

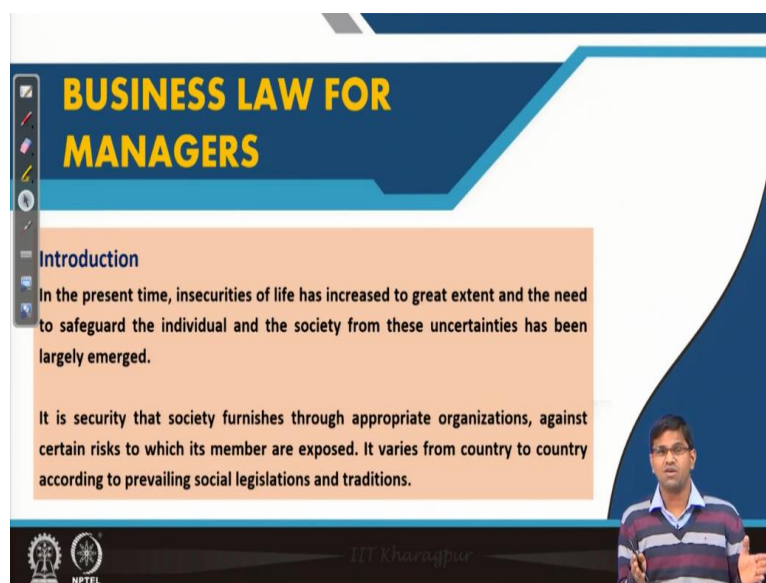
Business Law for Managers
Prof. S. Srinivasan
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Module – 7: Social Securities
Lecture - 31
Social Securities

Welcome to lecture 31, week 7 and module 7. In the previous modules, we were discussing on various legislation on wages, which are primarily coming under the code on wages, which are going to be implemented sooner by the Government of India. And this module, we are going to discuss about social securities. We are going to discuss about various legislations which are covering on social securities of employees working in various organised and unorganised sector.

And this, if you look at the various legislation we are going to discuss during this module, which are primarily and essentially coming under the code on social securities, so, today the first lecture, we are going to discuss about and understand the concept of social securities and what are the various legislation which are governed under these social security legislations. Then, going forward in the rest of this module, we will be independently discussing on each of the legislations. And let us get into the lecture.

(Refer Slide Time: 01:29)



BUSINESS LAW FOR MANAGERS

Introduction

In the present time, insecurities of life has increased to great extent and the need to safeguard the individual and the society from these uncertainties has been largely emerged.

It is security that society furnishes through appropriate organizations, against certain risks to which its member are exposed. It varies from country to country according to prevailing social legislations and traditions.

NPTEL

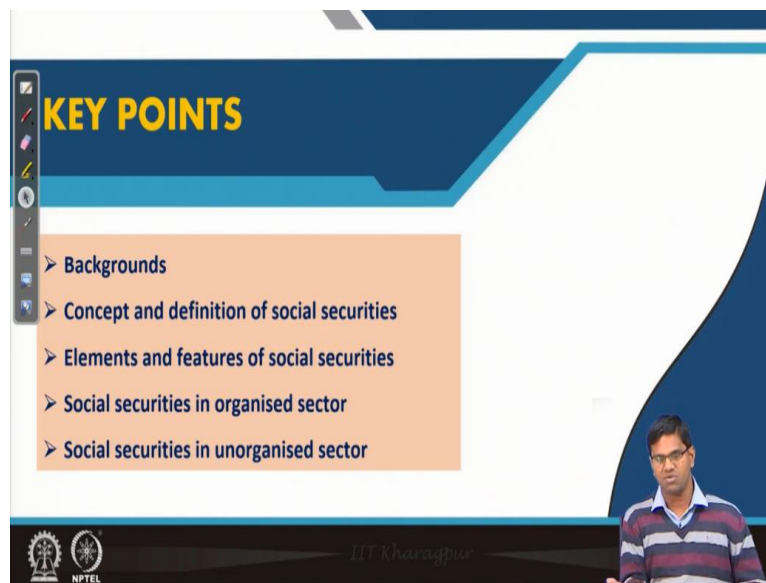
Why we are concerned about social security? Why employees in an organisation are concerned about social security? In a present time, everybody is really worried about

insecurities of life and especially the last few years or maybe the few decades, we are seeing that the insecurities are ever increasing that to need to safeguard individual and societies from these uncertainties has been largely emerged.

