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SHOWING THE WAY FORWARD: INDIA'S REDISTRIBUTION EXPERIENCE IN EXTENDING SOCIAL PROTECTION TO ALL

STUDY

2006

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India

SHOWING THE WAY FORWARD: INDIA'S REDISTRIBUTION EXPERIENCE IN EXTENDING SOCIAL PROTECTION TO ALL...

Study

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India: Study: Showing the Way Forward, India's Redistribution Experience in Extending Social Protection to All

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LIST OF ABBREVIATIONS

AIDS	Acquired Immuno-Deficiency Syndrome
ANM	Auxiliary Nurse and Midwife
APL	Above Poverty Line
ARD	Annual Renewal Date
ASHA	Accredited Social Health Activist
AYUSH	Ayurveda, Unani, Siddha, Homeopathy
BPL	Below Poverty Line
CBHI	Community Based Health Insurance
CGAP	Consultative Group to Assist the Poorest
CHC	Community Health Centre
CMIE	Centre for Monitoring the Indian Economy
CRIG	Community and Rural Insurance Group
DHM	District Health Mission
EPF	Employees' Provident Fund
EPFO	Employees' Provident Fund Organization
ESIS	Employees' State Insurance Scheme
FHPL	Family Health Plan Limited
GDP	Gross Domestic Product
GoI	Government of India
GP	Gram Penchayat
HDFC	Housing Development Finance Corporation
HIV	Human Immuno-Deficiency Virus
IMR	Infant Mortality Rate
IPHS	Indian Public Health Standards
IRDA	Insurance Regulatory and Development Authority
JBY	Janahsree Bhima Yojana
KBCWWWF	Kerala Building and Other Construction Workers' Welfare Fund
KSSSY	Krishik Shramik Samajik Suraksha Yojana
LIC	Life Insurance Corporation of India
LWO	Labour Welfare Organisation
MED	Micro Enterprise Development
MGBBY	Mahatma Gandhi Bunkar Bima Yijana
MMR	Maternal Mortality Rate
NCEUS	National Commission for Enterprises in the Unorganised Sector
NFBS	National Family Benefit Scheme
NGO	Non Governmental Organisation

NMBS	National Maternity Benefit Scheme
NOAPS	National Old Age Pension Scheme
NREGA	National Rural Employment Guarantee Act
NRHM	National Rural Health Mission
NSAP	National Social Assistance Programme
PHC	Primary Health Centre
PPF	Public Provident Fund
PPP	Public Private Partnership
PRI	Panchayati Raj Institution
RCH	Reproductive and Child Health
SASPFUW	State Assisted Scheme of Provident Fund for Unorganised Workers
SEWA	Self Employed Women's Association
SGRY	Sampoorna Grameen Rozgar Yojana
SHG	Self Help Group
SSY	Shikhsha Sahayog Yojana
TBF	The Bridge Foundation
TPA	Third Party Administrator
TSC	Total Sanitation Campaign
UHIS	Universal Health Insurance Scheme
UT	Union Territory
VHG	Voluntary Health Guide
WCA	Workmen's Compensation Act
WFC	Workers' Facilitation Centre
WWF	Beedi Workers' Welfare Fund
YHIS	Yeshasvini Health Insurance Scheme

INTRODUCTION

1. Background

In India, the organised sector is defined as consisting of all government institutions, and of enterprises using power and employing 10 or more persons, and those not using power but employing 20 or more persons (ILO 2000: 2). This sector is characterised by skilled labour, regular employment, better remuneration, use of sophisticated technology and registered factories and service establishments. Workers in the organised sector have a high level of bargaining power. The share of the organised sector in the total labour force of the country, however, is only around 10 per cent. The remainder of the workforce is in the unorganised sector, which has been growing rapidly, especially after the reforms were introduced in the early 1990s.

The workers in the unorganised sector do not have a formal employer and employee contract. Consequently, they do not have access to state-sponsored social security. They are also often unable to organise themselves in pursuit of a common objective. This is because of constraints such as the casual nature of employment, ignorance and illiteracy, small size of establishment and low capital-investment per person employed, scattered nature of establishments, superior strength of the employer operating singly or in combination (GoI 2002)[1].

One of the most important criteria that separates the organised sector from the unorganised sector is the availability of and access to different types of social security or social protection for the workers in these sectors. There are two approaches to social security benefits in India: the citizen-based approach and the work-based approach (Jhabvala and Sinha 2001). The citizen-based approach is based on the 'rights' of citizens, entitling every person, by virtue of the fact that s/he is a citizen of the country, to access certain services, in particular, the public distribution, the health care and basic education. In addition, the central and state governments attempt to provide other services, such as employment guarantee, etc., in the form of social assistance.

The work-based approach supplements the citizen-based one. The work-based entitlements are statutory and apply to only those workers who have a fixed employer-employee relationship. This means that only the organised sector workers in India benefit from work-based entitlements. The finances for these entitlements are provided by statutory contributions from the employers and employees. The role of the government is to enforce and implement the schemes. The main work-based entitlements in India are the Employees' Provident Fund (EPF), the Employees' Social Insurance Scheme (ESIS), the Public Provident Fund (PPF), etc.

Table 1 presents a comparative picture of the social security entitlements available to the workers in the organised sector as against the general poor, which includes most of the unorganised sector workers.

[1] In the official records of the National Commission on Labour (NCL), the unorganised sector in India is simply defined as the residual of the organised sector (GoI 2002). However, due to the problems of underestimation and insufficient coverage, it is difficult to arrive at this residual estimate.

Table 1 clearly indicates that the members of the organised sector receive a fair minimum standard of social protection. However, when it comes to the social security arrangements in the unorganised sector, there is much to be desired. The social security schemes available for the unorganised sector workers are briefly discussed here.

Table 1. Social Security Entitlements Available in India

Contingency	Public employees	Workers in the private sector to whom social security legislation is applicable	The general poor
Medical care	Free treatment in hospitals, and drugs; some medical insurance schemes	Free treatment in ESI hospitals and dispensaries; reimbursement of drugs; (plus medi claim insurance facilities for those not covered by ESI)	Treatment in public hospitals. Free supply to limited extent through Primary Health Centres (PHCs)
Sickness benefit	Medical leave on full pay	Sickness leave under ESI	Nil
Maternity benefit	Maternity leave on full pay	Maternity benefits under ESI or under the Maternity Benefit Act	Social assistance schemes under the NSAP and in certain states
Unemploy-ment benefit	Retrenchment benefits under Renewal Fund for employees of public sector enterprises	Retrenchment benefits under Industrial Disputes Act	Public employment generation schemes; limited schemes in certain states for educated unemployed
Employment injury benefit	Ex-gratia relief; and standard rates under the Central Services (extraordinary pension) rules	Benefits under the ESI or under Workmen's Compensation Act (WCA)	Social assistance from welfare funds for those engaged in hazardous occupations in certain states
Invalidity benefit	Ex-gratia relief; and standard rates under the Central Services (extraordinary pension) rules	Benefits under the ESI or under the WCA	Pensions for physically handicapped in certain states
Old age benefit	Pension and gratuity or contributory provident fund and gratuity	Payments under EPF and under Payment of Gratuity Act	Old-age pensions provided by the National Social Assistance Programme (NSAP) and state govern-ments for the destitute poor
Survivor benefit	Subsidised group insurance for death while in service; family pensions in the case of death after retirement	Deposit-linked insurance and family pensions under EPF	Subsidised life insurance under the NSAP and accident insurance to the extent available; survivor benefit and accident relief schemes in certain states; pensions for widows in the states; compensation under Motor Vehicles Act

Source: Guhan 1993

Social Assistance Programmes

These programmes aim to ensure that the unorganised sector workers and the vulnerable sections of the population have access to the basic entitlements, such as food and nutrition, housing and health, education and employment, etc. In addition, the government has implemented schemes to ensure creation of employment opportunities to the unorganised sector workers. These programmes are Sampoorna Gramin Rozgar Yojana (SGRY), which aims at providing wage employment in rural areas, and Swarna Jayanti Gram Swarozgar Yojana (SGSY), which covers all aspects of self-employment and assistance through credit-cum-subsidy programmes. As of August 2005, employment guarantee to rural workers has also been ensured through a constitutional provision, i.e., the National Rural Employment Guarantee Act (NREGA)

The social assistance programmes also include schemes under the National Social Assistance Programme (NSAP). This programme has three components: i) National Old Age Pension Scheme (NOAPS); ii) National Family Benefit Scheme (NFBS); and, iii) National Maternity Benefit Scheme (NMBS). The programme provides opportunities for linking the social assistance package to schemes for poverty alleviation and the provision of basic needs. Specifically, old age pensions are linked to medical care and other benefits for the old and the poor.

Box 1. The National Social Assistance Programme

The total amount of funds released for National Old Age Pension Scheme (NOAPS) was Rs. 3714 millions in 2001-02, and the total number of beneficiaries was 5.4 million in the same year. The amount of benefits per person in a year worked out Rs. 684. The release of funds for National Family Benefit Scheme (NFBS) gradually increased from Rs. 1280 millions in 2001-02 to Rs. 37519 millions in 2004-05. Since the information on the total number of beneficiaries is not available for these years, it is not possible to work out the benefits per person per year. However, indisputably, two features characterise the social assistance programmes in India

a) Low coverage in relation to the size of the unorganised sector - This is because almost all these programmes focus only on the Below Poverty Line (BPL) households, which is not at all an accurate or appropriate method to cover the unorganised sector.

b) Paltry amounts of benefits - As evident, the old age pension amounts work out to around Rs.57 per month per individual, which is really a very meagre and negligible amount. The reason that has been provided for this is the lack of adequate public funds, the high administrative costs, etc.

Social Insurance Schemes

The social insurance schemes of the central government for 24 approved occupation groups in the unorganised sector have been merged with the Janashree Bima Yojana (JBY) since August 2000. The JBY provides insurance cover in the case of death and permanent/partial disability for those households living below the poverty line as also those marginally above the poverty line.

Welfare Funds

The Central Government, through the Ministry of Labour, operates five welfare funds for industrial and mining workers[2] to provide welfare benefits relating to health care, housing, education, drinking water supply, etc.

[1]The two industries are beedi and cinema, and mining relates to three groups;
i) limestone and dolomite; ii) iron ore, chrome ore and manganese ore; and, iii) mica.

State Government Schemes

Most state governments have also implemented schemes to provide social protection to unorganised workers. The state level initiatives cover ten important areas: old age pension, pension for the agricultural landless labourers and destitute women, maternity benefit, physically handicapped, health and medical care under voluntary agencies, employment relief for the educated unemployed, self-employment and group insurance schemes.

2. Critical Review of Social Security Programmes in India

An overview of the schemes both at the Central and State levels reveals that despite the multiplicity of schemes and programmes aiming at social protection of the under-privileged, the social security situation in India is characterised by lack of a consistent policy. They have been framed at various points in times at random responding to the expedience of the day and not conforming to any overall design. These schemes do not represent a uniform policy or plan. Various studies have pointed out a number of weaknesses in the existing social security programmes for unorganised workers in India -

- Flaws in the design and implementation of programmes[3].
- Lack of correspondence between levels of income and social security provisions across different regions point out the relative importance of the political commitment of respective state governments to such provision (Prabhu and Iyer 2001).
- Meagre expenditure on social security in India and across the states[4].
- The state welfare boards, which have been administering the social security schemes, have disproportionately high administrative costs. This, for instance, is demonstrated markedly by the Kerala Construction Workers' Welfare Fund Scheme (see Chapter 2). Given the bureaucratic administrative machinery, there are several demands and compulsions of administrative procedures that have to be met, all of which cause delays and keep mounting the cost of administering the schemes.
- The multiplicity of social security schemes initiated by the government in India, lacking in an overall cohesion in design and management has often proved to be counterproductive to the economy (Prabhu and Iyer 2001). This has been again due to the high administrative costs of implementing them, which nearly negate the paltry benefits accruing from them, and the impact they have on the target population is also negligible (Dreze and Sen 1991).
- Since there is no convergence due to implementation of different social security schemes for unorganised workers by different departments, the coverage of unorganised workers under the schemes has been minuscule.

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[2] Radhakrishna (2001) points out the flaws in the Public Distribution System. Rajasekhar and Manjula (2005) note that the employment potential of SGRY was limited due to its design, which permitted more spending on capital intensive works. The authors conclude that design changes specifying certain proportion of expenditure on labour intensive works improving the natural resources in villages are necessary. Rajasekhar and Satapathy (2006) point out the design flaws, which contributed to less spending on self-employment generation programmes of SGSY. The studies of Gayatri (2001), Alam and Antony (2001), Thorat (2001) and Dayal and Karan (2001) focus on vulnerable groups of women, aged, scheduled castes and scheduled tribes, respectively. These studies present the flaws in the design and management of schemes formulated for these group and call for a reworking of the policies.

[3] According to the World Labour Report (2000), the public sector expenditure on social security in India was 1.8 per cent of the GDP, whereas it was 4.7 per cent in Sri Lanka and 3.6 per cent in China. This can be found across the states as well. Karnataka spends only 1.52 per cent of its total expenditure (amounting to Rs. 3570 million) on social security measures for the unorganised sector. Tamil Nadu, which has to Rs. 3570 million) on social security measures for the unorganised sector. Tamil Nadu, which has efficient social security programmes, spends 2.64 per cent of its total expenditure on social security (CMIE 2002).

- The experience in the implementation of these schemes shows that the benefits are generally insufficient for the needs of the unorganised sector workers, and the schemes are ineffective given the size and diversity of this sector.
- There are problems from people's side in accessing these schemes and availing of their benefits[5].
- A large proportion of unorganised workers obtain low incomes. This makes it difficult to start contributory schemes.

3. Need for the Study

The above section throws light on the following important issues. First, the unorganised sector workers comprise a very large section of the working population, however the social security schemes available to them are meagre and have, in general, been ineffective. Second, there is clearly no overall umbrella scheme for this category of workers, which is related to the nature of the sector itself. Third, even attempts to introduce social protection schemes have faced considerable challenges. For instance, Rajasekhar and Sreedhar (2002) found that even though the government of Karnataka introduced the Provident Fund scheme for beedi (country cigarette) workers, workers tended to use it more as a savings scheme rather than a social security product. In other words, they withdrew lumpsums from the fund frequently in order to meet their lifecycle needs.

Of late, the government has been considering introducing an umbrella legislation to ensure social protection for the unorganised workers. This legislation, called the Unorganised Sector Workers' Social Security Bill has been drafted, piloted, and is currently under discussion before it is ultimately passed in the parliament. In the meanwhile, in recognition of the extent of challenge the social protection issue poses, there have been some small and big attempts by the governments, Non-government Organisations (NGOs), private sector and others in order to provide some form of social protection to the workers. This widespread concern and willingness has materialised in a broad diversity of extension initiatives with the result that India has been lately recognised as having taken the lead in fostering and implementing innovative strategies and mechanisms aiming at the extension of social protection to all.

The diversity and scope of these initiatives in a country as big as India already represent a unique experience in the world. This uniqueness is further enhanced since, while trying to bridge the social protection gap, India has also experienced various ways of allowing the excluded groups to benefit from redistribution mechanisms that contribute to the achievement of the over arching goals of social justice an human rights promotion. Many of these programmes are innovative in design and have been implemented in certain areas of the country and to certain sections of the unorganised work force. Some have faced reasonable success in both reaching out to the target groups as well as providing them basic social security.

