dependent spouse until she remarries and his legitimate dependent children) are entitled to the monthly pension, and his dependents to the dependent's pension, provided thirty-six (36) contributions have been paid prior to the semester

of death. A semester is any one of the following periods: January to June, April to September, July to December and October to March, of the following year. If the member has less than 36 contributions or if he has no primary beneficiaries, the death benefit is a lump sum benefit.

- (iii) Permanent total/partial disability benefit — If such a disability occurs after the covered member had paid at least thirty-six (36) monthly contributions prior to the semester of disability, he is entitled to the monthly pension and his dependents to the dependent's pension. If he has less than thirty-six monthly contributions, the disability benefit is a lump sum benefit.
- (iv) Sickness benefit - Any covered employee who has paid at least three monthly contributions in the twelve-month period immediately preceding the semester of sickness and is confined for more than three days, shall for each day of compensable confinement or fraction thereof be paid by his employer, or by the SSS, if such a person is unemployed, the daily sickness allowance. No sickness allowance is payable until all paid sick leave granted by the employer has been exhausted.
- (v) Maternity Leave benefit - Any covered female employee who has paid at least three monthly contributions in the twelve-month period immediately preceding the semester of her childbirth, abortion or miscarriage, and who is currently employed, shall be paid a daily maternity benefit. Maternity leave benefit is payable only for the first four deliveries (abortion or miscarriage excluded).

#### *Computation of Benefits:*

##### (i) Monthly pension: Retirement, Death and Disability

For Retirement, Death and Permanent Total Disability, the monthly pension is the sum of the basic monthly amount and the graduated increment. It must not be less than 100 pesos nor be paid for less than 5 years.

The *basic monthly amount* is one hundred fifteen per cent of the sum of:

- 45 per cent of the first 300 pesos of the Average Monthly Salary Credit;
- 25 per cent of the next 300 pesos of the Average Monthly Salary Credit;
- 9 per cent of each succeeding one hundred pesos of the Monthly Salary Credit;

1/10 of 1 per cent of the Average Monthly Salary Credit for each monthly contribution in excess of 120 and paid prior to the semester of contingency.

The average monthly salary credit used in computing the basic pension is calculated by dividing the sum of the total monthly salary credits in the sixty-month period immediately preceding the semester of contingency by the number of months of coverage in the same period, or the result obtained by dividing the sum of all the monthly salary credit paid prior to the semester of contingency by the number of calendar months of coverage in the same period, whichever is greater. If the month of contingency falls within eighteen months from the month of coverage, the average monthly salary credit is the result obtained by dividing the sum of all monthly salary credits paid prior to the month of contingency by the total number of calendar months of coverage in the same period.

The *graduated increment* is equal to seven and seven-tenths per cent of the result obtained by subtracting the basic monthly amount from three hundred forty Pesos, or ten Pesos, whichever is bigger.

The *dependent's pension* shall be equivalent to then per cent of the monthly pension for each dependent child but not exceeding five, beginning with the youngest and without substitution.

For Permanent Partial Disability, the monthly pension is equal to the monthly pension for permanent total disability payable for not longer than the period designated in the following schedule:

<i>Complete and Permanent Loss of the Use of</i>	<i>Number of Months</i>
one thumb	8
one index finger	6
one middle finger	5
one ring finger	4
one little finger	2
one big toe	5
any toe	2
one hand	31
one arm	40
one foot	25
one leg	37
one ear	8



both ears	16
hearing of one ear	8
hearing of both ears	40
sight of one eye	20

(ii) Lump sum benefit: Retirement, Death and Disability

- a. Retirement - The lumpsum benefit given to a covered employee who does not qualify for pension benefits is equal to the total contributions paid by him and on his behalf by his employer.
- b. Death and Permanent Total Disability - A covered member/his beneficiaries who does/do not qualify for pension benefits shall be paid a lump sum benefit equal to 35 times the calculated monthly pension of the covered employee. The minimum lump sum benefit is the total contributions paid by the covered employee and his employer on his behalf or 1000 Pesos, whichever is greater.
- c. Permanent Partial Disability - A covered member who does not qualify for pension benefits is entitled to a lump sum benefit equal to a fixed percentage of the lump sum benefit for total disability, depending on the degree of disability. The percentage degree of disability, which is equivalent to the ratio that the designated number of months of compensability (see schedule under Permanent Partial Disability Pension) bears to sixty, is not additive for distinct, separate and unrelated permanent partial disabilities, but shall be additive for deteriorating and related permanent partial disabilities, to a maximum of one hundred per cent, in which case the employee shall be deemed as permanently totally disabled.
- d. Funeral benefit - A funeral grant of 750 Pesos is granted upon the death of a covered member, permanently totally disabled employee or retiree to help defray the cost of funeral expenses.

- (iii) Sickness benefit - The sickness allowance is equivalent to eighty-five per cent of the covered employee's average daily salary credit. The average daily salary credit is calculated by dividing by 180 the total of the 6 highest monthly wage credits within the 12-month period preceding the semester of sickness. The amount of daily sickness allowance is subject to a minimum of 2.50 pesos and a maximum of 16 pesos. The maximum benefit period is 120 days in one calendar year.

- (iv) **Maternity Leave benefit** - The daily maternity benefit is equivalent to one hundred per cent of the covered female employee's average daily salary credit and is payable for forty-five days. Payment shall be advanced by the employer.

## Financing

26. The scheme is financed by the employee and employer's contributions as well as contributions from the government. The total amount of contributions from both the employee and the employer was fixed at 8 per cent of the monthly salary credit in accordance with the following schedule:

**Monthly Salary Credits and Contribution Rates**  
(in Pesos)

<i>Salary Bracket Number (1)</i>	<i>Range of Compensation (2)</i>	<i>Monthly Salary Credit (3)</i>	<i>Employee's Contribution (4)</i>	<i>(4) (3) (5)</i>	<i>Employer's Contribution (6)</i>	<i>(6) (3) (7)</i>	<i>Total Contribution (8)</i>
	P	P	P		P		P
I	1 - 49.99	25	0.40	1.6 %	1.60	6.4 %	2.00
II	50 - 99.99	75	2.00	2.7	4.00	5.3	6.00
III	100 - 149.99	125	4.10	3.3	5.90	4.7	10.00
IV	150 - 199.99	175	5.70	3.3	8.30	4.7	14.00
V	200 - 249.99	225	7.50	3.3	10.50	4.7	18.00
VI	250 - 349.99	300	10.00	3.3	14.00	4.7	24.00
VII	350 - 499.99	425	14.10	3.3	19.90	4.7	36.00
VIII	500 - 699.99	600	20.00	3.3	28.00	4.7	48.00
IX	700 - 899.99	800	26.70	3.3	37.30	4.7	64.00
X	900 - over	1000	33.30	3.3	46.70	4.7	80.00

The maximum covered earnings or compensation of all social security system members are limited to ₱1000, as provided in the above schedule.

27. There are two forms of government contributions. The first is the legislated exemption of all the assets, properties and investment earnings of the Social Security System from any tax, assessment, fee, charge, or customs or import duty. The second is the appropriation from time to time of monies, should they be needed, to assure the maintenance of an adequate working balance of the funds of the System as disclosed by suitable periodic actuarial studies to be made of the operations of the System.

28. Of the total yearly collection of contributions and gross income from investments, not more than 12 per cent shall be disbursed for salaries and wages, purchases of office equipment and materials, operational expenses and the maintenance of regional offices of the System.

29. All revenues of the System that are not needed to meet the current administrative and operational expenses incidental to the carrying out of the

Social Security Act are accumulated in the "Reserve Fund" which is used exclusively for the payment of the benefits. Such portions of the Reserve Fund that are not needed to meet the current benefit obligations are invested to earn an average annual income of at least 7 per cent. Five per cent of the Reserve Fund is invested in bank deposits to meet and cover contingent and extraordinary disbursements for death, sickness and disability claims. The remaining balance is invested by the commission in interest-bearing bonds or securities of the government, in interest-bearing deposits or securities in any domestic bank doing business in the Philippines, in direct housing loans to covered employees, in housing projects giving priority to the low-income groups and the maintenance of hospitals and institutions for the sick, aged and infirmed members and their families, and in other income-earning projects and investment which, in the determination of the Commission contribute the benefit of the System, its members, as well as the public welfare.

### Coverage

30. Coverage in the Social Security System is compulsory upon all employees not over sixty years of age and their employers, except those employees performing services such as in:

- (1) Agricultural labour when performed by a share or leasehold tenant or worker who is not paid any regular daily wage or base pay and who does not work for an uninterrupted period of at least six months in a year;
- (2) Domestic service in a private home;
- (3) Employment purely casual and not for the purpose of occupation or business of the employer;
- (4) Service performed in the employ of the Philippine Government or an instrumentality or agency thereof.

Filipinos recruited in the Philippines by foreign-based employers for employment abroad may be covered by the System on a voluntary basis.

When an employee under compulsory coverage is separated from employment, he is still entitled to the benefits arising from his credited contributions and he may continue paying the total contributions (including the employer part) to increase further his benefits.

The Social Security System has a total of 6,768,000 covered persons as of December 31, 1978. This is 38 per cent of the total workforce in the Philippines and 84 per cent of the total non-agricultural workforce in the Philippines.

## **(B) PHILIPPINE MEDICAL CARE PLAN**

### **Administration**

31. The Philippine Medical Care Plan (Medicare) is under the general supervision of the Medical Care Commission composed of a Chairman and Executive Director and the following members: The Administrator of the Social Security System the General Manager of the Government Service Insurance System, the Secretary of Health the Secretary of Finance the Secretary of Local Governments and Community Development, the President of the Philippine Medical Association, the President of the Philippine Hospital Association, and two (2) members representing the private sector.

32. The Commission has the sole responsibility of formulating policies, administering and implementing the Philippine Medical Care Plan, establishing when deemed necessary, provincial city and municipal medical care councils, recommending to the President from time to time, according to sound actuarial procedures the contributions as well as benefits under the Philippine Medical Care Plan, as resources allow, in order to insure adequate financing and effective delivery of medical care to all beneficiaries of the Plan and adopting control measures to prevent abuses to the Philippine Medical Care Plan.

33. The entities responsible for administering the benefit plan of Medicare are the Social Security System for the private sector and the Government Service Insurance System for the government sector.

### **Benefits**

34. The Philippine Medical Care Plan provides medical care benefits to its members and their legal dependent parents aged 60 and over and their legal dependent children below 18 years of age provided that the member has paid at least 3 monthly contributions in the 12-month period preceding the first day of the confinement and that the beneficiary suffers from sickness or injury requiring hospitalisation with surgical operation.

35. The benefits granted under the Medicare Plan are the following:

- (i) Allowance for hospital room and board at twelve (P12.00) Pesos per day for a period not exceeding 45 days per year for each member and another 45 days per year to be shared by all his legal dependents. The Commission may, however, fix a higher rate not exceeding eighteen (P18.00) Pesos per day in accordance with such standards that it may set.
- (ii) Allowance for necessary drugs and laboratory examination including X-ray not exceeding one hundred fifty (P150.00) Pesos per single period of confinement. However, an amount not ex-

ceeding two hundred fifty (P250.00) pesos may be allowed for cases requiring intensive care as may be defined by the Commission.

- (iii) Surgeons' fee allowance not exceeding fifty (P50.00) Pesos for minor surgery, two hundred fifty (P250.00) Pesos for medium surgery and five hundred (P500.00) Pesos for major surgery. The Pesos for minor surgery, fifty (P50.00) Pesos for medium surgery and seventy-five (P75.00) Pesos for major surgery.
- (iv) Operating room fee allowance not exceeding twenty (P20.00) pesos for minor surgery, fifty (P50.00) pesos for medium surgery and seventy-five (P75.00) pesos for major surgery.
- (v) Anaesthesiologist's fee allowance shall not exceed thirty per cent (30%) of the surgeon's fees.
- (vi) Allowance for medical and dental practitioner's fee of ten (P10.00) pesos per each daily visit not to exceed two hundred (P200.00) pesos for a single period of confinement or for any sickness or injury provided that in determining the compensable daily visit occasioned by any one sickness or injury not more than one visit for any one day shall be counted.
- (vii) Allowance for sterilization expenses of a contributing member or his spouse as may be determined by the Commission.

36. The benefits granted under the Medical Care Plan do not cover any expenses for:

- (i) Cosmetic surgery or treatment;
- (ii) Optometric services;
- (iii) Psychiatric illness;
- (iv) Normal obstetrical delivery; and
- (v) Services which are purely diagnostic.

#### Financing

37. The Philippine Medical Care Plan is financed by employee's and employer's contributions in accordance with the following schedules:

<i>Monthly Salary Wage or Earnings</i>	<i>Contribution Base</i>	<i>Employer's Contribution</i>	<i>Employee's Contribution</i>
P	P	P	P
1.00 - 49.99	25.00	0.30	0.30
50.00 - 99.99	75.00	0.95	0.95
100.00 - 149.99	125.00	1.55	1.55
150.00 - 199.99	175.00	2.20	2.20
200.00 - 249.99	225.00	2.80	2.80
250.00 - 349.99	300.00	3.75	3.75
350.00 - 499.99	425.00	5.35	5.35
500.00 - above	600.00	7.50	7.50

38. The Medicare Fund is deposited, invested, administered and disbursed in the same manner and under the same conditions, requirements, and safeguards as provided by the appropriate Acts of the administering entities with regard to such other funds as are thereunder being paid to or collected by the administering entities.

#### **Coverage**

39. All active members of the Social Security System and the Government Service Insurance System and their dependents are covered by the Medicare Plan. It has a total of 7,710,000 covered persons as of December 31, 1978. This is 43 per cent of the total workforce in the Philippines and 96 per cent of the total non-agricultural workforce in the Philippines.

### **(C) EMPLOYEES' COMPENSATION**

#### **Administration**

40. The Employees' Compensation is under the general supervision of the Employees' Compensation Commission composed of four ex-officio members: The Secretary of Labour as Chairman, the Administrator of the Social Security System, the General Manager of the Government Service Insurance System, the Chairman of the Philippine Medical Care Commission and two appointive members, one of whom shall represent the employees and the other, the employers.

41. The Commission is required by law to assess and fix a rate of contribution from all employers, to make the necessary actuarial studies and calculations concerning the grant of constant help and income benefits for permanent disability or deaths, and to initiate policies and programmes towards adequate occupational health and safety, accident prevention in the working environment and rehabilitation of disabled workers.

42. The administering machineries of the Employees' Compensation Programme are the Social Security System for the private sector and the Government Service Insurance System for the government sector.

### Benefits

43. Any reported member of the Employees' Compensation Programme is entitled to full benefits if the contingency is a result of a work-connected injury or sickness, regardless of the number of monthly contributions paid by the member and his employer on his behalf. The benefits under the Employees' Compensation Programme are in the form of income or services and consist of death and disability income benefits, sickness income benefits, medical services, appliances and supplies and rehabilitation services.

- (i) Death and Permanent Total Disability - For these contingencies the monthly pension and the dependent's pension are equal to one hundred and fifteen per cent of the corresponding monthly pension and dependent's pension under the Social Security Act of 1977 (discussed earlier) for the private sector and under the Government Service Insurance Act of 1977.
- (ii) Permanent Partial Disability - For this contingency, the monthly pension is equal to the monthly pension for permanent total disability payable for not longer than the period designated in the following schedule:

<i>Complete and Permanent Loss of the Use of</i>	<i>Number of Months</i>
One thumb	10
One index finger	8
One middle finger	6
One ring finger	5
One little finger	3
One big toe	6
Any toe	3
One hand	39
One arm	50
One foot	31
One leg	46
One ear	10
Both ears	20
Hearing of one ear	10
Hearing of both ears	50
Sight of one eye	25

In cases of simultaneous loss of more than one member, the same monthly income benefit is paid for a period equivalent to the sum of the periods established for the loss of the member. In cases of injuries or illness resulting in a permanent partial disability not listed in the preceding schedule, the benefit is an income benefit equivalent to the percentage of the permanent loss of the income for work.

- (iii) **Sickness or Temporary Total Disability** - A member who sustains temporary total disability is entitled to an income benefit equivalent to 90 per cent of his average daily salary credit. The average daily salary credit is as defined under the appropriate Act of the administering entity. The daily income benefit starts on the fourth day of sickness and on the first day if caused by injury. The daily income benefit should not be less than ₱2.50 nor more than ₱20.00 nor paid longer than 120 days for the same disability. The daily income benefit is payable at the end of each month and the payment of which shall bar the recovery of sickness benefit from other laws for the same sickness or injury.
- (iv) **Medical Services, Appliances and Supplies** - A member who sustains an injury or contracts sickness is entitled to such medical services, appliances and supplies as the nature of his disability and the progress of his recovery may require. The medical services, appliances and supplies are provided to the afflicted member beginning on the first day of injury or sickness, during the subsequent period of his disability, and as the progress of his recovery may require.
- (v) **Rehabilitation Services** - A member who sustains a permanent disability as a result of an injury or sickness is entitled to rehabilitation services, which consist of medical, surgical or hospital treatment. The employee is entitled to appliances if he has been handicapped by the injury or sickness to help him become physically rehabilitated.
- (vi) The system is required to establish centers equipped and staffed to provide a balanced programme of remedial treatment, vocational assessment and preparation designed to meet the individual needs of each handicapped employee, to restore him to suitable employment, including assistance as may be possible within its resources to help each rehabilitee to develop his mental, vocational or social potential.

#### **Financing**

44. The Employees' Compensation Programme is financed by the employee's and employers' contributions in accordance with the following schedule:



<i>Salary Bracket</i>	<i>Range of Wage or Salary</i>	<i>Monthly Salary Credit</i>	<i>Employer's Contribution</i>
	P	P	P
I	1 - 49.99	25	0.25
II	50 - 99.99	75	0.75
III	100 - 149.99	125	1.25
IV	150 - 199.99	175	1.75
V	200 - 249.99	225	2.25
VI	250 - 349.99	300	3.00
VII	350 - 499.99	425	4.25
VIII	500 - 699.99	600	6.00
IX	700 - 899.99	800	8.00
X	900 - over	1000	10.00

The government guarantees the benefits prescribed under this Title, and accepts general responsibility for the solvency of the Fund. Any deficiency will be covered by supplemental appropriations from the national government.

45. The Employees' Compensation Fund is deposited, invested, administered and disbursed in the same manner and under the same conditions, requirements and safeguards required for the other trust funds held by the administering entities.

#### **Coverage**

46. Coverage in the Employees' Compensation Programme is compulsory upon all employers and their employees not over sixty years of age. It has a total of 7,659,000 covered persons as of December 31, 1978. This is 43 per cent of the total workforce in the Philippines and 95 per cent of the total non-agricultural workforce in the Philippines.

### **III. TRADE UNIONS AND SOCIAL SECURITY**

47. Organised labour has always been expected to play a vital role in the development and strengthening of a satisfactory system of social protection. The realisation of this expectation, however, is dependent on two important factors, the political power of organised labour and its financial capabilities. A strong political influence is a must if organised labour hopes to participate effectively in the development of social security schemes, specially statutory ones. Such political power can be achieved if organised labour represents a substantial part of the total workforce and/or if organised labour is given due recognition by the proper authorities in-charge of the administration and policy-

making of such social security schemes. The financial capabilities of organised labour organisations, on the other hand dictate the effectiveness of its own union-sponsored social security programmes. The capacity to generate enough funds from union dues is a requisite of a financially stable union-sponsored social security programme and this can only be achieved through a large union membership.

48. The degree of political power and financial capabilities of organised labour in the Philippines can be gauged by considering the following facts: The only recognised organisation of trade unions, the Trade Union Congress of the Philippines (TUCP) has twenty-six affiliated federations with a total membership of around one million agricultural and industrial workers. This roughly represents 5 per cent of the total workforce in the Philippines and 15 per cent of the total covered employees under each of the three major national statutory social security programmes. The Philippine experience regarding the role of the trade unions in the evolution of social security policies and programmes should be viewed against this background.

### **Statutory Social Security Schemes**

49. Generally speaking, the role played by the trade unions in the development of statutory social security schemes has not been a consistent one. In 1948, for example, union leaders were among the 17 members of the Social Security Study Commission which conducted a thorough and careful study on the feasibility of setting up a national social security programme. These union leaders supported the Presidential proposal to the Congress of the Philippines in 1949 to establish such a national social security programme. In 1955, however, the proposed implementation of the Social Security Act drew opposition from the members of the biggest unions who ironically, stood to benefit most from social security. Labour feared that the benefits which had been secured through years of collective bargaining struggles and which were incorporated in existing private benefit plans would be jeopardised by replacement with meager social security benefits intended for both organised and unorganised workers. As it turned out later, the existing private benefit plans were not completely abandoned but were continued to supplement the social security benefits. Labour also viewed the social security contribution as an additional financial burden and not as a necessary saving from current earnings for future economic security. This view was more a direct result of the lack of awareness among the union members than of the rationale behind social security programmes.

50. From 1955 up to the early years of the Social Security System, seminars were conducted for the trade union members by the trade unions with the help of the Social Security System and the Department of Labour. The seminars dealt with the reasons for the adoption of a national social security system and the different aspects of the various benefit programmes being administered by

the Social Security System. From then on, the role of the trade unions has been limited to participation in tripartite groups occasionally formed to discuss planned benefit revisions, programme expansions and increases in contributions.

51. The participation of trade unions in the formulation of social security policies has been minimal, being limited only to the presence of two Commissioners in the Social Security Commission and one Commissioner in the Employees Compensation Commission representing labour whose views may or may not reflect the stand of the trade unions on social security issues. The Commissioners representing labour are not nominated by labour as a whole but are presidential appointees.

### **Non-statutory Social Security Schemes**

52. Trade unions have been responsible for the creation of two major types of non-statutory social security schemes: those sponsored by the employers which the trade unions obtained through collective bargaining agreements and those directly implemented by the trade unions and supported financially by union dues.

53. The social security programmes sponsored by the employers usually provide for the following benefits:

- (i) Retirement and Death benefits - The benefits are mainly meant to supplement the Social Security System's benefits and are usually carried out through a group insurance programme wherein the death benefit is the face amount of the insurance policy and the retirement amount in the maturity value of the insurance policy. The proceeds from the maturity of the policy may be converted to a monthly life annuity or simply be received in lump sum.
- (ii) Medical Care benefits - The benefits usually take the form of free diagnostic medical and dental services in the company's clinic and free medicine.
- (iii) Vacation/Sick Leave benefits - The benefits take the form of a daily allowance, usually one hundred per cent of the daily wage of the absentee, payable for the period of the leave up to a pre-set maximum number of days of entitlement in a year.

54. The social security programmes which are directly administered by the trade unions usually provide for the following benefits:

- (i) Death benefits - A death benefit is payable upon the death of the union member, his spouse or his dependent child. The coverage of the spouse and children ceases upon the death of the union mem-

ber. The amount of the benefit is based on the amount of the union dues being paid by the member at the time of death. A typical plan would give one thousand pesos, two hundred pesos and seventy-five pesos upon the death of the union member his spouse or his child respectively, corresponding to a six-peso monthly union due to as much as three thousand pesos, six hundred and fifty pesos upon the death of the union member, his spouse, or his child corresponding to a ten-peso monthly union due.

- (ii) Medical Care benefits - Free medicine and free medical/dental services are provided in the union's health center which is completely supported by union dues. The benefits are usually integrated with the benefits of the Medical Care Plan.

55. The social security programmes administered directly by the trade unions do not provide for retirement benefits and this is inherently the result of the relatively small membership of the trade unions. A retirement programme may prove to be too financially burdensome to a union specially to one which is connected with a declining industry. However, there is currently a clamor from the general membership of some of the trade union federations for the unions to implement retirement programmes independent of the employers' programmes and that of the Social Security System. The feasibility of such a benefit programme is currently being studied by some of the affiliated union federations of the Trade Union Congress of the Philippines.

### **Trade Union Activities**

56. Any statutory social security programme cannot develop into a truly effective programme, one that efficiently administers adequate and relevant benefits at minimum cost to its covered members, without the active participation of its covered members. In the case of the statutory social security programmes in the Philippines, organised labour, though only a small portion of the total number of covered members, seems to be the only group of covered members capable at present of such active participation. This had been proven by past trade union activities, such as the holding of orientation seminars on social security during the early years of the Social Security System and participation in tripartite conferences on important social security issues. Present trade union activities, unfortunately, however, leave much to be desired as far as effectivity is concerned.

57. The effectivity of trade union activities can be increased immensely if they are concentrated on the following areas of concern-

- (i) Education of Members - There has been a continuing, educational campaign by the administering entities of social security plans directed towards making their members more aware of their bene-

fits. The trade unions can help in this undertaking by sponsoring seminars and other educational activities for their members on the following matters:

- (a) Recent increases in the level of social security benefits
- (b) The granting of new types of benefits and the requirements for entitlement.
- (c) The reasons behind the recent increases in the contribution rates, and
- (d) The importance of the use of correct Social Security numbers

The last item, (d), is specially important since it has been a constant source of problems in the collection of contributions and the granting of benefits.