So, it is this social security that been ensured through various organisations or through legislations, which are going to protect the interest of the people against certain risk which the members of the society or the members of the working class are exposed to.

If you look at the social security's legislations or the social security benefits which we are going to discuss, which varies essentially from country to country according to the prevailing social legislations and the traditions and also based on the country's economic viability or the larger classification of developed nations and developing nations and underdeveloped countries are those countries are primarily differ with respect to their kind of a social security benefits they offer to their citizens, also to their working classes.

(Refer Slide Time: 02:47)



So, now, what are we going to discuss in this lecture? So, we are going to discuss to understand the backgrounds of social security legislations and we will try to get a more clarity on the concept and definitions of social securities. We will also learn about elements and features of social securities, social securities in unorganised and organised sector.

(Refer Slide Time: 03:10)

Social Securities

Background

International Labour Organization (ILO) in different conventions have been giving due emphasis on social security, subsequently various laws were added and existing were being amended.

ILO has suggested various methods of organizing, establishing and financing various social schemes. Social security are different in developed, underdeveloped and developing countries. In underdeveloped countries there only very few social security schemes with having a fairly low level of benefits.

So, now, let us develop more understanding on these social securities. International Labour Organisation which we always refer to ILO, in different conventions have been giving new emphasize on social security aspect and subsequently since India is one of the signees and sign the conventions or a treaty of ILOs, we have subsequently now added various laws and also amended the existing legislation in order to be in alignment with what ILOs are stating on the social security benefits to be provided to the larger working forces.

So, ILO has suggested various methods of organising, establishing and financing various social security schemes. So, social security schemes, as I was stated, is different in developed, underdeveloped and developing countries. In underdeveloped countries, we would find very few social security schemes with having very low level of benefits.

(Refer Slide Time: 04:13)

Social Securities

Concept of social securities

- Social security is a system under which a government pays money regularly to certain groups of people, for example people who are sick, are unemployed, or those who have no other income.
- Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, survivors and disability insurance benefits to the workers and their families.

So, now, the concept of social securities: Why we are discussing about the social securities? The social security is a system under which a government essentially tries to pay money regularly to certain groups of people. For example, people who are sick, people who are unemployed or those who have no other income. So, the concept of social securities, we are trying to learn from a larger concept, then we will be narrowing down to the especially in an organisational context, what are the social security legislation which are governing the employees or working class in an organisational setup?

Now, we are trying to understand from a larger perspective. What is the social securities? As we are saying, this is a kind of a system where every government does develop to secure people who are vulnerable, who are exposed to different uncertainties such as people who are sick and who are an unemployed. We are talking about certain unemployment allowances; there are several schemes which are existing in various states to secure the people who are unemployed.

So, then, we are also talking about people who do not have any other income facilities. So, how these people are to be covered? So, these people are supported through some of the social security schemes. So, now, we are talking about; yes, these are the people who are covered under social security schemes, but what is the social securities about? The social security is providing a protection that society provides to individuals and households to ensure that yes, they have a better access or ability to access the health care because they are not deprived of access into the health care because they do not have an employment, they have uncertainties.

Suddenly if they met with an accident, that person, the mere, core earning member of the family become disabled or deceased because of an accident, what will happen to the family? So, how does the family will have an access to what they were earlier had to the health care? So, the social security legislations are the schemes which are essentially trying to develop or create a protection to those vulnerable or people who are exposing to the uncertainties; everybody in this case are covered.

To ensure they have an access to health care and to guarantee the income security and also particularly in case of an old age or a survivor or a disability insurance benefit to the workers and their families; that is what the social securities aimed at. It is essentially trying to create a

protection and also ensure that yes, even if you are exposed to a certain vulnerable situations or uncertain situations, there are schemes which are going to protect you to have a better healthcare and secured basic income that you do not need to suffer when you lose your income.

Or any member in a family is deceased, what will happen to the family? So, the social security protection schemes are essentially going to help the families to access the health care and also to have a decent life.