While there have been some individual studies on each of these programmes, an overall study analysing the design and implementation of these programmes and presenting a comparative picture on their relative merits and successes has not been conducted. This study attempts to fill this gap. In particular, we are interested in the redistributive content in the design of the schemes, and the redistributive value of their implementation, since no attempt has thus far been made to carry out a detailed comparative analysis of the main features of the various social redistribution experiences.

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[5] For instance, see De, Noronha and Samson (2001) and Sahu and Rajasekhar (2005) for demand-side problems in accessing basic education. Kundu (2001) highlights similar problems in accessing health and housing benefits.

4. Methodology

In order to study the redistributive value of the existing social protection schemes in India, we adopted the case study method. We have selected eight different social protection schemes being implemented in different parts of the country, and we have studied their design, the legislative backing they have, the institutional design in their implementation, and their performance in terms of reach to the target populations and the benefits they provide. Finally we evaluate each of the programmes based on both the design and the performance.

The eight programmes we have chosen may be categorised into the following groups.

- First, as examples of the schemes of the central government, we have taken into consideration the pilot scheme called the *National Social Security Scheme for the Unorganised Workers,* which was introduced in 2004. As mentioned earlier, this scheme was meant to be tried and tested before the Government passed the Unorganised Sector Workers' Social Security Bill. The *Janashree Bhima Yojana,* which was introduced in 2000 as a social insurance scheme, has also been studied here.

- Second, as mentioned earlier, the state government initiatives have also been effective in extending social protection in various forms to the unorganised sector workers. We discuss two kinds of state level initiatives - the welfare funds model and the provident funds. Some state governments have been implementing the different welfare fund schemes as per the central acts, which have been passed at various points in time. One of the success stories of the welfare fund schemes has been Kerala. In fact, the central government has often urged all the states to emulate the Kerala welfare fund model in their respective states. Therefore, we have selected the *Construction Workers' Welfare Funds Scheme* in Kerala as a case study for this section. Further, Karnataka is a good case in point for the analysis of the *Beedi Workers' Welfare Funds Scheme.*

  One of the important social security products available to the organized sector workers is the provident fund scheme, which is financed through contributions from the employers and the employees. Since this kind of scheme is challenging to implement for the unorganized sector workers given the nature of the sector, the central government is still grappling with this issue. The government of West Bengal, however, introduced an innovative *Provident Fund Scheme for the Unorganized Workers* in the state, where the state took the role of the employers, and thus the funds are mobilized partly from the workers themselves and partly from the government. This kind of initiative is thus worthy of study.

- Third, it is well known that health is the most crucial contingency faced by the poor and unorganized sector households is the health contingencies. It is because these households have to borrow heavily to meet the expenditure on the health emergencies that their poverty is perpetuated to a large extent. Health insurance is thus an important component in the social protection schemes. We have thus selected two health insurance schemes - one, a central government initiative - the *Universal Health Insurance Scheme,* and the second, a state government initiative - the *Yeshasvini Health Insurance Scheme* introduced by the Karnataka government in 2002.

- The *National Rural Health Mission* was launched by the central government in 2005. Although this is not a social security product or a social protection scheme per se, it throws light on the overall health policy of the government, and therefore helps us analyse the climate in which the various social security products with respect to health can operate.

- A draft version of the *Unorganised Workers Social Security Bill* was made available in May 2006. This bill, based on the experience of the scheme implemented since 2004 and the recommendations of the National Commission for Enterprises in the Unorganised Sector (NCEUS), is very important from the viewpoint of redistribution. Hence, we have discussed this bill in the penultimate chapter of this report. It needs to be noted that, at the time of finalizing this study report, we do not have any idea on the implementation as this is only a draft bill waiting for approval by the government.

5. Data

The information base for this study is the secondary data from various sources including government documents, budget documents, academic research reports and papers, newspaper reports and articles, etc. We also conducted interviews with some of the service providers, for eg., the LIC, in order to obtain information. Data, however, is not easy to come by with respect to all of these schemes. Some of the schemes such as the welfare funds, particularly the Kerala model, have been well researched and documented. With respect to these, the analysis of the performance did not pose too many constraints. The Yeshasvini Health Insurance Scheme has become such a successful scheme in so short a period that there are already quite a few case studies - prepared by the ILO, CGAP, Cornell University, etc., documenting its features and implementation. We have used primarily these sources to analyse the scheme in this report. The LIC provided us with up-to-date information on the Janashree Bhima Yojana, which has enabled us to carry out an in-depth assessment of the scheme here.

With respect to the West Bengal provident fund scheme, no documentation has been done by the government or others with the exception of the International Labour Organisation which has circulated a brief information paper on this scheme in 2005, followed by an update in March 2006. We have used the data provided in this paper for the analysis.

The National Rural Health Mission was launched only in 2005, therefore, while there is abundant information on the design and implementation strategy of the programme, the implementation is still in its nascent stage. Therefore, we have only some budget figures and numbers from sporadic newspaper reports, etc., to analyse the performance of the mission in the past one year.

Therefore, it must be noted up front that the data presented in this report are not yet complete or consolidated. Analysis has been conducted based on the available data, however meager it be. In some cases, it was not possible to obtain complete figures on the performance of the schemes - in these cases, we have attempted an evaluation of the redistributive features of the scheme largely with reference to the design of the scheme. Examples of such cases are the National Social Security Scheme for the Unorganised Workers and the West Bengal Provident Fund Scheme. In some cases, while data has been documented, we have been unable to obtain the most recent figures - an example of this is the Kerala Construction Workers' Welfare Fund scheme - the analysis here is thus based on data up to 2000-01 and 2001-02.

6. Organisation of the Report

The remainder of the report is organized in the following manner. In Chapter 1, we study the two central government schemes - the National Social Security Scheme for the Unorganised Sector workers and the Janashree Bhima Yojana. In Chapter 2, we focus on the welfare fund schemes in the states of Kerala and Karnataka and the West Bengal Provident Fund Scheme. In Chapter 3, we discuss the Universal Health Insurance Scheme and the Yeshasvini Health Insurance Scheme. This is followed by the National Rural Health Mission in Chapter 4. In Chapter 5, we take a look at the latest draft of the Unorganised Workers Social Security Bill, 2006 which was brought out in May 2006 incorporating revisions based on the recommendations of the National Commission for Enterprises in the Unorganised Sector. Chapter 6 concludes the report with a comparative analysis of all the eight schemes and an analysis of their relative redistributive value. Wherever possible, we identify some design and implementation features that are worthy of being best practices and therefore can be replicated in other settings as well.

I. CENTRAL GOVERNMENT SCHEMES

1. National Social Security Scheme for Unorganised Sector Workers

The National Social Security Scheme for the Unorganised Sector Workers was launched by the Union government in 2004 as a 'pilot project' prior to the passing of the legislation pertaining to the same. The scheme is meant to benefit the 37 crore unorganized workers in the country who are not covered under the Provident Fund Act, and is to be managed by the Employees Provident Fund Organisation (EPFO). The scheme was to be introduced in 50 selected districts and operated for a period of five years. The legislation that was supposed to succeed this pilot scheme is called the Unorganised Sector Workers' Social Security Bill and has been under revision for the last two years now. It was supposed to be introduced in the 2005 Winter Session of the Parliament, but is yet to be passed. Here, we look at the salient features of the pilot scheme, analyse the performance of the same and try to identify the key constraints that have withheld the passing of the bill for such a long time.

Key features of the scheme

1. All workers in the age group of 36 - 50 are eligible to become members only for a period of five years from the date of launching the scheme. Thereafter, only the workers who are of the age of 35 years or below on the date of joining the scheme are eligible to become members. The workers will cease to be members of the scheme from the date of attaining 60 years of age or from the date vesting admissible benefits under the scheme, whichever is earlier.

2. Any worker in the above category drawing a pay/income of Rs.6,500 or less is eligible to become a member of the scheme. Both wage employed workers and self-employed workers are included in the scheme.

3. All members will be registered at Workers' Facilitation Centres (WFCs) and provided social security numbers, which will be permanent numbers throughout their lives.

4. In the case of wage employed workers, the employer may, before taking any person into employment, ask the person to state in writing whether or not s/he is a member of the scheme and if so, require the person to furnish the national social security number.

5. The social security fund will be created and operated out of the contributions from the following workers, employees (where identifiesle) and the government.
   - The workers in the age group 18 - 35 years will contribute Rs.50 per month.
   - The workers in the age group 35 - 50 will contribute Rs.100 per month.
   - The employers wherever identifiable, for workers in both categories, will contribute Rs.100 per month.
   - The self-employed in the age group 36 - 50 will contribute the employer's share in addition to his/her own share.
   - The central government will contribute at the rate of 1.16 per cent of the monthly wages of the enrolled workers taking as base, the average national floor wage as notified by the central government from time to time. This contribution will be calculated to the nearest rupee, fifty paisa or more to be counted as the next higher rupee and fraction of a rupee less than fifty paisa to be ignored.

6. The mode of payment of contributions involves the following:
   - The employers will collect the worker contribution from the workers and their contribution and then deposit the entire amount in the designated branch of the bank or post office.
   - The workers for whom there is no identifiable employer will pay the contributions at the designated branch of the bank or post office by submitting their social security numbers. They may use the services of the WFCs for this purpose.
   - The contributions of the employers and workers have to be deposited by the 15th of every month. Defaulters in this will have to pay a fine of Re.1 per month.
   - Any member who does not deposit the contributions for a continuous period of one year will cease to be a member of the scheme. Such a person may however get his/her membership renewed by depositing the contributions for the gap period along with the interest amount.
7. The main benefits of the scheme to the workers are as follows:
   - Pension of Rs.500 per month will be paid to the worker on retirement or disability. In case of the death of the worker, the family will continue to receive the pension.
   - The scheme provides for an insurance policy up to Rs. 1.25 lakhs to cover accident/death of the workers.
   - Appropriate health insurance policies will be purchased to make available the benefits of health cover to the extent available under the Universal Health Insurance Scheme. Expenses up to Rs.30,000 will be covered.
   - In the event of hospitalization, compensation of Rs.50 per day up to 15 days will be paid.

Evaluation of the scheme

One of the most virulent attacks made on the scheme is that the government in power introduced it in a hurry in an attempt to win votes in the union elections of 2004. It was said to be an ill-thought of and ill designed scheme, which cast serious doubts over its legality, practicality and sustainability. The prime minister launched the scheme on February 22nd, 2004, and handed over the National Social Security numbers to 14 workers.

An important criticism against the scheme was that it was introduced without any legal backing. But since the scheme was meant to be a pilot project before the legislation was finalised, this is understandable. However, while it was claimed that the 37 crore unorganised workers in the country would be covered under this scheme, in reality, the scheme only covered some 25 lakh workers in selected 50 districts in the country. *" The scheme will only be implemented for 25 lakh workers in 50 districts for two years on a pilot basis (elsewhere, it is claimed to be a five-year pilot project), to be jointly reviewed by the Ministries of Finance and Labour"*[6] It is not clear that even this minimal objective has been achieved, because after the launching of the scheme and the registration of the workers on the first day, subsequently there has been no data forthcoming on the number of workers registered, the benefits that have been disbursed, etc.

While there is no official data available on the performance of the social security scheme, there are sporadic papers and news items that document the progress of the scheme. In October 2004, a paper prepared by the Ministry of Labour and Employment stated that at that time, the

[6] www.labour.nic.in

enrolment in the scheme was only 3,500 workers. Gupta and Trivedi (2004) note that - *'Despite the many good features of the scheme, informal reports indicate that it has not really taken off and there is a problem in enrollment. The current enrollment of individuals and families remains below 10,000. Any scheme that hopes to cover the informal and unorganized sector is bound to run into issues of identification, as well as attrition of workers due to uncertain income streams. This scheme is no exception. Further, there are some design flaws, like so-called non-enforceable contributions from employers (who, in the unorganized sector have no incentive to pay any part of the premium), lack of visibility and information about the scheme, and a few others, which may have kept enrollments down'.*

There has been no other information available on the performance of this scheme and it would not be erroneous to state that the scheme seems to have fizzled out. In the absence of any data on the performance of the scheme, or even any knowledge of whether the scheme really took off, here we only provide an evaluation of the design features of the scheme. We also cover some points relating to the issue of poor coverage.

The 'salient features' published on the ministry website[7] claims the new scheme to be 'fully funded'. However, "fully funded" is a misnomer, as we shall see below, a substantial portion of the "funds" will have to come from the workers themselves.

In September 2003, the government had claimed that to cover 50 lakh workers, the government would bear a cost burden of Rs.1000 crores, which implies that for the pilot scheme covering 25 lakh workers, the burden would be Rs.500 crores (Varada Rajan, 2004). However, such a provision was never made in the 2003 budget or even the 2004 budget. The Tenth Five Year Plan annual approved outlay indicates that Rs.190 lakhs have been set aside for the scheme for the unorganised sector workers' social security, but it is not clear whether these funds were ultimately released. Nothing has been forthcoming in the government budget documents. Therefore, it is quite unclear where the funds from the side of the government will be raised for the scheme.

The rate of contributions specified for the different categories of workers is worth taking note of. As mentioned above, there are three slabs of contributions based on the age of the workers. And workers with no identifiable employers will have to pay an additional Rs.50, 100 or 200 as the case may be. By the government's own estimates, only around 30 per cent of the workers have identifiable workers. So in effect, for around 70 per cent of the target workers, the contributions would actually be Rs.100, Rs.200 and Rs.400 per month respectively.

The government itself has only prescribed a national floor level minimum wage of Rs 1,800 per month. This is on the assumption that the workers in the informal sector get gainful employment of at least 25 days in a month. But, the ground reality is that even the statutory minimum wage fixed for various scheduled category of employment is far below the 'national floor wage' and nowhere they are enforced. An overwhelming proportion of the unorganised workers do not come under such 'scheduled category of employment' and the level of wages they get is only a pittance. In several industries falling under the unorganised sector and more particularly in the rural sector, workers do not get employed even for 8 to 10 days a month. Under such distressing conditions, it is both unfair and over ambitious to expect the workers to make such high contributions towards their social security. Besides, these contributions are outside of an initial registration fee of Rs.600 - 750 that the workers have to make to get themselves the national social security numbers.

[7] www.labour.nic.in

2. Janashree Bhima Yojana

Social insurance is well established for the organized sector workers with many schemes in the private and public sector to choose from. However, the same is not the case with the unorganized sector workers. The concept of social insurance is based on the collection of contributions from the target groups and it has always been assumed that the unorganized sector workers are too 'poor' to contribute towards their social security. Given that the unorganized sector in India is both vast (around 90 per cent of the total workforce) and heterogeneous, this assumption has been under scrutiny over the past decade or so. It is being increasingly realized that to club all unorganized sector workers as 'poor' is an inappropriate approach and would miss several important dimensions of the sector. One such is the fact that many unorganized workers are willing to and will be able to contribute towards their social security. Therefore, the introduction of social insurance schemes for these workers comes into focus.

The state-initiated social insurance schemes available to the unorganised sector are typically group insurance schemes, operated through the Life Insurance Corporation of India. The *Social Security Group Insurance Scheme,* which covered all persons in the age group of 18 to 60 years belonging to 24 approved occupation groups[8], was operational from 1988 to 2000. The premium under this scheme was Rs.10 per thousand sum assured, of which 50 per cent was paid out of the social security fund and the remainder is paid by the beneficiaries or the nodal agency. The social security fund was set up by the central government specifically to operate the social security group insurance schemes. This fund consists of the contributions made by the government on behalf of the unorganized workers. The workers' contributions are pooled into the fund, and all benefits are paid out of the same. The benefits available included payment of Rs.25,000 in case of death or permanent total disability or loss of limbs and Rs.12,500 in case of loss of one eye or one limb in an accident. During 1998-99, overall 477,200 lives were covered out of which 128,000 were new subscribers.