- (ii) Formulation of Policies - Increased involvement of the trade unions in the formulation of major social security policies is highly desirable and this may be attained by the following:
  - (a) Formation of a representative body from the trade unions to actively engage the Social Security System and Employees' Compensations' Commissioners representing the labour sector in the deliberations of social security issues affecting the vital interests of both trade union members and non-members.
  - (b) Sponsoring of independent studies on the relevance and adequacy of social security benefits from the workers viewpoint.
- (iii) Employer-based Problems - One of the problems of the administering entities today is the tendency on the part of some employers to treat social security matters lightly. This has led to the following problems:
  - (a) Delinquent remittance of contributions;
  - (b) Negligence on the part of the employers in the use of correct employee social security numbers; and
  - (c) Under-reporting of the number of employees for coverage.

58. These employer practices have tended to deprive the affected employees of full benefits. With regard to these problems, the trade unions can help the administering entities by applying additional pressure on such employers, if such employers happen to employ trade union members, to make them take social security matters seriously. Perhaps the strict compliance of the employers to the administering entities' rules and regulations directly affecting the employees' social security benefits can be made an integral part of collective bargaining agreements.

## WORKERS' PARTICIPATION IN PLANNING AND IMPLEMENTATION OF SOCIAL SECURITY SCHEMES IN SRI LANKA

*by*

K. Duraiappah\*

### INTRODUCTION

#### Socio-Economic Characteristics of Sri Lanka

1. The Republic of Sri Lanka, formerly known as Ceylon, has a population of approximately 14 million, 65 per cent of which are under 35. Its estimated working population is 5 million of which approximately a million remain unemployed, most of them young. It is expected that the labour force will grow at an average rate of 2.6 per cent per annum. More than 70 per cent of the new entrants will have at least some secondary education and about a third will be women.

2. It will be seen that about 50 per cent of all employed persons were engaged in the primary sector which includes agriculture, forestry, fishing. The tertiary sector (electricity, gas water and sanitary service) employed the second largest number while the balance were employed in the secondary sector (mining and quarrying, manufacturing and construction). It will be noted that the proportion of the females employed in the primary sector was higher than that of males, but in the other two sectors a higher proportion of males were employed except in the tertiary sector in urban areas.

It appears that agricultural work seems to be the occupation of those with little or no schooling. Almost 70 per cent of those with schooling up to grade V are engaged in agricultural occupation. Among those who have had a few years in high school without completing the "O" Level examination, the biggest group (42 per cent) falls into the other category of occupations — the production and service workers. Among those with at least "O" level education (G.C.E. "O" level examination is at the end of 12 years of schooling), the most popular occupation are the white collar occupations (70 per cent among those with "O" level qualification). Employment in the agricultural occupations is mostly at the level of unskilled labour with low wages and without much assurance of continued availability of employment except on the tea, rubber and coconut

---

\* Regional Adviser, Workers' Education, ILO Regional Office for Asia and the Pacific, Bangkok, Thailand.

Table 1

Percentage distribution of employed population by major industrial sectors and sex, 1953-1971\*

<i>Sex</i>	<i>Year</i>	<i>Primary</i>	<i>Secondary</i>	<i>Tertiary</i>	<i>Unspecified</i>	<i>Total</i>
<b>All islands</b>						
Both sexes	1953	52.9	12.5	28.0	6.6	100.0
	1963	52.6	12.8	29.1	5.5	100.0
	1971	50.4	13.1	28.3	8.2	100.0
Male	1953	50.6	12.2	30.2	7.0	100.0
	1963	49.8	13.5	30.7	6.0	100.0
	1971	47.0	13.6	30.7	8.7	100.0
Female	1953	60.3	13.2	21.0	5.5	100.0
	1963	63.5	10.0	22.9	3.6	100.0
	1971	61.9	12.6	19.9	5.6	100.0
<b>Urban</b>						
Both Sexes	1963	7.6	18.1	66.0	8.3	100.0
	1971	9.3	16.3	60.1	14.3	100.0
Male	1963	8.2	19.2	64.2	8.4	100.0
	1971	9.9	16.6	58.9	14.6	100.0
Female	1963	4.1	11.6	77.3	7.0	100.0
	1971	5.6	14.2	68.0	12.2	100.0
<b>Rural</b>						
Both sexes	1963	63.4	11.6	20.4	4.6	100.0
	1971	61.0	12.3	20.0	6.7	100.0
Male	1963	60.8	12.0	21.9	5.3	100.0
	1971	58.0	12.3	22.4	7.3	100.0
Female	1963	72.4	9.9	15.0	2.7	100.0
	1971	70.2	12.4	12.9	4.5	100.0

Source: Page 268-ESCAP-Country Monograph series No. 4-Population of Sri Lanka.

Table 2

Distribution of the employed population by occupation and educational attainment, Sri Lanka, 1971\*

<i>Education attainment</i>		<i>White collar occupations</i>		<i>Agricultural occupations</i>		<i>Other occupations</i>	
		<i>Number</i>	<i>Percent-age</i>	<i>Number</i>	<i>Percent-age</i>	<i>Number</i>	<i>Percent-age</i>
Total	T	654,481	18.1	1,790,594	49.4	1,179,371	32.5
	M	542,288	19.3	1,290,008	45.9	977,440	34.8
	F	112,193	13.8	500,586	61.4	201,931	24.8
No schooling	T	2,285	0.4	541,879	91.4	48,987	8.3
	M	1,613	0.5	268,111	90.4	26,698	9.0
	F	672	0.2	273,768	92.3	22,289	7.5
Class I-V	T	113,405	7.9	853,820	59.2	474,469	32.9
	M	106,650	8.9	681,719	57.1	404,921	33.9
	F	6,755	2.7	172,101	69.3	69,548	28.0
Grades VI-X	T	274,794	26.3	333,293	31.8	438,513	41.9
	M	245,380	26.7	298,236	31.4	376,127	40.9
	F	29,414	23.2	35,057	27.6	62,368	49.2
GCE 'OL' Six or more	T	220,590	69.1	14,358	8.2	39,521	22.7
	M	90,167	66.7	13,100	9.7	31,868	23.6
	F	30,423	77.3	1,258	3.2	7,653	19.5
GCE 'AL' three or more subjects	T	65,280	94.6	1,142	1.7	2,582	3.7
	M	35,954	91.7	1,093	2.8	2,145	5.5
	F	29,326	98.4	49	0.2	437	1.5
Degree or above	T	30,102	94.5	386	1.2	1,355	4.3
	M	22,740	93.4	386	1.6	1,208	5.0
	F	7,362	98.1	-	-	143	1.9
Unspecified	T	48,025	17.9	45,716	17.1	173,946	65.0
	M	39,784	19.7	27,363	13.6	134,473	66.7
	F	8,241	12.5	18,353	27.8	39,475	59.7

\* Source: Page 271 ESCAP - Country Monograph Series No. 4 - Population Sri Lanka.



estates. In the blue collar occupations, more attractive employment both from the point of view of the nature of employment and monetary returns is available. The white collar occupations of course are the best paid not only at the higher levels but for a long time even at the lower levels of clerical workers and sales workers. In the industry and service sectors, where the blue collar and white collar jobs are found, the establishments are better organised and there is not only greater probability of continued employment, but also the protection afforded by trade union organisations and labour legislation.<sup>1</sup> However, the plantation workers who are mostly Indian Tamils remain as an isolated lot in the community and have been provided estate housing and are relatively organised into trade unions.

### **Industrial relations**

3. The right to form and join a trade union in Sri Lanka is guaranteed by the Constitution of the country. Any seven employees or any seven employers can form themselves into a trade union and can be registered under the Trade Union Ordinance. The State machinery established for the regulation of industrial relations provides Conciliation, Arbitration, Collective Agreements, Labour Tribunals, and Essential Industries. The Minister of Labour is empowered to declare an industry as an "Essential Industry" which is required to give 21 days notice before going on a strike.

4. Since Sri Lanka became an Independent country and accepted the practice of free election to elect a government every five years, successive governments have adopted a socialistic pattern of society. The State has assumed a significant role in providing certain basic needs to the people with accent on public measures of support and services e.g. rice subsidy, transport, free medical, free education up to the University level, unemployment allowance for youths etc.

### **A new concept of social security**

5. "Social Security" is the protection furnished by society to its members through a series of public measures against the economic and social distress that otherwise would be caused by the absence of earnings or substantial reduction or stoppage of earnings resulting from sickness, maternity, employment injury (including occupational diseases), unemployment (including absence of employment and under-employment, invalidity, destitution, social disability and backwardness, old age and death, and further to provide for health care, including preventive measures. Thus social security would embrace (a) social insurance; (b) social assistance; (c) family benefits; (d) health care and other social services and (e) related social welfare services.<sup>2</sup> As stated earlier, succes-

<sup>1</sup> Source – Population of Sri Lanka op. cit. pp. 82-85.

<sup>2</sup> Sources: "Social Security and National Development", Report of a national seminar in India, 1977.

sive governments have adopted socialistic policies. It is evident that Sri Lanka is perhaps the only country in Asia which has introduced a number of social welfare measures some of which are unique. The introduction of free education up to the university level, and free medical care, subsidised supply of rice and sugar for those whose income is less than Rupees 300 (previously below Rupees 500), unemployment allowance of Rupees 50 for youth who are unemployed, are some of the essential services provided by the State.

### **Prior to Independance**

6. Prior to Independance, the available social security measures comprised pensions for the government employees who were on pensionable status of the Public Services Provident Fund for non-pensionable employees in the Government service. At the same time employees in certain large establishments received gratuity payment on retirement. The plantation workers also received meagre social security by way of receiving gratuity. Another important legislation was the Workmens' Compensation Ordinance introduced in 1934. Although the first trade union — The Ceylon Printers Society — was formed in September 1893, trade unionism as such did not make much headway in the country for the next quarter of a century. However, these activities were spearheaded by Sir Ponnambalan Arunachalam, a leading politician of his time and culminated in the formation of the workers Welfare League in 1919. In the same year, the Ceylon National Congress influenced by the Workers Welfare League demanded, among other things, at its annual conference that Labour Laws should be amended by elimination of all provisions which do not fully recognise labour as a form of social service and of labour welfare as of greater importance than the production of material wealth. Later, the Congress Labour Union was formed and began to expand its activities. The trade unions had moved towards the creation of a trade union congress to coordinate their activities. The congress adopted a Resolution urging, among other things, workmen's compensation and employers' liability for its payment.

7. The Government in 1944 appointed a social service commission under the chairmanship of Mr. I.V. Jennings but the Commission's report was published in 1947. The Commission recommended a number of social security schemes subject to the availability of financial resources, as follows:

- (i) a Health Insurance Scheme for all employed persons financed by contributions from employers and employees;
- (ii) an unemployment Insurance Scheme for all employed persons financed by contributions from employers and employees, and when necessary from the State also;
- (iii) a National Provident Fund Scheme for all employed persons financed by contributions from employees and employers (now it is termed as E.P.F.).

- (iv) a children's allowance Scheme for the children in each family after the second; financed wholly by the State;
- (v) an Orphans' Allowance Scheme for orphans living with a parent or with near relatives, financed wholly by the State;
- (vi) an Old Age Pension Scheme for men aged 70 or over and women aged 65 or over, financed wholly by the State;
- (vii) a Blind Persons Pension Scheme for all blind persons aged 45 or over, financed wholly by the State;
- (viii) an Unemployment Assistance Scheme for unemployed persons who have not qualified for insurance benefit or who have exhausted insurance benefits, financed wholly by the State; and
- (ix) a Poor Law System operated as a residuary service by local authorities in the urban areas and by Revenue Officers in the rural areas.

Among these recommendations, as a new service, the Employees' Provident Fund was established in 1958 for the private sector employees. There were only two trade unions that submitted papers to the Commission and presented their case viz., (a) the Ceylon Trade Union Federation and (b) The Ceylon Indian Congress Labour Union.

#### **Existing social security schemes**

8. Apart from the social services provided by the State such as free medical service, free education up to university level (more than 88 per cent of the population is literate), public assistance allowance up to a maximum of Rs. 20 per month for needy and destitute persons, relief — resettlement and rehabilitation of victims of natural disasters, rice subsidy, assistance for housing schemes and legislation controlling rental and security of tenancy against landlords, the following social security schemes are in force:

- (i) Pensions and gratuities for Government employees and workers of pensionable establishments;
- (ii) Public Services Provident Fund for Government employees other than on the pensionable schemes;
- (iii) Widows' and Orphans' Pension Scheme, to which every pensionable employee contributes 4 per cent of his basic salary for the payment of pensions to widows and children of deceased employees;
- (iv) Daily-paid employees and persons not covered by any scheme with continuous service of 15 years and over a gratuity calculated at the rate of one month's basic pay for each year of service;

- (v) Social teachers' Pension Regulations — provision for the payment of superannuation benefits with contribution of 4 per cent of their pay;
- (vi) Provision for the payment of pension and gratuity or retirement allowances to members of the Local Government Service;
- (vii) Employees' Provident Fund Act for all paid employees (including apprentices) in the private sector and public corporations, employees and employers contributing at minimum rates of 4 per cent and 5 per cent respectively of total earnings;
- (viii) Workmen's Compensation Act (1934);
- (ix) Maternity Benefit Ordinance (1939); and
- (x) Shop and Office Employees' Act (Amendment) (1957).

### **Role of trade unions**

9. The trade union movement of Sri Lanka is quite dynamic and active. However, it has its weaknesses because of its polarisation into a large number of unions in a country of its size and workforce. Political ideology appears to be entrenched among most of the trade unions which are in fact alienated to different political parties. Being alienated political parties, policies and programmes for social and economic developments have often been introduced by governments. Except in the early period of trade unionism where trade unions have agitated for introduction of some social security schemes there appears not much of evidence to show that agitation or demands for introduction of social security measures, as such, were made by trade unions. The Commissioner of labour observed in his administrative report for the year 1953 that there was a tendency on the part of a great number of trade unions to "concentrate their activities on industrial disputes affecting the terms and conditions of employment of their members to the complete exclusion of welfare directed towards the improvement of the general lot of workers and that it would be advisable for the trade unions to pay more attention to labour welfare work, such as housing and education.

10. However, the trade unions have played a major role in giving their members a sense of security of employment but, with the establishment of labour tribunals in May 1959, dismissed workmen were given the forum to seek relief or redress through such tribunals according to equity. Trade union, hence, devoted themselves to the regulation of the collective bargaining system and consolidating their efforts for improvement of wages and conditions of services. According to the National Wages Policy Commission Report (page 179), "We note that when general demands are made by unions they generally include a demand for gratuity on termination of service at the rate of one month's pay for each year of service (i.e. an 8 1/3 per cent contribution, compared to the 6 per

contributed by the employer at present to the E.P.F.). Industrial Courts have awarded gratuities amounting to two weeks' wages for every year of service. We recommend that when an employee retires, dies or is retrenched, a special gratuity for the period not covered by membership of the E.P.F. or an approved provident fund be paid".

11. A Parliamentary Committee was appointed by the Ministry of Labour, Housing and Social Services in 1957 to examine the Workmen's Compensation Ordinance and regulations and make recommendations for its revision. It appears that some trade unions made representations to this Committee from time to time on various aspects of the Ordinance to members of Parliament. An eight-member committee, in which Mr. S. Thondaman, President of the Ceylon Workers' Congress was one of the members, presented to Government a law providing workers insurance against sickness and employment injuries, and two other benefits (maturity benefits and funeral expenses) were drafted in a bill. However, this bill did not come into force and it was more or less shelved. The only notable social security scheme which is in operation is on a contributory basis, viz; the Employees' Provident Fund for the public and statutory corporation employees. Since the Department of Labour is the executing agency and the Central Bank of Ceylon is maintaining the funds, there are no advisory/consultative bodies for the fund. In fact, trade unions do not have any representation in policy decision-making bodies or in implementation agencies on any social security systems introduced by Government.

12. Despite Sri Lanka's remarkable progress in the social welfare fields, the country is still in the process of economic development. Unemployment, as in many other developing countries, continues to be a serious problem. The role of Trade Unions in the policy decisions and implementation of social security is yet to be convincingly established. It may be due to a number of factors; viz., (a) the multiplicity of trade unions which gives government an excuse, not to give representation to trade unions, (b) trade unions being in most cases part of the political system there is a tendency on the part of political parties to determine the type of social services to be introduced for the country as a whole (c) lack of workers' education activities on the part of trade unions on the need for organised workers to play an important role in socio-economic developments.

#### **Future perspective**

13. The future perspective of introducing further social security schemes other than the existing schemes will largely depend on the financial resources available in the country and the type of pressure that is going to be applied by trade unions for introduction of social security schemes for workers as a whole. However, the existing Employees' Provident Fund could be turned into a Pension Insurance scheme and such a scheme can be operated by a statutory board

giving representation to workers and employers. Perhaps, there might be some merit in continuing the existing E.P.F. Scheme and in starting an E.P.F. Bank which could provide facilities to members. The Workmen's Compensation rates may be raised and no wage limitation should be imposed for payment of compensation. The rural workers, who form the largest group, may also, in due course, be covered under some kind of social security scheme.

14. In conclusion, it may be relevant to quote the following reference on the policy statement made by the President on 4 August 1977 on promoting social justice and equity:

"The self-employed person like the farmer, fisherman, small trader and businessmen, carpenter and mason, artist, singer, dancer, writer etc. look to the future with uncertainty and fear when they think of old age, sickness or disability. To free them from this sense of insecurity, a National Social Insurance Scheme will be established to assist the self-employed and the dependent employed not enjoying retirement or health benefits to maintain themselves or their families in retirement, old age sickness and disability."

The intentions are clear.

**WORKING OF THE EMPLOYEES STATE INSURANCE  
SCHEME IN INDIA, WITH PARTICULAR REFERENCE  
TO THE ROLE OF WORKERS' REPRESENTATIVES IN  
THE PLANNING AND IMPLEMENTATION OF THE SCHEME**

*by*

K.D. Madan\*

**INTRODUCTION**

1. The purpose of this paper is to describe the evolution and development of social security legislation in India leading to the enactment of the Employees' State Insurance Act, 1948, the working of the social insurance scheme as envisaged in that Act with particular reference to the role of the representatives of workers' organisations in the planning and implementation of the Scheme.

**EVOLUTION AND DEVELOPMENT**

2. The concept of social security understood as security provided to individuals by the society against certain risks is very old. Man has been exposed to physical as well as economic risks all along from ancient times and he has, therefore, tried to devise security measures to protect himself from those risks. Some of these risks are common hazards and some like employment injury and occupational disease are work-oriented. It is not possible for an individual to work during these contingencies while at the same time his need for means of subsistence is all the greater. These contingencies which affected man since he started his economic activities, naturally compelled him to find out effective safeguards to mitigate the distress and sufferings arising out of such contingencies. In India, such a security was provided since ages by the joint family system. Social security with its modern systematised forms of social assistance and social insurance is, however, a recent development.

3. With the growth of industrialisation in the wake of World War I, the play of modern economic forces and gravitation towards urban concentrations, the joint family system came to be gradually undermined. The migration of workers from villages to urban areas led to a significant increase in the ranks of industrial workers in the country. Apace with this also grew the trade union movement and workers' demands for protection and improvement in their working and living conditions. Agitation by workers for protection led to

---

\* K.D. Madan, Director-General, Employees State Insurance Corporation, New Delhi. The views expressed in this paper are personal and not necessarily those of the Government.

industrial unrest and there was a wave of strikes in the country in the early twenties. Inevitably, the period was the beginning of governmental attention to the need for provision of some elementary social security. The idea of social insurance, however, took a long time to be translated into reality even for certain categories of workers.

4. Till the twenties of the present century, no statutory provision existed in India to provide for relief or assistance to wage earners for common hazards of life. The only statutory provision that existed was the Fatal Accidents Act of 1855, under which benefits were available to the dependants of a worker, who died in an industrial accident that was caused by the personal negligence of the factory owner. During the period immediately following the First World War, some consideration was given to the need for amendment of the enactment so as to provide compensation for disablement or death arising out of an industrial accident or industrial disease. As a first step, provision was made in the Factories Act (Indian Factories Amendment Act, 1922) giving power to a criminal court to order the whole or part of a fine imposed in case of offence causing bodily injury or death, to be paid as compensation to the injured person or in the case of his death, to his legal heirs. As this measure did not give much satisfaction to workers, the Government of India considered the question of enacting the Workmen's Compensation Act on the model of a similar legislation in U.K. and a special committee was set up to go into the matter in July 1922. The Scheme drawn up by the said Committee ultimately led to the enactment of the Workmen's Compensation Act in 1923, and thus a beginning in social security legislation could be said to have been made in the country.

5. Maternity among the industrial women workers was the second contingency to receive attention and the maternity benefit legislations were passed by Provincial legislatures beginning with the Presidency of Bombay which was first to pass a Maternity Benefit Act in 1929. This example of Bombay was followed by a similar legislation enacted by other Provinces. The Government of India also enacted a Maternity Benefit legislation for Indian Mines and also enacted the Maternity Benefit Act 1961 for providing a uniform benefit all over the country. The States have gradually adopted the Central Act. It may be mentioned here that the benefits under the Central Act were substantially superior to the benefits under the State Laws, both with regard to their quantum and duration and provided for various contingencies which were not provided earlier.

6. Both these measures, namely, the Workmen's Compensation Act as well as the Maternity Benefit Acts, placed the liability for payment on the employer and fell short of the ideal of social insurance and, as a consequence, failed to provide adequate security to the workers. The Workmen's Compensation Act which provided for lump sum compensation mostly to manual workers in factories against employment injuries, left much scope for improve-



ment. There was no statutory provision for compulsory insurance of employer's liability. The injured workers had also to make their own arrangements for medical treatment and did not have means or resources to do so. One argument against the lump sum payment of compensation was that it was often frittered away leaving the afflicted worker and his family in distress and indigent circumstances. It failed to provide a permanent source of protection even in cases of permanent disability or death due to employment injury. Similarly, under the State Maternity Benefits Acts also, there was no uniformity in the measures adopted in various States and there was also no provision for medical aid before or after confinement. There was also a tendency among the employers to evade payments or not to employ married women or to discharge a woman worker at the first sign of pregnancy. It was felt that these defects and deficiencies in the Workmen's Compensation and Maternity Benefit legislations could be remedied only by a scheme of social insurance.

7. The question of health insurance as such received the attention of the Government of India as well as the public for the first time in 1928, when a resolution seeking approval to non-ratification of the Conventions and Recommendations relating to health insurance adopted by the International Labour Organisation in 1927 came up for consideration before the Central Legislature. The main argument advanced by the Government in favour of non-ratification of the Convention was that conditions in the country were not sufficiently ripe for adopting and implementing the proposals made therein. Other reasons, such as the migratory nature of labour, preference of the indigenous system of medicine by workers, want of qualified medical practitioners, resistance of workers to compulsory deductions from their remunerations, lack of financial resources, the problem of having to follow the workers to their villages in many instances, arranging for adequate medical treatment there and providing for medical certification were also put forward. It was also pointed out that the workers did not have enough faith in the modern system of medicine. Another important consideration was the administrative cost of working of a scheme on a national or even provincial scale on modern lines. The Provincial Governments were generally hesitant in assuming the financial responsibility involved in State assistance to any scheme of health insurance. They, therefore, advised against the introduction of a scheme requiring State participation.

8. The problem, therefore, came up for consideration before the Royal Commission on Labour set up by the Government of India in 1929. The Commission in its Report in 1931 viewing the high incidence of sickness in the country made out a strong case for introduction of health insurance in India and even proposed a tentative scheme for the purpose. The salient features of the Scheme suggested by the Royal Commission were (i) that the responsibility for the medical and financial benefits should be separated, the former being undertaken by the Government "possibly on a non-contributory basis" and the latter being administered through employers on the basis of contributions by

themselves and by the workers; (ii) that cash benefit should be supported by contributions from the worker and by the employer, in equal amounts, or rather more from the employer in the case of the more poorly paid; (iii) that there should be a qualifying period of one year; (iv) that the maximum limit for sick leave, i.e., period of cash benefit should be one month in a year; and (v) that the cash benefit should be a proportion of the wages and should be paid by the employer. The Commission suggested that the morbidity and other statistics made available during the working of these experimental schemes could form a basis for framing a scheme for country-wide application.

9. The Government of India considered the recommendations of the Royal Commission in consultation with the Standing Advisory Committee of the then Labour and Industries Department and Government Actuary's Department in London. The Government Actuary suggested that an analysis should be made, over a period of at least five years, of the experience as regards sickness and unemployment of a representative sample of the industrial population. He advised that the requisite statistics should be collected on specially designed "experience cards" to be completed for each worker in the sample by a large number of employers in the country. The Government of India once again sought the views of the Provincial Governments on the proposed statistical enquiry. The replies received from the Provincial Governments were even then not encouraging and merely referred to the practical difficulties that might be encountered in the introduction of sickness insurance. The Government of India also came to the conclusion that the statistical enquiry recommended by the British Government Actuary would involve labour and expense out of all proportion to the probable value of the results. The matter was, therefore, dropped for the time being. Notwithstanding the fact, however, that the subject was shelved for the time being, this basic idea of health insurance had struck roots. The Provincial Governments of Bombay, U.P., Bihar, etc., appointed Enquiry Committees in the late thirties and all these Enquiry Committees recommended and drew up outlines of sickness insurance schemes more or less on similar lines.