(Refer Slide Time: 07:16)

Social Securities

Definition of Social Securities

“Social Security is a program of protection provided by society against the contingencies of modern life like-sickness, unemployment, old age, industrial accident against which the individual cannot be expected to protect himself and his family by his own ability and foresightedness.”

-----Friedlander

“Social security is a controversial and dynamic subject with various facets, philosophical, theoretical, humanitarian, financial, administrative, social, economic, political, statistical, medical and legal.”

-----Weber and Cohen

IIT Kharyapur
NPTEL

Now, so, we will also understand the definition of the social securities. Social security is a programme of protection. As I was repeatedly bringing on this concept, yes, it is about a protection provided by society. The society we are talking about in this place, we are referring to the institutions; institution, we are talking about the government as an institution against the contingencies of a modern life like sickness, unemployment, old age, industrial accident against which the individual cannot be expected to protect himself and his family by his own ability and farsightedness.

So, the social security is kind of a programme of protection that has been enabled, facilitated by the institution, primarily a government institution, government as an institution, to see that people who are of old age or met with an accident or having an employment accident or workplace accidents, how do they manage to protect himself and also his family? So, that is what the social protection is primarily talking about.

Social security is also, if you look at, it is more of a debated concept, where it cuts across various facets, its philosophical, theoretical, humanitarian, financial, administrative, socio-economic, political perspective. It has various way facets it has. And these are largely to understand the social security.

(Refer Slide Time: 08:47)

Social Securities

Elements of social securities

It was ILO and his experts whose joint efforts invited government of India for introducing important elements of social security like:

- Organization of health Insurance scheme.
- Revision of Workmen's Compensation Act.
- Central Law of Maternity Benefits. *YES*
- Extension of these schemes to other classes of workers.

IIT Kharagpur
NPTEL

Now, let us spend time to understand the elements of social security. ILO and its experts have put in lot of joint efforts from the Government of India for introducing important elements of social security, like creating health insurance schemes. If you look at some of the health insurance scheme for especially to the working people, which is Employees' State Insurance where we used to call it as ESI.

And also, in absence of ESI, those other establishments which are providing group insurances and also revision of Workmen's Compensation Act. As a facility, as an organisation, as an industrial establishment, every industrial establishment pays a premium towards the Workmen's Compensation Act. Under this Workmen's Compensation Act, in case any of the employees working in the particular organisation become, because of the workplace accidents become partially disabled or permanently disabled or deceased, those employees are provided with a monetary support to his family and his dependents through this Workmen's Compensation Act.

And also, there are Central Law of Maternity Benefits. There are 2 ways to look at. One is about through ESI, Employees' State Insurance. There are Maternity Benefits provided to the employees who are registered under this ESI and contributing. And another is about larger

open public access to the Maternity Benefits which is offered from the Union Government as the state has a responsibility to ensure that yes, there are Maternity Benefit Schemes which are ensuring to provide minimum financial support and also the access to health care support under this Maternity Benefit, and also extension of these schemes to the other classes of workers. So, these are the elements of some of the social securities.

(Refer Slide Time: 10:52)

Social Securities

Features of Social Security

From various definitions we may find the following features of social security:

- (i) Social security in some countries is applied to all governmental programmes and in some countries it is applied only to Social Insurance programme.
- (ii) It covers wide variety of health and welfare schemes, the coverage of social security is very wide meeting the different contingencies of an employee member.

Handwritten notes on the slide:
EPF →
ESI →
Sukano

NPTEL IIT Kharagpur

And now, we will understand the feature of social security. So, now, we have looked at various definitions. All these definitions are primarily talking about protection or a programme or a system that has been facilitated by the government as an institution. So, what does it actually talking about? Social security, in some countries is applied to all governmental programmes; in some countries, it is applied only to social insurance programme.

So, for example, life insurance programmes; if you all recollect that yes, our country also has Pradhan Mantri life insurance scheme, accidental insurance scheme, which are covering all citizens of this country. And also, it covers wide variety of health and welfare schemes. The coverage of social security is very wide meeting the different contingency of an employee, a member.

So, for example, when we are talking about ESI, Employees' State Insurance covers about sickness; it also covers about when an earning member dies, there is financial security provided to his family. Similarly, Provident Fund, EPF, we call it Employees' Provident Fund; this also provides the securing their financial aspect of an; in case an earning member

during his retirement or if during the service if he or she has died, and its dependent members will be provided with a financial support to ensure that yes, the family do not get into a distress of economic loss. So, that is how the social security tries to secure the working member employee as well as its dependents and family members in an untoward or uncertain situations.