In 2000, this social insurance scheme for the unorganized workers was recast as a new contributory insurance scheme for these workers, called the Janashree Bhima Yojana (JBY). While in the initial years the scheme covered twenty four occupational groups in the unorganized sector, it has since expanded this subscriber base to forty three occupational groups (Annex 1.1).

Key features of JBY

1. The insurance cover provided is up to Rs.20,000 in case of natural death; Rs.50,000 in case of death or total permanent disability due to an accident and Rs.25,000 in case of partial disability.
2. The premium for these benefits is Rs.200/- per beneficiary of which 50 per cent, i.e., Rs.100 is contributed from the central government social security fund and 50 per cent by the beneficiary/respective state government/nodal agency[9].
3. The scheme is available to persons in the age group of 18 to 60 years and living below or marginally above the poverty line.

[8] These include beedi workers, brick-kiln workers, carpenters, cobblers, fishermen, hamals, handicraft artisans, handloom weavers, handloom & khadi weavers, lady tailors, leather & tannery workers, papad workers attached to SEWA, physically handicapped self-employed persons, primary milk producers, rickshaw pullers/auto drivers, safai karmacharis, salt growers, tendu leaf collectors, urban poor, forest workers, sericulture, toddy tappers, powerloom workers, women in remote rural hilly areas.

[9] The nodal agencies can be a state government department concerned with the welfare of any such vocation/occupation group, a welfare fund/ society, village panchayat, NGO, Self-Help Group,etc.

4. The scheme is extended to a group of 25 members or more.
5. A scholarship scheme for students between the 9th and 12th standards, whose parents are covered under the JBY is also provided under this scheme. The scholarship amount of Rs.300 per quarter per child will be paid for a maximum period of 4 years, and it is restricted to two children per family only. There is no premium charged on this scheme.

Novel Features

The LIC has a network of its own branches. In addition, it utilizes Non-Government Organisations (NGOs) in order to spread awareness about the JBY. The NGOs are however not provided any incentives for undertaking this task during the course of their regular activities. Other nodal agencies used for the identification of members for the scheme are panchayats, self-help groups, etc. The nodal agency will act for and on behalf of the insured members in all matters relating to the scheme. The way in which the policy is extended to members is as follows - the agency first sells the idea of social insurance schemes to the target groups, and then attempts to convince them of the importance of registering under the JBY. However, one of the strategies adopted by the LIC is that the scheme is not meant to be marketed aggressively to the point that people are forced to register themselves under the same. The idea is introduced and explained to the people and only if they are convinced about it, they register themselves. In that sense, neither the government nor the LIC has a policy whereby they aim to achieve any particular targets during a time frame. While this is perhaps the reason that the coverage of people under the scheme has not been very high, this practice has nonetheless resulted in a steady increase of people covered over the years. This will be analysed in the following section.

Another interesting feature of the scheme is that it enables the provision of the same benefits at a subsidized rate of premium for certain sectors of workers through the merging of schemes. Not only are these workers entitled to the benefits under the JBY but they also avail of special benefits under the particular schemes. Details on these special schemes are provided in Annex 1.2.

Performance of the JBY

Table 2 shows the coverage of persons and the claims settled under the JBY since its introduction to date. As can be seen, the coverage has been increasing steadily over the years, and as of 2005-06, at the all India level, 63.41 lakh unorganized workers were covered under the scheme. The renewal rate has also been consistently more than 60 per cent. Table 3 shows the renewal rate of the scheme was more than 75 per cent in the second year but it dropped in 2002 - 03. It has increased subsequently but not by a significant margin. One of the reasons for this relatively high renewal rate (in comparison to other social insurance schemes of NGOs, etc), could be the additional incentive that is provided - the free scholarships.

Table 2 also shows that the number of claims and the total amount of claims increased steadily over the years. The rate of increase has however declined in the later years as compared to the initial years. Table 4, showing the occupation-wise coverage of the JBY and the premium amounts mobilized from the workers, indicates that the scheme achieved maximum coverage (more than 5 lakh members) among the primary milk producers, anganwadi workers and helpers and the rural poor in 2004-05. However, the coverage was non-existent among some occupational groups such as workers in the food stuff industry (khandsari, sugar, etc), leather industry, fire cracker workers and plantation workers. The coverage was less than 100 members in several other groups. While the skewed coverage across the occupational groups does not allow us to make a strong statement on whether the scheme has reached out to the BPL households and those marginally above it, we hazard a guess that this may not necessarily be the case. The groups among whom there is maximum coverage seem to be those whose incomes would be significantly above the BPL cut off point - for instance, the primary milk producers and anganwadi workers. The coverage is very low among some extremely vulnerable groups such as the physically handicapped self-employed persons, hilly area women, etc.

Table 2. Coverage and Claims Settled During the Last Six Years under the JBY

Year	Lives			Claims	
	New	Renewal	Total	No.	Amount (Crores)
2000 – 2001	215,637	0	215,637	186	0.35
2001 – 2002	653,607	165,405	819,012	4,309	8.78
2002 – 2003	636,744	521,495	1,158,239	9,685	19.62
2003 – 2004	1,732,357	774,667	2,505,024	15,248	31.12
2004 – 2005	1,819,933	1,719,721	3,539,654	16,902	34.97
2005 – 2006	NA	NA	6,341,054	NA	NA

NA: Not Available

Table 3. Rate of Renewal of the Janashree Bhima Yojana

Year	Renewal Rate
2000 - 2001	NA
2001 - 2002	76.71
2002 - 2003	63.67
2003 - 2004	66.88
2004 - 2005	68.60

NA: Not Applicable

One of the reasons for the skewed coverage could be the way in which the members are inducted into the scheme. The different types of nodal agencies offer different opportunities in terms of coverage of the most vulnerable. NGOs, SHGs, etc., are expected to cover those most vulnerable groups. Some of them have succeeded in this while others have not (Rajasekhar, Reddy and Suchitra, 2006). It is also easy to cover groups like milk producers, handloom and handicraft workers, etc. The other groups who are not well mobilized through such collective action may be left out.

Another interesting point emerging from the table is that while for most of the occupations, the per capita subscription rate was Rs.100 per annum, some groups paid much less - these are the special groups mentioned earlier - for whom some special schemes were introduced and merged with the JBY. So, these groups were able to pay premia of much lesser amounts (as applicable under the respective schemes - see, Annex 1.2) and avail of the same benefits as under the JBY.

There are some definitional constraints in the design of the scheme. First, it covers the BPL households and those marginally above the poverty line. It is however not clear what the limit among the APL groups is. While we argue that the BPL mode of targeting is not an efficient way of covering unorganized workers (see, Rao, Rajasekhar and Suchitra 2006), as mentioned earlier, even this limited objective of the scheme does not seem to have borne the fruits. On the other hand, the scheme identifies groups like 'rural poor', 'urban poor' - one is not sure whether the term 'poor' is being used in a generic sense here or being used to indicate only the BPL households. If indeed it is the latter, then the scheme is fairly successful since more than 7 lakh rural poor and more than 3 lakh urban poor have been covered under it.

Table 4. Occupation-wise Coverage of the Janashree Bhima Yojana (2004 - 05)

Occupations	N0 Lives	T. Premium	Pr./Insured
Beedi workers	17,863	1,780,327	99.67
Brick kiln workers	100	10,000	100.00
Carpenters	96	8,100	84.38
Cobblers	88	8,800	100.00
Fishermen	24,200	2,420,000	100.00
Hamals	8,574	857,400	100.00
Handicraft artisans	46,153	2,048,300	44.38
Handloom weavers	248,492	13,120,100	52.80
Handloom and Khadi weavers	188,037	6,029,880	32.07
Lady tailors	226	22,600	100.00
Leather and tannery workers	35	3,500	100.00
Papad workers attached to SEWA	8,293	829,300	100.00
Physically handicapped self employed	1,205	120,500	100.00
Primary milk producers	864,388	89,684,420	103.75
Rickshaw pullers / auto drivers	221,190	22,119,000	100.00
Safai Karmacharis	44,331	3,722,800	83.98
Salt growers	52	5,200	100.00
Tendu leaf collectors	5,593	559,300	100.00
Urban poor	318,583	31,858,300	100.00
Forest workers	3,644	364,400	100.00
Sericulture	5,208	520,800	100.00
Toddy tappers	2,668	266,800	100.00
Powerloom workers	59,273	5,326,620	89.87
Hilly area workers	2,419	66,400	27.45
Textile	755	75,500	100.00
Wood products	123	12,300	100.00
Paper products	34	3,400	100.00
Printing	42	4,200	100.00
Ubber and coal products	203	20,300	100.00
Candle products	134	13,400	100.00
Toys manufacture	56	5,600	100.00
Agriculturists	112,859	11,285,900	100.00
Transport workers	680	68,000	100.00
Transport karmacharis	355	35,500	100.00
Rural poor	768,486	74,834,700	97.38
Construction workers	1,683	168,300	100.00
Coconut processors	66	6,600	100.00
Anganwadi workers / helpers	582,386	46,699,820	80.19
Kotwal	1,081	108,100	100.00
Total	**3,539,654**	**315,094,467**	**89.02**

In 2004 - 05, Rs. 31.5 crores was mobilized in the form of premium from the members of the JBY, and another 31.5 crores would be added from the side of the government. The total amount of claims was Rs.34.97 crores (Table 2) and scholarships worth Rs.16.74 crores were disbursed in the same year (Table 5). This means that the scheme turned a clean profit of Rs. 11.29 crores in 2004 - 05, and it would be profitable even if one were to account for administrative costs of up to 10 per cent of the total benefits.

Table 5. Scholarships Disbursed under the Shiksha Sahayog Yojana

Year	Scholarships disbursed	
	No Scholarships	Amount (in crores)
2001 - 2002	765	0.06
2002 - 2003	47,313	1.94
2003 - 2004	160,473	8.10
2004 - 2005	174,179	16.74

The performance of the Shiksha Sahayog Yojana (SSY) has been shown in Table 5. It can be seen that in 2001-02, only 765 scholarships were disbursed amounting to less than a crore rupees, but this has also steadily increased to more than a lakh of scholarships in 2004-05, amounting to nearly 17 crore. Given that the amount of benefits towards the scholarships was quite high, around half the amount disbursed in the form of claims, the members have a real incentive to join the scheme and remain in the scheme.

Table 6 shows the state-wise coverage of the JBY from 2002 to 2005. First, only 22 states have at least some members under the scheme. The states that do not have even a single member registered are mostly the North eastern states, where except for Assam, all the other states have no representation. The coverage has been consistently high in the states of Tamil Nadu, Andhra Pradesh and Gujarat, while it has improved over the years in Karnataka, Chandigarh and Uttar Pradesh. The high coverage in Gujarat is understandable due to the presence of Self Employed Women's Association (SEWA), which is the key nodal agency to recruit more and more members into the scheme. Andhra Pradesh and Tamil Nadu also have a high degree of NGO interventions, which explains the better coverage. Andhra Pradesh, in fact, is the state with the largest number of SHGs in the country.

The coverage has increased to more than 10,000 members in all the 22 states in 2004 - 05, increasing the total membership to 3.53 lakh members in this year, which subsequently increased to 6.34 lakhs in 2005 - 06 (Table 2). Across the three years, the membership has increased consistently in all the states with minor fluctuations. In those states where the coverage has been the highest, there has been a marginal dip in the membership from 2003 - 04 to 2004 - 05 (Gujarat and Tamil Nadu), which indicates that some existing members have been dropping out or the nodal agencies have been unable to include more fresh members, or most likely, both of the above.

Table 6. State-wise Coverage under the Janashree Bhima Yojana

	Years											
	2002 - 03				2003 - 04				2004 - 05			
	No. Lives	Claims			No. Lives	Claims			No. Lives	Claims		
		No. Claims	Amount (Rs.)	Per capita benefits		No. Claims	Amount (Rs.)	Per capita benefits		No. Claims	Amount (Rs.)	Per capita benefits
Andhra Pradesh	118582	1789	36190000	20229.18	338719	2828	57990000	20505.66	691683	3541	73480000	20751.20
Assam	2277	16	220000	13750.00	6296	29	580000	20000.00	33507	30	603000	20100.00
Bihar	4533	31	620000	20000.00	23667	52	1160000	22307.69	50432	139	2800000	20143.88
Chandigarh	10380	27	665000	24629.63	112863	31	745000	24032.26	175148	32	680000	21250.00
Delhi	3415	73	1520000	20821.92	21560	106	2210000	20849.06	16023	40	910000	22750.00
Goa	6860	8	160000	20000.00	10039	55	1130000	20545.45	16928	83	1810000	21807.23
Gujarat	571237	4845	103365000	21334.37	695823	6961	143805000	20658.67	662179	5873	121380000	20667.46
Haryana	431	10	200000	20000.00	7825	0	0	0	10686	13	230000	17692.31
Himachal Pradesh	3101	13	350000	26923.08	3509	31	920000	29677.42	11898	20	730000	36500.00
Jammu and Kashmir	1814	0	0	0	4431	2	40000	20000.00	15570	18	230000	12777.78
Karnataka	38470	518	10720000	20694.98	68511	608	12540000	20625.00	168231	880	18035000	20494.32
Kerala	16127	22	560000	25454.55	35270	67	1460000	21791.04	44711	160	3590000	22437.50
Madhya Pradesh	74387	502	10415000	20747.01	97186	1343	23110000	17207.74	197215	1687	33940000	20118.55
Maharashtra	42331	554	11300000	20397.11	77771	878	17980000	20478.36	275386	654	13355000	20420.49
Orissa	25535	100	2000000	20000.00	51628	186	3900000	20967.74	97779	213	4380000	20563.38
Punjab	5753	11	230000	20909.09	10724	14	280000	20000.00	13963	33	750000	22727.27
Rajasthan	24247	129	2825000	21899.22	44163	160	3500000	21875.00	65111	261	5665000	21704.98
Tamil Nadu	125175	846	18490000	21855.79	389638	1173	24845000	21180.73	343898	2073	44120000	21283.16
Uttar Pradesh	78621	160	3535000	22093.75	493177	655	13290000	20290.08	587902	1068	21315000	19957.87
West Bengal	4963	31	620000	20000.00	14224	69	1685000	24420.29	61404	84	1705000	20297.62
Total	**1158239**	**9685**	**203985000**	**21061.95**	**2507024**	**15248**	**311170000**	**20407.27**	**3539654**	**16902**	**349708000**	**20690.33**

Table 6 also shows that the number of claims and amounts accordingly varied across the states, being the highest the states where the membership coverage was highest. The proportion of claims to total lives has however been declining over the past three years (Table 7). This seems to be the general trend across the states, with some fluctuations. In 2004 - 05, the overall claim incidence rate was 0.48 per cent - the highest was in Gujarat at 0.89 per cent.