10. It has to be noted that the labour movement which was growing in stature and effectiveness from the early twenties and was forcefully insisting on provisions for health insurance schemes, played an important part in the evolution of these schemes. As various Labour Enquiry Committees had subsequently advocated the need for introduction of a health insurance scheme for industrial workers, the Government of India could not escape their responsibility in the matter and the subject was brought up before the first conference of the Labour Ministers in 1940. The conference gave more thought to the problem and while it came to the conclusion that the idea of a sickness benefit fund was appropriate, it suggested that further action should be considered after the Government of India had ascertained how far employers and labour were willing to contribute to the fund. By the time the Second Labour Ministers' Conference took

place in 1941, the attitude of all the parties concerned regarding the introduction of a sickness insurance scheme had considerably changed. The workers' representatives expressed their willingness to pay contributions, the employers sympathised with the idea and were prepared to contribute, the Provincial Governments recognised the need and suitability of the occasion for the introduction of the scheme and the Central Government stated that it was not necessary to postpone consideration of the question any further. The Government of India, therefore, decided that the preliminary actuarial examination should be taken up and that after such examination a scheme should be evolved on the basis of contributions from the employers and the employees. It was, however, soon realised that no actuarial examination could possibly be conducted unless statistical data was available, and that data of this nature could not be secured unless a sickness insurance scheme had already been in operation for some time. The Government Actuary, therefore, suggested that it would be better to frame and implement an actual scheme for selected industries on an "intelligent guess" basis. Accordingly, in the Third Labour Ministers' Conference in 1942, the Labour Department of the Government of India placed before the Conference for its consideration a tentative scheme of sickness insurance for factory workers. It was decided that the scheme would, in the first instance, cover only the cotton and jute textile and heavy engineering industries and that the details of the scheme might be worked out by an expert. It is noteworthy that the renewed interest evinced by the Government of India in putting forward an actual scheme of health insurance for industrial workers was possibly due to various important developments which had taken place in other countries at more or less this time in regard to social security measures, namely, publications of Beveridge Report (1942) in U.K., the Wanger-Murray Dingell Bill in USA and the Marshal Plan in 1943 in Canada.

11. In March 1943, the Government of India appointed Professor B.P. Adarkar, Special Officer, to prepare a scheme of health insurance for industrial workers, assisted by a panel of advisors consisting of representatives of employers and workers' organisations and a panel of Actuaries. The Government also appointed a Health Survey and Development Committee with Sir Joseph Bhore as its Chairman, to make a broad survey of the then existing position in regard to health conditions and health organisations and to make recommendations for future development. Professor Adarkar submitted his report in August 1944. The Scheme prepared by him was intended to cover all perennial factories in the three major groups of industries, namely, textiles, engineering and minerals and metals, exemption being contemplated for employment in the case of factories in sparse areas. The other important features of the Scheme, prepared by Professor Adarkar, were the compulsory and contributory character of the scheme, exclusion of casual workers from cash benefit, etc. Professor Adarkar also emphasised the need for simultaneous adoption of schemes of unemployment insurance, old-age pensions, measures like regulation of wages,

rigorous enforcement of factory laws, education in health and improvement in environmental hygiene. He also expressed the view that medical service organisation under the health insurance scheme should be fully controlled by the insurance institution itself and should not be entrusted to an outside authority or State Government. He made a strong case for merging maternity benefit laws and the Workmen's Compensation Act with the health insurance scheme and for framing a unified and integrated system of health, maternity and employment injury insurance. The Adarkar scheme was considered by the Tripartite Labour Conference in October 1944 and later by the Standing Labour Committee in March 1945.

12. At the request of the Government of India, the International Labour Organisation deputed two social security experts, Messrs Stack and Rao to study the Adarkar's plan and give expert opinion. These experts suggested certain modifications in the light of social security principles and practices adopted in other countries of the world. The chief modifications suggested by them were:

- (a) Separation of the administration of medical and cash benefits;
- (b) Integration of maternity benefit and workmen's compensation in the health insurance scheme; and
- (c) Extension of the scheme to all perennial factories covered by the Factories Act and also to non-manual workers.

In regard to the recommendations in the Adarkar report that the medical service under the scheme should be the responsibility of the insurance institution itself, at least to start with, the experts suggested participation of State Governments and entrustment of responsibility for medical care to the State Governments. Based upon these suggestions, the Government of India modified the Adarkar scheme and published a unified scheme of social security to cover health insurance and maternity benefit and employment injury. The scheme finally emerged in the form of a Workmen's State Insurance Bill, 1946. Later on, the Bill was referred to a Select Committee. The Select Committee *inter alia* recommended that the number of representatives of employees and employers on the Corporation should be increased to five each and of Parliament to two instead of three and one respectively, as provided in the original Bill. The Bill, as amended by the Select Committee, was passed by the Dominion Legislature in April 1948 as the Employees' State Insurance Act, 1948. It took another four years before the ESI Scheme could make a beginning in 1952.

### IMPLEMENTATION OF ESI SCHEME

13. The implementation of the ESI Scheme involved the gigantic task of setting up of an organisation and necessary infrastructure including accom-

modation for offices and dispensaries, securing services of medical and other staff, their training, formulation of rules, regulations and procedures. Just before the Scheme was to be launched at two industrial centres as a pilot project in 1950, objections were raised by employers in those centres against implementation of the Scheme in those selected areas only, on the ground that it would give rise in the cost of production and would place the industries in those areas at a handicap in competition with others. This difficulty of competitive handicap was ultimately overcome by an Amendment Act of 1951, making transitory provisions for spreading the employer's share of contribution to the Scheme equitably to all employers throughout India. (These transitory provisions have since been discontinued from 1.7.1973). Thereafter, the ESI Scheme was introduced simultaneously in Delhi and Kanpur on 24 February 1952, with a modest coverage of about 0.12 million industrial workers together in the two cities. The wide geographical distribution of industries, lack of previous experience and paucity of available supply of medical and para-medical personnel necessitated implementation of the Scheme only in stages.

14. In India, the evolution and the extension of the Scheme in pursuance of the statutory provisions of the Act have during all these years been on a geographical basis from centre to centre. The method of geographical extension of the Scheme dispensed with the enormous task of covering all industrial workers throughout the vast country at once, spread the task of coverage in stages over a number of years and, more importantly, enabled the insurance institution, viz., the ESIC to acquire and build up on experience gained in actual implementation as it proceeded from centre to centre. The process of phased implementation still continues though by and large the major part of the industrial sector intended to be covered has already been covered.

### **SALIENT FEATURES OF THE SCHEME**

15. **COVERAGE:** The Scheme initially provided for coverage of power using non-seasonal factories employing 20 or more persons. The wage ceiling for coverage which was initially Rs. 400 p.m. was raised to Rs. 500 in 1968 and to Rs. 1,000 in November 1975 by amendments of 1966 and 1975 respectively to the original Act. Under the existing enabling statutory provision, coverage has been extended to workers in new classes of establishments, namely, smaller power using factories employing 10 or more persons, non-power using factories employing 20 or more persons, shops, hotels, restaurants, cinemas, including preview theatres, road-motor transport and newspaper establishments employing 20 or more persons. The Scheme is now in force in 424 centres benefiting about 6.40 million insured persons. Including members of families, the Scheme provides medical care to an estimated 25 million beneficiaries. The progress of coverage over the last 27 years is given below:

<i>Year</i>	<i>No. of Centres covered</i>	<i>No. of insured workers</i>	<i>No. of beneficia- ries for medical care (IPs and their families)</i>
in millions			
1951-52	2	0.120	0.120**
1955-56	31	1.292	1.292**
1960-61	120	1.939	3.893
1965-66	259	3.405	12.143
1970-71	318	4.218	16.306
1975-76	388	5.600	21.682
1976-77	405	5.975	23.300
1977-78	413	6.251	24.300
1978-79	424*	6.400	25.000
(up to 28.2.79)			

\*\* Families not covered.

\* Number revised to 377 after merging contiguous areas/centres.

### CASH BENEFITS

16. The Scheme provides for the following cash benefits:

- (a) Sickness benefit
- (b) Maternity benefit
- (c) Employment injury benefits –
  - Temporary disablement benefit
  - Permanent disablement benefit (total and partial)
  - Dependants' benefit
- (d) Funeral benefit.

The details of the contributions and benefits under the Scheme are given briefly in Appendix I. Progressive improvements have been brought about in cash benefits during the last 27 years of working of the scheme. Sickness benefit which was payable up to a maximum duration of 56 days in any period of 365 days at about half the average wages was extended in 1956, for a further maximum period of 209 days, in addition to the normal sickness benefit for 56 days, to cover several long-term diseases like TB, leprosy, mental and malignant diseases, etc. The list of long-term and chronic diseases for eligibility to extended sickness benefit has been reviewed and made more comprehensive from time

to time and covers today 22 diseases. Further, the rate of extended sickness benefit was also increased by 25 per cent over the ordinary sickness benefit rate in April 1976, raising it to about 62.5 per cent of the average wages. Recently, the duration of the basic sickness benefit itself has been enhanced from 56 days to 91 days from 1.5. 1977, thereby bringing the sickness benefit under the Scheme at par with the minimum standard laid down in the ILO Convention on Minimum Standards of Social Security for developing countries.

17. On the maternity benefit side, the rate of maternity benefit which was originally the same as ordinary sickness benefit or 12 annas (75 paise), whichever was greater, was enhanced in 1958, to double the sickness benefit rate, i.e. to about full wages. By an amendment of the Act in 1966, the maternity benefit which was previously payable for confinement, was extended in 1968 to cover cases of miscarriage and made payable up to six weeks following the date of miscarriage. An additional maternity benefit payable for an additional period up to one month was also introduced by the same amendment to cover cases of sickness arising out of pregnancy, confinement, premature birth of child or miscarriage. A provision was also made that where an insured woman dies during confinement or during the period of six weeks following her confinement for which she is entitled to maternity benefit, and leaves behind the child, the benefit would continue to be payable for the whole of the period of the entitlement, but if the child also dies during that period, the benefit would be payable up to the date of the death of the child.

18. The rate of disablement and dependants' benefits was increased statutorily by 25 per cent over the standard benefit rate raising it to about 62.5 per cent of the wages through an amendment to the Act in 1968. Also, a provision for Funeral Benefit was introduced through the same amendment. The amendment of 1968 also liberalised and simplified the determination of contribution and benefit rates and the eligibility conditions for sickness and maternity benefits which were somewhat complicated and difficult to work out. The adjudication of employment injury was simplified in favour of the employees by modifying the law. One of the important changes made in the law was that an accident arising in the course of an insured person's employment would be presumed, in the absence of evidence to the contrary, also to have arisen out of employment. Specific provisions were also made to facilitate adjudication of employment injury claims in favour of the employees in cases of accidents happening even while an employee may have acted in breach of the safety regulations or be travelling in employer's transport or while taking steps to meet an emergency.

19. To compensate for loss of wages during period of abstention necessitated due to undergoing voluntary sterilisation operation for family welfare planning, the rate of sickness benefit has been enhanced since August 1976, and made equal to full average daily wages. This enhanced sickness benefit is

payable without any waiting period up to 7 days for vasectomy and up to 14 days for tubectomy and is further extendable in cases of post-operative complications, etc.

## **MEDICAL BENEFIT**

20. Medical benefit under the Scheme includes outpatient services by general practitioners, including domiciliary treatment, provision of drugs, dressings and injections, specialists' services in all branches of medicine and surgery, in-patient treatment in hospitals and diagnostic aids of all descriptions. The Scheme originally provided for medical care for insured persons only. In response to demands from workers for extension of the scheme to families, the Corporation decided in 1956 to extend medical care to family members of insured persons gradually. The start was made with out-door medical care to the dependants. Next came specialist consultations to the families wherever arrangements could be made to do so and finally the family members were made eligible for in-door medical care wherever necessary accommodation for hospital facilities could be provided in the ESI or other hospitals. At present, 25 million men, women and children are eligible to medical facilities under the Scheme of whom nearly 74 per cent are getting full medical care including hospitalisation, 22 per cent extended medical care which provides for specialists facilities but not in-patient treatment and the rest 4 per cent only restricted medical care, i.e., only out-patient facilities. The ultimate objective is to provide full medical care to the family members all over the country. This is expected to be achieved in the not-too-distant future as facilities for hospitalisation grow. With this objective in view, the Corporation has undertaken a crash programme of construction of ESI hospitals all over the country exclusively for use of insured persons and their families. As many as 64 ESI hospitals and 25 annexes with a total of over 12,700 beds have already been commissioned and another 20 hospitals and 17 annexes to provide over 5,200 beds are in different stages of construction. For outpatient medical care, the Scheme today has about 936 dispensaries apart from 4,650 clinics of Insurance Medical Practitioners. For hospital medical care the total bed capacity including the beds reserved in Government and public hospitals currently under the Scheme exceeds 1,700 beds. Specialists consultation is provided through 263 full-time and 1,371 part-time specialists in all specialities like medicine, surgery, gynaecology, paediatrics, orthopaedics, etc. besides the laboratory and X-ray investigation facilities. New hospitals are being equipped with latest and modern equipment. In the case of old hospitals, new equipment are being added for providing modern facilities of diagnosis and treatment. In bigger hospitals, special units like cardiology, intensive care etc. are being set up. The norms for providing specialists, medical officers and other para-medical staff have recently been reviewed on the recommendations of a High-Powered Sub-Committee. Even the smaller hospitals with 50 beds would now be having at least three



specialists, one each in medicine, surgery and gynaecology. In the case of bigger hospitals, the number of specialists have been substantially augmented so as to cover several specialists.

21. As a part of the rehabilitation measures, insured persons were being provided with artificial limbs, dentures, hearing aids and spectacles for the loss of limbs, teeth or impairment of hearing and eye-sight respectively. At present, artificial limbs, hearing aids, spectacles, dentures, artificial wigs for female beneficiaries, spinal supports, cervical collars, walking callipers, crutches, surgical boots, hip prosthesis, cardiac pacemaker, dialysis and kidney transplants, etc., are now being provided to insured persons as well as to their family members as part of medical benefits, except that spectacles and dentures are allowed presently to insured persons only.

22. Apart from curative medical services, attention is also directed towards providing preventive services to insured persons and the members of their families. Especially a programme of immunisation to protect young children against infection diseases like diphtheria, smallpox, polio, tetanus has been launched.

#### **ADMINISTRATION OF MEDICAL BENEFITS**

23. The Scheme represents a unique experiment in sharing of the responsibility between the Union as represented by the ESIC and the States. Social Security and social insurances are included in List III (Concurrent List) of the Seventh Schedule of the Constitution of India while public health, sanitation, hospitals and dispensaries are in List II (State List). The ESI Act, though a Central Act, places the responsibility for provision of medical care under the Scheme on the State Government. Medical benefit is, therefore, administered in all the States by the respective State Governments, the solitary exception being the Union Territory of Delhi where the Corporation took over the administration of medical care directly about 17 years ago.

24. Completion of medical arrangements is a prerequisite to extension of the Scheme to an area or to a new sector of employment or new classes of workers. The extension of the Scheme, therefore, depending as it does on availability of adequate medical arrangements is possible only with the agreement of the State Government. The extension of the Scheme in certain areas has not been altogether easy. The State Governments sometimes found it difficult to implement the Scheme firstly on account of financial burden by way of their share in the cost of medical care and secondly on account of the arrangements required to provide necessary medical facilities of the prescribed standard. Many of them often insisted that they did not have the resources to meet the financial liabilities which would fall upon them. It had to be explained to them that under the arrangement for the sharing of the cost of medical care between the Corporation and the State Government, the latter would be able to provide

medical care of a higher standard for an important and expanding sector of their population at a comparatively smaller cost. However, in order to meet the difficulties of the State Governments, the State Governments' share in the cost of medical care which was originally contemplated to be 1/3rd had to be reduced from 1/3rd to 1/4th and later to 1/8th on the extension of medical care to families. The current ratio of sharing of expenditure between the Corporation and States continues to be 7:1. Yet on account of paucity of financial and physical resources with the State Governments, the extension of the Scheme has not been as expeditious as desired and it has not always been possible to achieve the annual targets set in the phased programmes for extension even after prior consultation with State Governments.

25. There has been some opposition particularly from the employers' organisations and some of the employees' organisations to the extension of the Scheme to new sectors on the plea that the existing medical facilities and benefits should be improved upon first both in quality and quantity before the Scheme is extended further to cover new categories of workers. The workers also expect a higher standard of medical facilities for which they are required to contribute. As referred to earlier, the Corporation has taken a number of measures to improve the standard of medical care. Towards this end, the per capita ceiling of expenditure on medical benefits has also been raised to Rs. 105 per employee per annum effective from 1.4.1977. Further liberalisation has also been allowed on the expenditure on drugs and dressings. It is expected that the standard of medical care will continue to be improved further. However, the extent to which the medical facilities can be improved upon and maintained at a uniform standard throughout the country is dependant to a larger extent upon the availability of necessary financial and physical resources with the State Governments who are administering the medical benefits and are required to share the expenditure.

#### **ADMINISTRATION OF THE ESI SCHEME AND PARTICIPATION OF WORKERS REPRESENTATIVES**

26. The Bismarckian social insurance legislation of Germany, which was the first country to introduce social insurance, perhaps inspired by the practice of the English mutual aid societies, provided that the bodies created by it to administer the scheme of sickness and pension insurance should be managed by the representatives of the contributors. The same principle was followed in the social insurance scheme introduced in other countries of Europe from time to time and the tradition so built up has been observed, with variation in details, in a number of schemes of later origin elsewhere in the world. The ILO Convention of 1927 on sickness insurance also reflected a general conviction in affirming the principle of self-government for this branch and insisting on the participation of insured persons in its management. The ILO's model plan for the administration of the social insurance scheme also envisages two alternative

forms of organisational set-up namely, (i) a Social Insurance Board to be responsible for the general administration and control of the scheme, and (ii) to have the scheme within the general organisation of public administration under the control of the Minister directly responsible for the scheme to Parliament. The first method of control is chosen because it gives to the employers and workers a certain degree of autonomy through their representatives on the Board. In some cases, this authority (i.e. the Social Insurance Board) may be answerable through a Minister. In the second alternative, the Minister himself being the controlling authority, there would probably be no need for a Social Insurance Board, although it might still be considered necessary that a statutory committee should be set up to advise the Minister on specific matters relating to the scheme and its administration.

27. In conformity with the above, the responsibility for administering the provisions of the Employees' State Insurance Scheme has been vested in a statutory body namely the Employees' State Insurance Corporation (ESIC) consisting of the representatives of employers, employees, the medical profession, the Central and State Governments and Parliament. The Union Ministers for Labour and Health are the Chairman and the Vice-Chairman respectively, of the Corporation. A smaller body called the Standing Committee of the Corporation representing the same interests, has been given powers to administer the affairs of the Corporation and exercise any of the powers and perform any of the functions of the Corporation subject to the general superintendence and control of the Corporation. In addition to the matters which require the decision of the Corporation under any provision of the Act or the rules framed thereunder or which may be placed before the Corporation by the Standing Committee at its discretion, matters like extension of medical benefits to family of insured workers, proposals to set up hospitals, to grant exemption to establishments, to enhance benefits, etc., as specified in the regulations, are to be brought up by the Standing Committee before the Corporation for the latter's decision. The workers thus actively participate in the planning and administration of the Scheme at the highest level. A Medical Benefit Council of a similarly representative character has been set up at the central level which advises the Corporation on all matters in regard to the scale and nature of medical benefits; the nature and extent of medicines, staff and equipment required, medical formulary, medical certification, statistical returns, form of medical records, measures for the improvement of the health and welfare of insured persons and the rehabilitation and re-employment of insured persons, disabled or injured, etc. The representatives of the workers' organisations are also members on this Council.

28. The Headquarters Office of the Corporation confines itself mainly to the formulation of policies, interpretation of the provisions wherever a doubt is expressed and monitoring of the execution of the Scheme, throughout the country. For administrative purposes, Regional Offices have been set up for each

State and in the Union Territory of Delhi to maintain close and constant contact with the State Governments, employers and employees. Local offices have been set up in all the areas where the Scheme is in force. Contact with insured workers is maintained through local offices where they present their claims, receive payments and are helped to secure the benefits. The Regional Office in turn supervises administration of the local offices, maintains necessary accounts and central records and arranges the collection of contributions and inspection. The workers' representatives are fully associated with the working of the scheme at the Regional and local levels and advisory Regional Boards and Local Committees have been set up consisting of representatives of the employers, employees and the State Governments from the State or the local area under the jurisdiction of the Regional Board or Local Committee.

29. The Regional Boards were originally entrusted with the advisory functions in regard to the changes in the Act, rules and regulations and forms and procedure to be followed in the running of the scheme, to look into complaints and also to advise the Corporation on such matters as may be referred to it for advice by the Standing Committee or the Director-General. These functions were subsequently widened to bring about greater involvement in the planning and administration of the scheme and the functions now entrusted to them are as follows:

- (a) To decide within the broad framework of the general decisions and programme of priorities of the Corporation, the following matters:
  - (i) Extension of the Scheme to other categories of establishments;
  - (ii) Extension of the Scheme to new areas and extension of medical care to families;
  - (iii) Adoption of special measures to meet peculiar conditions in an area;
  - (iv) Improvement in benefits;
  - (v) Provision of indoor medical treatment;
  - (vi) Measures and arrangements for the rehabilitation of insured persons who are permanently disabled;
  - (vii) Securing compliance by employers with the various provisions of the Act, regulations, rules and instructions;
- (b) To review from time to time the working of the Scheme in the State both on the medical as well as cash benefit side and advise the Corporation and the State Government on the measures to improve the working of the Scheme and, in particular, to promote preventive health measures, safety and personal hygiene, and to review and check lax certification and other abuses of the Scheme;

- (c) To look into the general grievances, complaints and difficulties of insured persons, employers, etc.
- (d) To make recommendations from time to time in regard to changes in the Act, rules and regulations and forms and procedures to be followed in the running of the scheme.

The functions of the Local Committees are as follows:

- (a) To discuss local problems in regard to the Scheme so as to secure its efficient working with the full co-operation of all parties concerned and to make recommendations;
- (b) To refer such complaints as it may consider necessary to the Regional Director concerned, or in the case of complaints concerning medical benefit, to the State Government;
- (c) To advise the Corporation or the Regional Board concerned on such matters as may be referred to it for advice.

About 200 local committees are functioning today throughout the country, which provide forums to the local representatives of workers to discuss local problems relating to the working of the Scheme, look into complaints and suggest remedial measures.

### **PARTICIPATION IN ADJUDICATION MACHINERY**

30. There can be no social security unless the claimant or the beneficiary can appeal against an administrative decision denying him benefit or awarding him benefit which does not correspond to what he considers he is legally entitled to. The appeal must be heard by a judicial body independent of the administrative body concerned. Provision has been made in the ESI Act for the institution of a special machinery in the form of Employees' Insurance Courts for adjudication of disputes and claims. The matters to be decided by the EI Courts include questions arising in connection with insurability, rate of wages, rate of contribution, the responsibility of a person as principal employer, the right to and the amount and duration of benefit, claims for recovery of contribution or for recovery of benefit or refund of benefit unlawfully drawn. The disablement questions relating to accidents, duration and percentage of temporary, partial or total disability caused by employment injuries are determinable initially by a Medical Board. Though the first decision is made by the Medical Board, and appeal can be made by the beneficiary to a Medical Appeal Tribunal in the first instance. The Medical Appeal Tribunal, besides the medical experts, includes an official of the trade union as one of the assessors. The nomination of the trade union representative as one of the assessors not only enables proper evaluation and assessment of the claimant's physical conditions, on which depend the quantum of long-term payment of permanent disablement benefit

pension, but also inspires confidence in the claimant that justice would be done to him. There have been cases where on appeal, the Medical Appeal Tribunal has enhanced the assessment made initially by the Medical Board and in some cases have even made assessment higher than what is laid in the statutory schedule in respect of scheduled injuries.

### **INCREASE IN REPRESENTATION OF STATUTORY BODIES**

31. The ESI Act and the regulations framed thereunder, envisage parity in the representation of employers and workers on the Corporation and other statutory bodies constituted thereunder. Employees' representatives have pleaded from time to time that the representation given to the workers on the Corporation and the Standing Committee is inadequate and that the Government representation is disproportionately large. The matter had been considered earlier by the ESIS Review Committee (1966) and has been considered again recently by a High-Powered Sub-Committee of the Corporation, which, too, while favouring parity of representation as between the employers' and employees' interests, recommended that the employers, employees and the Government, including other interests, should be represented on the Corporation in the ratio of 1:1:2 and that representatives of employers and employees on the Corporation should be raised to 10 each from the present 5 each. The recommendations are awaiting finalisation to be followed by statutory amendment. In order to ensure adequate representation to employers and workers at regional level also, provision has already been made in the Regulations that where the number of representatives of employers and employees on a Regional Board is less than three from each side including the ex-officio members (viz. non-official members of the Corporation and of the Medical Benefit Council residing in the area), additional representatives of employers and employees shall be nominated to bring their number up to three each.