(Refer Slide Time: 12:40)

Social Securities

Features of Social Security

- (iii) Social Security is a dynamic concept and its coverage changes with social, economic and political system prevailing in a given country at a given time.
- (iv) A comprehensive scheme of social security consist of "Social Insurance and social assistance".
- (v) The modern social security scheme is the integration of its two important elements of social insurance and social assistance and covering of all social risks.
- (vi) Social security must provide protection against all the ordinary risks of life and as well as special risks of employment.

E.S.S REPF

IIT Kharagpur
NPTEL

And social security is also a dynamic concept. Coverage changes with social, economic and political system prevailing in a given country. So, based on each of the country, as political, socio-economic, political situations, the social security legislation changes. If you look at the western countries, they have much larger social security schemes in comparison to the countries, with the developed countries.

For example, take as an example United States of America vis-a-vis the India. If you look at the unemployment programmes and the social security schemes for the elderly people who are retired or superannuated, it is really large compared to the kind of a social security programme we have as a country. It varies; as I said, it depends on the socio-economic, political perspective of those nations.

But India also have a wide variety of social security schemes, trying to protect the larger sections of the society. A comprehensive scheme of social security consists of social insurance and social assistance. The primarily, a social security is focusing on 2 major aspects. One is about social insurance and another about social assistance. The modern social

security scheme is integration of its 2 important elements as we are talking about; yes, social insurance and social assistance, covering of all social risks.

So, for example, comprehensively if you look at, we know, in an organisational context ESI and EPF is sum of these two aspects which are covering about social insurance as well as the social assistance schemes, which one is looking at the economical perspective, one is about looking at the access to the health care, because these two are absolutely important aspect when you wanted to protect the citizens or the employee of an organisation.

So, social security must provide protection against all ordinary risk of life as well as the special risk of employment. So, why the social security benefits or a social security legislation we are talking about? Because we know that life is very uncertain and anything can happen to anyone at any point in time.

Given the perspective when you are employed in an organisation, it has become a responsibility if an employer also at the state to facilitate, to ensure that yes, you are coming up with a social security scheme which have both social insurance and social assistance in place where employer and employee contribute together to secure the employees towards these uncertainties or any risk which they can encounter owing to the other possibilities we are talking about.

(Refer Slide Time: 15:32)

Social Securities

Features of Social Security

- (vii) It should bring under protection all member workers by hand and brain who live solely by their mere earnings.
- (viii) All social security programme although differ from country to country but they aims at providing some form of cash payments to individuals to replace at least a part of the lost income that occurred due to any such contingencies.

NPTEL

Then, it should also bring under protection all members workers by hand and brain who will live solely by their mere earnings. Then, also social security programme differ; as we said

already, differ from country to country, but the aims to providing some form of cash payments to individuals to replace the least part of the lost income at least some part of the lost income that occur due to any such contingencies.

So, the social security schemes are essentially, as we said, trying to secure you economically, so that you do not have to face the hardship of how do you manage the routines or a day to day life to meeting your needs. If you are losing your job or if you have met with an accident, you are not able to perform the work you were earlier doing, that is how the social insurance scheme is going to cover and protect these employees.

(Refer Slide Time: 16:30)

Social Securities

Features of Social Security

(ix) It provides financial helps in case of contingencies such as unemployment, maternity, work injury, industrial disease, old age, widowhood and orphan hood etc.

(x) Under social security the members of a particular category are offered safeguards and benefits such as medical and financial and to injured and financial help to widows, orphans and educational assistance in the form of scholarship and free ships to the needy students.