Table 7. State-wise Proportion of Claims to total lives

States	2002 - 03			2003 - 04			2004 - 05		
	No. Lives	No. Claims	Proportion of Claims to Total lives (%)	No. Lives	No. Claims	Proportion of Claims to Total lives (%)	No. Lives	No. Claims	Proportion of Claims to Total lives (%)
Andhra Pradesh	118582	1789	1.51	338719	2828	0.83	691683	3541	0.51
Assam	2277	16	0.70	6296	29	0.46	33507	30	0.09
Bihar	4533	31	0.68	23667	52	0.22	50432	139	0.28
Chandigarh	10380	27	0.26	112863	31	0.03	175148	32	0.02
Delhi	3415	73	2.14	21560	106	0.49	16023	40	0.25
Goa	6860	8	0.12	10039	55	0.55	16928	83	0.49
Gujarat	571237	4845	0.85	695823	6961	1.00	662179	5873	0.89
Haryana	431	10	2.32	7825	0	0.00	10686	13	0.12
Himachal Pradesh	3101	13	0.42	3509	31	0.88	11898	20	0.17
Jammu & Kashmir	1814	0	0.00	4431	2	0.05	15570	18	0.12
Karnataka	38470	518	1.35	68511	608	0.89	168231	880	0.52
Kerala	16127	22	0.14	35270	67	0.19	44711	160	0.36
Madhya Pradesh	74387	502	0.67	97186	1343	1.38	197215	1687	0.86
Maharashtra	42331	554	1.31	77771	878	1.13	275386	654	0.24
Orissa	25535	100	0.39	51628	186	0.36	97779	213	0.22
Punjab	5753	11	0.19	10724	14	0.13	13963	33	0.24
Rajasthan	24247	129	0.53	44163	160	0.36	65111	261	0.40
Tamil Nadu	125175	846	0.68	389638	1173	0.30	343898	2073	0.60
Uttar Pradesh	78621	160	0.20	493177	655	0.13	587902	1068	0.18
West Bengal	4963	31	0.62	14224	69	0.49	61404	84	0.14
Total	**1158239**	**9685**	**0.84**	**2507024**	**15248**	**0.61**	**3539654**	**16902**	**0.48**

An interesting finding in Table 6 is that the per capita benefit was around Rs.20,000 in most of the states from 2002 to 2005. This implies that all the claimants were receiving at least the minimum amount of benefits specified by the scheme, i.e., Rs.20,000 in case of natural death.

Table 8. State-wise Disbursal of Scholarships under the SSY

States	2002 - 03			2003 - 04			2004 - 05		
	No. scholar-ships	Amount (Rs.)	Average amount of scholarship	No. scholar-ships	Amount (Rs.)	Average amount of scholarship	No. scholar-ships	No. scholarships	Average amount of scholarship
Andhra Pradesh	8905	2722200	305.69	72468	21740400	300.00	26050	27319800	1048.74
Assam	0	0	0.00	0	0	0.00	38	45600	1200.00
Bihar	0	0	0.00	155	75300	485.81	700	472200	674.57
Chandigarh	1213	856800	706.35	1755	912000	519.66	2336	1866900	799.19
Delhi	138	61800	447.83	281	211500	752.67	504	222800	442.06
Goa	64	66300	1035.94	147	462600	3146.94	859	1024800	1193.02
Gujarat	30446	11067700	363.52	55039	36384900	661.07	79367	70249800	885.13
Haryana	148	87600	591.89	405	270900	668.89	446	381000	854.26
Himachal Pradesh	113	135600	1200.00	221	265200	1200.00	105	124200	1182.86
Jammu & Kashmir	0	0	0.00	43	30100	700.00	236	186800	791.53
Karnataka	871	610800	701.26	8818	2640700	299.47	6952	7106700	1022.25
Kerala	370	282900	764.59	2134	1266000	593.25	3036	3507600	1155.34
Madhya Pradesh	723	631800	873.86	2366	1422700	601.31	5160	2802600	543.14
Maharashtra	1525	888600	582.69	6506	5080200	780.85	6838	5415900	792.03
Orissa	0	0	0.00	92	51900	564.13	1664	1150800	691.59
Punjab	304	225000	740.13	574	459900	801.22	906	684900	755.96
Rajasthan	111	44400	400.00	1642	1394700	849.39	3202	2164200	675.89
Tamil Nadu	1645	1248600	759.03	7175	8010900	1116.50	31981	33717600	1054.30
Uttar Pradesh	442	267600	605.43	467	228400	489.08	2944	1886700	640.86
West Bengal	295	199500	676.27	185	112800	609.73	855	768600	898.95
Total	**47313**	**19397200**	**409.98**	**160473**	**81021100**	**504.89**	**174179**	**161099500**	**924.91**

Table 8 above shows that the number of scholarships disbursed through the SSY increased over the past three years, and so also the amounts of scholarship. However, the average amount of scholarship per student was only around Rs.410 in 2002 - 03, which subsequently increased to Rs.505 in 2003 - 04 and Rs.925 in 2004 - 05. This is not the amount that is promised by the scheme - the SSY is supposed to provide Rs.300 per student per quarter, which means that each student should receive Rs.1,200 per annum by way of the scholarship. This target has been reached only by some states- for instance, Himachal Pradesh, Assam (only in 2004 - 05), etc. The average amount has been more than Rs.1,000 in some states over the three years. Therefore, with respect to the SSY, there seems to have been some leakage.

Evaluation

Two positive aspects of the programme are striking. The coverage under the JBY has been increasing over the years. The scheme has turned a profit in 2004 - 05. However the coverage is yet to pick up given that the overall coverage is still only around 65 lakh workers. This is a very meager percentage of the 37 crore unorganized sector workers in the country. This is a relatively poor performance in comparison to some other social insurance schemes such as the Yeshaswini Health Insurance Scheme in Karnataka, which within two years of its introduction, had covered around 20 lakh households within Karnataka alone. Some of the important reasons for the overall low coverage are as follows:

1. As mentioned earlier, the strategy adopted to sell the scheme is not aggressive. It is based more on convincing the people first and then selling the scheme. Such a strategy is bound to have a longer gestation period when compared to schemes which set targets for coverage.

2. The actual ground level work is conducted by the nodal agencies identified by the government and the LIC. While these organizations are meant to be provided with some incentives to undertake this work concomitantly with their other work, such incentives are seldom provided. This, in the absence of any well-defined targets, is highly likely to reduce the motivation of the organizational staff to cover more and more people under the scheme.

3. Studies have also found that the general awareness of the JBY among the unorganized workers is very low. For instance, Rajasekhar et al (2005) found in a study of over 900 unorganised households in Karnataka, that less than 5 per cent of the workers were aware of this scheme. Ironically, around 15 - 20 per cent of the workers had taken out some life insurance policy or the other with the LIC and other private players, but none of them were subscribers of the JBY. It is indeed a puzzle that the workers were willing to subscribe to insurance policies, but were not even aware that there was a subsidized insurance scheme designed specifically for them.

4. The most important aspect perhaps is the fact that the scheme is meant to target only the Below Poverty Line (BPL) households and those marginally above poverty line. As mentioned earlier, this is an ill defined target group. This ignores the fact that the unorganized sector is as vast as it is heterogeneous. While it can be agreed all the BPL households will most likely belong to the unorganized sector, the reverse is not necessarily true. In other words, all unorganized sector households or workers do not belong to the BPL category or what the state categorises as the poorest of the poor in the country. Therefore, any scheme that focuses exclusively on the BPL category will definitely miss out on covering a larger number of unorganized workers. To extend coverage of the scheme, it is therefore, essential to rethink the poverty line based targeting.

   Recent studies have also shown that the BPL criterion is a very minimalist and inappropriate approach to extent social security to the unorganized workers (Rao, Rajasekhar and Suchitra 2006). More importantly, it is not even clear that the minimalist approach has been successful, i.e., the occupational groups among whom there is maximum coverage seem to be those who would be significantly above the poverty line.

5. Another reason for the low coverage of the JBY is one which is perhaps true of most insurance schemes for the lower income households in the country. Poorer households are in general skeptical of contributing to a scheme whereby they realise that they will not get any returns unless and until the eventuality that they have taken the insurance for, occurs.

Since the JBY is not designed as a money-back or investment scheme, the people would prefer to take alternative approaches, such as saving in banks or post-offices[10] where they know that their money is safe and they can withdraw it at any time they choose to. It would therefore be preferable to design any social insurance scheme for the lower income and unorganized households as a combination of insurance, money back and pension scheme. Precisely this was being done in the case of another social insurance scheme of the central government operated between 2001 and 2004, managed by the LIC, called the Krishik Shramik Samajik Suraksha Yojana (KSSSY). This scheme was targeted at the small and marginal farmers as also agricultural labourers in the country. The worker was required tp pay Re. 1/- per day and the contribution of government was Rs. 2/- per day. Benefits included life-cum accident insurance, the lump sum amount of Rs. 4,000/- as money back after 10th year and to be doubled after every 10 years till the age of 60; pension ranging from Rs. 100/- to Rs. 1,900/- per month depending upon the age of entry. However, due to paucity of funds the Ministry of Finance took a decision to close this scheme while retaining the scheme for the workers registered till 24.02.2004 (NCEUS 2006 P25-26).

6. More than the benefits of the JBY per se, what seems to have motivated more and more people to join the scheme is the scholarship that comes free with it. Such incentives are useful in the long run - not only do they ensure that the workers are covered under basic social security, but it also provides some degree of educational security to the households.

3. Conclusions

In this chapter, we have examined two initiatives of the central government to extend social protection to the unorganized sector workers. The first is the National Social Security Scheme for the Unorganised Workers which was introduced in 2004 as a pilot project to be tried and tested before the government passes the legislation with respect to the same. This scheme does not seem to have fared well at all - the limited evidence available shows that very few workers were registered under the scheme and there is no evidence to indicate how many workers availed of the benefits and how much was disbursed for this, etc. Subsequently, this scheme has been revised in order that the legislation can be passed. The latest draft of the legislation publicly available is an improvement in its design on the earlier scheme but it still suffers from some glaring drawbacks - which have been discussed in the penultimate chapter. One such is the targeting approach - an approach which is inappropriate to cover the unorganized workers, for the simple reason that a large number of unorganized workers do not fall under the income criterion specified - and yet, they are vulnerable and do not have social security. So how the bill intends to address this is still unclear.

The second scheme is the Janashree Bhima Yojana - which was introduced by the central government through the LIC in 2000. This scheme has been targeted at the BPL households and those marginally above the poverty line. In its basic design, thus, it adopts targeting, and even this, is a very fuzzy demarcation because the scheme does not specify what 'marginally above poverty line' is. There is thus no consistent yardstick to use insofar as identifying the workers is concerned. Further, there is no information to indicate how many BPL and how many Above Poverty Line (APL) households were covered under the scheme and how many of them availed of the benefits. We have acquired data at the overall level - which shows that the coverage of the scheme has increased over the years, but still the overall coverage as of 2005 - 06 is only 65 lakhs, hardly a significant proportion of the 37 crore unorganized workers

[10] This is, of course, if the poor consider these sources as convenient and flexible. Of late, the poor are turning to micro-finance groups for depositing their small savings as these are considered to be more convenient, although the security is an outstanding issue

in the country. Also, all the 41 occupations specified under the scheme have not been uniformly represented in the coverage. From the existing evidence, it seems that the poorest and more vulnerable households are being left out - either because they are not mobilized through NGOs and SHGs, or because they are too poor to contribute towards the scheme, etc. The flaws in both these schemes have thus to be taken into consideration before the central government passes the Unorganised Sector Workers Social Security Bill in the parliament, failing which the impact of the bill may not be as effective as is being made out.

Annex 1.1. Vocational / Occupational Groups Covered under the Janashree Bhima Yojana

1	Beedi workers	23	Brick Kiln workers
2	Carpenters	24	Cobblers
3	Fishermen	25	Hamals
4	Handicraft artisans	26	Handloom weavers
5	Handloom and Khadi weavers	27	Lady tailors
6	Leather and tannery workers	28	Papad workers attached to SEWA
7	Primary milk producers	29	Physically handicapped self employed workers
8	Rickshaw pullers/ auto drivers	30	Safai karmacharis
9	Salt growers	31	Tendu leaf collectors
10	Urban poor	32	Forest workers
11	Sericulture	33	Toddy tappers
12	Hilly area women	34	Powerloom workers
13	Food stuff like Khandsari/sugar	35	Manufacture of wood products
14	Textile	36	Manufacture of paper products
15	Manufacture of leather products	37	Printing
16	Rubber and coal products	38	Chemical products like candle manufacture
17	Mineral products like earthen toys manufacture	39	Agriculturists
18	Transport workers	40	Transport karmacharis
19	Rural poor	41	Construction workers
20	Fire cracker workers	42	Coconut processors
21	Anganwadi workers/helpers	43	Kotwal
22	Plantation workers		

Annex 1.2. Specialised Schemes for Some Occupational Groups

1. Bima Yojana for Powerloom workers

This scheme was launched from the first of July, 2003. It is a combination of the Janashree Bhima Yojana and the Add on Group Insurance Scheme, and members are given the option of choosing either of the schemes or both. The nodal agency for this scheme is the Regional Office of the Textile Commissioner, and members are registered under it through Powerloom Service Centres located all over India.

Powerloom workers aged between 18 and 59 years and below poverty line or marginally above poverty line engaged in the activity of weaving on powerlooms and in allied pre-weaving/ preparatory activities like twisting, winding, warping and sizing are eligible to join this scheme. Self employed weaver families owning not more than four looms are also eligible. The premium for this scheme is the same as for the JBY, i.e., Rs.100 per annum per member and Rs.100 contributed by the government per member. In addition, Rs.180 per annum per member is contributed for the Add on Group Insurance Scheme shared equally by the government and member. In effect, to join the merger scheme, each member has to pay Rs.160 per annum. Then, in addition to the benefits s/he would get as under the JBY, other benefits include Rs.50,000 on natural death, Rs.80,000 on death or total permanent disability due to accident and Rs.25,000 on partial permanent disability.

2. Khadi Karigar Janashree Bima Yojana (KVIC)

This scheme was launched on the 15th of August, 2003. Through this scheme, the benefits of the JBY are extended to the Khadi Karigars at a subsidized premium of only Rs.25 per annum per worker. The balance premium is shared by the Khadi Institution and the KVIC. While the former contributes Rs.50 per worker, the KVIC contributes Rs.25 per worker. Rs.100 is put in by the government as under the JBY.

All self employed Khadi artisans associated with Khadi Institutions affiliated to the KVICs of states and union territories, aged between 18 and 59, and below poverty line or marginally above poverty line are eligible to become members of this scheme.

3. Bima Yojana for Handicraft Artisans

This scheme was launched in July 2003. It is a combination of the Janashree Bhima Yojana and the Add on Group Insurance Scheme. Members are given the option of choosing either of the schemes or both. SHGs, NGOs and cooperative societies play the role of nodal agencies. All handicraft artisans aged between 18 and 59 years are eligible to join the scheme. The members contribute a subsidized premium of only Rs.40 per annum, while the government contributes Rs.160 per annum. In addition to this, Rs.180 per annum per member is contributed towards the Add on Group Insurance Scheme equally shared by the member and the government. In addition to the benefits under the JBY, each member also avails of Rs.50,000 on natural death and Rs.80,000 on death or total permanent disability due to accident.