### **PARTICIPATION IN OTHER MATTERS**

32. The participation of workers' representatives is not confined to statutory bodies/committees only. The workers' representatives are invariably nominated on non-statutory Committees or Sub-Committees appointed from time to time to examine or consider different aspects of the working of the Scheme including procedural matters like disentitlement Procedure, etc. Soon after the implementation of the ESI Scheme in December 1952, the Corporation had appointed a Sub-Committee consisting of the representatives of the workers' and employers' to examine the question of decentralisation of the administration of the Scheme to regional levels and the powers and functions to be entrusted to Regional Boards. On the recommendations of the Committee, the Regional Boards were vested with greater executive and advisory functions to enable them to play an effective role on major issues such as settlement of fees

for panel doctors, utilisation of medical facilities provided by certain employers, nature and extent of hospitalisation for insured persons and medical care for families of the insured persons. The workers' representatives also participate on permanent Sub-Committees of the Corporation, namely (i) General Purposes Sub-Committee which periodically visits different States to review the working of the Scheme specially the medical arrangements and makes suggestions for improvements, and (ii) the Budget and Accounts Sub-Committee which is responsible for scrutinising the finances of the Corporation, its budget and accounts and audits reports and makes suitable recommendations to the Corporation and its Standing Committee. Even in matters relating to the condition of service, pay scales, recruitment, superannuation benefits, etc., of the officials and staff of the ESIC, the workers' representatives have actively been associated and they have been nominated as members of various committees set up from time to time, like the Job Evaluation Committee, Pay Committees, Career Development Committee, Provident Fund Administration Committee, etc. In June 1963, the Government of India had appointed an ESIS Review Committee to review the working of the Scheme and to recommend modifications and changes in the structure and organisation of the Corporation to ensure more satisfactory functioning of the Scheme. This Committee included members representing the all-India organisation of workers. The Review Committee made several recommendations on different aspects of the working of the Scheme including future plans for extension of the Scheme and statutory changes to bring about improvements in the working and in the benefits, as also structural changes in the organisation at the central, regional and local levels. In 1972, the Corporation appointed a Perspective Planning Committee consisting of representatives of the workers, employers and the Central and State Government officials, to work out a viable programme of phased extension of the Scheme supported by perspective planning in respect of ways and means, and a plan for providing medical benefit of a uniform standard including hospitalisation for insured persons and their families, in all areas and other matters relating to the administration and financing of the Scheme. The Committee had recommended a five-year perspective plan for phased extension to new classes of establishments and the manner of financing of the Scheme to provide enhanced benefits and comprehensive medical benefits of a uniform standard in all areas throughout the country.

33. From the foregoing, it will be discerned that the participation of the workers has been adequately provided for in law as well as in practice in all matters relating to the planning and administration of the ESI Scheme, from the apex to the grassroots level. The idea of such participation is to create closer interest and involvement amongst the workers who are the main beneficiaries of the Scheme and to make them responsible for its smooth and efficient working to their utmost advantage. Apart from statutory participation, their participation and cooperation in the day-to-day operation of the Scheme is

usually to be found in the form of suggestions for improvements and also making available of useful information to the organisation for better enforcement of the law and the Scheme. There is little doubt that in the working of a Scheme as vast and as far-flung as the ESI in a vast country like India, the workers' participation at the regional and local levels can make a very positive contribution. These representatives are much closer to the beneficiaries than the Corporation itself or its administrative apparatus and they can, therefore, have a better feel of the actual operation of various aspects of the working of the Scheme, the difficulties experienced by insured persons, employers, doctors, and others connected with the operation of the Scheme, the requirements of a region or a centre as regards extension of the Scheme, the availability of various facilities that are needed for the Scheme and so on. Some of the important areas where the trade union officials/workers' representatives can particularly assist the institution are in educating the workers to accept the Scheme as their own and in assisting the institution in the coverage of employers/establishments who may have escaped coverage — more particularly since the Scheme is in the process of extension to cover smaller employers/establishments. There is also scope for their greater assistance in preventing excessive or lax certification and abuse of the facilities and benefits provided by the Scheme.



## APPENDIX

### CONTRIBUTION AND BENEFITS UNDER THE ESI SCHEME

- I. **CONTRIBUTIONS:** Employee's and Employer's Contributions payable as per Table below:

*Employee's Contribution:* About 2.17% of wages.

*Employer's Contribution:* About 4.35% of wages.

TABLE

<i>Group of employees whose average daily wages are</i>	<i>Employees' weekly contribution (recoverable from employees)</i>	<i>Employers' weekly contribution</i>	<i>Total weekly contribution (employees' and employers' contribution)</i>	<i>Corresponding daily standard benefit rate</i>
1	2	3	4	5
	Paise	Paise	Paise	Paise
1. Below Rs. 2	Nil	75	75	100
2. Rs. 2 and above but below Rs. 3	40	80	120	130
3. Rs. 3 and above but below Rs. 4	50	100	150	175
4. Rs. 4 and above but below Rs. 6	70	140	210	250
5. Rs. 6 and above but below Rs. 8	95	190	285	350
6. Rs. 8 and above but below Rs. 12	125	250	375	500
7. Rs. 12 and above but below Rs. 16	175	350	525	700
8. Rs. 16 and above but below Rs. 24	275	550	825	1,000
9. Rs. 24 and above	375	750	1,125	1,500

*Government Contribution:* State Government's share 12.5% of medical care expenditure

## II. *BENEFITS:*

### A — *Cash Benefits:*

#### (1) *Sickness Benefit:*

- Eligibility:* Minimum 13 weekly contributions in corresponding contribution period of 25-27 weeks' duration; in the case of first benefit period, for not less than half the number of weeks in the corresponding contribution period.
- Rate:* Daily Standard Benefit Rate as in Col. 5 of Table above about 50% of wages.
- Duration:* 91 days in any two consecutive benefit periods each of 25-27 weeks duration i.e. during a period of one year.
- Waiting Period:* Two days except in case of a spell of sickness following at an interval of not more than 15 days the spell of sickness for which benefit was last paid.

#### (2) *Extended sickness Benefit:* For 22 specified long-term and chronic diseases.

- Eligibility:* (a) Continuous employment for a period of 2 years or more in a factory/establishment to which the Act applies; and
- (b) Insured Person has exhausted ordinary Sickness Benefit due up to 91 days or is ineligible to sickness benefit.
- Rate:* 25% more than the standard benefit rate i.e. about 62.5% of wages.
- Duration:* 124 days extendable to 309 days.

#### (3) *Enhanced Sickness Benefit:* For undergoing sterilisation operations for Family Welfare Planning.

- Eligibility:* Same as for Sickness Benefit.
- Rate:* Twice the Daily Standard Benefit rate i.e. about full wages.
- Duration:* 7 days for vasectomy and 14 days for tubectomy, extendable in cases of post-operative complications etc. No waiting period.

#### (4) *Maternity Benefit:*

- Eligibility:* Minimum 13 weekly contributions in the

corresponding contribution period; in the case of first benefit period, for not less than half the number of weeks in the corresponding contribution period.

*Rate:* Twice the Daily Standard Benefit rate i.e. about full wages.

*Duration:* For confinement, 12 weeks of which not more than 6 weeks shall precede the expected date of confinement for miscarriage, 6 weeks immediately following the date of miscarriage.

Benefit also payable for additional one month for sickness arising out of pregnancy, confinement, premature birth of child or miscarriage.

(5) *Disablement Benefit:\*\**

*Eligibility:* Employment injury should be sustained as an employee under the Act:

Temporary disablement should last for not less than 3 days excluding the day of accident.

*Rate:* 25% more than the daily standard benefit rate i.e. about 62.5% of wages (full rate).

Disablement Benefit payable at full rate for temporary disablement and permanent total disablement, and at such percentage of full rate as is proportionate to the loss of earning capacity in case of permanent partial disablement.

*Duration:* For as long as disablement lasts.

(6) *Dependants' Benefit:\*\**

*Eligibility:* Employment injury resulting in death should be sustained as an employee under the Act.

*Rate:* 25% more than the daily standard benefit rate i.e. about 62.5% of wages (full rate).

*Dependant Eligible:* (a) Widow during life or until remarriage at  $\frac{3}{5}$ th of full rate;

(b) To each legitimate or adopted son or unmarried daughter up to 18 years of age or until marriage if earlier in case of daughter, at  $\frac{2}{5}$ th of full rate.

In case, son or unmarried daughter is infirm or invalid, payable for as long as infirmity lasts.

- (c) In the absence of first category dependants at (a) and (b), benefit is payable to second category dependent e.g. parents, grandparents, other dependants etc.

(7) *Funeral Benefit:*  
(Lump sum)

*Eligibility:* Should be an insured person at the time of death.

*Amount:* Actual expenditure incurred on funeral of deceased insured person, subject to a maximum of Rs. 100.

(8) *Medical Benefit:*  
(in kind)

*Eligibility:* Should be an insured person;

Medical Benefit consists of free medical attendance and treatment for insured persons and their families and includes out-door medical care, specialists care, radiological, pathological and laboratory investigations, maternity medical services including ante-natal and post-natal care, in-patient treatment, provision of drugs and dressings; free supply of artificial limbs, dentures, spectacles, artificial eye, spinal supports, cervical collars, crutches, walking callipers, surgical boots, cardiac pacemakers, dialysis and kidney transplantation, etc.

*Duration:* From the day of entry in insurable employment for as long as he continues to be in insurable employment or for as long as he is qualified to claim sickness benefit, maternity benefit or temporary disablement benefit; free insurance period, up to about 12 months is provided after a person has been in insurable employment for 13 weeks or more; in case of specified long-term and chronic diseases, title to modified benefit is extended for another 12 months from the date from which he would otherwise cease to be entitled to it.

---

\*\* Permanent Disablement and Dependants Benefits Pensions sanctions in cases of permanent disablement or death of an insured person where such disablement or death occurred on or before 31.3.1975, have been enhanced to compensate for increase in cost of living, to the extent of 20% where such cases occurred on or before 31.3.1974 and to the extent of 10% where such cases occurred between 1.4.1974 to 31.3.1975.

## THE WORKING OF THE EMPLOYEES' PROVIDENT FUND AND OTHER STATUTORY PROVIDENT FUND SCHEMES IN INDIA, WITH SPECIAL REFERENCE TO THE ROLE OF WORKERS' REPRESENTATIVES IN THE PLANNING AND IMPLEMENTATION OF SUCH SCHEMES

*by*

C. Lal\*

“From a mole-hill to a mountain” — that would aptly sum up the tremendous growth registered by the Employees’ Provident Fund Organisation in India. With a very modest beginning of administration of one Scheme, viz., the Employees’ Provident Fund Scheme, and coverage of the industrial workers in only six industries in 1952, the Organisation has now become one of the foremost social security institutions administering at present three schemes, viz., the Employees’ Provident Fund, the Employees’ Family Pension and the Employees’ Deposit-Linked Insurance Schemes and with over 84,000 factories and other establishments engaged in 155 industries and classes of establishments, and with nearly 10 million beneficiaries under its purview.

Before dealing with the achievements, the problems and the future plans of this Organisation, it would be better, for proper appreciation, to indicate how the Employees’ Provident Fund Scheme came to be introduced and how this big organisation came into the arena of social security administration.

After Independence in 1947, the need for achieving social welfare found articulation in our country’s Constitution. However, the vast dimensions of the country, its huge population and the inadequate earnings of the labour class stood in the way of introducing a comprehensive all-embracing contributory provident fund scheme. The Government could not also accept and assume any financial liability, as whatever limited resources a developing country like India could find, were needed for development purposes and nation-building. Further, the constant growth of population, rising cost of living, adverse balance of international trade and the burden of debit repayment, in the early post-Independence period, had already caused enough strain on the financial resources of the Government to make it well nigh impossible for it to finance a provident fund scheme. The enormity of the problem may be seen from the simple fact that we have at present a population of about 650 million,

---

\* Central Commissioner, Employees’ Provident Fund. The views expressed are of the author and are not necessarily those of the Employees’ Provident Fund Organisation of the Government of India.

one-third of which is the working population. The Government had, therefore, to evolve a scheme of provident fund, requiring contributions to be paid by the employers and their employees without any financial liability to the Government. The Scheme was formulated to ensure a sense of pride and satisfaction to the employees and the employers over their active participation in the scheme of social security and also to cultivate among the workers a spirit of saving some amount regularly, providing huge financial resources to the Government, necessary for nation-building.

While provident fund schemes were existing in some Government industrial establishments and in some establishments of enlightened employers, the first legislative measure to cover industrial workers after Independence was the Coal Mines Provident Funds and Bonus Schemes Act, 1948, for the benefit of the workers in the Coal Mines. In the initial stages, this Act ran into opposition from the employers, whose plea was based on the additional financial liability involved in it. Some workers also mistakenly considered the deduction of provident fund dues to be a compulsory levy. All these misgivings were, however, soon dispelled and the scheme got off to a good start. Simultaneously, a State-administered Health Insurance Scheme to cover the employees in industrial establishments, using power and employing 20 or more persons, was also introduced to provide, besides medical treatment, cash benefits in the event of disablement due to sickness and accidents, maternity benefit, etc. Therein also it introduced the contributory principle to cover these contingencies.

The success of the contributory provident fund scheme for the coal mines workers led to the demand for the institution of similar contributory provident fund schemes for the other organised sections of industrial workers also. The Government also recognised the need to widen the net of this social security scheme to gradually cover all organised workers in the country, irrespective of their work place.

The Government had to frame and institute separate contributory provident fund schemes for the benefit of the workers in tea plantations in the State of Assam, the seamen and the workers in the other industrial and commercial sectors, as the needs differed considerably from one group to another, from one occupation to another and from one region of the country to another.

### **EMPLOYEES' PROVIDENT FUND SCHEME**

For the benefit of the employees in the industrial sector in India, the Employees' Provident Fund Scheme was introduced by the Government in 1952, providing contributory benefits, initially to the workers in factories engaged in 6 major industries, employing 50 or more persons, getting a monthly salary of up to Rs. 300.

The Employees' Provident Fund Scheme could not, however, be extended to the workers in all the industries straightaway, as in a developing country like India, where the State was not in a position to assume any financial liability, the capacity of the employers to bear this additional burden of contribution to the provident fund and the preparedness — mental as well as financial — of the workers to pay their shares of contributions were two important factors to be reckoned with. The Government could not even bear the expenses of administering the Scheme, and the employers had, therefore, to be called upon to pay additional amounts towards the cost of administering it. The extension of the Employees' Provident Fund Scheme, therefore, had to be gradual in stages. At present, the scheme applies to over 84,000 establishments, engaged in 155 specified industries and classes of establishments and with nearly 10 million employees in receipt of a monthly salary of up to Rs. 1,600.

### **EMPLOYEES' FAMILY PENSION SCHEME**

The Employees' Provident Fund Scheme was originally extended to provide the workers or their dependants with lump sum payments on the occurrence of the contingencies of invalidity, death or retirement. However, experience showed that a majority of the workers and their dependants frittered away the lump sum payments they received under this Scheme and became destitute.

The Government, therefore, decided that the Employees' Provident Fund Scheme would have to be partly converted into a pension scheme, within its own framework and without extra liability on the employers and the workers, so that it would make it possible for the families of the industrial workers who die in harness to receive a constant monthly income.

The Employees' Family Pension Scheme was, therefore, introduced by the Government in 1971 as a supplementary to the Employees' Provident Fund Scheme, with limited State participation. It was a small beginning towards State participation, by a financially hard-pressed and developing nation. Under this Family Pension Scheme, there is no additional contribution towards the Family Pension Fund — either by the workers or their employers — but a small portion from out of their respective provident fund contributions is set apart towards the Family Pension Fund, wherefrom certain additional benefits are payable to the covered workers or their dependents. The Government not only pays an equal share of contribution to the Family Pension Fund, but also bears the entire expenses on its administration.

Membership under the Family Pension Scheme has been made compulsory for all new provident fund subscribers, from 1 March 1971. The membership under this Scheme is, at present, over 4.5 million, out of the nearly 10 million membership under the Provident Fund Scheme.

Unlike the Provident Fund Scheme, which provides for a one-time lump sum payment, the Family Pension Scheme provides for a recurring payment in the form of a monthly pension to the family of a deceased member. The monthly pension is given to the widow or the widower, as the case may be, to the minor son till he attains the age of 18 years and to the minor unmarried daughter till she attains the age of 21 years or gets married — one at a time and in that order. In addition, a lump sum payment up to a maximum of Rs. 1,000 is paid to the beneficiary immediately after the death of the member to meet the immediate expenses. The Family Pension Scheme also provides for the payment of Retirement Benefits to the member on his attaining 60 years of age, and for the payment of a withdrawal benefit, on cessation of one's membership.

### **ANOTHER STEP FORWARD — EMPLOYEES' DEPOSIT-LINKED INSURANCE SCHEME**

Prompted by a desire to further improve the quality of social protection, the Government introduced yet another scheme in 1976 called the Employees' Deposit-Linked Insurance Scheme, to be administered by the Employees' Provident Fund Organisation. All the subscribers to the provident fund schemes are covered by this Deposit-Linked Insurance Scheme. Under this Scheme, in the event of the death of a provident fund subscriber while in service, the person receiving his provident fund amount will receive an additional amount equal to the average of the provident fund accumulations during the last three years immediately preceding the death, subject to a maximum of Rs. 10,000. The intention of this Scheme is not only to act as an incentive for the worker to save, but also to discourage frequent withdrawals from his provident fund, as such withdrawals may disentitle him from getting the additional benefit linked to his provident fund deposit or may reduce the quantum of this additional benefit. A feature of the Scheme is that there is no contribution by the subscriber, but the employers and the Government contribute towards the deposit-linked Insurance Fund and also bear the administrative expenses.

### **EMPLOYEES' PROVIDENT FUND ORGANISATION**

In the prevailing economic conditions in India, the Employees' Provident Fund Organisation has been an effective instrument for the Government in marshalling large amounts of financial resources for the economic development of the country. The Organisation has also played a vital role in cultivating among the workers a tendency to save regularly for the future and to be self-reliant, and in encouraging the stabilisation of a steady labour force in industrial centres. The workers have been made aware of the need for saving and of the benefits that would accrue as a result. Voluntary contributions at more than the statutory rates are encouraged and accepted into the provident fund.



Creation of savings and their mobilisation and canalisation into investable funds are the two vital stages in capital formation, which has been quite essential in a developing country like ours. Further, these savings have considerably helped to curb the inflationary trends prevailing in India. At the end of September 1978, the Organisation had collected provident fund contributions to the extent of Rupees fifty-four thousand six hundred and sixty-four million (Rs.54,664,000,000), out of which a sum of Rupees forty-five thousand, three hundred and ninety-three million (Rs.45,393,000,000) has been invested for development, after making the payments towards settlements and advances. In addition, a sum of Rupees four hundred and thirty-eight million (Rs.438,000,000) has been collected towards the Deposit-Linked Insurance Fund and a sum of about Rupees four hundred and forty-two million (including interest earned) (Rs.442,000,000) has been invested in securities. Further, a sum of about Rupees one thousand, three hundred and thirty million (Rs. 1,330,000,000) has been collected towards the Family Pension Fund contributions, which has been kept in deposit with the Central Government in the Public Account.

### **PATTERN OF INVESTMENT**

It is from the income from investments that the Employees' Provident Fund has had to support itself ever since its inception, as there has been no Government subsidy whatsoever. The pattern of investment has, therefore, to be so fixed as to get maximum yield in the minimum possible time and has also to be reviewed periodically. The pattern of investment has been progressively liberalised to ensure higher earnings on investments to enable payment of a higher rate of interest to the subscribers.

### **WITHDRAWALS BY SUBSCRIBERS**

Withdrawals from the provident fund on flimsy grounds are discouraged, as it may tend to increase the money supply in circulation. Advances are, however, granted to the subscribers for acquiring certain assets like dwelling house, dwelling site, life insurance policy, etc. Sickness advances are also granted from out of the provident fund, but only after the benefits under the Employees' State Insurance Scheme have been exhausted, the intention being that a worker should not get two benefits from two different sources for the same purpose. Advances from the provident fund are also granted as a measure of relief in the event of closure of an establishment resulting in forced temporary unemployment.

### **RESPONSIBILITIES OF EMPLOYERS**

The employers have been made aware of their share of responsibilities in keeping the labour force contented, which alone can build up a sound and

prosperous nation. Any attempt on their part to misutilise or default the provident fund amounts is thwarted by appropriate penal action, that includes compulsory imprisonment, not only under the Employees' Provident Fund and Miscellaneous Provisions Act but also under another enactment, viz., the Indian Penal Code. Late payments attract collection of damages up to cent per cent of the amounts paid late, to act as a deterrent.

### **PROBLEMS FACED BY THE ORGANISATION**

The immediate problems confronting the Employees' Provident Fund Organisation are the realisation of the accumulated arrears of provident fund amounts from defaulting employers, the prompt settlement of the accounts of outgoing members, the issue of accurate and up-to-date statements of provident fund accounts and the adequacy of the return on provident fund savings.

### **ACTION TAKEN**

It has been possible for the Employees' Provident Fund Organisation to bring down the percentage of the amount in default to the receipt of contributions from 2 per cent to 1.1 per cent, through a systematic recovery process and by invoking the penal provisions of the statute in time and with good effect. It has been made obligatory for the employers to produce a provident fund clearance certificate, if they desire to have certain services, rights and privileges from Banks. The employers are also required to keep their employees and their representatives informed about the payment of the statutory dues every month. For its part, the Employees' Provident Fund Organisation also keeps the Central Board, the Regional Committees, the employees and their representatives periodically informed about the defaults committed by the employers and the action taken to pull up the erring employers. In any event, the outgoing workers are not made to suffer and in the case of default by their employer, is paid back to the workers, at the time of settlement, from a Special Reserve Fund. A Death Relief Fund has also been set up in order to afford financial assistance to the nominees/heirs of deceased members of the Employees' Provident Fund, whose monthly pay did not exceed Rs. 500 at the time of their death, so that a minimum lump sum of Rs. 500 was assured to the nominees/heirs. This minimum assistance was subsequently raised to Rs. 750 and quite recently to Rs. 1,000.

Mechanisation of the maintenance of accounts has also been considered and introduced in one of the regions, but in view of the cost factor and the inadequate employment opportunities prevailing in India, the proposal is not being pursued further for the time being. There has been a persistent demand from the workers that they should have a permanent record with them, in the form of a Pass Book, to indicate the provident fund amounts to their credit at

any point of time. This demand has been conceded to and a system of Pass Book folders is shortly to be introduced in a phased manner.

The pattern of investment has been reviewed and liberalised from time to time to yield a better return with a view to affording a better rate of interest on the workers' provident fund accumulations. The rate of interest to be credited on the provident fund for the current financial year 1978-79 is 8.25 per cent as against the 3 per cent rate at the commencement of the Scheme. In addition, the workers will earn additional interest, by way of bonus, for the current year at  $\frac{1}{2}$  per cent if they have not withdrawn any amount from their provident fund in the immediately preceding two years.

### **WORKERS' PARTICIPATION**

The need for workers' participation in any social security administration has been recognised, and at the national level, in the Central Board of Trustees which administers the three Schemes of Employees' Provident Fund, Family Pension Fund and the Deposit-Linked Insurance Fund, the Government, the employers and the workers are all represented.

The main functions of the Central Board, a tripartite body, are to issue such directions to employers as may be necessary for the proper implementation of the schemes and to recommend to the Central Government on matters regarding the extension of the Act, the rates of contribution, the eligibility for membership, etc., and to ensure proper accounting of the contributions received and their investment, prompt settlement of accounts, prompt issue of statements of members' accounts, etc.

There are, at present, 33 members on the Board, with a Chairman appointed by the Central Government, twenty persons appointed by the Central Government from amongst its officials and those of the State Governments, six persons representing employers of the establishments covered under the Act and six persons representing employees in the covered establishments. The Board is a body corporate, having perpetual succession.

At the State level, Regional Committees have been set up for all the States by the Central Government to function under the control of the Central Board. As in the Central Board, in the Regional Committees also not only the Government but also the employers and the workers are represented. There are 9 members in a Regional Committee with a Chairman and two other persons appointed by the Central Government from amongst the State Government officials, 3 persons representing the employers of covered establishments in the State and 3 persons representing the employees in the covered establishments in the State.

The Regional Committee advises the Central Board on such matters as the Central Board may refer to it and on all matters connected with the progress of recovery of the statutory dues, expeditious disposal of prosecutions, speedy settlement of claims, annual rendering of accounts to the beneficiaries and speedy sanction of advances.

The Central Board of Trustees coordinates the activities of the various Regional Committees and builds up inter-relationships between the various interested organisations, taking the welfare of the workers as the prime factor and for this purpose the Central Board meets periodically. The deliberations of the Central Board help the Trustees assess the effectiveness and shortcomings of the various measures.

The Central Board of Trustees, charged with the responsibility of proper administration of the Schemes, has to its credit several important decisions that were accepted by the Government. It is noteworthy that almost all the decisions were unanimous, stemming out of the Trustees' desire for maximum social protection, notwithstanding certain sacrifices on the part of the employers or the employees.