E.P.P. ->

E.P.P. -> Health cover in employees

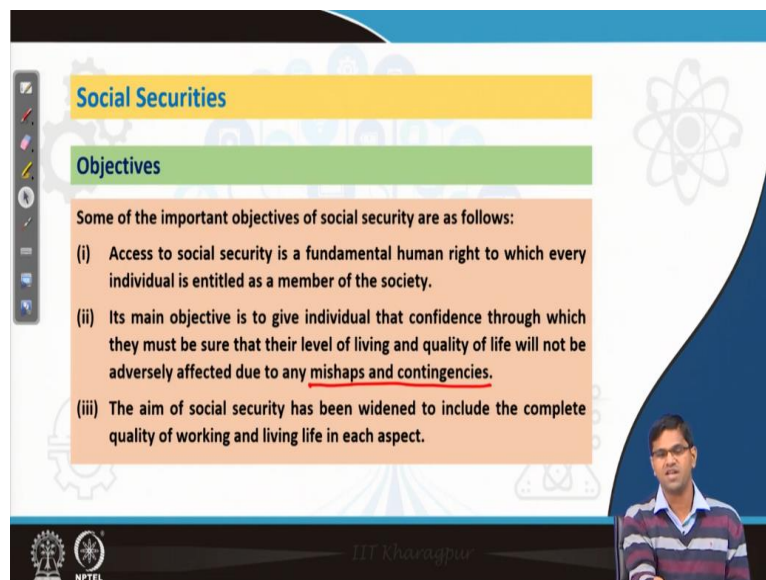
NPTEL

And it also provides financial help in terms of contingencies such as unemployment, unemployment allowances, Maternity Benefits during the maternity period. So, post the delivery, there are a few months, 26 weeks been covered under ESI with a full payment. And in case of a miscarriage, it gives 6 weeks of Maternity Benefit, which means ESI, Employees' State Insurance will be paying the workers for the 6-weeks period.

So, these are just an example I am talking about. It provides a financial help during the work injury and also in disease or old age or a widowhood or orphanhood, etcetera. Under social security, the members of a particular category are offered a safeguard and benefits such as medical, financial and to injured and financial aid to widows, orphans and educational assistance in form of scholarships and free ships to the needy students.

So, as we are talking about Employees' State Insurance, which also, it provides health access to all family members. And also, in case the working member lost his life, it also tries to protect the, secure the other dependent members in the family. As in case with the EPF is also, it provides the benefit to its dependents and also post retirement it also provides financial support to the working member.

(Refer Slide Time: 18:04)



Social Securities

Objectives

Some of the important objectives of social security are as follows:

- (i) Access to social security is a fundamental human right to which every individual is entitled as a member of the society.
- (ii) Its main objective is to give individual that confidence through which they must be sure that their level of living and quality of life will not be adversely affected due to any mishaps and contingencies.
- (iii) The aim of social security has been widened to include the complete quality of working and living life in each aspect.

IIT Kharagpur
NPTEL


Now, what are the objectives of this social security? See, it provides; the major objective is, it provides access to social securities of fundamental human right to which every individual is entitled as a member of the society. And know, it becomes one of the fundamental rights, yes, social security scheme should be provided in a way; when we are talking about a larger sense, yes, if the unemployment allowances, who do not have regular income, how they will be living in a society?

The social security schemes have to come up with some support. That is why it has been treated as one of the fundamental right, human right. And its main objective is to give individual that confidence that yes, they must be sure that their level of living or a quality of life will not be adversely affected due to any mishaps or contingencies. So, if we look at, yes, the social security schemes which is going to build a confidence among individual, yes, we understand there are potentially uncertainties existing in life for every individual.

So, the social security scheme is going to build a confidence that yes, we are going to provide you support to make sure that yes, your level of living or your quality of life do not suffer

because of any mishaps or contingencies. And it is also widened to include complete quality of working and then living life of each aspect of the workers.

(Refer Slide Time: 19:32)



Social Securities

Objectives

- iv) Society security is a wise investment which motivate the employees and boost their morale. Enabling higher quality production.
- v) It is basic instrument of social and economic justice among members of the society.
- vi) Social security leads to adoption of the schemes of unemployment, insurance and creation of new employment through a drive for rational planning and industrial development.
- vii) Social Security emphasis covering more different types of risks like sickness and employment injuries.

Dr. Khanna

NPTEL

And it is also, a social security is a wise investment which motivate employees and boosts their morale. When we are talking about a social security schemes or the Employees' Provident Fund as an example, when you contribute, employer also contributes and there is a money which both of you are contributing towards securing your future. So, this will actually, is a good investment and also will enable a higher quality production because employees are feeling that yes, I am being protected in some, through Employees' Provident Fund, Employees' Pension Scheme.