4. Bunkar Bima Yojana for Handloom Weavers

This scheme was launched in March 2004 and is a combination of the Janashree Bhima Yojana and the Add on Group Insurance Scheme. Members are given the option of joining both the schemes or either. The nodal agency for this scheme is the State Director in charge of handlooms and textiles, and the subordinate offices in the field. Handloom weavers between ages 18 and 59 are eligible to join this scheme by paying a premium of Rs.40 per annum, while the government subsidises them by contributing Rs.160 per annum per member. In addition to this, Rs.180 per annum per member is contributed towards the Add on Group Insurance Scheme equally shared by the member and the government. In addition to the benefits under the JBY, each member also avails of Rs.50,000 on natural death and Rs.80,000 on death or total permanent disability due to accident.

This scheme was replaced by the Mahatma Gandhi Bunkar Bima Yojana (MGBBY) from October 2005. All the members covered under the existing Bunkar Bima Yojana (without the additional cover of Rs.30,000) may also be given the option of conversion into the new MGBBY provided the proportionate additional premium for the enhanced cover is received in respect of all the existing members for the remaining period up to the next Annual Renewal Date (ARD).

The Bunkar Bima Yojana where the members are already covered under both the basic JBY and the additional cover can be converted into the MGBBY only from the next ARD.

5. Mahatma Gandhi Bunkar Bima Yojana

As mentioned above, this scheme was launched in October 2005, and the premium is Rs. 330 per annum per member, out of which Rs.80 is the weaver's contribution, Rs.150 + 100 is contributed per member per annum by the government of India. In the event of natural death of member, Rs.50,000 is the sum assured, on death die to accident, Rs.80,000 will be paid, on permanent total disability due to accident, or on loss of 2 eyes or 2 limbs or one eye and one limb, Rs.50,000 will be paid, and on the loss of one eye or one limb due to accident, Rs.25,000 will be paid.

II. STATE GOVERNMENTS' SCHEMES

1. Welfare Funds

Welfare funds represent one of the models developed in India for providing social protection to workers in the unorganized sector. The Government of India has set up five welfare funds which are administered through the Ministry of Labour for certain occupations for whom no direct employers-employee relationship exists. The scheme of welfare funds is outside the framework of specific employer and employee relationship in as much as the resources are typically raised by the Government on non-contributory bases and the delivery of welfare services is effected without linkage to individual worker's contribution. These funds are constituted from the cess collected from the employers and manufacturers/producers of particular commodity/ industry concerned. However, individual states may choose to design contributory schemes for different categories of workers. Welfare funds under the various Acts of Parliament are being implemented for the following five categories of unorganised sector workers - beedi workers, limestone and dolomite mine workers, iron ore, chrome ore and manganese ore mine workers, mica mine workers and cine workers.

These funds mainly provide medical care, assistance for education of children, housing, water supply, recreation facilities. There are 13 major hospitals and more than 300 static-cum-mobile dispensaries covering the target beneficiaries under these funds in respect of medical care to the workers and their families all over the country. There are various schemes for reimbursement of expenses incurred on major surgeries like coronary by-pass, heart surgery, kidney transplant, cancer etc. Maternity benefits are also available to the women workers.

The welfare fund model has been implemented successfully by various states for various categories of workers. The state of Tamil Nadu has been operating 11 Welfare Boards for workers like construction workers, truck drivers, footwear workers, handloom and silk weaving workers, etc. Similarly, the state of Kerala has introduced several welfare funds for agricultural workers, cashew workers, coir workers, fisherman, toddy-tappers etc. The model is so popular that other south Indian states like Andhra Pradesh and Karnataka have also subsequently introduced the welfare fund model and are also in the process of bringing out their own legislation for the creation of welfare funds for different categories of unorganised sector workers for providing them social security. Among the states in central and north India, Madhya Pradesh has enacted a legislation for instituting welfare funds for the unorganized workers.

As mentioned above, Kerala is one of the few states which has improvised on this model, set up its own welfare funds for the unorganized sector workers, and experienced reasonable success in the same. There are more than 20 welfare funds here, cutting across categories of unorganized workers - toddy tappers, agricultural workers, rickshaw pullers, cashew workers, construction workers, artisans, etc. These schemes, providing a range of benefits including old age pensions, medical care, assistance for education, marriage, housing, etc., are administered by autonomous boards and financed by contributions from the employers, workers and the government. The Indian Labour Commission has recommended that all the state governments and union territories emulate the Kerala model, since the welfare funds go a long way in meeting the bare minimum welfare needs of the workers.

Here, we analyse the design and performance of the Construction Workers' Welfare fund scheme in Kearala and the Beedi Workers' Welfare fund scheme in Karnataka. Karnataka is yet to pass the Building and other Construction Workers' Welfare Cess Act of 1996 (Hindu 2006). The Beedi Workers' Welfare Cess Act, 1976, and the Beedi Workers' Welfare Fund Act, 1976, provide for the constitution of the Beedi Workers' Welfare Fund (BWWF), legislated by the Government of India. Similarly, the Building and other Construction Workers' Welfare Cess Act, 1996, provides for the constitution of the Construction Workers' welfare funds. The union ministry of labour has the general responsibility of administering the funds through nine regional offices covering 14 states/union territories in the country. At the state level, the fund is administered through the Labour Welfare Organisation (LWO). The Labour minister in each state heads the advisory committee households.

1.1. Kerala Building and Other Construction Workers Welfare Fund (KBCWWF)

The welfare fund model of social security for the unorganised sector workers in vogue in Kerala is now close to four decades old. The pioneer in this field was the Toddy Tappers Welfare Fund constituted in as early as 1969.

Proper functioning of the welfare funds requires active participation of both workers and the government and in Kerala, the state has always played a leading role in the initiation and management of the Welfare Funds.

The role played by the state has been well supported by the trade union activities. One of the major objectives of trade union activities in the State was to improve the conditions of work, earnings, and the economic security of workers through improving labour status and income. It means that the trade unions are intended to bring about a movement away from vulnerability towards stability in employment and income of workers. In this line the unions have succeeded to a remarkable extent in breaking down the conventional differences between the organised and the unorganised (or formal and informal) sectors, and ensuring the social security of the vulnerable workers. It is with their efforts and those of the state that gave rise to the setting up of the Welfare Funds in the state.

The administration of Welfare Funds is vested with the Government, and the Funds function like other government departments. The Government nominates members to the Boards of Directors and more or less equal representation is given to workers' unions, employers' organizations and Government. Although the Boards of Directors are the ultimate bodies for deciding the policies and functioning of the Funds, the concerned government department wields considerable powers. The establishment expenses are borne out of the receipts of the respective Funds; the expenses include fees and allowances to Board members, salaries and other benefits to administrative staff, other routine administrative expenses, and contribution to provident funds of the staff. The majority of Welfare Funds in the State expend a large chunk of their income for establishment charges (Kannan, KP, 2002).

The major social security benefits are provident funds given to workers on superannuation, monthly pension, and gratuity. Social insurance is in the form of an *ex gratia* payment in the event of disability or death and a modest payment in the event of treatment for ill-health. Welfare assistance consists of financial assistance for housing, education of children, and marriage of daughters.

The Kerala Building and other Construction Workers Welfare Fund (1990) was constituted as per the Kerala Construction Workers Welfare Fund Act of 1989. The preamble to the Act elucidates its objective thus “To provide for the constitution of a Fund to grant relief, to promote the welfare of, and to pay pension to, the construction workers in the state.” The Act also defines the construction worker as, “any person who is employed for wages to do any work in connection with a construction work, and who gets his wages directly or indirectly from an employer or from a contractor including supply of materials for construction works.” The majority of workers in this group are masons, carpenters, painters, concrete workers, road workers, and earth workers. Schedule-I of the KBCWWF Act (1989) contains the 26 categories of construction works covered under this scheme[11]. Every construction worker in the age group 18-60 years who is not a member of any other Welfare Fund and has been engaged in construction work for not less than 90 days during the year preceding the date of registration is eligible to became member (Government of Kerala, 1989).

The Board consists of 15 directors, five each from the workers, employers, and the Government. The Government appoints one of the Directors of the Board as the Chairman. The Government also appoints a Chief Executive Officer and other officers to assist the Board in the discharge of its functions and duties. The style of functioning of the KBCWWF is just like that of a government department, since the administration of the Fund vests with the government. The considerable innovative skills evident in the designing and coverage of the Fund are not deployed in the administrative set-up (Kannan K. P, 2002). Even though the Boards of Directors are the ultimate body for deciding the policies and functioning of the Fund, the government departments wield considerable control. The major characteristics of the KBCWWF are:

1. Provision of a measure of social security and welfare assistance to workers.
2. Creation of a tripartite body consisting of the representatives of the workers, employers, and the government with veto powers for the government on policy issues.
3. Mandatory financial contribution from the workers and employers with the exception of a few ‘voluntary’ funds.
4. Minimal financial contribution by the government except in cases in which the workers are directly under the government activities (i.e., Government as employer) or the paying capacity of the workers is deemed very low.

The major welfare schemes taken up by the KBCWWF include pensions, death benefits, accident benefits, cash awards and scholarships to members’ children, medical expenses, assistance for marriage and maternity benefit, and invalid pension. Members completing 60 years of age are eligible to pensions in the range of Rs 200-400, depending upon their period of membership and contributions. Invalid pension at the rate of Rs 75 per month is available to permanent disability due to diseases and accidents. Accident benefit with a maximum of Rs 50,000 is given for disability and injuries. Workers and children of members are eligible to get marriage assistance at Rs 2000 to 3000. Maternity benefit is limited to two child births (Table 9).

[11] These categories are brick masons, rubble masons, laterite masons, laterite cutters, brick moulders, carpenters, blacksmiths, fitters, plumbers, painters, sawyers other than sawmill workers, workers engaged in laying iron rods for concreting, casual workers connected with construction works, workers engaged in collecting sand and gravel, mosaic workers, tunnel workers, rock breakers and quarry workers, electricians, concrete workers, workers engaged in thatching and spreading tiles, marble/Kadappa stone workers, road workers, earth workers connected with construction work, workers engaged in processing lime, welders engaged in construction work and workers engaged in anti-sea erosion works (KBCWWF Act, 1989).

Table 9. Benefits Provided to the Workers Registered in KBCWWF

Type of Benefit	Beneficiary	Eligibility	Benefit Amount (Rs)
Pension	Member	Completion of 60 years	75 – 300
Death Benefit	Dependent	Death before 60 years	100,000
Maternity Benefit	Woman Worker	Limited to two deliveries	500
Accident Benefit	Member	Injury/ Disability	Up to a maximum of 50,000
Cash Award	Children of members	Marks in SSLC exam	1000 750 500
Merit Scholarship	Children of members	Student Merit	300 – 1500
Other Credits	Members/dependents	Treatment, education, marriage	Interest free loans
Medical Expenses	Members	Fatal diseases	1000
Immediate assistance for funeral expenses	Dependent	Death of member	1000
Assistance for marriage	Children of members	Marriage	2000 – 3000
Invalid pension	Member	Permanent disability due to disease, accident	75 – 100 per month
Refund of contribution	Member/dependent	Attainment of 60 years, retirement, death	Amount of subscription with interest

At the time of registration, every member has to pay Rs. 25 membership fee, and subsequently, a contribution of Rs. 20 per month to the fund. By the mid-1990s there were five lakh construction workers in the State (Department of Economics and Statistics, 2001). Of this, only 3.5 lakh workers were registered under the KBCWWF with a coverage ratio of two-thirds; the coverage went up by 131 percent in 1999-2000. The total number of workers registered as of March 2000 was 8.12 lakh (Table 10). The annual growth rate of members was high in 1997-98 (30.5 percent) over 1996-97 with the addition of 1.32 lakh new members.

An important yardstick of the effectiveness of the Welfare Funds would be their coverage; in this respect KBCWWF has achieved tremendous progress. The average coverage ratio of all Welfare Funds in the State was under 50 percent. It needs to be pointed out that the enrolment of workers in a Welfare Fund is a positive function of the attractiveness of the expected benefits (Ehtisham, 1991). Given the nature of employment in the unorganised sector and its geographical spread, the coverage of workers under KBCWWF should be reckoned as impressive.

Table 10. District-wise Distribution of Members Registered under KBCWWF, 2000

District	Number of members						
	1990-96	1996-97	1997-98	1998-99	1999-00	Total	Percent
Tiruvanantapuram	55,362	6,769	23,445	6,592	30,722	121,090	14.9
Kollam	14,690	8,959	10,737	5,478	8,356	48,220	5.9
Alappuzha	23,331	4,145	4,650	3,212	4,928	40,250	6
Pathanamthitta	8,401	5,930	7,993	3,528	11,458	37,400	4.6
Kottayam	17,651	2,676	4,088	4,244	8,445	37,014	4.6
Idukki	6,969	2,037	3,467	2,846	9,244	24,573	3
Ernakulam	41,377	6,498	10,647	3,011	7,214	68,567	8.4
Thrissur	30,647	4,629	12,180	7,798	21,863	77,117	9.5
Palakkad	22,962	10,552	17,429	11,489	24,654	87,086	10.7
Malapuram	30,475	6,387	9,463	5,737	15,242	67,304	8.3
Kozhikode	35,270	6,821	11,773	5,852	15,894	75,610	9.3
Wayanad	5,786	1,010	986	1,078	1,783	10,643	1.3
Kannur	46,472	11,793	12,394	4,569	16,707	91,935	11.3
Kasargod	14,038	2,499	3,192	2,040	3,623	25,392	3.2
State	351,625	80,705	132,264	67,474	180,223	812,291	100.0

Source: Administrative Report of KBCWWF, Various Years

Table 11. Members and Beneficiaries of KBCWWF, 1996-1997 to 1999-2000

Details	Years			
	1996 - 1997	1997 - 1998	1998 - 1999	1999 - 2000
Total members	4.32	5.65	6.32	8.12
New members registered	0.81	1.32	0.67	1.8
Annual growth rate of membership (%)	22.95	30.55	11.86	28.48
Number of beneficiaries	0.2	0.18	0.31	0.32
Benefits provided	309.7	478.1	665.7	1,046.60
Average per capita benefit received	1,548.50	2,656.10	2,147.40	3,280.00

Table 11 shows the number of beneficiaries and the growth rate of the same for the latter half of the 1990s. In 1996-97, 0.2 lakh workers were given benefits, which went up to 0.32 lakh in 1999-2000 (Table 11). The proportion of beneficiaries was in the range of 3.9 to 4.9 percent during 1996-97 to 1999-2000. The amount of benefits increased from Rs 309.7 lakh in 1996-97 to Rs 1049.6 lakh in 1999-2000 by 239 percent. The average per capita benefits increase was by 112 percent (from Rs 1548.5 to Rs 3280). The details of the different kinds of benefits provided are shown in Box 2.