A large number of important matters, most of which involved amendments to the statute have been considered in 17 meetings held during the last five years. A few of the important decisions are detailed below:

1. Extension of the benefits to establishments employing less than 20 persons.
2. Enhancement of the rates of contributions.
3. Extension of the Act to establishments from the very date of their set up.
4. Eligibility of provident fund membership from the very date of appointment, without any qualifying period of service.
5. Liberalisation and further enhancement of the existing terminal benefits under the three Schemes.
6. Setting up an independent recovery machinery for the Organisation, for the speedy recovery of the arrears from the defaulting employers.
7. Review of the investment pattern periodically and suggesting measures for further liberalisation.
8. Declaration of the rate of interest to be credited to the members' accounts every year.
9. Operation of the Reserve and Forfeiture Account, the Special Reserve Fund and the Death Relief Fund.
10. Payment of provident fund in respect of deceased members, without insisting on an Estate Duty Clearance Certificate, to eliminate hardships.

11. Opening of Sub-Regional Offices.
12. Setting up of a Joint Consultative Machinery for the employees of the Organisation.

While some of these recommendations have been implemented, others are under process.

In majority of these vital decisions, the matters were brought up for consideration by the workers' representatives. Their participation and contribution in the discussions and decision-making have been considerable.

### **ADMINISTRATIVE SET-UP**

The Central Provident Fund Commissioner is the Chief Executive Officer and Secretary to the Central Board of Trustees. In the Headquarters Office of the Organisation, the Central Commissioner is assisted by a Financial Adviser and Chief Accounts Officer, a Director of Personnel and Training, senior Regional and Assistant Commissioners and Accounts Officers and a Special Squad of Inspectors, and other staff. In the Regions, of which there are 15 now, he is assisted by 15 Regional Provident Fund Commissioners and Assistant Commissioners, Accounts Officers, Inspectors and other staff.

The Organisation has identified and registered the employers of coverable establishments, given distinct identity to each and every employee, formulated enforcement procedures for non-compliance, set up enforcement machineries formulated accounting systems, etc.

### **POLICY OF DECENTRALISATION**

Social security coverage has widened to such an extent that it has become increasingly necessary to bring the services of the offices of the organisation within the easy reach of the beneficiaries with a view to providing better, efficient and speedy service to the beneficiaries. A policy of further decentralisation within the Organisation has been followed successfully, and Sub-Regional Offices have been opened in thirteen centres with concentration of industries and labour force.

### **PUBLIC RELATIONS**

The manner in which the feelings of the public are understood and taken into consideration by the administration of social security schemes is most important, and the Employees' Provident Fund Organisation has accordingly strengthened its public relations wing to guide the workers as well as the employers in the proper performance of their respective duties.

To supplement these efforts, the media of the press, radio and television has also been utilised to explain in simpler terms in the regional languages, the salient features of the Schemes, the benefits arising therefrom, etc. Brochures explaining the salient features of the three Schemes are prepared in English and Hindi, as well as in the Regional languages, for circulation to the beneficiaries.

## **FUTURE PLANS**

In taking a snapshot of the progress during these years, together with the various paths that led to that progress over these years, one feels obliged also to look towards the future and to see what plans the Employees' Provident Fund Organisation has.

The Scheme administered by the Organisation has now been extended to 155 industries/classes of establishments, with nearly ten million workers in over 84,000 factories and other establishments enjoying the provident fund and the other supplementary benefits. The collection and also the accounting of a huge sum of about Rs.56,500 million under the three Schemes, spread over a period of about 26 years till now has not been an easy job. With the aim of enlarging the range of these benefits, the monthly salary limit for compulsory coverage under the Schemes was raised from Rs. 300 to Rs. 500 — subsequently to Rs. 1,000 — and recently to Rs. 1,600. The minimum number of employees required for compulsory coverage was lowered from 50 to 20, and a proposal to further bring it down to 10 is under Government consideration. The ultimate aim is to extend the social security benefits to the entire working class, from the very date of their employment, in their establishments, from the very date of their set-up. The initial rate of provident fund contributions by the employers and also by the workers was 6¼ per cent of the salary. This rate was enhanced to 8 per cent in respect of about 90 out of the 155 industries covered under the Scheme so far. A proposal to further enhance these rates of provident fund contributions is also under Government consideration. The qualifying period of service for a worker to become entitled to provident fund membership was reduced from one year's continuous service, or 240 working days, to 6 months continuous service or 120 working days. There has been a demand to completely dispense with the salary/ceiling, the qualifying period of service for compulsory membership and also the infancy protection now allowed to newly set-up establishments, but any such move will very much depend on the capacity of the employers, who will be required to make certain additional contributions.

## **COVERAGE OF UNORGANISED LABOUR FORCE**

So far, the provident fund benefits remain largely the privilege of the organised labour class, and the unorganised labour force, particularly the agri-

cultural labour, which does not possess the same bargaining power, has yet to taste these social security benefits. India, being predominantly an agricultural country, the number of such unorganised labour is considered comprehensive or complete, if it leaves out a major portion of such a labour class. In India, the to such a labour force, the Employees' Provident Fund Scheme was made applicable to agricultural farms and fruit orchards in 1974. The Employees' Provident Fund Organisation cannot, however, tackle this matter, single-handed, unless the other enactments relating to the fixation of a minimum wage, the working conditions, etc., are first made applicable to this organised labour class. Fund Organisation cannot, however, tackle this matter, single-handed, unless the other enactments relating to the fixation of a minimum wage, the working conditions, etc., are first made applicable to these unorganised labour class. The system of payment of wages mostly in kind, the absence of proper records of payment, etc. may be some obstacles in the way of introducing a comprehensive, nation-wide social security scheme exclusively for the agricultural workers or of bringing the agricultural workers under the fold of the existing social security schemes. For eliminating or minimising these problems, it is felt that any provident fund scheme for these workers should be on a decentralised basis, at every State level. One of the States, the State of Kerala, has taken a lead in this direction, and has enacted in 1974 the Kerala Agricultural Workers Act, providing for the institution of a provident fund for the agricultural workers. Depending on the success of this State legislation and the progress in its implementation, the feasibility of a comprehensive Central Scheme can be examined.

## **REVIEW OF THE VARIOUS BENEFITS**

The benefits under the three Schemes, administered by the Employees' Provident Fund Organisation, are under constant review from time to time as with the passage of time, the benefits have become inadequate or the procedure of withdrawals have become cumbersome. Proposals for the simplification of the procedures for calculation of the various benefits and also for their liberalisation and enhancement are under active consideration.

## **THE COAL MINES PROVIDENT FUND AND MISCELLANEOUS PROVISIONS ACT 1948 AND THE SCHEMES FRAMED THEREUNDER**

The Coal Mines Provident Funds Scheme, 1948, was the first concrete step towards a sound social security base for the coal miners working in the dark bowels of the earth. Two other schemes, viz., the Coal Mines Family Pension Scheme and the Coal Mines Deposit-Linked Insurance Scheme, have also since been brought within its compass to make it more broad-based.

These Schemes are at present applicable to nearly 6.7 lakh workers

in over 900 coal mines/ancillary organisations and offer benefits, almost identical to those offered by the Schemes administered by the Employees' Provident Fund Organisation.

As in the case of the Employees' Provident Fund Organisation, the three Schemes, framed under the Coal Mines Provident Fund and Miscellaneous Provisions Act, are also administered by a tripartite body, known as the Board of Trustees, consisting at present of a Chairman and 10 persons appointed by the Central Government, from amongst the officials of the Central and State Governments, six persons representing the employers and six persons representing the employees.

The Board of Trustees advises the Central Government on various administrative and financial matters, and looks into matters relating to the working of the three Schemes.

In order to ensure better liaison between the management and the beneficiaries on the one hand and the Coal Mines Provident Fund Offices on the other, Regional Committees have been set up in each of the eight Regional Offices, with the Regional Commissioner as the Chairman and the Employers' and Employees' representatives as members. These Regional Committees generally concern themselves with matters relating to settlement of claims, under the three Schemes and such other matters as may lead to simplification of work methods, with a view to rendering quicker and more efficient service to the worker-members.

#### **ASSAM TEA PLANTATION PROVIDENT FUND (AND PENSION FUND) SCHEME ACT, 1955**

The Assam Tea Plantations Provident Fund and Pension Fund Scheme applies to all tea plantations in Assam. It is administered by a Board of Trustees, which is constituted by the State Government of Assam. It consists of the State Labour Minister, as the Chairman, six persons, nominated by the Government from amongst the officials of the State Government, four persons representing employees and four persons representing employers, to be nominated by the State Government.

From amongst the Trustees, an Executive Committee and an Investment Committee are constituted. The Executive Committee administers the affairs of the fund and takes such steps and incurs such expenditure as may be necessary for efficient administration of the Fund. The Investment Committee decides the manner of investment of the Fund.



Further, a Primary Committee to advise the Board of Trustees is constituted by the Board itself, in each Tea Plantation, and it consists of two representatives of the employer of the Plantation and two nominees of the members, to be appointed by the Board of Trustees.

### CONCLUSION

With the passage of time and particularly owing to the entrustment to the Employees' Provident Fund Organisation of diversified social security schemes, it has become necessary to further streamline the procedures, so that the benefits reach the proper persons at the proper time and in the proper manner. The Organisation has the satisfaction of having contributed positively and substantially to the well-being of a substantial section of the labour force in the country.

The quality of the individual service and the social function of any institution depend essentially on the opportunity given to each institution to associate its public in efforts to find the best solutions which concern it. No doubt, in the administration of the social security schemes in India, this principle has already been adopted and the employers as well as the employees are members of the Central Board of Trustees, EPF, which administers three Social Security Schemes, and of the Regional Committees, which are the advisory bodies at the State level.

**EVOLUTION AND DEVELOPMENT OF NATIONAL SOCIAL  
SECURITY POLICY IN INDIA, WITH SPECIAL  
REFERENCE TO THE CONTRIBUTION OF  
TRADE UNIONS**

*by*

C.R. Nair\*

**I. INTRODUCTION**

1. The concept of social security is nothing new, though its trappings and refinement in an industrial setting are of comparatively recent origin. Man's urge to live in peace and security with his environment is as old as mankind itself. But the instruments that the society fashioned to provide satisfaction, never complete, varied from age to age, depending on its own mores and precepts and the level of its advancement. Besides, other crucial factors counted, for instance, the cause and nature of insecurity, the social awakening and the political sensitivity at a particular period of time.

2. The progress of science and technology starting with the Industrial Revolution, has indeed benefited mankind. But industrialisation, in its wake, brought in new ethos, and altered radically the working and living conditions of the many in employment. It gave rise to new and complex problems for them, whether employed in agriculture or commerce or industry or in any other sphere of economic activity. The problems that came up in an aggravated form included loss or diminution in earnings resulting from sickness, maternity, employment injury, occupational disease, unemployment and under-employment, invalidity, destitution, old-age, and death. The age old problem of sickness, its care and prevention, also assumed new dimensions.

3. Factors such as these constituted economic and social distress to the persons involved and came to be increasingly felt by them with the passage of time. No longer for them was the protection that a close-knit family or community provided. Trade unionism was yet to take roots and, where existed, was met with hostility. The policy of laissez faire followed by the State operated in favour of employers, the stronger party, when their interests clashed with the rights of the workers. The workers, specially in industries, were largely reduced to the level of wage-slaves and, torn asunder from their age-old moorings, they were left to fend for themselves in unfamiliar and inhospitable

---

\* Deputy Secretary, Ministry of Labour, Government of India, New Delhi. The views expressed in this paper are personal and not necessarily those of the Government.

surroundings where the norms and values that prevailed, in fact almost everything, were of a different vintage.

4. This was the situation faced by the workers all over the world as industrialisation proceeded. No society could have ignored them, for the social and the economic costs involved were considerable. Protective measures, therefore, came to be evolved, which varied from country to country and time to time.

5. The present Paper gives a historical perspective of such measures undertaken in India, a country with a vast geographical area of 3.27 million square kilometers and a population of more than six hundred million, with immense natural resources and big potentialities for development. A country which, in the eighteenth century, was a great manufacturing as well as a great agricultural country, and yet, towards the close of the nineteenth century, found herself greatly impoverished under years of foreign domination, the fibres and foundations of her society destroyed, her village economy ruined, agriculture paralysed and industrial growth thwarted.

6. Industrialisation, in its modern sense, had its beginnings in India in the latter half of the nineteenth century. In tracing the evolution and development of national social security policies in the country, as is now commonly understood, this could well be a starting point. The period thereafter was an epoch-making one, culminating a century later in the independence of the country and the establishment of a democratic social welfare State. For the purpose of this review, it would be appropriate to divide this period into three phases, each with its own distinguishable features, as discussed in the three Parts that follow.

## II. THE YEARS BETWEEN 1850 AND THE FIRST WORLD WAR

7. Towards the end of the nineteenth century, the first phase of the industrialisation of the Western world was nearing completion. The exploitation of the newly evolved technology, based primarily on coal and steam, led to a tremendous expansion of heavy industry in these countries. But this had an opposite effect so far as India was concerned. She turned to be an indispensable hinterland for supply of raw materials to the British industries. The age-old patterns of her agricultural economy were broken up and her village crafts and industries exposed to the withering competition of manufactured goods from outside. Legal and property relations came to be evolved that were attuned to the needs of a market economy patterned on the Western model, and the administrative institutions, required for their enforcement, firmly established. These were to have a profound effect in the development of the country in the years to come, in terms of agriculture, industry and also social services. The lot of the Indian peasant grew steadily worse. The destruction of cottage industries

and the exodus of the unemployed artisans to the village led to further increase in the pressure on land. Between 1876 and 1900, there were as many as four famines which caused untold misery and private and wiped off millions of the population. Governmental policies were so formulated and enforced as to ensure that machine-industries were not developed.

8. And yet, the inevitable march of events could not be stopped. Thanks to the initiative of a few Indians, the foundations of modern industry came to be laid during this period. Among the pioneering ventures were the Bombay Spinning and Weaving Company (1851), Rally (Paper) Mill (1870) and Tata Iron and Steel Company (1907). Industrial growth, however, remained slow and hesitant. By the end of the first World War, the country had only a handful of industries, notably cotton textiles, jute mills and coal mining. Agriculture supplied bulk of the labour for these industries, poverty being the cause for their push from the village to the industrial centre, however strange and difficult the new environment may be. Where the worker retained his contact with the village, there was some kind of home to fall back upon, which provided a refuge and a measure of insurance against lean days and the fact that it existed afforded a sense of security. Not that he had an alternative occupation in the village to which he could readily turn but that the hardship caused, whether in sickness or in unemployment and in old age, was mitigated to some extent. The insurance that the village home provided was more psychological than real.

9. That in spite of this grim situation not much thought was given to the question of providing at least some minimum protection was a disquieting feature of this period. The Fatal Accident Act, 1855, was placed in the Statute book but this Act was very much limited in scope. It provided for compensation only in respect of fatal industrial accidents not caused by the negligence of the victim himself. The compensation was meagre, and seldom claimed, as the claimants had often to come from long distances. The difficulty in establishing responsibility for the accident also stood in the way of effective enforcement of the Act.

10. The reasons for this neglect are not far to seek. There was no effective organisation which could voice the grievances of the workers. Though labour protests on an organised scale were not unknown, and some social and welfare workers tried to organise labour, there was no unionisation in the real sense. The earliest labour organisation formed was the Bombay Mill Hands Association in 1890, but this association was hardly a trade union. It had no significant membership, no rules and regulations and no funds. The Indian National Congress founded in 1885, which was later to play a significant role, was not yet a mass movement.

### III. BETWEEN THE FIRST AND THE SECOND WORLD WARS

11. If the earlier period was by and large one of passivity, the period between the two World Wars was one of intense social awakening. Several significant events took place during the period which had a profound effect in the evolution of social security measures in the country and its development in subsequent years.

12. The First World War gave an impetus to the Indian industries, which also provided for an outlet for the accumulated British capital. The foreign investor got a sheltered market to spread out in and reap dividends with the help of low wages and deplorable working conditions in a country when trade unionism was not yet a force to reckon with. The consequential tariff policy of the Government helped the Indian industrialists as well. Even so, the pace of industrialisation remained inhibited and, despite the considerable fillip given by the Second World War, factory establishments accounted for only about 6.6 per cent of the total national income in 1948-49 and the total labour force engaged in them was only 2.4 million or 1.8 per cent of the working population.

13. Events, however, marched rapidly in the political field. The Indian National Congress became a mass movement and its action programme acquired a radical character. With the philosophy of nationalism, it blended an economic content, which appealed to the masses and drew to the organisation not only the urbanites but the poor peasants from the countryside in large numbers. The popular leadership urged conscious governmental action to tackle the deep-rooted problems of under-development and provided willing leaders for the country's trade union movement. The socio-economic objectives for which the organisation stood became more definite when the struggle for Independence acquired a sharper edge in the thirties. These covered aspects concerning social security as well. For instance, in the Resolution adopted in 1931 at the Karachi session of the Congress, it was resolved that "the organisation of economic life must conform to the principles of justice" and that "the State shall safe-guard the interest of the industrial workers and shall secure for them by suitable legislation and other ways . . . protection against the economic consequences of old age, sickness and unemployment."

14. On the international scene, the establishment of the International Labour Organisation (ILO) in 1919 was a major step forward. It not only compelled the Member countries to focus their attention to the specific problems faced by the workers in concrete terms, but also played a significant role *inter alia* in the evolution and promotion of social security measures in many of them, through its international standards.

15. The turbulent socio-economic environment and the political turmoil of the 1920s, coupled with the world-wide uprising of labour consciousness, facilitated the growth of trade union movement in the country. The years

following the close of the War saw the formation of a large number of organisations, which owed their origin largely to the grave economic difficulties of industrial labour. The formation of the All-India Trade Union Congress in 1920, which the emergence of the ILO in the previous year helped, marked the first recognition of the common interests of labour throughout the country. Unfortunately, the interests that got recognition were of the industrial labour, a distortion which, to a large extent, persists till this day. The enactment of the Indian Trade Unions Act in 1926 gave a stimulus to trade unionism, not so much from any right or liabilities that it created, as from the enhanced status given by the recognition of trade unions in the statute book. The number of unions registered under the Act rose steadily from 29 with a membership of 0.1 million, in 1927-28, to 2766, with a membership of 1.7 million, by 1947-48. The strength gained by the workers in their unions found expression in a large number of work stoppages during the period, whereas prior to 1918 a strike was a rare occurrence in Indian industry. By and large questions concerning wages, bonus, leave, hours of work or personnel, which were the immediate cause of distress, constituted the main ground for labour protests and not wider issues, like social security, which are largely relegated to the background even today. This is understandable in a society where the pressing problem faced by the vast mass of the labour force is one of eking out a decent living.

16. With the growth of organised trade unions, the need for consultation with them assumed importance. And such consultations did take place during the period. Legislative proposals were used to be circulated to employers' associations and labour unions by the provincial governments and their views taken into account by the latter while furnishing their replies to the Central Government for enactment of law. The views expressed either by employers or workers were independent of each other and without the benefit of each other's experience. The final reply of the provincial government contained too much of an official element in the interpretation of these views. Drawing attention to these defects, the Whitley Commission (1931)<sup>1</sup> expressed itself in favour of constitution of a statutory Industrial Council, which would enable representatives of employers, of labour and of Government (Central and Provincial) to meet regularly in conference to discuss labour measures and labour policy. It was, however, more than a decade later in 1942 that a national tripartite consultative machinery of a non-statutory character comprising the Indian Labour Conference and the Standing Labour Committee came to be evolved, to which later, from 1947 onwards, Industrial Committees were added. The contribution made by these bodies in later years in labour policy formulation and implementation has been rich indeed.

17. The Workmen's Compensation Act, 1923, was the first official measure taken, which contained in it the seeds of social security. The Act provided

---

<sup>1</sup> Report of the Royal Commission of Labour in India, pp. 446-472.

for payment of compensation by employers to workmen and their dependents in case of personal injury caused by accidents arising out of and in the course of employment and for death or disablement as a result of contracting certain occupational diseases. It is noteworthy that a measure of consultation had taken place with all interests concerned before this legislation was enacted. Proposals for a law were first published for comments by the Government in 1921, and were later considered in 1922 by a committee which included persons representing the views of workers, besides those of employers. The Act came into effect on 1st July 1924 and was amended several times subsequently. A weak feature of the Act was that it placed the entire liability for compensation on the employer, there being no obligation on his part to insure his liability. Also, it made no provision for medical care which was the greatest need of the worker when he met with an accident. Further, the system of payment of a lump sum compensation was not satisfactory as it ran the risk of the amount being frittered away in a short time. These defects were to be remedied later by the Employees' State Insurance Scheme in the establishments to which it applied.

18. Legislative recognition was also given during the period, to the need for provision of some limited maternity benefits, based on the principles of employers' responsibility, to women workers. Initiative in this regard came from the Provincial Governments, with the enactment of the Bombay Maternity Benefit Act in 1930. The general standard of life being so low, there could be little doubt that some form of maternity benefit would be of great value to the health of the woman worker and her child at a vulnerable period in the lives of both, but a legislation of all-India applicability was to come much later. The Mines Maternity Benefit Act, enacted by the Central Government in 1941, applied to women employees in mines only.

19. The inadequacies of the then existing legislations and the absence of any provision for workers during sickness were to be commented on adversely by the Whitley Commission<sup>2</sup> appointed in 1929. Noting that the incidence of sickness in the country was substantially higher than in Western countries, medical facilities much less adequate, and the wages generally paid made it impossible for most workers to get through more than a very short period of illness without borrowing, the Commission stressed that the situation called for remedial action by exploring all possible methods. Though the Government's stand was that the introduction in India of any comprehensive scheme on the lines of the 1927 ILO Conventions on sickness insurance was not practicable, the Commission suggested collection of relevant data and further studies. It even recommended, for examination, the outlines of a "tentative scheme based on separate medical provision, possibly by Government, and financial benefits in the form of paid sick leave given through employers on the basis of contribution by themselves and by the workers." But it was a decade later that the Govern-

---

2 Report of the Royal Commission of Labour in India, pp. 265-269.

ment formulated in 1942 a tentative scheme, very limited in character, of sickness insurance and it took another decade for an officially-sponsored scheme of health insurance to make a modest beginning at two centres, in February 1952 under the Employees' State Insurance Act, 1948.

#### IV. YEARS AFTER THE SECOND WORLD WAR

20. These were momentous years in the history of the nation. The country gained Independence and the problems faced by her were of a colossal magnitude. The two centuries of colonial rule, the consequences of the second World War and the problems arising from Partition had shattered the economy. But, at the helm of affairs were men of vision and courage, intensely aware of the conditions of the masses and firmly convinced of the need for their amelioration. It was not, therefore, surprising that immediately after the transfer of power to the interim Government in 1946 a programme of legislative and administrative reforms was drawn up in the shape of a blue print of labour policy — a Five Year Programme for Labour. The Programme covered social security aspects as well. To quote:

- (i) Organisation of the Health Insurance Scheme, applicable to factory workers to start with, for the provision of medical treatment and monetary relief during sickness, maternity benefits on an extended scale, medical treatment in the case of disablement and the substitution of pensions during periods of disablement and to dependents, in case of death, in place of the present lump sum payments.
- (ii) Revision of the Workmen's Compensation Act with a view to extending to other classes of workers the benefit provided for under the Health Insurance Scheme in respect of disablement and dependent benefits.
- (iii) A central law for maternity benefits to secure for other than factory workers the extended scale of benefits provided for under the Health Insurance Scheme.
- (iv) Extension to other classes of workers, of the right, within specified limits, to leave with allowance during periods of sickness.

21. The immediate task for the National Government, on assumption of office in August 1947, was the drafting of the Constitution. Among other things, the Constitution provided outlines for development of national social security policies in the country in the years to come. In the Preamble of the Constitution is enshrined the resolve of the people to secure "Justice, social, economic and political . . . ." Directive Principles of State Policy lay down, to mention those of relevance to this paper —



- (a) the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform the institutions of national life (Article 38);
- (b) the State shall, in particular, direct its policy towards securing that the citizens, men and women equally, have the right to an adequate means of livelihood [Article 39 (a)];
- (c) the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want (Article 41);
- (d) the State shall make provision for securing just and humane conditions of work and for maternity relief (Article 42);
- (e) the State shall endeavour to secure, by suitable legislation or economic reorganisation, or in any other ways, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life (Article 43);
- (f) the State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health and among its primary duties . . . . (Article 47).

22. The policies and programmes formulated by the Government, both in the Centre and in the States, were directed towards translating the ideals and objectives enshrined in the Constitution, in a phased manner. These formed the foundations of a democratic social welfare State for which the country opted.

23. A series of enabling legislation were undertaken in quick succession. A brief mention may be made of the important ones. The first and foremost was the Employees' State Insurance Act, enacted in 1948. This marked the dawn of social insurance for industrial workers and laid a sound foundation for the structure of a comprehensive social security system in India. The Scheme envisaged in the Act is compulsory, and essentially contributory, except for a very limited subsidy by the State insofar as the cost of medical care is concerned. It provides protection against sickness which has not been covered earlier, unifies maternity benefits as part of the Scheme, replaces lump sum payments of compensation by pensions for long-term benefits in the event of employment disability and places the responsibility for administration of the Scheme and liability for benefit claims on a statutory organisation, the Employees' State Insurance Corporation.