So, these are all the social security benefit which are going to of course, reflect on the quality of the production. And it is a basic instrument of social and economic justice among the members of the society and social security leads to adoption of the scheme of unemployment, insurance and creation of new employment through a drive for rational planning and industrial development.

And social security emphasize covering more different types of risks like sickness and employment injuries. So, as we said, we have legislation which are essentially covering upon these two aspects. When a worker met with an accident, what does that insurance schemes which are available that is going to secure him? Similar is the case of a sickness and also.

(Refer Slide Time: 20:53)

Social Securities

Social security in organised sector

Existing framework

The social security schemes in India cover only a very small segment of the organised work force, which may be defined as workers who are having a direct regular employer-employee relationship within a organization and who are having the benefit of formal social security protection.

There are two broad categories of social security laws to control over such as the contributory and the non-contributory laws

Employee Provident Fund (EPF)
Employee State Insurance (ESI)
Insurance

NPTEL IIT Kharagpur

And now we will spend time to understand what are the social security in an organised sector. So, the social security schemes in India cover only very small segment of the organised workforce. So, when we talk about an organised workforce, the employees who are working in an established organisation, registered companies and factories, those are all called organised workforce. How do we define these workforces?

Organised workforce are the one who have a direct regular employer-employee relationship within an organisation and those who are having a benefit of formal social security protection. So, when we say an organised workforce, this is what it refers to. It refers to, yes, they have a direct employer-employee relationship, meaning that they are employed in an industrial establishment where they have an employer and they are serving as an employee with a certain terms and conditions and they are also covered by the formal social security protection.

The formal social security protection is that, yes, there are established legislation policies and programmes. So, when we talk about formal social protection programme, let us talk about Employees' Provident Fund; we call it EPF. It is about Provident Fund and Pension Scheme and Employees' State Insurance Act, state insurance which we called ESI. So, as you are being a formerly having a relationship with an employer as an employee, then you have compulsory access to ESI and EPF.

In absence of ESI, you will have other insurance schemes; other insurance, health insurance. So, now, because of your formal relationship with your employer, you are having an access

to both of these, Employees' Provident Fund to secure Pension Scheme and also One-Time Grant, and Employee Deposit Linked Insurance Scheme for your family members and also Employee's State Insurance schemes covering about their health aspect of it.

These two broad categories of social security law control over such as contributory and non-contributory laws. So, what is this contribution and non-contributory? We will look at it and also explain what are those contributory legislations and what are those non-contributory legislations which are primarily focusing on social security aspect.

(Refer Slide Time: 23:32)

Social Securities

Social Security in organised sector

Existing framework and contributory laws

The contributory laws are those which provide for financing of the social security programmes by contributions paid by workers and employers.

The important contributory schemes include-

- the Employees State Insurance Act and ✓ *ESI → W E*
- the Provident Fund, Pension and Deposit Linked Insurance Schemes framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1948.

Handwritten notes on the right side of the slide:

- ESI
- W/E
- 0.75%
- 12%
- Employer 2.25%

NPTEL logo and 'IIT Kharyapur' text are visible at the bottom of the slide.

Now, so what are those contributory laws? So, the contributory laws are those which provide financing of social security programmes by both the parties; worker and employer will be contributing certain portion for towards the particular scheme or a programme. Let us say Employees' State Insurance Act, we are going to see in detail in our lectures, the subsequent lectures; but let us look at ESI.

This is primarily looking at a health, securing your health and sickness and Maternity Benefit, all that has been covered under this Employees' State Insurance Act. Here, both the parties, as we said, contribute here. That is why we call contributory. As an employee in a company, you also pay some for this particular scheme and the employer also contributes for your scheme, for a let us say ESI.

So, employee, let me put it worker, W an employee. So, W refers to worker; E refers to employer; so, worker an employee; this is employer. Now, for ESI, this 0.75% of your wages

or income, salary, you will be contributing towards this ESI scheme. Then here, 3.25% is the contribution from the employer. Similarly, if you look at Provident Fund, yes, for a Provident Fund and Deposit Linked Insurance Scheme, all that; so, here as an employee, you will be contributing 12% and your employer will be contributing 12%.