Box 2. Different Benefits Provided to the Workers under the KBCWWF

- *Pension* **-** Monthly pension, at the rate of Rs 200 to 400, constitutes the most important benefit, which attracts the construction workers to join the Fund, as a measure of security during old age. In 1996-97, 8457 members availed of the pension benefit; the number increased by 83 per cent to 15,484 in 1998-99. KBCWWF disbursed Rs 145.4 lakh on this count in 1996-97, the amount went by 93 per cent to Rs 280 lakh in 1998-99.
- *Ex-gratia payments* **-** In 1996-97, 1557 members benefited from *ex gratia* payments; the number rose to 3458 in 1999-2000. But, *ex gratia* payments increased only marginally during the period from Rs 10 lakh to Rs 10.6 lakh.
- *Health cover* **-**No formal insurance cover is provided to the workers; however, they are given financial assistance in the event of accidents or fatal diseases. For example, in 1996-97, 361 workers were given Rs 2 lakh as payment for fatal diseases; the corresponding figures were 563 and Rs 2.4 lakh respectively in 1998-99. But, per capita payment decreased from Rs 554 in 1996-97 to Rs 426 in 1998-99.
- *Educational assistance* **-** Given the importance of education in Kerala and the premium attached to it even by poor households, it should not come as a surprise that educational assistance figures high among the welfare benefits of KBCWWF. In 1996-97, the Fund assisted 933 students with an average of Rs 214 each as scholarships and cash awards; the corresponding figures were 1826 students and Rs 690 in 1999-2000.
- *Housing assistance* **-** There are several housing schemes for the poor in Kerala; this aspect of social security has been quite seriously addressed as part of the State Government's poverty alleviation programmes (Mahendra Dev, 2001). The KBCWWF provides house-building loans; in 1999-2000, 452 members were given loan at a cost of Rs 166.1 lakh, which was 225 percent higher than in the previous year.
- *Marriage assistance* **-** Being an important event in a person's life, lavish spending for wedding has become an essential responsibility of households, the discharge of which involves huge expenditures. In 1996-97, 2639 beneficiaries were given marriage assistance to the tune of Rs 42.4 lakh; the amount of assistance went up by nearly four times to Rs 165 lakh in 1999-2000.
- *Maternity allowance* **-** Maternity allowance at the rate of Rs 500 is given to a person for two deliveries. In 1996-97 the KBCWWF disbursed a sum of Rs 5.5 lakh as maternity allowance for 609 women members; the arrangement rose to Rs 14.8 lakh in 1999-2000, the number of members benefited being 1486.
- *Death benefits* **-** In 1996-97, 523 nominees of deceased members were given death benefit at a cost of Rs 61.9 lakh; the corresponding figure were 1031 nominees and Rs 106.9 lakh in 1999-2000.
- *Funeral assistance* **-** A notable provisioning by the KBCWWF, which is neither insurance nor welfare, is the financial assistance for meeting the funeral expenses of the worker. Although the worker often worked without dignity, the need for conducting his funeral in dignity was underlined by this form of assistance (Marcel Van der Linden, 1996). In 1996-97, Rs 4.9 lakh was expended as funeral assistance; the amount increased by 137 percent in 1999-2000 (Rs 11.6 lakh).
- *Implement loans* **-** The KBCWWF assists its members also with loans for purchase of implements. In 1999-2000, 127 members were given implement loans worth of Rs 6.4lakh. It is seen that pensioners accounted for 42 percent of the beneficiaries in 1996-97. Marriage assistance rose from 13 to 26 percent during 1996-97 to 1999-2000. The corresponding increases were from 8 to 11 percent in the case of *ex gratia* payments and from 5 to 6 percent for scholarships and cash awards to children. The annual growth rate of all benefits taken together was 58 percent during 1997-98 to 1999-2000.

The major sources of funds for the KBCWWF consisted of contributions from members, employers, and the Government, as well as the license fees levied from contractors. An important aspect of the fund collection is the fixing of the contributions of the workers, employers, and the Government. The KBCWWF Act (1989) fixed slabs of Rs 10, Rs 15, and Rs 25 for the monthly contribution of members, one percent of construction cost for employers, and amounts between Rs 100 to Rs 1000 as the license fee for the contractors. Fund collection in 1996-97 was Rs 1463.27 lakh; the corresponding figure was Rs 2331.92 lakh in 1999-2000 (Table 12). Employers contributed 57 percent in 1996-97, but only 52 percent in 1999-2000; consequently, workers' contribution went up from 42 to 48 percent, over the corresponding period. There are different opinions among policy makers regarding collections from the different types of contributors (Sinha, PK, 1980). Wherever the product market allows the employer to shift the burden to the consumer, there has been less resistance in paying contributions; but when the employers are the price takers, their unwillingness becomes quite open.

Table 12. Fund Collection of KBCWWF: 1996-97 to 1999-2000

Source	Fund collection (in lakh Rupees)			
	1996 - 1997	1997 - 1998	1998 - 1999	1999 - 2000
Member contribution	620.55	1,221.61	943.07	1,124.64
Employers' contribution	841.16	879.04	871.67	1,207.28
License fee from the contractors	0.56	7.97	6.38	NA
Contribution of government	1	1	1	NA
Total	**1,463.27**	**2,109.62**	**1,822.12**	**2,331.92**

Evaluation

The coverage of workers in the construction sector has been quite impressive in comparison with that in other Welfare Funds; still much more improvement is required, in particular, in backward districts. Several studies have proved that around 70 percent of the Welfare Funds in Kerala mobilize resources that exceed their total expenditures (Government of Kerala, 1989 (a)). The income of the KBCWWF increased from Rs 6575.8 lakh in 1997-98 to Rs 10,156.2 lakh in 1999-2000. Contributions, which accounted for 22 percent of total receipts in 1996-97, fell to 12 percent in 1998-99, with consequent rise in the proportion of deposits, both savings and fixed. Total expenditure of the KBCWWF went up from Rs 409.5 lakh in 1996-97 (excluded fixed and savings deposits) to Rs 1244.6 lakh in 1999-2000, with an annual average growth rate of 48 percent. Welfare payments in 1996-97 occupied 76 percent of total expenditure (excluding deposits); the proportion marginally declined to 70 percent in 1997-98, but rose to 79 percent in 1998-99. Beneficiary payment as percentage of contribution increased from 21.4 percent in 1996-97 to 35.3 percent in 1988-99 but decreased to 12.5 percent in 1999-2000.

The low proportion of disbursements is a matter of concern, since it implies that hardly any meaningful social security is provided to the members. The fact that the disbursements do not reflect either the contributions or the accumulated funds could give rise to problems of credibility in the long run (Kannan K.P, 2002). It also implies that the present generation of workers may be benefiting at the cost of past generations. These tendencies are not desirable, since the proclaimed aim of the Fund is to cater to the welfare of the construction workers. It may also lead to the credibility of the KBCCW falling in jeopardy as the members might accuse that the resources are not being used for the welfare of the workers.

Though it has been accepted in general that the administrative cost of the Welfare Funds should not exceed 10 percent of the total income, the majority of the Funds are operating above the stipulated limit (Government of Kerala, 1989 (a)). The administrative expenditure of the KBCWWF increased by 304 percent from Rs 63.6 lakh in 1996-97 to Rs 193.67 lakh in 1999-2000. But it remained at about 16 percent of the total expenditure (excluding deposits) in all these years.

The administrative expenditure as a proportion of welfare payments of the KBCWWF has at least always remained lower than one-fourth. It went up from 20.4 percent in 1996-97 to 23 percent in 1997-98, and remained at 22.1 percent in 1999-2000. Expenditure on the account 'in transit,' including mail transfer, DD, Telephones, and Cheque transfer, increased from one percent of total expenditure in 1996-97 to six percent in 1999-2000; this item needs to be contained for the sustainability of the fund in the long run.

Certain fundamental weaknesses have been observed which act as hurdles to the smooth functioning of the Welfare Funds in the State. Structural characteristics of the state economy - a low-income agrarian sector, low per capita income, and low industrial productivity persisting in the state act as constraints to the enhancement of the scope of social security arrangements in general and Welfare Funds, in particular. These constraints can be tackled only through a higher rate of investment and structural transformation of the economy. However, these weaknesses cannot be held as an excuse for all the laxity in the functioning of the Welfare Funds.

Funds mobilised by the majority of the Welfare Funds are found insufficient to meet their expenditure incurred on evaluating investments and making collections from and disbursements to members. High costs of administration of the majority of the Welfare Boards raise basic questions on the rationale behind running of these Funds. In reality there takes place very little by way of welfare payments despite collection of contributions from the stakeholders.

1.2. Karnataka Beedi Workers Welfare Fund (BWFF)

In Karnataka, the BWWF is constituted from the cess collected by way of excise duty on manufactured beedis (revised from Re.1 to Rs.2 per 1,000 beedis from June 2000) from the registered companies manufacturing more than 20 lakh beedis per annum. At the all-India level, an amount of Rs.40 crores was spent under this fund during 1999-2000. Of this, 16.81 crores were spent on health, Rs.10.61 crores on education, Rs.3.33 crores on housing, Rs.0.17 crores on recreation and Rs.2.04 crores on administration (Vijaya Kumar and Ghatate 2001). Based on the official estimate of the number of beedi workers, the per capita availability of funds for the welfare of beedi workers amounted to a paltry sum of Rs.91 per annum. Because of the revision of excise duty, the fund was expected to increase to Rs.84 crores during 2000-01, as a result of which the per capita availability of funds was expected to rise to Rs.191 per annum. However, given the poor socio-economic conditions of the beedi workers and their households, and in particular the high incidence of health emergencies among them, even this amount would be inadequate to provide them any degree of social security.

The experience in Karnataka shows that the total amount of cess collected from within Karnataka increased from Rs.5.21 crores in 1999-2000 to Rs.9.43 crores in 2002-03, and declined to Rs.9.08 crores in 2003-04. Aggregated over the four year period, however, we see that the amount spent on various measures under the Act more than doubled. The proportion of amount of cess spent on welfare activities to the total amount of cess collected varied between 21 and 97 per cent during the period between 1999-00 and 2001-02, while it was more than 100 per cent after 2002-03. This became possible due to the unspent balance of the previous years. The data thus shows that although the expenditure on welfare activities for beedi worker households has increased at a rapid rate, the amount of cess collected has either declined or registered a slow growth (Table 13).

Table 13. Trends in Amount of Cess Collected under the Beedi Workers' Welfare Act

Year	Amount (Rs. In Crores) of cess collected	Amount of cess spent on various measures	Proportion of amount spent
1999 – 2000	5.21	5.05	96.9
2000 – 2001	8.57	6.09	71.1
2001 – 2002	9.33	8.69	93.1
2002 – 2003	9.43	9.71	103
2003 – 2004	9.08	11.67	128.5

In so far as the purpose-wise expenditure of cess was concerned, Table 14 shows interesting trends. A noteworthy point is that the proportion of the amount spent towards the provision of health benefits consistently declined, although the absolute amount increased from Rs.3.21 crores in 1999 - 2000 to Rs.3.84 crores with fluctuations.

Table 14. Purpose-wise Distribution of Total Amount Spent on Welfare Activities of Beedi Worker Households (Karnataka)

Year	Amount (per cent) spent on				Total amount (Crores)
	Health	Education	Housing	Administr.	
1999 – 2000	63.5	31.8	0.1	4.6	5.05
2000 – 2001	54.5	41.8	0	3.7	6.09
2001 – 2002	36.1	60.8	0.1	3	8.69
2002 – 2003	35.9	55.3	6.1	2.7	9.71
2003 – 2004	32.9	55	9.5	2.6	11.67

Another important point is that the proportion of amount spent on the provision of educational benefits more than doubled during the period 1999 - 2000 to 2001 - 02 and declined thereafter. In absolute terms, however, the amount spent on educational benefits to beedi worker households witnessed a fourfold increase from Rs.1.6 crores in 1999-00 to Rs.6.41 crores in 2002 - 03. The proportion of amount spent on housing benefits remained insignificant around 2000, but it increased by about 10 per cent by 2003 - 04. Interestingly, the proportion of the amount spent on the administration of benefits consistently declined, although there was a marginal increase in absolute terms.

An analysis of the expenditure in per capita terms becomes difficult both because of non-availability of data on workers in the beedi industry and conflicting claims on the total number of workers. An attempt is, however, made below to analyse the significance of government expenditure in per capita terms by taking the figures on the total number of beedi workers provided by the government, industry and trade unions. Table 15 shows that the amount of assistance varied from as high as Rs.397 to Rs.130 per beedi worker household depending on the different sources of data on the total number of beedi workers in the state.

Table 15. Per Capita Expenditure on Welfare Benefits

Source of information on total number of workers	Total number of workers	Total amount of benefits in 2003-04 (Rs. In crores)	Amount per worker
Government	293,978	11.67	397
Industry	600,000	11.67	195
Trade unions	900,000	11.67	130

We now look into the performance of the welfare funds scheme in providing benefits in each of the individual purposes.

Health - The health schemes aim to provide free healthcare to the beedi workers and their dependants through hospitals and dispensaries set up by the Labour Welfare Organisation. Most of these schemes were started in the 1980s. A person should have been a worker for a minimum period of sex months to avail of the benefits for a number of ailments. This period varies - for instance, it is three years in the case of heart diseases, kidney transplantation and hernia, etc. The financial assistance ranges between Rs.30,000 and 2 lakhs in the case of heart diseases, etc. Subsistence allowance is also paid to the workers for the period of hospitalization. In order to provide health benefits and achieve the objectives relating to health security of the workers, hospitals and dispensaries have been set up exclusively for the beedi workers. The LWO in Karnataka is running a 50 bed hospital (funded exclusively from the BWWF) at Mysore and 27 dispensaries at various places in the state for this purpose. A large number of beedi workers and their dependants have been provided with referral and treatment services in the hospital and dispensaries thus set up. In 2002 - 03, the total number of patients obtaining referral and treatment services was 551,685.

Thus, the number of beedi workers obtaining referral and treatment services was substantive. Yet, the total number of persons obtaining financial assistance for different ailments was small around 2 to 6 in the case of cancer, 2 to 3 in the case of heart diseases, 2 to 5 in the case of tuberculosis, and so on during the period 1999- 2000 to 2003 - 04. The number of persons availing of the maternity benefits ranged from 66 to 764 across the years. The substantial increase in the amounts of expenditure per person during this period suggests that the welfare benefits were provided on the basis of need.

Educational benefits - Beedi rolling at home contributes to the forced involvement of children in beedi work. Since the rolling is carried out by women workers and payment is made in piece rate, there is pressure on them to complete the work. Since a majority of the workers belong to the poorer groups, the pressure on rolling more number of beedis to earn more income is also high. Because of these factors, there is a tendency to drag the children into various activities relating to the work - obtaining raw materials, submitting the finished product to the companies and middlemen, and often children also roll beedis.

Having recognised these problems, the government has formulated a number of schemes relating to the provision of educational benefits. Funded primarily through the BWWF, these schemes aim at providing financial assistance to beedi workers for their children's education. The educational schemes can be divided into four types - a) annual assistance of Rs.250 to each child for uniform, books, etc, b) scholarship to children to enable them to pursue school and even college education (the amount of scholarship per annum for boys and girls varies from

Rs.250 for primary schooling to Rs.2,000 for pre-university education, to Rs.3,000 for graduation and Rs.8,000 for professional degree), c) financial incentives amounting to Rs.440 per annum are provided to girls attending school and college, and d) amounts ranging from Rs.500 to 4000 are given as awards to students performing exceptionally well in the final examination.

The Karnataka government has done reasonably well in providing financial assistance to children of beedi rollers. Although the number of children receiving assistance towards uniform, books, etc., remained the same over the years, the number of students receiving scholarships has increased with fluctuations. A substantial increase in the amount of assistance towards scholarship and a gradual increase in the average amount of scholarship from Rs. 387 in 1998 - 99 to Rs. 1073 in 2002 - 03 implies that scholarships given after 2001 - 02 were for higher schooling and college education.

Housing scheme - This scheme, which commenced in 1978, aims to provide financial assistance for the construction of houses for beedi workers. Any beedi worker who has been engaged in the industry for more than a year with monthly income not exceeding Rs.3500 is eligible for the scheme. The housing assistance is provided in two forms. Under the integrated housing scheme, a subsidy of Rs.20,000 or 50 per cent of the actual cost, whichever is less, is given to the workers for house construction. The second type of assistance is for repairs, renovations and alterations, for which a subsidy of Rs.5000 or the actual cost of the repair, whichever is less, is given to the worker after 15 years of construction of the house and once in a lifetime.