24. A beginning was made in the same year to provide for a compulsory contributory Provident Fund for coal miners by enactment of the Coal Mines

Provident Fund and Bonus Scheme Act, 1948.<sup>3</sup> This was followed by the enactment of the Employees' Provident Fund Act in 1952<sup>3</sup> to provide for the institution of a national Provident Fund for employees in factories, subsequently extended to non-factory establishments also. Under the Provident Fund Schemes framed under these Acts, members are entitled to withdraw the full amount standing at their credit in the Provident Fund account, on retirement from service or on retirement on account of permanent and total incapacity for work, or on termination of service in the case of mass or individual retrenchment. During service, advances from the provident fund account are admissible to members for financing their life insurance policies, for construction or purchase of house (which advance is non-refundable) and for certain other contingencies like illness, daughter's marriage or post-matriculation education of children. The lump sum provident fund payment was, however, inadequate to afford, on a regular basis, long-term protection to the family of deceased workers. The Coal Mines Family Pension Scheme, 1971, introduced with effect from 1 March 1971, and partly financed by Government contributions, rectified this lacuna by providing regular income, by way of pension, in such cases. The Deposit-Linked Insurance Scheme started in 1976, under both the Funds, was to provide additional benefits. On the death of an employee who is a member of the Fund, the person entitled to receive his provident fund is eligible to get, in addition, an amount equal to the average balance in the account of the deceased during the preceding three years, subject to a maximum of Rs. 10,000. A novel feature of this Scheme is that the benefits paid are out of contributions made by the employers and the Central Government and the members are not required to pay any separate contribution in this behalf.

25. The Maternity Benefit Act, 1961, fulfilled the need of an all-India legislation in place of the earlier State Acts and, on its coming into force, the Central Mines Maternity Benefit Act, 1941, which applied to mines only, stood repealed. The Act seeks to regulate the employment of women for certain periods before and after child-birth and to provide for maternity and certain other benefits to them. It applies to factories, mines and plantations and to the circus industry, besides to other establishments as are notified by the State Governments.

26. Under the Payment of Gratuity Act, which is yet another piece of social security legislation enacted in 1972, gratuity is payable to an employee on the termination of his employment on superannuation or retirement or resignation or death or disablement due to accident or disease. For every completed year of service, or part thereof in excess of six months, gratuity calculated at the rate of 15 days' wages, based on the rate of wages last drawn, is payable

---

<sup>3</sup> These Acts are now titled the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 and the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

by the employer, subject to a maximum of 20 months' wages. However, in the case of an employee employed in a seasonal establishment the employer is required to pay gratuity only at the rate of seven days' wages for each season.

27. Provisions in regard to lay-off and retrenchment compensation came to be included in the Industrial Disputes Act during this period, which also witnessed the enactment of the Plantation Labour Act in 1951. Under this Act, medical facilities for the workers and their families are to be provided and maintained in plantations by employers.

28. In a different category were certain other legislations undertaken during the period, which are largely welfare-oriented but have some elements of social security as well. There are the Mica Mines Labour Welfare Fund Act, 1946; the Coal Mines Labour Welfare Fund Act, 1947; the Iron Ore Mines Labour Welfare Cess Act, 1961; the Limestone and Dolomite Labour Welfare Fund Act, 1972; and the Beedi Workers Welfare Fund Act, 1976. The Welfare Funds for specific industries set up under these laws, to which the workers do not have to contribute, provide, among other things, medical, recreational, educational, water supply and housing facilities to the workers. Over the years, this has led to market improvements in their living conditions. The medical care made available to the workers and their dependants is free of charge.

29. What is evident from this brief review is that the period since the country gained Independence is marked not only by a proliferation of activities in the field of social security, in which the State took a leading part, but attention came to be paid to the social welfare aspects as well. This is, as it should be. For, planning for social security and for social welfare should go hand in hand if the former is to become a reality. No apology is needed for dealing with this item, separate in itself, in the next Part.

## V. ERA OF SOCIAL PLANNING

30. It is universally recognised that social planning has to go along with economic planning, though the emphasis may vary from country to country. In the ultimate analysis, economic planning is not an end in itself, but a means of achieving social objectives. The Indian leaders were fully aware of this position when, soon after Independence, the country chose the path of planned development, through successive Five-Year Plans starting from 1951. If any, their conviction has become only stronger over the years.

31. Each Plan has, therefore, been based on the principle that economic planning has to be viewed as an integral part of a wider process, aiming not merely at the development of resources in a narrow technical sense, but at the development of human facilities and the building of an institutional framework adequate to the needs and aspirations of the people. The Fifth Plan in particular

gave a high priority to the implementation of a Minimum Needs Programme (MNP) in rural areas. The MNP was primarily designed to provide basic amenities, such as education, health, nutrition and potable water supply to the backward and poorest sections of the society. The draft Plan for 1978-83 that has now been formulated is with the avowed object of increasing the welfare of millions of the poor.

32. Over the years, a host of activities have been undertaken under the broad plan strategies. The progress made whether in the field of education, health and social welfare, housing or social services, has been heartening indeed. But a lot more remains to be done in the context of a growing population which has risen from 361 million in 1951 to 548 million in 1971, adding in absolute numbers 187 million, i.e., roughly 15 times the population of a country like Australia.

33. There is no separate "social security plan" as a sectoral component of the national development plan, though a measure of social security content is in-built in the case of many sectoral programmes. The successive Plans have referred to better implementation of the social security schemes, wider coverage of employees and better social security benefits to them. The Second Plan mentioned that it needs to be examined whether the present provident fund contributions could be converted so as to form a basis for a suitable pension scheme. The Third Plan attempted to break new ground in social assistance. It emphasised that it would be desirable to make a modest beginning in respect of three groups of persons — the physically handicapped, old persons unable to work, and women and children where they were altogether lacking in the means of livelihood and support. According to the Draft Plan, 1978-83: "The Social Security measures have so far been confined to the organised sector of employment. The workers in the unorganised sector constituting over 90 per cent of the workforce, who are already in a disadvantageous position in the matter of wages and employment, have no social security protection. It is imperative that these sectors receive special attention and, towards this end, steps would be initiated during the Plan period to cover them with protective legislation wherever feasible."

34. The Planning Commission at the Centre is responsible for the formulation of the five-year and annual plans. The implementation and execution of the Plan Schemes rest with the concerned Central Ministries and the State Governments. Each Central Ministry has set up a Planning Cell for monitoring the implementation of the Plan Schemes and also for suggesting schemes for future plans. Insofar as matters in the labour fields as concerned, the Central Ministry of Labour is the focal point. The Plan Schemes of the Labour Ministry are referred by the Ministry to the Planning Commission and are examined by the Labour Division of the Planning Commission. After a detailed examination of the Plan Schemes of the different Ministries and the States in the respective

Divisions of the Planning Commission in close collaboration with the concerned Ministries, the overall Plan for the country covering the different sectors is prepared by the Planning Commission. A great deal of discussion and public debate extending to two to three years take place before the Plan takes its final shape. So far as plans in the labour fields are concerned, consultations with the employers and workers organisations also take place. Finally, only after the Parliament accords its general approval to the plan, follow-up action in regard to its execution is taken.

35. It is to be mentioned that most of the Social Security measures have remained outside the Plan Sector due to the criteria adopted for selection of Plan Schemes of a developmental nature. Generally, schemes which involve some Government contribution are included in the Plan. Only in the case of the Employees' State Insurance Corporation Scheme, under which State Governments share in the cost of medical care to insured persons and their families, Plan outlays are involved. Some Government contribution is involved, as stated earlier, in the Family Pension Scheme and the Deposit-Linked Insurance Scheme under the Coal and Employees' Provident Funds but the expenditure on these schemes is met outside the Plan budget.

## **VI. CONSULTATION WITH AND PARTICIPATION OF TRADE UNIONS**

36. No Plan can succeed without active involvement of the people for whom the planning is done. The Government has kept this aspect in the forefront, whether it is social planning, in general, or social security planning, in particular.

37. In the formulation of social security policies, the tripartite consultative machinery established in 1972, to which a reference was made earlier, has played a notable part. This includes the Indian Labour Conference and the Standing Labour Committee, at the apex, on which the central trade union organisations of an all-India character participate actively. Not only proposals for legislation but also reports on their implementation are discussed in these bodies. Their recommendations listed, by way of illustration, in the Appendix, indicate the extent and depth of such discussions and the overwhelming influence they have had in the development of social security measures in the country over the years. Not only coverage has been extended but now benefits have been added to meet the pressing requirements of workers of which none else can be better aware than the trade unions themselves.

38. The general framework of the labour legislation in the country, including social security legislation, is that the basic outlines are laid down in the law itself, while the detailed provisions are left to be prescribed in regulations or rules or schemes under the law. These add life and blood to the law and go to form the subordinate legislation. In making the subordinate legislation,

trade unions are consulted. Legislative proposals in this behalf are published in the official gazette for public comments and copies of the gazette notification forwarded to trade union organisations as well. Each and every comment received is given very careful consideration before the proposals are finalised.

39. The participation of the trade union organisations is more direct and vigorous at the stage of implementation. The Employees' State Insurance Scheme is administered by the Employees' State Insurance Corporation which is a corporate body having in it, among others, representatives of workers. A Standing Committee, constituted from among the members of the Corporation, acts as the Executive Body, for the administration of the Scheme. There is also a Medical Benefit Council, which includes representatives of workers, for advising the Corporation on matters connected with provision of medical benefits. The Provident Fund Schemes are similarly administered by the tripartite Central Board of Trustees constituted under the respective enactments. In addition, there are regional boards and regional advisory committees constituted under the Employees' Provident Fund Act and the Employees' State Insurance Act, which include representatives of workers drawn mainly from the regions concerned. Tripartite central/regional advisory bodies advising the Government on arrangements for provision of welfare measures is a feature of the welfare fund legislation as well, such as the Coal and Mica Mines Welfare Fund Acts. Representatives of workers, employers and Government sitting face to face in these bodies, discussing the common problems, appreciative of each others' difficulties and viewpoints, has led to a large number of improvements, both in terms of policy — wider coverage, better benefits, higher rate of interest in provident fund accumulations, etc. — and of its enforcement. But discussions have to go much farther and the involvement of trade unions has to become more real, if every worker in the country is to be assured of minimum protection.

## VII. TOWARDS COMPREHENSIVE SOCIAL SECURITY

40. For over two decades now, the question of evolving a comprehensive social security scheme is under Government consideration. The Second Five Year Plan mentioned that: "The possibility of continuing the different social security provisions at present in force into an overall social security scheme is being explored. A unified scheme will have the advantage of reducing overhead costs and from the savings so effected it may provide a more diversified set of benefits. Decentralisation of the administration of such a unified scheme would prove advantageous to its beneficiaries." In pursuance of this recommendation, the Government set up in August 1957, a Study Group under the Chairmanship of Mr. V.K.R. Menon, the then Director, International Labour Office, India Branch. In its report, the Study Group held that integration of two or more schemes would be justified only if it fulfilled one or the other of the two main tests, namely, substantial economy in the expenditure or added con-

venience to the parties. While admitting that the suggested integration would result in added convenience and reduction of overhead costs, the Group was of the view that there might be a corresponding overall increase in the administrative costs as the conversion of the Provident Fund into a Pension Scheme would involve handling of a very large number of individual transactions and the economy effected by integration of work at Local Offices might well be offset by the need for opening more Local Offices for the convenience of a very large number of persons to be catered for pensionary benefits. The Group, nevertheless, recommended the unification of the ESI and EPF Schemes under one single organisation, with a single contribution for cash benefits in case of sickness, maternity and employment injuries and medical provision plus old age, invalidity and survivorship pension-cum-gratuity schemes. It also suggested that the contributions of the employees and the employers should be raised to 8-1/3 per cent and that the Provident Fund Schemes should be converted into a Scheme of Old Age, Invalidity and Survivorship Pension-cum-Gratuity. The employers were however opposed to an enhancement of the rates of contribution as it would cast additional burden on the industry. The Report of the Study Group was considered by the tripartite Indian Labour Conference (October 1961). The consensus of opinion was that an Integrated Scheme of Social Security might not be started till increased resources were available.

41. The question again came up for consideration of the Employees' State Insurance Scheme Review Committee, set up in June 1963, which included representatives of the central workers' organisations as well. The Committee, in its report submitted in February 1966, came to the conclusion that economy in the administrative merger of the ESI and Employees' Provident Fund Organisations, and both employers and workers, would find it more convenient to deal with a single administrative agency and inspectorates and supervisory staff if the schemes were unified. The Committee, therefore, recommended that action should be initiated forthwith to bring about an administrative merger of the ESI and EPF Schemes, the merger of Coal Mines Provident Fund and Assam Tea Plantations Provident Fund being postponed for the time being.

42. A major recommendation of the National Labour Commission (1969), which again was a tripartite body, related to the question of an Integrated Social Security Scheme. The Commission felt that it should be possible over the next few years to evolve an integrated social security scheme, which would, with some marginal addition to the current rate of contribution, take care of certain risks not covered at present. In saying this, the Commission limited itself to the benefits of (a) provident fund and retirement/family pension, and (b) insurance against unemployment. In the latter case, the insurance would cover only those who were employed and had to face the risk of unemployment and not persons who had not entered employment at all. The Commission, while taking note of the recommendations of the ESIS Review Committee expressed the view that an ideal arrangement would be to work gradually towards a comprehensive

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

43. The Estimates Committee of the Parliament, in its 123rd report on the Employees' State Insurance Corporation has also stressed the importance of an integrated social security scheme "not only for administrative reasons but also in view of the social security objectives of parity of benefits and equalisation of charges, corresponding to the egalitarian tendencies of modern societies." While urging upon the Government to take early steps to formulate a plan for an integrated social security scheme comprising the existing as well as proposed schemes, to be gradually implemented within a set period of time, the Committee has suggested that all necessary steps for the integration of ESI and EPF schemes should be taken without delay and their completion ensured by a fixed target date.

44. As stated earlier, this matter has been under consideration for more than two decades now. It could be that the provision of additional benefits, under an integrated social security scheme, would inevitably involve increased contribution from both employers and employees, and, possibly, some State financial assistance as well. There could be an honest difference of opinion whether the present is an opportune time for such an innovation. But possibly there could be an agreement on the need for integration of the existing schemes and organisations. Proliferation of special or complementary schemes, apart from raising problems of coordination, would not be conducive to efficiency. This would seem to be a matter which requires the urgent attention of workers and employers as well as of the Government.

45. Another complex issue presently receiving thought is the question of extension of social security benefits to unorganised sectors, particularly the agricultural labourers and the rural workers. There are several formidable obstacles standing in the way of extension — for instance, the unorganised nature of the rural economy, the seasonal character of the agricultural operations, the low level and irregular pattern of rural employment and earnings, the heterogeneous character of the rural population as well as the relatively weaker administrative structure in the rural areas. But there can be no gainsaying that the rural labour constitutes the bulk of the labour force in the country and is more vulnerable than any other section of workers. So long as they are not covered, the declaration of State Policy in the Constitution, to guarantee social security measures to every citizen of India, would remain unfulfilled. This is another matter which brooks no delay and should receive the earliest attention of all concerned, side by side with extension of the benefits to workers in the organised sector who are not covered at present.

46. An important contingency not covered under any of the existing social insurance schemes is unemployment. At present there are some limited



provisions in the Industrial Disputes Act in regard to compensation for lay-offs and retrenchment in respect of industrial labour. Also, in certain States, restricted schemes of old age financial assistance are in operation; the monthly financial assistance provided varies from State to State. The mass unemployment in the country and the present stage of economic growth may not permit the introduction of a scheme of unemployment insurance. But, how best this contingency should be protected is a matter to which serious thought should be given.

### VIII. PLEA FOR A MORE EFFECTIVE TRADE UNION ROLE

47. Obviously, the country has to go a long way before social security becomes a part of the workers' life. The primary function of a trade union is to promote and protect the interests of its members. And many battles have been waged by trade unions in the country in the discharge of this function. There have been several instances, even prior to the Second World War, where through trade union intervention agreements have been reached with the employers covering sickness, disablement and dependant benefits in industries like jute, tobacco, engineering, textiles, coal and iron and steel.

48. But in a developing economy, where self-employment is sizable, as in India, trade unions have to assume a wider responsibility for the total community, more so when the field of activity is one of social welfare or social security. The rich contribution that the trade unions have made to the development of social security, both in terms of policy formulation and implementation, has already been referred to in an earlier part. The coverage still remains very much restricted and how to extend social security benefits to the unorganised sectors and the rural workers constitute a challenge.

49. A marked feature of the rural scene is the absence of organisations of rural workers. By its ratification of ILO Convention No. 141, the Government is committed to facilitate the establishment and growth, on a voluntary basis, of strong and independent organisations of rural workers. Governmental efforts are directed towards amelioration of the conditions of the rural poor, and towards this end, during the coming years, a massive shift in resources is envisaged in favour of rural areas with an in-built re-distributive character in almost every programme. The climate is thus favourable for the growth of rural workers' organisations and this may well accelerate the extension of social security measures to rural workers. For, as experience not only in this country but elsewhere also shows, unless the workers organised themselves they could not get adequate protection. Even where legislation is in force, it can act as a palliative and prevent the graver abuses but there are obvious limitations to extending protection to those who are unable to protect themselves.

50. Illiteracy and lack of education are among the factors which stand in

the way of workers realising in full their benefits and privileges. The Government-sponsored Workers' Education Scheme aims at the development of strong and responsible trade unions, and social security is one of the items included in the curriculum of the Workers' Education Programmes. Only three to four hours are, however, allotted for this subject in the syllabus for Training of Worker Teachers, who, on completion of their training, return to the establishments and conduct programmes for the rank and file of workers in their respective units or localities. The need for a fuller treatment of the subject is indicated so that workers and trade unions are made fully aware of their rights. This could help removing deficiencies in the operation of the schemes as also in fostering their growth.

51. The origin of social security can be traced to the voluntary efforts made by the people themselves. It is not necessary that initiative for social action should always come from the State. There are workers' organisations in the country which have launched schemes of their own to protect workers against specific risks and contingencies. Such schemes could supplement the government-sponsored programmes. This is a matter to which serious thought could be given by the trade union organisations in the country.

## APPENDIX

### ILLUSTRATIVE LIST OF GIST OF RECOMMENDATIONS OF THE INDIAN LABOUR CONFERENCE (ILC)/STANDING LABOUR COMMITTEE (SLC) CONCERNING SOCIAL SECURITY POLICIES AND PROGRAMMES

#### 1 EMPLOYEES' STATE INSURANCE

- |                                     |  |
|-------------------------------------|--|
| ILC — 5th Session<br>September 1943 | Central Government should institute investigation into labour conditions for obtaining adequate material on which to plan social security policy for labour and thereafter appoint a committee to formulate plans of social security.  |
| ILC — 6th Session<br>October 1944   | Central Government should undertake in consultation with the Provinces, associations of employers and employees and the Insurance companies, a thorough investigation into the question of compulsory insurance of liability under the Workmen's Compensation Act, 1923. The question whether State Insurance would cover every worker should also be considered.  |
| ILC — 16th Session<br>May 1958      | The State Government's share on extension of medical care to the families should be 1/8th of the total expenditure during the Second Five Year Plan period and thereafter no revision should be effective unless mutually agreed upon. State Governments might adopt any system of medical care (services, panel or mixed) which they considered most feasible. A sum of Rs. 30 per confinement should be paid to the wives of insured persons as extension of medical care to the families. Further improvement in the quantum of cash benefits might not be made till the scheme was extended to the present coverable population in the country and families included within its scope. |
| ILC — 19th Session<br>October 1961  | An integrated scheme of social security might not be started till increased resources were available. To achieve integration, increase in the rate of  |

contribution under the Provident Fund Scheme and under the Employees' State Insurance Scheme up to the statutory limit would be necessary. If a Pension Scheme was introduced, it would be necessary to provide for the following benefits: (a) a lump sum payment; (b) periodic payments; and (c) survivorship benefit. The question of continuing these benefits and also of having a life insurance scheme would be further examined.

ILC — 23rd Session  
October 1965

The question of having an unemployment insurance scheme was welcomed by the workers' group. The matter was however decided to be placed before the Standing Labour Committee as the Employers' Organisations wanted more time to study the proposal.

SLC — 6th Session  
March 1945

There was general agreement that Central Government should go ahead with the preparation of Health Insurance Scheme applicable to all perennial factories using power and employing 20 or more persons. It should cover employment injuries and maternity benefits, if found feasible. The comments of the Provinces and employers' and workers' organisations should be obtained before a Bill was prepared.

SLC — 16th Session  
October 1957

The extension of the Employees' State Insurance to the present coverable population should be completed by the end of Second Five-Year Plan.

SLC — 20th Session  
October 1962

A Tripartite Committee should be set up to review the working of the Employees' State Insurance Scheme and suggest what changes or modifications in the structure and organisation of the Corporation would be necessary to ensure more satisfactory functioning of the Scheme.

SLC — 27th Session  
September 1967

The views of the State Government on employment insurance scheme should first be ascertained.

## 2 MATERNITY BENEFITS LEGISLATION

ILC — 13th Session  
January 1954

The Central Government should draw up mini-

imum standards and recommend them to State Governments for adoption either by enactment or by revision of the existing laws.

### 3 GRATUITY

ILC — 27th Session  
October 1971

The proposal for a Central enactment for payment of Gratuity was favoured. The workers' representatives suggested *inter alia* that the legislation should apply to all establishments and cover all wage-earners.

SLC — 15th Session  
April 1956

The Central Government might preferably draw up model provisions for payment of Gratuity in factories till such time as an integrated Social Security Scheme is evolved. The superannuation age prescribed for the purpose may vary from industry to industry.

SLC — 22nd Session  
December 1964

There should be statutory protection against attachment of gratuity in factories as in the case of Provident Funds where the amount standing to the credit of the member is not liable to any attachment under any decree or order of any court.

### 4 LAY-OFF RETRENCHMENT COMPENSATION

ILC — 20th Session  
August 1962

The amendment to section 25 FFF of the Industrial Disputes Act so as to provide payment of full compensation in the case of closure of an undertaking on account of expiry of lease, licence or exhaustion of reserves, was referred to the next Session of the Standing Labour Committee.

SLC — 20th Session  
October 1962

The proposal for amending Section 25 FFF of the Industrial Disputes Act was accepted.

SLC — 21st Session  
December 1963

The amendment to section 25 C(2) of the Industrial Disputes Act in order to provide for lay-off compensation for periods less than a week after 45 days was agreed to.

## 5 WORKMEN'S COMPENSATION ACT 1923

- ILC — 17th Session  
July 1959
- The Committee set up to look into the proposals to revise the rates of compensation under the Workmen's Compensation Act recommended that the system of payment of compensation in a lump sum should be replaced by a system of periodical payment as far as possible. The rates of compensation should be enhanced in accordance with the recommendations of the Study Group on Social Security. The Employees' State Insurance Corporation would be the appropriate agency for the disbursement of the periodic payments of compensation as now contemplated. The scope of the Workmen's Compensation Act might be extended to cover persons drawing wages up to Rs. 500 per month.
- SLC — 7th Session  
August 1945
- The proposal to raise the wage limit for the purpose of coverage under the Workmen's Compensation Act from Rs. 300 to Rs. 400 per month was approved.

## 6. PROVIDENT FUND

- ILC — 14th Session  
May 1955
- All industries . . . with a total strength of 10,000 workers throughout India in factories employing 50 or more persons should be covered by the Employees' Provident Fund Act 1952. There was no bar to the inclusion of seasonal industries in Schedule I of the Act. For this purpose, the eligibility qualification should be suitably reduced. An employee who had worked for  $\frac{2}{3}$  of the number of working days in the preceding seasons would be eligible for provident fund benefits.
- ILC — 16th Session  
May 1958
- Contributions to the Provident Fund should be increased from  $6\frac{1}{4}\%$  to  $8\frac{1}{3}\%$ . The proposal to convert the Provident Fund Scheme into an Old-Age and/or Survivorship Pension (for widows and children) Scheme should be further examined, provided that this could be worked out within the limit of  $16\frac{2}{3}\%$  of the wages recovered by contributions from employers and workers co-

- vered by the Act. The employment limit of fifty persons or more should be reduced to 20 persons or more, after consulting the Employers' organisations.
- SLC — 12th Session,  
November 1950
- A draft Bill should be prepared for the establishment of contributory provident fund in industrial undertakings.
- SLC — 15th Session  
April 1956
- The scope of Employees' Provident Fund Act should be extended to cover all industries employing 10,000 workers or more and to industries having less than 10,000 workers. The question of extending Provident Fund benefits to workers of small unorganised units should be examined in the integrated social security scheme.
- SLC — 18th Session  
April 1960
- While every effort should be made to recover the provident fund dues in default from the employers, there was need to create a special reserve fund, for meeting claims of out-going members of the Employees' Provident Fund, so that no worker would be deprived of money contributed by them to their Provident Fund.
- SLC — 20th Session  
October 1962
- For eligibility to membership of the Fund, the wage limit of Rs. 500 under the Employees' Provident Fund Scheme should be raised to Rs. 1,000.
- SLC — 21st Session  
December 1963
- The Committee noted the proposal for introduction of Family Pension for workers who were members of the Employees' Provident Fund and Coal Mines Provident Fund. The Scheme, when drawn up, would be placed before a session of the Committee or the Indian Labour Conference.
- SLC — 29th Session  
July 1970
- The Employees' Provident Fund Act should be appropriately amended to implement Family Pension-cum-Life Insurance Scheme for industrial workers. The workers' representatives urged that the Scheme should also be applicable to those who were paying contributions at the rate of 6¼% under the Employees' Provident Fund Act and to members of the Coal Mines Provident Fund as they were already paying contributions at the rate of 8%.