That is why these social legislations are called as contributory legislations because you also contribute and your worker also contribute towards these schemes or a programme which are trying to cover your sickness and also your post-retirement economic security.

(Refer Slide Time: 25:32)

Social Securities

Social Security in organised sector

Existing framework and non-contributory laws

The three major non-contributory laws are

- the Workmen's Compensation Act, 1923, ✓
- the Maternity Benefit Act, 1961 and
- the Payment of Gratuity Act, 1972. ✓

NPTEL

Now, what are the other framework which are non-contributory laws? Why we say non-contributory? These three legislations which I will talk now, where, as an employee you will not contribute, but as an employer they will be paying the premium to secure their workforces. For a Compensation Act, yes, Workmen's Compensation Act, as an employer, your employer will be paying towards this legislation as they will secure their workforces.

And for the Payment of Gratuity also, you do not contribute for this Payment of Gratuity insurance, the employer will be paying. Similarly, the Maternity Benefit, but Maternity Benefit also partly covered in ESI. There is one scheme which is contributory. There can be potentially in the absence of ESI, your employer will be contributing to certain insurances which are going to cover the Maternity Benefit. That is why this legislation are called non-contributory laws and those legislations are called contributory law.

(Refer Slide Time: 26:37)

Social Securities

Social Security in unorganised sector

The existing social security arrangements in the unorganised sector can be broadly classified into four groups as follows:

- i) Centrally funded social assistance programmes;
- ii) Social insurance schemes;
- iii) Social assistance through welfare funds of Central and State Governments; and
- iv) Public initiatives

Now, so what are those social security? Unorganised sector. So, now we say the difference between organised and unorganised, we really understood, yes, there is a formal employer-employee relationship; we are working in an established industrial establishment, where they have been registered and you are having a formal relationship as an employee and an employer.

Where in an unorganised sector where you do not see a such existence of a formal employer-employee relationship, those sectors are all called unorganised sector, which can be broadly; what are the social security arrangement available for those unorganised sectors? Because, for organised sector, as I said, you have Employees' Provident Fund, because you will contribute, your employer contributes; Employees' State Insurance, you will contribute, the employer contributes.

Whereas in the unorganised sector, there is no formal existence of relationship between employer and employee. So, in absence of this formal employer-employee relationship, what type of a social security schemes are available to these unorganised sectors? There are broadly classified into 4 groups. One is centrally funded social assistance programmes as the Union Government is providing certain social assistance programmes, social insurance schemes, social assistance through welfare funds of Central Government and State Governments and certain public initiatives also in place which are securing the unorganised sector largely.

(Refer Slide Time: 28:02)

REFERENCES

- <https://www.adfiap.org/member/employees-provident-fund/>
- Acharya. 1990. Maharashtra Employment Guarantee Scheme: A Study of Labour Market Intervention, ILO - ARTEP, New Delhi
- Burgess, S and Stern, N. 1991. Social Security in Developing Countries: What, Why, Who and How?, in Ahmad et. al. Social Security in Developing Countries(Oxford, Clarendon Press, London.
- Vasandani, G: 1987 Social Security for Industrial workers in India Vasandani, New Delhi.
- Subramanya, R.K.A. 1992, "Social Security in the context of New Industrial Policy: - Certain Proposals" in Report of the Seminar, Social Security Association of India, New Delhi
- Rastogi, R.K.,1994 " Administration of Social Security" in Social Security in Developing Countries, (Social Security Association of India, Friedrich Ebert Stiftung, New Delhi

NPTEL IIT Kharagpur

So, these are the references.

(Refer Slide Time: 28:05)

CONCLUSION

This lecture has covered backgrounds, concept and definition of social securities, elements and features of social securities, social securities in organised sector, and social securities in unorganised sector. The learners can learn and enhance their knowledge and capacity on all these aspects.

NPTEL IIT Kharagpur

In this lecture, we have started with an introduction to understand the concept of social security and especially the social security for organised and unorganised sector. And we also talked about contributory and non-contributory laws with respect to social security benefits for the organised sector. And also, we talked about what are the broadly available social security schemes for the unorganised sector.

So, going forward, we are going to learn about various specific social security legislations. In the next lecture, we will be discussing about social securities for unorganised sector. Then, later we will be spending time on each of the legislations for the organised sector. Thank you.