In Karnataka, the progress made under this scheme has been fluctuating and has been insignificant. In 1999 - 00, assistance was provided for the construction of 176 houses, which increased to 580 houses in 2002-03 and to 1608 in 2003-04. Correspondingly, the amount sanctioned by the state government also increased. However, there is considerable gap between the amount sanctioned per house and the per house expenditure.

In conclusion, the BWWF Act, 1976, has been instrumental in helping a large number of beedi workers in the state access certain benefits, which, without the legislation, would have almost certainly been out of their reach. The act is based on the collection of cess from the manufacturers, and the workers are not expected to contribute towards their benefits. The act thus helped in the institutionalization of the cess collection and the provision of the benefits. The total amount of cess collected registered an impressive growth. The benefits provided, however, were good in some cases but not so promising in other. For instance, the benefits towards health and education recorded a fair performance in comparison to the housing benefits. However, the per capita amounts in the case of health benefits were quite low. Further, the number of workers obtaining benefits for major illness was very low. It is not clear whether this was because the incidence of such illnesses was low or whether there were supply side constraints. Some studies conducted on the beedi industry in Karnataka point out that it was more the latter.

The one positive aspect of the fund with respect to the area of health is that the funds were used to set up a hospital and dispensaries exclusively for the beedi workers. The workers can thus get referral and treatment services in these places.

The housing benefits scheme was not successful due to a range of reasons such as the complicated procedures involved, the necessity of holding identity cards, the increasing incidence of unregistered labour in the industry, the increasing incidence of unregistered companies (therefore implying that the cess amounts collected are lower), the lack of proper dissemination about the benefits, etc.

1.3 Conclusions

The welfare fund model has been well implemented in only a few states in the country in spite of the fact that the central acts were passed years or even decades ago. Kerala is one of the states where some form of social security exists for almost all the unorganized workers through the welfare fund schemes. The Kerala Construction Workers' Welfare Fund scheme has often been claimed a huge success and the central government has urged the other states to emulate this model. The Karnataka government has been working on this scheme and it will be introduced shortly. The Karnataka construction workers' welfare fund scheme will also be based on the registering of the workers, providing them with cards and numbers and mobilizing contributions from them. While the Kerala model is unique in the large number of workers in the state that it has reached out to, a closer look at its redistributive value is required to test what the extent of benefits has been, and who among the unorganized workers has benefited most, etc.

The performance of the Kerala construction workers' welfare funds shows that though the coverage of the scheme is fairly reasonable at the overall level, the percentage of workers registered in certain districts, especially Idikki, Pathanamthitta, Kottayam, Wayanad and Ksargod, is low. It is therefore necessary to strengthen the extension of the scheme in these districts to improve the percentage of registered workers. Further, a very low percentage of the registered workers receive benefits in any year (around 6 per cent in 2002). Among the types of benefits now offered by the fund, retirement benefits constitute slightly more than 50 per cent. The real social security benefits excluding pension is only a meagre sum thinly distributed among members. The board should thus urgently address the issue of enhancing the quantum of benefits given.

At present the major sources of revenue of the Kerala construction labour welfare fund are (i) contribution from registered workers, (ii) contribution/cess collected from employers of construction works, (iii) licence fees levied on the contractors, and (iv) other sources like interest from fixed deposits, etc. Of this, the workers' contribution is returned to them at the time of their retirement along with interest and a contribution from the fund and hence this is found to be a net liability. To overcome this problem and to improve the finances of the Board, some studies (Nair, 2004, Kannan, 2002, John, 2004) have made the following suggestions, which are being considered for implementation by the board:

(i) The employee's contribution should be transferred to a separate reserve fund and if necessary the rate of contribution may be enhanced to meet the pension payments to workers.

(ii) The present practice of refunding the worker's contribution along with interest and other benefits should cease and if necessary the rules amended in this regard. This will enable the welfare fund to enhance the quantum of other benefits other than pension now being offered to its members.

Another problem relates to the employers' contribution, which is the main source of revenue. Although there has been an increase in this source of revenue over the years, considerable difficulty is being experienced in realising this amount. The main problem here is that at present the cess collection from employers is designated as a function of the labour department and the welfare fund board itself has absolutely no control over this main activity. As mentioned earlier, the government department wields considerable power over the functioning of the fund and the board has much less control over it. This necessitates that the functions to be undertaken by different parties be redrafted in such a way that the collection of cess from the employers is also done by the board and not designated to the labour department.

A key finding of the analysis is that the administrative expenditure of the welfare board had recorded an increase of more than 16 times from inception up to 2001-02. This formed 16 per cent of the income and 11 per cent of the benefits distributed. The most disturbing feature is that staff salary as percentage of total administrative expenditure has recorded alarming proportions, slightly more than 70 per cent. This aspect has to be addressed with a sense of urgency and necessary measures should be taken to bring down the administrative costs to at least 35 to 40 per cent. Around 40 per cent of the total administrative cost should be kept as the maximum limit for staff salary. At any point when the proportion exceeds this limit, the board needs to look into the matter immediately and take measures accordingly. Also, the board should ensure that the total administrative cost does not exceed around 8 to 10 per cent of the benefits disbursed. Anything in excess of this will definitely make the scheme unviable.

The Karnataka Beedi workers' welfare fund has also functioned reasonably well but it has encountered problems of a different nature - more to do with the beedi industry itself rather than the welfare fund. First and foremost among these is the fact that the number of registered manufacturing units has been reducing over the recent past. Given the increasing incidence of the unregistered manufacturers, the number of beedi workers who are unregistered is also increasing. This means that a large number of workers in the state are without identity cards, therefore cannot avail of the benefits under the welfare fund scheme.

Even for the workers who are registered, an important implication of the growth of unregistered companies is that these manufacturers will not be paying the cess towards the welfare fund. The total quantum of funds at the disposal of the scheme is thus reduced to that extent. The quantum of benefits disbursed also becomes a shrinking base accordingly. This is perhaps the biggest reason why the beedi workers welfare funds scheme has not been able to reach out to all the workers in the state.

A second reason for the rather low quantum of benefits is that the beedi workers' welfare fund is not based on contributions from workers. The entire fund is financed out of the cess imposed on the manufacturers, in other words, the employers. Now is perhaps the time to mobilize some contributions from the workers themselves to provide them adequate social security. In this case, the manufacturers also have some incentive to register themselves, and also the quantum of money at the disposal of the fund increases. A big factor in favour of the contributory mechanism is that it has been shown to work in other states like Kerala, and in other sectors within Karnataka - for instance the Yeshaswini scheme for the agricultural workers and small farmers. There is more than enough evidence to show that the workers are also willing to participate in the contributory social security programmes, and thus the time is right for the state to take action in this respect.

2. West Bengal Provident Fund Scheme for the Unorganised Workers

The provident fund scheme is one of the significant social security schemes available to all workers in the organized sector, and it involves the contribution of a certain percentage of the worker's salary by both the worker and the employer. In India, the Employees Provident Fund Organisation (EPFO) manages and administers this fund. The Employees Provident Fund scheme takes care of the following needs of the members - retirement, medical care, housing, family obligation, education of children and financing of insurance policies.

Given the important component of contributions from the employers, it is clear that a provident fund scheme is difficult to introduce for the unorganized sector workers. This is because, since a majority of them are casual labourers working for several employers, it is impossible to map a particular worker to a particular employer. However, attempts have been made to extend such social protection to the unorganized workers as well, and the West Bengal state government is one such to have introduced a provident fund scheme for these workers.

The State Assisted Scheme of Provident Fund for Unorganized Workers (SASPFUW) was introduced in West Bengal 2001. This scheme is applicable throughout the state for the wage-employed and self-employed workers in the unorganized sectors. It aims at an extensive coverage encompassing both workers employed in small industries as well as the self-employed engaged in various occupations. The government has identified 55 occupations/sectors where the scheme is to be implemented. However, the scheme is to be implemented in a phased manner. In the first phase, the workers who will be covered are those in the tailoring industry, bangle making, fire works, embroidery work, bakery flour mills, motor garages, handloom weaving, earthen pottery making, auto-rickshaw drivers, cobblers, van pullers, head-load workers, street hawkers and newspaper sellers.

The following are the key features of the scheme:

1. All wage employed and self-employed workers between the ages of 18 and 55 years operating in the state and having an average family income of not more than Rs.3,500 per month are eligible to be covered under the scheme.
2. Each subscriber has to contribute Rs.20 per month, and a matching amount will be paid by the state towards each worker. The interest on the balance at credit of a subscriber will also be paid by the state government annually at the rate declared by the government.
3. The total contribution along with interest will be refunded to the workers on the attainment of 55 years of age or in the event of the account becoming inoperative due to death or prolonged default in making contributions.
    - An account is considered to be under prolonged default if monthly contributions are not paid for six consecutive months. The account may however be revived when the contributions are made up to date through adequate payments in one or more installments.
    - In the event of death the total amount will be paid to the nominee.
4. The state government also prescribes provisions for loans and withdrawals from the fund as and when deemed necessary.
5. At the time of enrolment, every worker will be issued an identity card and pass book. The contribution becomes due on and from the next month following the month in which the identity card is issued.
6. Interest to be paid by the government will be calculated as on the 31st of March every year and will be credited to the account of the subscriber on the same day.
7. The state government will bear all the expenditures relating to the administration of the scheme including the commission to be paid to the collecting agents, service charges to the banks, and also the cost of various forms and stationery.
8. The scheme is being implemented by the Labour Directorate with the help of elected representatives, representatives of trade unions, district administration and local level community based organisations.
9. If an account has to be closed due to the absence of regular contributions, the entire government contributions and interest will be forfeited. The contributions made by the account holder, without any interest will be returned to him/her after the expiry of the lock-in period of three years.

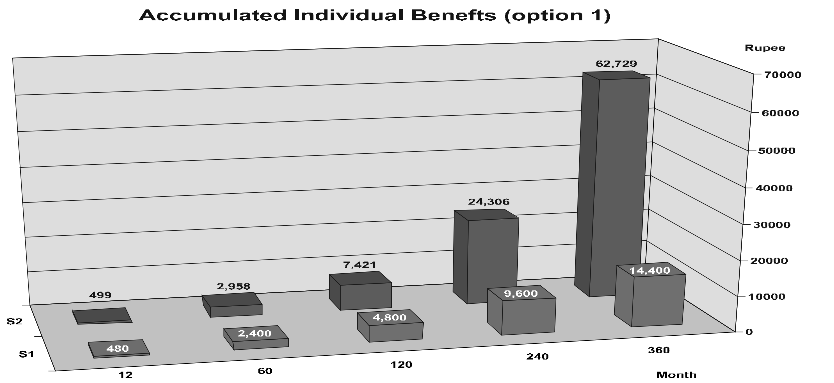
It is pertinent to mention that this scheme generated considerable enthusiasm among the intended target groups and received whole hearted support of the trade unions and local level peoples' organisations. As many as 3,87,228 beneficiaries were covered in this scheme upto January, 2003, and a sum of Rs. 3,99,54,300 was collected from the beneficiaries. As of March 2005, this increased to 6,76,000 workers registered under the scheme (the number of new workers and the number of renewals are not available). Of these, 40 per cent were women. From the inception, Rs.200 million has been collected in the form of subscriptions from the workers, and a matching fund of Rs.190 million has been provided by the government.

Evaluation

We are yet to obtain more robust data in order to attempt a detailed analysis of this scheme. However, based on the design of the scheme, the following points may be made:

1. The coverage of the scheme has been increasing but is still not substantial enough to make a strong case towards the replication of the scheme elsewhere. Even after five years of implementation, only 6.3 lakh workers have been covered - this is in comparison to a scheme like the Yeshaswini in Karnataka, where even in the second year, 22 lakh workers were covered.
2. The scheme adopts a targeting mode - specifying that all workers earning equal to or less than Rs.3,500 per month are eligible to register themselves. This effectively rules out a large section of the unorganized labour force.
3. A large number of occupations are included to be covered under the scheme - out of which some were identified as priority sectors under the first phase - it is not clear based on what assumptions or criteria, this classification was done. It does not seem to be an attempt to cover the poorest of the poor. If this had been the case, some of the occupations left out, like sericulture, domestic helpers, beedi rollers, etc., should have necessarily been covered.
4. Since this is a provident fund scheme, the onus of sharing the burden of the contributions ought to be on both the employers and the employees. In this special case, the government takes the responsibility of the employees and contributes the required amount. While this is a workable arrangement, the state should also make an attempt to mobilize contributions from the employers, especially where they are identifiable. In the event that they are not identifiable or in the case of self employed workers, some contributions should be mobilized in the form of a cess - for instance, a cess on the total construction cost of the buildings to cover the social security of the construction workers, etc. Schemes based on such design are already functional in other states and therefore, it is essential for a provident fund scheme to espouse it.

Figure 1. Accumulated Individual Benefits under the SASPFUW



This scheme has the potential to be replicated in other states and this has been achieved already. The state of Tripura introduced in 2001 the Asangathita Shramik Shayika Prakalpa - a state assisted scheme for the unorganized workers. The design of this scheme was clearly inspired by the West Bengal Provident Fund scheme (NCEUS 2006). The Tripura scheme is also open to members from among those whose family income does not exceed Rs. 3500 per month, and each member contributes Rs. 25 per month, with a matching contribution from the state government. Workers employed in 15 industry groups and 17 self-employed activities listed in a schedule of employment will be eligible for the benefits under the scheme. The worker receives the total contribution along with the interest on attainment of the age of 55 years. In the event of death of the workers, the total amount, contribution plus interest is paid to the nominee. In the event of prolonged default, not paid for six months, the accrued amount will be refunded to the workers after a lock-in period of three years. The account is revived if the contributions are made up to date.

III. HEALTH INSURANCE FOR THE LOW INCOME GROUPS

Introduction

Some unique features mark health care financing in India (Ahuja 2004). These are the low share of public financing (around 1 per cent of the GDP compared to the average share of 2.8 per cent in low-income and middle-income countries), the skewed coverage of these public funds across socio-economic categories (biased towards the better-off groups), and the very high share of private health financing (over 80 per cent of the total health financing) much of which takes the form of out-of-pocket payments (user charges) and not any pre-payment schemes. Reliance on out-of-pocket payments is not only inefficient and less accountable than other methods of financing, but also iniquitous to the poor on whom the disease burden is disproportionately higher, and who, therefore, are more likely to be pushed into a poverty trap (Visaria and Gumber 1994, Gumber 1997)[12].

A significant challenge facing the Indian health policy system is how to extend health insurance across all sections of the population. In other words, this involves the conversion of the predominantly *private out-of-pocket spending* into *health insurance premium* whereby this amount is collected from a much larger group of insured individuals rather than from the limited number of households affected by illness. Another important challenge is the need to design the policy in such a way as to ensure the coverage of people who cannot afford to pay premium.

Historically, health policies have been framed on the assumption that for the low-income people, insurance is not an option even worth considering. These people were assumed to be too poor to save and pay premium, and hence, governments have always assumed the responsibility of meeting their health care needs. However, of late, such assumptions are being proved baseless and incorrect, as studies are finding that on the supply side, the service delivery from the government is inefficient and leads to sub-optimal outcomes, and more importantly, on the demand side, even the poor people are able to and willing to set aside a range of amounts in order to cover their health insurance and other social security needs.