## **“SOCIAL SECURITY SCHEMES IN KERALA”**

*by*

**V. KRISHNAMURTHY, I.A.S.\***

### **I. A BRIEF INTRODUCTION OF THE SOCIO-ECONOMIC CONDITIONS IN KERALA, GROWTH OF THE ORGANISED SECTOR, INDUSTRIALISATION, TRADE UNIONISM AND THE INDUSTRIAL RELATIONS SETTING IN THE STATE**

1.1 The State of Kerala was formed in 1956 as a result of the re-organisation of States in the Indian Union by integrating the princely States of Travancore and Cochin with the District of Malabar of the Madras State which had been under British rule. Although the State is divided into 11 administrative Districts, the conception of traditional physical divisions into highland, midland and lowland persists. The highland is a thick forest area where tea, coffee and cardamon plantations have been established. The main occupations in the midland are the production of agricultural crops such as paddy, tapioca, spices and coconuts. The lowland, being nearer to the western coastline, is naturally endowed with opportunities for coconut plantations and fish landings. Kerala occupies an area of 38,864 sq. km. which is only 1.18 per cent of the total area of the Indian Union. The population of the State according to the 1971 census is 21.347 million which accounts for 3.9 per cent of the total population in India. The State maintains a high level of literacy (60.42 per cent) when compared to the situation in the other States of the country. Agriculture provides employment to a good number in the workforce. Agriculture is the most vital sector in the State economy and it forms the chief source of livelihood of the people. The abundance of rain and the fertile soil contribute much in this direction and this sector almost covers 50 per cent of the State's income and the agricultural sector absorbs 49 per cent of the workers. Though the economy of Kerala is predominantly agrarian, the agricultural worker in the State is even now largely underemployed. Unemployment particularly among the literate and educated masses is a vital problem in the State and industrialisation alone can find a solution to this grave situation. The State is industrially backward. The industrial sector absorbs only about 15 per cent of the labour force.

---

\* District Collector of Trivandrum (Labour Commissioner of Kerala Government from 5.3.1975 to 14.12.1978). The views expressed in this paper are of the author. They do not represent the views of the Government of Kerala.



1.2. A peculiar feature of the population of Kerala is its sex composition. In all the census periods from 1901 to 1971 females out-numbered males while the opposite trend prevailed in most of the other Indian States. In the 1971 Census the sex ratio was 1,016 females to 1,000 males. Kerala is one of the few States in the Indian Union which maintains the lowest percentage of the workers to the total population, as is revealed from the following Table:

Table No.I  
Percentage of Workers to Total Population (State-wise)

<i>Sl.No.</i>	<i>State</i>	<i>1971</i>
1	Andhra	41.39
2	Assam	28.35
3	Bihar	31.03
4	Gujrat	31.45
5	Haryana	26.44
6	Himachal Pradesh	36.94
7	Jammu and Kashmir	29.76
8	Karnataka	34.74
9	Kerala	29.12
10	Madhya Pradesh	36.72
11	Maharashtra	36.48
12	Manipur	34.57
13	Meghalaya	44.17
14	Nagaland	50.78
15	Orissa	31.22
16	Punjab	28.88
17	Rajasthan	31.24
18	Tamilnadu	35.78
19	Tripura	27.79
20	Uttarpradesh	30.94
21	West Bengal	27.92
22	India	32.92

1.3. The total work force of 6.216 million in 1971 is distributed among the agricultural and non-agricultural sectors as follows:

Table No.II  
Workers in Millions

<i>Category</i>	<i>Workers</i>		<i>Total</i>
	<i>Male</i>	<i>Female</i>	
Cultivators	1.039	0.067	1.106
Agricultural labourers	1.196	0.712	1.908
Others workers	2.529	0.673	3.202
Total	4.764	1.452	6.216

1.4. It can be seen that nearly 50 per cent of the workers are engaged in agriculture and allied activities. Women workers account for nearly one-fourth of the work force generally. Nearly 52 per cent of the population in 1971 comes under the age group 15-59 which forms the labour force and this works out to 11.076 million. But only 6.216 million come under the actual labour force. Giving due consideration for housewives, students, disabled persons, rentiers and those not seeking work it can be deduced that a considerable number of persons remain unemployed as well as underemployed. In 1971 there were more than 2,400 persons depending upon every 1,000 workers in the State out of which about 1,500 dependants were females. The dependency ratio is high in Kerala compared to the situation all over India and this is mainly attributed to the acute unemployment prevailing in the State.

1.5. The distribution of the working force according to industry classification is furnished below: (See next page).

1.6. In the urban areas 19 per cent of the workers are reported to be females while their representation comes to nearly one-fourth of the workers in the rural areas. 54 per cent of the women workers in the rural areas are agricultural labourers. About 15 per cent of the workers in Kerala are in the industrial sector as against 9 per cent for the Indian Union. The concentration of workers in the Cashew Industry and the involvement of labour in the traditional industries in the State like coir, handlooms, tiles, fishing, beedi, plantations etc. account for this higher percentage of workers. But the contribution of this sector towards State income is comparatively low. The secondary sector, which includes industry and mining, contributes only about 10 per cent of the State income com-

Table No.III  
Distribution of Workers According to Industry Classification

<i>Industry</i>	<i>1971 (In millions)</i>		
	<i>Males</i>	<i>Females</i>	<i>Total</i>
1. Cultivation	1.040	0.067	1.107
2. Agricultural labourers	1.196	0.712	1.908
3. Livestock, Forestry, Fishing and allied activities	0.356	0.079	0.435
4. Mining and Quarrying	0.028	0.002	0.030
5. Manufacturing:			
(a) Household Industry	0.148	0.118	0.266
(b) Other than Household Industry	0.533	0.179	0.712
6. Construction	0.103	0.004	0.107
7. Trade and Commerce	0.536	0.029	0.565
8. Transport, Storage and Communication	0.227	0.015	0.242
9. Other Services	0.597	0.247	0.844
Total	4.764	1.452	6.216

pared to nearly 20 per cent of the national income. The bulk of the industries in the State are traditional industries which require relatively low investment and generate only low productivity. There are only few large scale industries and the organised industrial sector absorbs only a very low percentage of the labour force in the State. The proportion of factory workers to total workers is only 3.33 per cent.

### Trade Unionism

1.7 The trade union movement in Kerala is over 50 years old. The first attempt at organising labour in the coir mats and matting industry in Alleppey began as early as 1920 when the Travancore Labour Association took shape. This was the first Association to get registration under the Travancore Trade Unions Act of 1937. On registration, the Travancore Labour Association was renamed as the Travancore Coir Factory Workers' Union. Apart from championing the economic cause of workers and spearheading the development of industrial relations practices in Kerala, the Union was actively involved in the socio-

cultural activities of its members. The Union maintained a central reading room at its head office at Alleppey besides five smaller reading rooms in each of its five sub-offices. The Union was actively engaged in welfare activities like running a night school and a co-operative society, besides conducting a cultural club where workers and their children were taught music, dancing, oratory, painting and handicrafts. The destinies of this first trade union were ably guided by eminent leaders like Messrs. R. Sugathan, T.V. Thomas and P.N. Krishna Pillai. The trade union movement gradually spread to Quilon which was one of the early progressive centres where many social, religious and political movement originated. Trade unionism struck roots in the cashew industry, textile mills engineering and other industries in Quilon, Kundara, Chavara and Punalur.

1.8 In Cochin State, the first trade union which sprang up was the Toddy Tappers' Union of Anthikkad which was established in 1936. The Tata Oil Mill Workers' Union, which was registered in 1939, became one of the largest and the strongest trade unions in Cochin area. By about 1944, trade unionism emerged strongly in Trichur, particularly in plantations, brick and tile factories and textiles. In the Malabar region, also, trade unions started operating in 1940 in textile mills, handlooms, tile factories and beedi and cigar industries. A notable feature of the trade union movement in Kerala was that right from the early days it spread to the agricultural field also and the Kuttanad Karshaka Thozhilali Union came into existence at Alleppey. This Agricultural Workers' Union played a role in the workers' social, cultural and educational life which certainly was not second to any communal or religious body. The finest example was their self-sacrificing pioneer work among the Harijan agricultural labourers. The role of the trade unions in the struggle for social and political change in Kerala State could by no means be ignored.

1.9. The quantitative growth of trade unions in the State is indicated by the following figures: (See next page).

1.10. The trade union movement in Kerala could lay claim to the credit of having been the pioneer for the whole of India in several achievements in the field of Industrial relations. Ahead of other industrial centres of the country, dearness allowance to cover the rise in the cost of living was demanded and won in the coir industry. The same is true regarding the concept of minimum bonus and bonus as deferred wages which took twenty years more to secure all-India acceptance. Another noteworthy gain was the introduction of a system of 'fall back wages' for piece-raters in the 1940's which has evolved into 'minimum wages', based on work norms and added incentive payments for higher output. Thus before any *magna-carta* of inalienable human rights could be enshrined in a Constitution, the working class of Travancore, long before those of other princely States, had by persistent struggle and by organised strength achieved for itself the protective provisions, however limited, of several factory and labour laws.

Table No.IV  
Trade Unions in Kerala

<i>Year</i>	<i>Registered Unions</i>	<i>Membership</i>
1951-52	555	..
1952-53	568	..
1953-54	641	..
1954-55	767	..
1955-56	791	..
1956-57	584	..
1957-58	1213	..
1958-59	1538	..
1959-60	1650	..
1960-61	1815	..
1961-62	1842	..
1962-63	1680	..
1963-64	1616	..
1964-65	1731	..
1965-66	1729	..
1966-67	2047	..
1967-68	2277	..
1968-69	2571	..
1969-70	2661	..
1970-71	2492	3,91,700
1971-72	2884	4,35,108
1972-73	3337	4,43,091
1973-74	3716	..
1974-75	4073	..
1975-76	4491	..
1976-77	5552	..
1977-78	6031	..

1.11. A unique feature of the industrial relations machinery in the State is the Industrial Relations Committee. Industrial Relations Committees are tripartite bodies having industry-wide representation of both employers and workers to resolve issues affecting the industry as a whole. The working of these committees has contributed in no small measure to industrial peace in major industries. These IRCs imply not only direct industry-level bargaining, unhampered by the inherent shortcomings of plant-level works committees, but also the status enjoyed by the unions as recognised bargaining agents. No wonder they have been commended to other states as models to follow. At present Industrial Relations Committees are functioning in the following employments:

1. Plantations
2. Coir
3. Cashew
4. Toddy tapping
5. Kuttanad Agricultural area
6. Palghat Agricultural area
7. Working journalists and
8. Non-journalists

1.12. The State has achieved very healthy practices in industrial relations. The structure and character of the trade union movement, the competence and dexterity of its leadership in negotiating settlements, the enlightened role of the Government and its Labour Department in promoting voluntarism, and the intelligent appreciation of the role of collective bargaining by the working class and the realistic management community, have considerably stimulated the growth of collective bargaining in the State. A redeeming feature of the State is that, compared to other States in India, Kerala labour are more peaceful and less violent in their strike activity. In spite of the multiplicity of unions and the consequent problems, the number of man-days lost due to strikes and lock-outs in Kerala, as a percentage of the total man days available, is only about 1 per cent. Further, in this State there are more long-term comprehensive agreements between employers and unions in traditional industries as well as in the manufacturing sector than in any other comparable area in the country. The fact that these agreements have been evolved in a multi-union situation testifies to the creative side of industrial relations in Kerala.

## II. A CRITICAL ACCOUNT OF THE WORKING OF THE MAJOR STATUTORY SOCIAL SECURITY SCHEMES IN KERALA

### A. *Employees' State Insurance Scheme*

2.1. The E.S.I. Scheme was started in Kerala during 1956. Now 0.28 million insured workers/family units have been brought under the scheme and there are 119 E.S.I. institutions in Kerala to cater to their needs. Kerala is one of the few States in India where full medical care is extended to the insured persons and their families. All workers employed in establishments using power and having more than 10 workers were brought under the benefits of the ESI Act with effect from 30.3.1975 in addition to all factories, shops, commercial establishments etc. not using power and employing 20 or more. Employees earning up to Rs.1,000/- per month have also been brought under the scheme by a recent amendment. The benefits contemplated under the scheme to the insured persons are the following:

1. Medical benefit
2. Sickness benefit (Cash benefits for leave)
3. Maternity benefit
4. Artificial limbs (in deserving cases)
5. Cash benefit for undergoing sterilisation operation
6. Assistance for funeral expenses, etc.

2.2. Even though the benefits provided by ESI are high in comparison with similar assistance provided to the workers of private and public undertakings not covered by ESI, the general tendency on the part of workers and their organised trade unions is to seek exemption from ESI and to opt for less comprehensive medical health care plans offered by their employers. In fact, one of the problems facing the State Government is to resist this tendency on the part of the workers to get out of the ESI Scheme, which, if allowed, may eventually result in the complete dissolution of this social security scheme in the State. The following are the reasons for the dissatisfaction expressed by the employees:

- (i) Rigid rules regarding granting of leave, short supply of medicines, delay in reimbursement of cost of medicines purchased from outside, etc.;
- (ii) The disinclination on the part of the employee to part with a portion of his earnings towards contribution to ESI Scheme.

2.3. It is suggested that action should be taken on the following lines to improve the situation:

- (i) Simplifying the existing rules and procedures, as contemplated in the ESI Act and Manuals, so that the employee can get the benefit to which he is entitled without delay;

- (ii) Strengthening and streamlining the administration of the Department so that it functions effectively in discharging various services contemplated for the benefits of the insured persons.  
(Further analysis and elucidation of the suggestions could be made if necessary).

2.4. Representatives of trade unions as well as employers are associated with the working of the ESI Institutions. At the State level, there is a Regional Board which consists of representatives of trade unions, employers and the Government. The Minister for Labour is the Chairman of the Regional Board. There are local committees attached to each local office consisting of representatives of trade unions and employers. These committees meet once in a quarter and review the working of the scheme in the area concerned. In addition, there are hospital advisory committees for ESI hospitals in each district with the District Collector as Chairman in which also trade union representatives are members. The minutes of the local committees and the hospital advisory committees are examined by the Administrative Medical Officer and appropriate action taken on the recommendations. The co-operation of the trade unions is also sought in organising family planning seminars, immunisation campaigns, etc. organised by the Department periodically.

#### *B. Employees' Provident Fund Scheme:*

2.5. The Employees' Provident Fund Act 1952 was the first broad-based social security legislation in independent India. The distinguishing character of the schemes administered by the EPF organisation is participation by the workers, employers and the Government. To the workers, it provides an umbrella in the rainy days in the shape of old age and survivorship benefits, a long-term protection and security to his family in case of premature death, sickness benefits and timely advances including advance for the construction of a dwelling house during the period of membership. To the employers, it provides a steady labour force which is essential for the productivity and prosperity of the institution and to the Government, it provides funds of considerable magnitude for utilisation in various projects and programmes, designed to promote the economic and social development of the country. The Employees' Provident Fund Organisation also administers two other Schemes viz., The Employees' Family Pension Scheme and the Employees' Deposit-Linked Insurance Scheme. The statutory rate of contributions both for the employees and employers is 6.25 per cent of the pay. The Provident Fund contributions collected are invested in accordance with the pattern of investment notified by the Government of India from time to time. On an average a sum of Rs.5,000 million is being collected every year and the total collection made so far is nearly Rs.54,000 million. The present interest rate is 8.25 per cent.



2.6. The Employees' Provident Fund Organisation has been able to come to the rescue of workers in many eventualities by granting non-refundable advance to the workers to meet their pressing personal needs. The Scheme gives assistance when members are unable to work because of illness, accident, invalidation, old-age, etc. and to meet their family responsibilities like marriage of daughters, dependent sister, dependent brother, the subscriber's own marriage, higher education of children or construction of dwelling house.

2.7. The Schemes are administered by a tripartite body consisting of representatives of Central and State Governments and employers' and employees' organisations. The various national trade unions have got their representation in the Central Board. Regional Committees also function at the State level to advise the Central Board on matters connected with the administration of the schemes in their respective States. The Regional Committees are also constituted by giving representation to the State Government and employers' and employees' organisations in the State. The number of employees' representatives in the Central Board is 6 and in the Regional Committee 3. Further, the Inspectors during their inspections are required to discuss with the representatives of the trade unions the working of the scheme in the respective establishments and complaints, if any, are attended to with the maximum speed. On the part of the Organisation also the trade unions are taken into confidence in all matters connected with the Employees' Provident Fund and any defaults by the employers like non-remittance of the statutory dues, non-submission of returns etc. are brought to their notice to persuade the employer to rectify the defects.

### *C. Kerala Labour Welfare Fund*

2.8. The Kerala Labour Welfare Fund was brought into force with effect from 1.5.1977. The main purpose of the Act is to provide necessary assistance for the development of the social and cultural outlook of the workers. The coverage of the Act is now limited to industrial workers who are drawing wages up to Rs. 750/-. Every employee shall contribute 50 paise per half year to the fund and every employer shall contribute Rs. 1/-. The following are the main welfare measures contemplated in the Act:

- (a) Community and social education centres, including reading rooms and libraries
- (b) Sports and games
- (c) Vocational training
- (d) Community necessities
- (e) Entertainment and other forms of recreation
- (f) Convalescent homes for tuberculosis patients

- (g) Holiday homes in health resorts
- (h) Part-time employment for housewives of employees
- (i) Pre-school education
- (j) Higher Education
- (k) Nutritious food to children of employees
- (l) Employment opportunities for the disabled employees

2.9. A Scheme for payment of compassionate relief to dependents of employees dying in harness has been implemented by the Board. The Board has also started implementing a scholarship scheme for higher education for the children of workers. A noteworthy scheme is the construction of a holiday home for workers at the internationally-reputed game sanctuary at Thekkady. The Board has made arrangements to give vocational training to the children of employees. Grants to libraries maintained for the exclusive use of workers is another popular scheme. It is also proposed to start welfare centres for plantation workers.

2.10. Workers' participation in the functioning of the Board is ensured by giving adequate representation to workers' representatives in the Board which is constituted as follows:

- (a) Five representatives of employees
- (b) Five representatives of employers
- (c) Five Government officials
- (d) Seven non-officials.

2.11 There is a continuous exchange of ideas between the Board and the trade unions and schemes are formulated and implemented only after full-fledged consultations with trade unions.

#### *D. Kerala Toddy Workers' Welfare Fund*

2.12. The toddy industry in Kerala provides employment to about 50,000 workers as tappers, salesmen and in other categories in the 2,500 odd toddy shops in the State. To the State Exchequer, it brings nearly Rs.100 million every year as duty on the sale of liquor. Except in certain well organised pockets where strong trade unions were able to compel the employers to contribute to some form of Provident Fund and Gratuity Fund, the toddy workers by and large enjoyed very little social security benefits. Toddy shops are auctioned every year and the highest bidder for each shop gets the ownership of the shop for that year and the right to run the shop for the period although the workers in the shop continue year after year. Thus the employer might be changing every year and such an employer, during his limited tenure, would be inclined to maximise his profit and would be least interested in providing anything for the

benefit of workers unless he is statutorily compelled to do so. The State Government enacted the Kerala Toddy Workers' Welfare Fund Act which came into effect from 14.1.1970. The workers are to contribute 8 per cent of their daily wages and the employers should make an equal contribution. Besides, the employers contribute 5 per cent of the wages paid to the workers towards the Gratuity Fund.

2.13. Workers' participation in the administration of the fund is ensured by providing adequate representation to them in the Board of Directors. The Board consists of 21 Directors nominated by the State Government. Out of the total number, 7 places are set apart for representatives from different trade unions. The employers of the industry have seven representatives and the remaining seven Directors represent the interests of Government. Special care has been taken to protect the interests of workers and this can be seen from the following provisions:

- (i) The quorum for a Directors' Board meeting is fixed as 9 but it is operative only when at least 4 Directors representing the workers are present;
- (ii) There is a standing committee under the Board to attend to certain specified items like budget, recruitment etc. This committee consists of 9 Directors, of which 4 are set apart as the representatives of workers. For the standing committee to transact its business at least two Directors representing workers' interests should be present;
- (iii) Any amendment to the Statute could be done only when all the Directors present in a Board meeting agree to such an amendment.

2.14. The Board sanctions the following loans and advances to members from their provident fund accounts:

- (i) Loan for constructing or purchasing dwelling houses or house sites;
- (ii) Advance during temporary unemployment periods;
- (iii) Advance for purchasing shares in consumer Co-operative Societies;
- (iv) Loan during illness;
- (v) Loan for education of children of members
- (vi) Loan for marriage of female children of members.

2.15. None of these loans is recoverable from members and the procedures for withdrawal are not cumbersome.

2.16. The accounts of workers are closed and payment made with gratuity to workers in the following cases:

- (i) On completion of 60 years of age;
- (ii) On account of permanent and total incapacity for work certified by a registered Medical Practitioner;
- (iii) Immediately before migration from the State for permanent settlement outside the State;
- (iv) On termination of service;
- (v) When an employee retires from service due to any other reason.

2.17. The total accretions with the Board at present amount to Rs.120 million.

2.18. Proposals are also under way, with the co-operation of banks, for scholarships to children of workers, housing schemes, accident benefits, etc.

#### *E. Beedi Workers' Welfare Fund*

2.19. In Kerala there are about 0.150 million beedi workers taking into account the factory workers and the home workers. These workers are generally unorganised and their living conditions are not satisfactory. The Beedi Workers' Welfare Cess Act and the Beedi Workers' Welfare Fund Act were enacted in 1976, to finance measures to promote the welfare of persons engaged in beedi establishments, directly or through any agents. A cess of 25 paise per kilogram is collected on tobacco used for the manufacture of beedi at present. The following welfare measures are contemplated under the Scheme:

- (i) Improvement of Public health and sanitation, prevention of disease and the provision and improvement of medical facilities;
- (ii) Water supply;
- (iii) Educational facilities including scholarships to the children of workers;
- (iv) Housing and recreational facilities, including nutrition standards and amelioration of social conditions;
- (v) Setting up of audio visual sets, cinema vans, etc. Provisions have been made to involve workers' representatives in the administration of the fund as well as for consultations with the unions at all levels from formulation to implementation of various schemes.

2.20. Co-operativisation has made much headway in beedi industry and the Kerala Dinash Beedi Co-operative Society, Cannanore, employing 20,000 workers is an outstanding example of the exemplary social security measures provided to workers.

## ***F. Cashew***

2.21. The cashew industry in Kerala is one of the most labour-intensive industries. It is a processing industry which depends heavily on imported raw nuts. The number of days of employment in a year has been gradually coming down over the last 10 years. Usually this ranges from 90 to 120 days. The industry employs about 0.150 million workers, the majority being women workers. Unions have been clamouring that the Government should ensure provision of work for at least 250 days during a year, or else adequate relief wages should be paid during the days of involuntary unemployment. The Industrial Relations Committee for Cashew Industry, which is a tripartite committee, has been actively considering the proposal to form a Welfare Fund. As the earnings of workers are low even now, it is generally felt that the workers should not be asked to contribute to this fund. It is proposed to generate the Fund by imposing a cess on the value of exported nuts. It has also been suggested that a part of the excise duty and sales tax collected by the Government from the cashew industry should also be set apart for the fund. This proposal is being finalised.

## **III. THE EVOLUTION AND DEVELOPMENT OF THE AGRICULTURAL WORKERS' PROVIDENT FUND SCHEME**

3.1. Agriculture is the most vital sector in the State's economy and it forms the chief source of livelihood of the people. It also accounts for about 50 per cent of the State income and absorbs nearly 50 per cent of the total workers in the State. Agriculture in the State is characterised by good yields and high intensity of cropping. Among the total 6.216 million workers in the State, 3.014 million are engaged in agriculture. The principal feature of the agricultural labour force is that its significant component is family labour. Hence the proportion of women and children in the labour force tends to be higher than in the other sectors. Underemployment and low productivity are inevitable in the sector. The agricultural labour enquiries revealed that nearly a third of the total number of agricultural workers are in excess of the actual requirements. The per capita availability of land in the State is as low as 0.11 hectare as against 0.30 hectare in India as a whole. The average number of agricultural labourers per pectare of land in Kerala is 1:1.7 while it is 1:0.6 in India. This is an indicator of the severity of the pressure of agricultural labour on the agricultural economy of the State. On an average, the agricultural labourer gets employment only for about 32 per cent of the number of days in a year. Often the majority of agricultural labourers have no alternate source of employment. This phenomenon forces him to be perpetually backward, both economically and socially.

3.2. A distinguishing feature of the Kerala agricultural labour front has been the high percentage of unionisation which is estimated to be about thirty per

cent. Mobilisation of peasants, agricultural labourers and landless poor is a pre-requisite for agrarian reforms. Kerala had the advantage of possessing a politically conscious and organised peasantry. The peasant movement in the State had acquired a militant character necessary for keeping the pressure from below sufficiently high for the Government to take appropriate measures, far ahead of other States. The series of progressive agrarian legislations starting from the Agrarian Relations Bill, 1957 to the Agricultural Workers Act, 1974 have been enacted thanks to, in no small measure, the relentless pressure on the Government from time to time by the peasants' organisations and agricultural workers' unions.

3.3. The rise of trade unionism among agricultural labourers is linked to the institutional and technological changes associated with the permeation of capitalism into traditional agriculture. In Kerala, technological changes led to the deterioration of employment and income-earning opportunities of the landless labourers and undermined the traditional landlord-labour relationship. Factors such as the politicisation of the agricultural labourers and the presence of well-organised industrial trade unions have also played a significant role in Kuttanad and Palghat regions — the two principal rice bowls of the State — in giving birth to powerful and militant trade unions among agricultural workers.

3.4. Special mention has to be made about the pattern of agricultural employment in Kuttanad which was the cradle of the agricultural workers' movement in the State. The situation here has close resemblance to what exists in big factory enterprises. The labourers in hundreds or even thousands would work in 'Padasekharams'\*, under one or several employers, with the difference that the working conditions used to be much worse than those in the factory enterprises. It led to general dissatisfaction among the agricultural workers and by the mid-thirties the situation was ripe enough for the idea of trade unionism to permeate the hinterland of Kuttanad. Also at this time momentous changes were taking place in the labour front in and around the neighbouring town of Alleppey particularly in the coir industry. Alleppey in those days was the nerve centre of all trade union activities. Besides the coir factory workers, unionism also flourished among workers in the oil extraction industry, the Alleppey Port, and also the Water Transport Services. There were pioneer leaders in the trade union movement who were known for their radicalism, integrity and commitment to the cause of workers. Trade unionism in Kuttanad agriculture was in a way the off-spring of unionism in the industrial establishments at Alleppey.

3.5 It is against the backdrop of the gradual development of a politically conscious and organised agricultural working class that one has to view, the evolution of the Kerala Agricultural Workers' Act which has been hailed as the *magna-carta* of agricultural workers. The main factors which weighed with

---

\* Vast tracts of dewatered agricultural lands.

the Government in enacting this legislation was that the problem of agricultural labour may not abate even after the radical alterations in the pattern of agrarian relationship ushered in by the progressive land reforms legislation. Even assuming that all surplus land could be taken over and redistributed among the eligible landless cultivators, the available surplus land being far short of the requirement for distribution to the existing landless labourers, the agricultural labourers would have to continue to remain in rural areas depending on agriculture for their livelihood. Therefore their exodus to urban areas or to areas of nearby industrial complexes may be marginal. By and large they have to continue in the villages, seeking jobs in the traditional fields.

3.6 Even in the lands of owner-tillers, the need for employment of outside labour cannot be dispensed with altogether as, the work of agriculture being of a heavy manual nature, many owner-tillers cannot undertake it. Further, agricultural operations being seasonal, the workflow is concentrated during the shortest span of the year. At the time of sowing, transplanting and harvesting operations, dependance on outside labour, beyond the family fold, becomes inevitable. Finally the future pattern of agrarian development in Government lands appears to be in favour of large farm units where agricultural labourers are to be employed on daily wages. The relationship between the management and the labour would be on the pattern of relationship akin to the one obtaining in industry.

3.7. Thus the need for a stable pattern of working relationship between the owners and the agricultural labourers is ever present and continuous. This could be fulfilled only by devising new institutions or by reforming the existing ones so as to provide for regulation of service conditions, dispute settlement machinery, and welfare of agricultural workers. Then only would it be possible to create a climate of enduring industrial harmony conducive to increase productivity which is the desideratum for development.

3.8. Although there are numerous laws to protect the service conditions and ensure the welfare of industrial workers, the only significant legislative measure so far adopted by the country for agricultural labour is the inclusion of agriculture as one of the employments in the schedule appended to the Minimum Wages Act enacted in 1948. Under the Act minimum wages could be fixed for agricultural labour irrespective of the paying capacity of the employer. Although the minimum wages fixed for agricultural workers in Kerala are the highest in the country, and the implementation is also much more satisfactory than elsewhere, the minimum wage legislation has certain inherent inadequacies. It was in this context that the Kerala Government enacted the Kerala Agricultural Workers' Act which has been implemented from 2 October 1975.

3.9. The following are the main features of the Act:

- (i) Security of employment;
- (ii) Payment of "prescribed wages";

- (iii) Fixation of working hours;
- (iv) Expeditious settlement of agricultural disputes;
- (v) Agricultural Workers' Provident Fund.

#### *Agricultural Workers' Provident Fund*

3.10 While in the organised sector various benefits such as gratuity, provident fund, retrenchment compensation, etc. are provided no such terminal benefits are payable to agricultural workers. The State therefore considered it of the highest importance to set up an Agricultural Workers' Provident Fund. The fund is to be created by contributions from agricultural workers and their employers.

3.11 The contributions have been fixed at 5 per cent of wages, including kind wages from workers as well as from employers. The fund is to be administered by a Board consisting of 5 persons representing agricultural workers, 5 persons representing landowners and 5 officials. The amount outstanding to the credit of any member shall not be liable to Court attachment. It shall be paid to him at the time of his ceasing to be an agricultural worker and in the event of death of a worker while in employment, it shall be payable to the nominee of the worker. A Special Officer was appointed by the Government to work out the administrative details for the implementation of the fund. Based on his report, it is proposed to launch the implementation in the two principal rice growing districts of the State, viz. Kuttanad and Palghat. Some of the difficulties which are being pointed out in the implementation are listed below:

3.12. These difficulties arise from the different systems of wage payments prevalent in Kerala, ignorance of rural population about the procedures prescribed, regional variation in agricultural operations, etc.

3.13. The contributions are fixed on a percentage basis but in many cases wages are paid in kind and difficulties are bound to arise while attempting conversion of kind wages to cash. The Provident Fund Scheme is applicable only to workers employed by landowners holding more than one hectare of land. Therefore, there is a demand from agricultural workers' unions that it should be extended to all agricultural holdings irrespective of area. The landowners also have generally come to think that they can no longer resist the demand of the agricultural workers for a Provident Fund. However they point out the practical difficulties in maintaining registers, accounts, etc. in view of the seasonality of agricultural operations and the casual nature of agricultural employment. They would rather prefer a uniform cess on agricultural holdings for purposes of creating a general Welfare Fund. There is no uniformity in the agricultural practices in different parts of the State and except in districts like Palghat, no permanent workers are attached to landowners. This presents practical difficulties in keeping proper accounts of each subscriber. The agricultural holdings are scattered



throughout the State and an elaborate administrative network will be necessary to carry out proper implementation. The cost of such a machinery is likely to be disproportionately high. The total number of workers in agriculture is estimated to be 2 million. 80 per cent of this can be excluded from the purview of the proposed Provident Fund Scheme as they work with landowners owning less than one hectare of land. The balance 0.4 million workers can be taken as coming under the Scheme.

3.14. The success of the Provident Fund Scheme is largely dependent upon the co-operation of workers. The scheme is a savings scheme and the incentive for savings will depend on the benefits the scheme has to offer. On an average, more than 20 days of work qualifying for Provident Fund cannot be expected for a worker in a year. This can bring a credit of Rs.16/- per year per worker. For workers in Palghat District attached to lands measuring more than one hectare, the yearly contribution will be Rs.48/- as the worker gets nearly 60 days of work in one year. If the worker does not show interest in contributing his share to the fund, it will not be practicable for the landowner to compel deduction. This situation is likely to arise in the case of large numbers of migrant temporary workers. Moreover it has to be ensured that the money collected from agricultural workers finds its way to the individual credits. Practical considerations indicate that generally no reliance can be placed on the authenticity of landowners' registers.

3.15. With all the above difficulties which might arise, it is fervently hoped that the scheme can be successfully implemented and improved upon in the light of the experience gained. Strengthening of enforcement machinery, adequate provisions for administrative expenses, discouraging the practice of employing casual workers, registration of landholdings of more than one hectare, a few improvements in the system of collection of contributions, remittance, maintenance of accounts, etc. would go a long way in making the scheme successful.

3.16. The unique features of the Kerala agricultural labour front are the high literacy and the high percentage of unionisation. In no other State are the agricultural workers so strongly unionised as in Kerala. A number of agricultural workers' camps have been held in Kerala. Apart from disseminating information on the schemes for agricultural workers' welfare and security, these camps have succeeded in enlisting the wholehearted co-operation of agricultural workers' unions in implementing the programmes. Workers' representatives have also been deputed to attend All-India Conferences of Agricultural Workers at Hyderabad and New Delhi. It would not be an exaggeration to say that the progressive and enlightened agricultural workers' unions in the State have played a decisive role in spearheading measures for the agricultural workers' welfare.

#### IV. LABOUR WELFARE IN PLANTATIONS

4.1. Tea, coffee, cardamon and rubber are the major plantation crops in Kerala. It is estimated that about 0.300 million workers are employed in plantations in Kerala as follows:

Tea	-	85,000
Coffee	-	45,000
Cardamon	-	40,000
Rubber	-	130,000

4.2. The Plantations Labour Act which was brought into force on 1 April 1954 is a major labour welfare legislation having a comprehensive range of benefits, including:

- (i) Supply of drinking water
- (ii) Conservancy
- (iii) Medical facilities
- (iv) Housing
- (v) Creches
- (vi) Canteens
- (vii) Education
- (viii) Recreation
- (ix) Annual leave with wages
- (x) Sick leave with benefits
- (xi) Protective clothing, etc.

4.3. The following are some of the important welfare legislations applicable to plantation workers:

- (i) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, covering (a) Provident fund, (b) family pension, and (c) deposit-linked insurance;
- (ii) The Kerala Industrial Establishments (National and Festival Holidays) Act, 1958;
- (iii) The Maternity Benefit Act, 1961;
- (iv) The Motor Transport Workers' Act, 1961;
- (v) The Payment of Bonus Act, 1965;
- (vi) The Payment of Gratuity Act, 1962;
- (vii) The Kerala Payment of Subsistence Allowance Act, 1972;

(viii) The Kerala Labour Welfare Fund Act, 1975;

(ix) The Equal Remuneration Act, 1976;

(x) The Kerala Casual, Temporary and Beedi Workers (Wages) Act, 1977.

4.4. The enforcement of the benefits is through the Inspectorate of Plantations which has its offices located in all plantation areas. The Inspectorate functions with the active co-operation and involvement of trade unions. The following tripartite bodies are also functioning satisfactorily:

(1) *Plantation Labour Committee*

4.5. This is one of the most successful industrial relations committee which has paved the way for industrial peace and welfare in plantations. This committee consists of an equal number of representatives of employers and workers, with the Labour Commissioner as the Chairman. Apart from negotiating settlements on major issues like wages and bonus, the Committee acts as a watchdog on implementation of labour welfare schemes. The Committee also sets up smaller sub-committees to find solutions to specific problems in different regions in the industry. The achievements of the sub-committee set up to prevent exploitation of migrant workers in cardamom plantations deserve special mention.

(2) *Plantation Labour Medical Advisory Board*

4.6. This committee also contains representatives of workers and periodical meetings are held to assess the performance of medical services in plantations. The Committee also visits estate hospitals and prescribes standards for medical facilities.

(3) *Plantation Labour Housing Advisory Board*

4.7. The services of workers' representatives in this body have been particularly useful in improving the standards of houses for estate workers. The Board closely watches the progress of implementation of the subsidised housing scheme for plantation workers. The progress of this scheme is indicated below:

<i>Year</i>	<i>Allotment</i>	<i>No. of Houses</i>
1975-76	1.400 million	320
1976-77	1.950 "	453
1977-78	2.800 "	635
1978-79	3.300 "	720 (Expected)

4.8. The Government set up a Plantation Enquiry Committee, with one representative each of the employers and workers with the Labour Commissioner as the Chairman to study the implementation of the Plantations Labour Act and other labour welfare measures in plantations, and to suggest improvements. This committee took elaborate evidence from all sections in the plantation industry and has submitted its report to the Government.

4.9. The United Planters' Association of South India has been conducting a unique experiment called "Comprehensive Labour Welfare Scheme" in the plantation districts of Munnar and Vandiperiyar in Kerala State. The "UPASI" carried out three surveys in 1968 to establish the inter-relationships between the various social elements in plantations, workers in a plantation residing within the planted area or in close proximity to it. The working community consists of Managers, intermediate staff and labourers, people from different linguistic and religious groups from different States. The identity of the influence groups and the intensity and characteristics of the inter-action of each group upon the others as well as its role as a channel for reaching the target group were established through the surveys. The attitudinal patterns of the target group and the influence groups surrounding it were also ascertained. An intimate personal relationship between the field investigators and the groups covered by the survey was sought to be established. A campaign for family planning was also integrated into the Comprehensive Labour Welfare Scheme which was launched in 1971. The Scheme is pictorially depicted below. (Fig. 1). (See next page).

4.10. The UPASI's Surveys revealed that plantation workers as the target group could not be reached with any sustaining effect unless the various groups which live and work with them are identified and their thinking and attitudes are influenced. The groups so identified in the order of priority for a successful campaign were laid out as shown in the following diagram. (Fig. 2). (See next page).

4.11. While the general objective of seeking the co-operation and goodwill of each layer in relation to the target group was clear enough, the tactics to be adopted for gaining their co-operation and sustaining their interest as the campaign progressed were a matter of careful analysis of the dominant attitudinal pattern of each group and planning an approach technique which could be field-tested and improved upon according to the needs.

4.12. Educational and cultural activities, environmental hygiene social education, creche development, sports and games, film shows, health education etc. are important ingredients of CLWS. The following aspects are dealt with in social education:

- (i) Improvements of cleanliness and sanitation;
- (ii) Advantages of preventive medicine like inoculation, vaccination and triple antigen;

Fig. 1

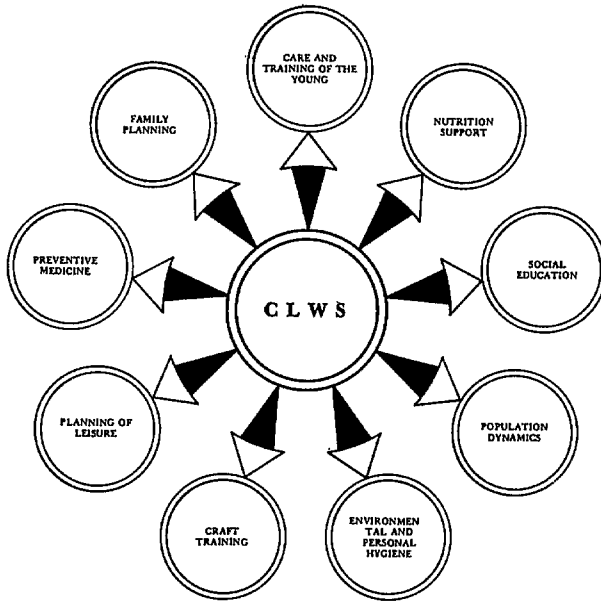
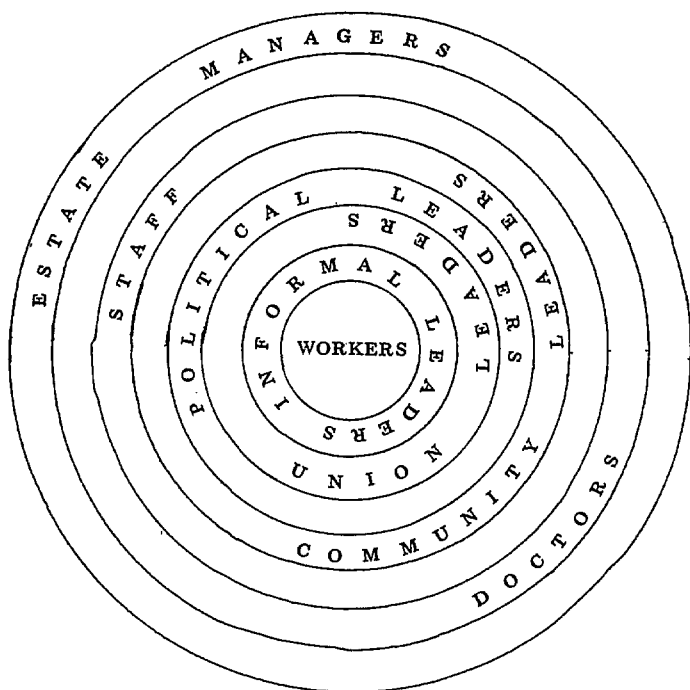


Fig. 2



- (iii) Precautions against infectious diseases;
- (iv) Importance of ante-natal check up and post-natal care;
- (v) Basic principles of nutrition and balanced diet;
- (vi) Family budget;
- (vii) Ill-effects of alcoholism;
- (viii) Family Planning;
- (ix) Toilet training.

4.13. So long as the operation has to be carried out within an employer-employee situation, the greatest vigilance has to be exercised to avoid a conflict in industrial relations obtruding on the campaign and undermining its effectiveness. A counter-action, once developed, would put back the whole campaign. The CLWS places great stress on the goodwill of the trade unions and their support and co-operation in the work. It is gratifying to note that leaders of national level and at the estate and district levels have heartily offered their support and co-operation for the implementation of the Scheme.

4.14. The CLWS is sustained at present solely by finances from the individual estates. As it involves deployment of sizable funds without immediate monetary returns, only a few estates have come forward to implement it. Motivation of the management community is necessary to spread the message far and wide. Great care has to be exercised to enlist the workers' involvement right from the beginning, at the stage of implementation, particularly taking care to avoid the impression that managements are treading on the unions' legitimate areas of operation.

## V. CONCLUSION

5.1. It seems that the union's role in relation to the labour welfare activities emerges from an acceptance of the fact that workers need welfare services much beyond those available to them as citizens and members of the community. Thereafter, the unions think that such services ought to be arranged by the Government either from its own resources or by taxing employers further. At any rate, unions generally do not want to pay for the services from their own resources. Once the Government concedes this point, then the unions try to secure participation in determining the norms of the services as well as their organisation and administration. It is only in contingencies where the unions either fail to get concessions from the Government or feel that something needs to be done beyond what the Government has agreed to do, or where they feel it is directly in their institutional interests or in leaders' professional interests, that they might undertake some welfare activities.

5.2. The unions' approach to welfare activities as outlined above cuts across all unions irrespective of their political moorings, size, nature and level of opera-

tions. In matters such as literacy and education, leadership training, medical care, co-operative consumer stores, fair price shops, housing community centres, unions feel that industrial workers have special and larger needs as compared to the other sections of the community. They pressed the government - which was not really unwilling - to give shape to the Board for Workers' Education, Employees' State Insurance Corporation, Labour welfare funds of different kinds, a variety of industrial housing schemes and boards, industrial co-operatives etc. Once the statutes were enacted and appropriate financial allocations were made, the unions came in again asking for representation in all such administrative structures. They got in, and sought to arrange things to suit their particular interests. Finally, they took care of the residual needs of workers by starting their own programmes wherever possible. A heavy reliance of unions on the State has its own merits and demerits. On balance, this approach of unions has reduced their need to undertake welfare activities on their own.

5.3. This peculiar role of the unions in welfare activities has been influenced, among others, by the socio-political environment, the state of the economy, and the legal framework of the country. The Constitution of the country, in its Directive Principles of State Policy, lays down in no uncertain terms that the government must take steps to improve the standards of education, health, and welfare of the people, and to work for their economic betterment. Accordingly, the government has been giving concerted attention to these matters. Industrial workers play a crucial role in the productive efforts of the community. They are perhaps the largest organised social group in the community and can articulate their viewpoints on all the democratic forums of the country. The Government has been too willing to do more for labour than for any other social group in the country. Trade unions were quick to take advantage of the situation and got concessions for workers. The government has enacted legislation and created administrative structures for rendering extensive welfare services to industrial workers. The under-developed state of the economy has further helped in this matter. The concern for capital formation and stepping up investment has tended to keep wages low. But the increasing burden on the purse of workers had to be reduced. Welfare measures constitute a mechanism wherein by rendering services in kind, the need for larger cash amounts could be rendered less urgent. It is quite possible that had the government not provided all services that it provided, the welfare activities of trade unions would have been much more than are found today.

5.4. It has been said that trade unions do not engage themselves in labour welfare activities due to paucity of funds. This argument is relevant only up to a point. Trade unions collect large funds for political campaigns and for fighting legal battles in courts of law. They have also been successful in motivating workers to contribute handsomely during the national emergencies. Surely, they have the potential to raise funds for undertaking welfare activities, particularly



when money spared by workers for the purpose is to be ploughed back to increase the quantum of services for them.

5.5. From the author's experience it is pointed out that one factor which often stands in the way of the union taking up welfare activities is membership indifference. The critical element which makes the difference between democracy and oligarchy in the functioning of a union is the extent of membership involvement in union activities. The most carefully thought-out provisions can be set at nought by an apathetic rank and file. When a protest movement no longer has to protest, at least in a form visible to the members, its mass appeal wanes. Once legitimization and bureaucratization have taken place, the average member will be after the union only when he has to get something done.

5.6. Simple bread-and-butter unionism cannot but produce membership apathy. At any one time there will be members who are drawn to the union, but the individuals and groups so drawn will vary depending upon the issue. There will be no sustained participation by an identifiable group over a period of time. Sustained participation is possible only if the union appeals to something more than mere job interest.

5.7. The ideological member has an additional link with his union as compared with the instrumentally-oriented one since he wants the union to be strong not merely to espouse his cause but also because for him a powerful union is an end in itself.

5.8. High membership involvement in the union is dependent on the variety and intensity of the links that bind the member to his organisation. The expectation of job benefits is but one possible strand in the relation between the two. Although this expectation is of pivotal importance, a union which appeals to its members merely on the basis of this one interest cannot elicit sustained participation from them. The strength of this link is greatly enhanced by employer hostility to the union, but even with this buttressing, membership involvement is bound to be fitful and sporadic. The existence of more than one link between the worker and the union is vital for high membership involvement. Where there is a many stranded relationship between the two, the member is drawn into a far wider range of union activity, and in the case of at least a segment of the membership a multiplex relationship with the union develops. If the several strands also happen to be mutually reinforcing, the appeal of each of them to the member is considerably enhanced. It is only through greater and greater involvement in labour welfare and security programmes that unions can gather strength and ensure healthy growth.

5.9. The analysis of the various Social Security Schemes in Kerala goes to show that workers' participation is ensured at all levels to the maximum possible extent. At the highest level, trade unions are given representation in the Board of Directors. At the intermediate level, they are represented in Advisory Com-

mittees, and at the lower levels of implementation, regular consultations with the trade unions take place. In many industrial establishments, workers' participation in management is also ensured through bodies like Works Committees, Shop-Floor Level Committees and Joint Management Councils. Apart from the statutory schemes, provisions have been incorporated in several long-term agreements to provide for relief to workers in case of death and other contingencies. A few companies have welfare funds of their own with nominal contributions from workers to provide financial assistance during exigencies.

5.10. It is a fact that trade unions in Kerala, by themselves, do not have adequate resources to take social security schemes independently. Many of them are plagued by financial difficulties. The members do not pay up even the subscriptions regularly. In some undertakings, the check-off system prevails whereby management deducts the union subscription and passes it on to the unions. There is also the practice of the management permitting one union representative to be present on pay day to ensure that union subscriptions are collected. With all this, the financial capacity of many unions is very poor and they hardly embark on ventures like housing, etc. At the most, their activity is confined to co-operative credit societies and, in some cases, to cultural and sports activities. It is felt that with better motivation the trade unions in Kerala could be inducted into some of the activities listed below:

- Union Co-operatives - consumer, producer, thrift and credit, etc.;
- Health and family planning programmes;
- Literacy, adult education, and social education classes;
- Workers' education and leadership training courses;
- Social, cultural, and recreational activities;
- Welfare centres/workers' institutes;
- Vocational guidance services;
- Safety education;
- Legal aid to members;
- Participating in or campaigning for civil/social services for members such as schooling of children and transport;
- Building houses for workers through co-operatives, etc.;
- National savings schemes;
- Civil defence measures;
- National integration, communal harmony, etc. campaigns;
- Entrepreneurial development of workers; and
- Social counselling and legal aid to members.

5.11. Today the trade union movement in Kerala is a major social force. As such it is destined not only to lead the struggle for the betterment of the lot of the workers, but also the struggle to industrialise Kerala in the shortest span of time possible, to sustain our traditional industries all of which are languishing and to democratise the public sector so that it is run in the interest of society at large; in short to lead the struggle for a basic change in economic policy. One can confidently say that the trade union movement will be able to rise to these tasks provided the widening breach in the ranks of organised workers is healed.

5.12. What is really reassuring is the continuing ability of trade unions to undertake welfare activities for their members. Assuming the socio-economic and political climate currently obtaining in the country as steady, the trade unions are less likely to step up their interest in direct welfare activities. However, they are likely to take an increasingly greater interest in the problems of workers' adjustment to industrialisation and urbanisation, social and emotional integration of different communities, civil and social services, etc. It is also equally probable that they will begin to take more direct interest in workers' education and the co-operative movement. They seem to be well organised for these kinds of activities.