The supply side constraints include, as mentioned earlier, the very low and shrinking budgetary support to public health, inefficiency in provision and unacceptably low quality of services. Despite a significant reliance on public health facilities, the poor households tend to spend nearly one-fifth of their income on treatment. Even among the fully insured households under the Employees State Insurance Scheme (ESIS), the burden is unduly large particularly among rural households. This clearly reflects large-scale inefficiency operating in the delivery of services by both government and ESIS sectors. There have been efforts by the state, Non-Government Organisations (NGOs) and the private sector to introduce health insurance schemes for the low income households but a majority of these schemes suffer from the following constraints:

a) Restriction in Scope

Most health insurance schemes for poor people are limited in scope. They cover at best a very small percentage of the targeted population. In many cases, they are restricted to a single defined geographic area, or to a small subset of the population (e.g., programmes of NGOs like ACCORD) or to a defined small population (e.g., Self Employed Women's Association

[12] The World Bank estimates that a quarter of all Indians fall into poverty as a direct result of medical expenses due to hospitalization (World Bank 2002).

[SEWA] members). The pioneering and perhaps the most studied scheme in India - that of SEWA in Ahmedabad, serves in all, around 174,000 people (in 2006), a rather small proportion of the target population. Even the various highly regarded welfare fund schemes for unorganized sector workers in Kerala reach less than 29 per cent of the target population.

An important reason why the scope and coverage is low across these schemes is the ease and flexibility in implementation that such a small base allows. In general, keeping the scheme (usually operated by NGOs) small and defined in terms of coverage (geographical or population) facilitates simpler organization of the scheme, collection of premiums, and provision of access to health insurance via clinics and dispensaries (most schemes create their own clinics). While these schemes have done justice to the population that they do cover, they cannot make any claims of having extended these services to the masses, simply because a majority continues to be out of any health insurance cover. To date, there have been no examples where the 'masses', in the true sense of the word, of the rural population have been mobilized for health insurance purposes. Such mobilization is key to the success of health insurance schemes that purport to cover significant chunks of the target population.

b) Restrictions in Benefits

The second problem is the relatively restricted scope of the benefits offered - a problem that arises largely because the premiums for health insurance schemes for poor people have to be limited. Thus, the financing of health insurance is a key constraint. In fact, most schemes for the poor focus heavily on primary health care or have strict ceilings on hospitalization costs. For example, benefits coverage in the SEWA scheme is for a maximum of Rs. 2000 per annum, which covers only 20 per cent of medical costs. In programmes like ACCORD, the premium for the tribal people is Rs 60 per annum (for a five person family), and the maximum amount available for hospitalization is Rs 1500. Some commercial schemes may have a higher coverage. For example, Mediclaim, a new insurance introduced by the General Insurance Corporation in India covers only hospitalization upto a maximum of Rs 300,000[13]. The lowest known cost of a cardiac by-pass operation in India is Rs. 75,000 - which no rural or unorganized sector worker will be able to afford without insurance coverage, and the existing schemes remain far from covering such exorbitant amounts. This is the case for other common operations as well.

The Kerala Welfare funds for unorganized sector workers solve this problem partially, because the cost of financing is imposed on the whole industry e.g., *beedi* workers via a cess on the total produce of the industry, but they also have ceilings on benefits. Thus the whole issue of financing underlies the key issue to be solved, that of restricted benefits. These problems are evident in schemes that operate outside of India as well. For instance, the health insurance scheme in GRET, Cambodia covers only basic in-home care, with 15.6 per cent average coverage of medical costs.

c) Administrative Issues

Reviews of various schemes suggest that the administrative establishment underlying the schemes have generally been weak, with relatively little attention to the quality of health care or efficient delivery. A World Bank survey found that the administrative operations across schemes and service providers varied dramatically. In some schemes, the provider of health care was also the administrator of the scheme, while other schemes kept a division between administrators and providers. In many cases, the local government was the key administrator

[13] But, unfortunately, Mediclaim is quite an urban and upper-class phenomenon. While poorer people are able to take advantage of these commercial schemes for illnesses and sometimes for hospitalization, the schemes are of little use for major health issues.

and responsible for providing benefits. Complaints regarding claims administration have been very high in most schemes. Generally, it was found that the restrictive scope of the scheme and the restricted benefits often co-existed with very high administrative costs, especially since many schemes had to focus on establishing their own dispensaries, care facilities, and hospitals. The high cost and weak administration was most pronounced in the case of the Kerala Welfare Funds (Kannan 2002).

d) Accessability & Health Care Infrastructure

There is also the issue of accessability. Many schemes have a small reach because of the problem of providing access. For a health insurance scheme to cover the large and highly dispersed rural population in large Indian states, an extensive network of hospitals, dispensaries and care facilities is a necessity, which is beyond the financial capacity of state and local governments[14]. Thus, the lack of a health care infrastructure or the expenses involved in creating it has been a factor that has limited the growth of health insurance schemes for the rural poor.

These are not the only supply-side problems and issues in creating health insurance for large sections of the rural population, but these are the critical problems. One other criticism that has been leveled against most current health insurance schemes for rural and unorganized sector workers has been that they fail to consider the linkage to the broader health care system; they tend to be close ended schemes with little connection to established institutions.

On the demand side, it is being increasingly realized that even low-income people can make small periodic contributions, which can add up to a significant amount, thereby taking some financial burden off the already strained state revenues (see, for instance, Rajasekhar *et al* 2005). Further, in the event that such contributory schemes are introduced, the insured individuals would have an option of going to either public or private service providers, which in turn would generate competition among providers for better services[15]. Van Ginneken (1999) concludes after reviewing many schemes around the world that contributory schemes are more likely to be efficient and sustaining.

It is in this context that we analyse two health insurance schemes in India - the first is the Universal Health Insurance Scheme (UHIS), which was launched by the central government in 2004, and which indicated a significant paradigm shift in the health policy of the country. It was with this scheme that the government recognized for the first time the importance of mobilizing resources from the people themselves (from all people - therefore ‘Universal’) in meeting their health requirements through insurance. The second is the Yeshaswini Health Insurance Scheme (YHIS), the brainchild of a private party, which was introduced by the Government of Karnataka in 2003, and which by its innovative design faced phenomenal success within the first two years of operation. In the remainder of this chapter, we provide brief descriptions of the design of the schemes and analyse their performance.

1. Universal Health Insurance Scheme (UHIS)

Main features

1) The UHIS is a group insurance scheme, where by the policy is taken out by groups of 100 or more families, for people in the age group of 3 months to 65 years. While it was initially designed to cover only those who are members of some group or the other such as

[14] As noted earlier, however, a few health insurance schemes like the Kerala welfare funds have their own dispensaries or clinics, some schemes like ACCORD and NHHP even have their own hospitals.

[15] It is also likely to have certain desirable outcomes indirectly. For instance, health insurance can be linked with family planning.

cooperative societies, beedi workers, handloom weavers, etc., subsequently it has been revised to include any individual or household as well.

2) The health care is rendered through registered hospitals and/or nursing homes16. All health facilities should have a minimum of 10 - 15 beds depending on the density of population of the locality, with fully equipped operation theatres, fully qualified nursing staff round the clock and qualified doctors in charge.

3) There is a three-tier option of premium payment -
   a) Re.1 per day per year for an individual,
   b) Rs.1.5 per day per year for a family of up to five members, and
   c) Rs. 2 per day per year for a family of up to seven members.

4) In all three cases, the government provides a subsidy of Rs.100 which remains fixed whether it is an individual who buys the insurance or a family of five or seven. While the scheme is open to anybody who wants to participate in it, the subsidy is given only to Below Poverty Line (BPL) families.

5) The benefits provided are as follows - in case of hospitalization, the scheme provides medical expenses up to Rs.30,000 per family, and if an earning member falls sick, it provides for the loss of livelihood at the rate of Rs.50 per day up to a maximum of 15 days, and in case of death of the earning head of the family due to personal accident, Rs.25,000 is to be given to the nominee.

6) The total hospital expense that can be reimbursed under the scheme for any one illness can be up to Rs.15,000, with a cap on the amount payable for different types of hospital expenses.

7) A number of illnesses/situations are excluded, for instance, maternity benefits[17].

8) The claims will be settled wither by intermediaries called the Third Party Administrators (TPAs) or by the insurance companies themselves.

Performance of the UHIS

The UHIS was expected to cover 10 million individuals in its first year. The performance, however, has been modest (Bhat and Saha 2004; Ahuja and De 2004). As of March 31, 2004 around 4,17,000 households, or 1.16 million individuals, were insured under the scheme in all states and union territories (Ahuja 2004). Nearly 48 per cent of these families were from rural areas. Around 50 per cent of the policies sold were accounted for by four states alone: Maharashtra (21 per cent), Andhra Pradesh (10 per cent), Tamil Nadu (9.58 per cent) and Gujarat (9.19 per cent). Only 11,408 persons belonged to the BPL category, which is roughly 1 per cent of the total persons covered (see Annex 3.1). This suggests that it was mostly the non-BPL people who had been buying the policy in spite of the subsidy being offered to the BPL households.

In the 2004-05 budget, therefore, the government revised the UHIS to provide greater subsidy for BPL families, and made this subsidy variable depending on the family size of the insured. While the benefits provided under the scheme were not altered, a uniform subsidy of Rs 100 available earlier to all three categories of members - individual, family of five, and family of

[16] This includes any hospital/nursing home registered with the local authorities and under the supervision of a Registered Medical Practitioner, any hospital/nursing home run by the government, and enlisted hospitals run by NGOs/Trusts/selected private hospitals with fixed schedule of charges.
[17] For the comprehensive list of exclusions, see Annex 3.2.

seven - was increased to Rs 200, Rs 300 and Rs 400 respectively. Accordingly, the effective premium (net of subsidy) paid by the BPL population reduced to Rs 165, Rs 248 and Rs 330 respectively (GoI 2004).

Another rather befuddling step taken by the government while revising the UHIS was to restrict it only to the BPL households (NCEUS 2006), i.e., the scheme lost its "universality" in design. This was a strange move on the part of the government since, from all accounts on the performance of the previous year, it was the non-BPL households that were subscribing in larger numbers despite the lack of subsidy to them. The mere increase of the subsidy component for the BPL households must have been a sufficient condition to induce more subscribers from this category of households. By blocking entry to the non-BPL households, the scheme has now shut out a large subscriber base, from whom the mobilization of contributions was relatively simpler.

While there is no rational explanation to the restriction of the scheme to the BPL households alone, the increase in subsidy was due to the fact that the poor families found it hard to pay Rs.365 per person or Rs.548 for a family per annum. Another reason has been the lack of marketability of the product and the difficulty of reaching populations in the rural areas. Given the TPA arrangement of settling claims, the margin of profits for TPAs in this business is very low, and they do not seem to be interested in raising their share of this product. The insurance companies also do not seem to be very aggressive about selling this product to the BPL households, only 3,576 families of the 2,50,000 families covered were below the poverty line. The relevance of this in the context of the TPAs lies in scaling up of insurance for communities that are hard to reach or which are not apparently profitable to the companies. Given the low educational and economic status of communities that do not really understand insurance procedures, the role of TPAs takes on even greater significance. But the incentives are not conducive for them to want to service these policyholders.

Evaluation of the UHIS

The UHIS needs to be appreciated in its design in that for the first time here is a government scheme that recognizes that all the unorganized sector households are not 'BPL'. To that extent, at the level of the design, it has made a move towards 'universal' coverage. Conceptually, the scheme recognizes that even among the unorganized sector, there are two groups of households - those who can afford to buy health insurance that promises certain minimum level of benefit, and those who cannot afford to buy the minimum benefit on their own and need some public subsidy. Therefore, by not restricting the focus on only the BPL households, the scheme has ensured that a large proportion of the unorganized sector households are not bypassed. Further, the scheme also notes that all the unorganized sector households are not homogeneous - there are some who are the poorest and most vulnerable - that category which the state classifies as the BPL households. These households are thus provided subsidies, without which they would probably be unable to afford health insurance. Therefore, the UHIS, being a scheme that is open to all individuals and households, is universal in its philosophy. However, thus universality in the design has subsequently been distorted since this scheme also espoused the BPL criterion for identifying the unorganized workers by restricting the scheme only to the BPL households.

The performance of the UHIS, however, shows that the coverage of the scheme thus far has been far from 'universal'. Considering that the overall unorganized sector population in the country is more than 30 crores, the scheme has covered only a few lakh households in the initial years. Further, in its redistributive value, it is rather skewed. First, in spite of the heavy subsidies that the BPL households are offered, the proportion of these households enrolled in the scheme is very low. Second, there is a severe regional imbalance in the coverage - as Annex 3.1 indicates. States like Maharashtra, Gujarat, Tamil Nadu, Rajasthan and Uttar Pradesh account for a major share of the total members, while some of the smaller states, in particular the North-Eastern states, account for near zero coverage. The following issues are thus important in understanding this relatively mediocre performance of the scheme:

1) The UHIS takes care only of hospitalisation. The other conditions laid down (including the minimum of 15 beds, fully equipped operation theatres, fully qualified nursing staff, etc) are seldom being met by a majority of health facilities in India, or at least a majority of the hospitals which the targeted groups are likely to access.

2) Outpatient care has been kept outside the ambit of this scheme. Many micro level experiments on community-based health insurance suggest that having options for outpatient care increases the acceptability of the scheme (Ahuja 2004). On the other hand, it is also suggested that insurance be provided only for inpatient care and that outpatient care be left out of its ambit. The reasons given are that people can by and large afford outpatient care because it is relatively inexpensive, that it is the inpatient care that pushes them into poverty trap and that administratively it is difficult to include outpatient care, and that outpatient care would lead to cost escalation. Ideally, both in and outpatient care should be covered, ad the decision of whether or not a patient needs hospitalization should be professionally made and not be a function of whether or not the patient has health insurance cover.

3) All pre-existing diseases including maternity benefit, HIV/AIDS are excluded. Maternity benefit and care is significant among the poor as total fertility rate is around 2.91. Excluding the maternity benefits goes against some of the trends of including such benefits in recent schemes of insurance companies (Kar 2004).

4) The scheme has been designed to keep the transaction cost low, through the TPAs. But, given the level of competition in market place and the way such schemes are delivered to its beneficiaries, it is quite unlikely that public insurance companies, leave aside private insurers, will show interest in the scheme. Further, the lack of incentives to the TPAs makes the scheme even more unattractive to the administrators, and they have no interest in marketing it aggressively. This is perhaps an important reason for the low coverage of the scheme across the general population and in particular, the BPL population.

5) Popularising insurance services among low income sections of the population is no mean task - it involves rigourous direct interaction with the people in order to convey the idea, canvass for it, make them understand the system of contributions which are not necessarily savings but a sureity for future contingencies, get them used to the idea that the contributions they make may not be returned to them in the future. Once this process is undertaken, then comes the collection of the premium, verifying claims and reimbursing them. As quite evident, it is the process of initiating the people to the concept of insurance and convincing them that it is for their own good that is the most challenging part.

Prior to the announcement of the proposed community based UHIS, various state governments put in efforts to launch health insurance schemes for the low income population. Such efforts only intensified after the scheme proposed in the 2002-03 central budget didn't take off. Without sufficient knowledge base or propaganda, the governments were trying to enter into an arrangement with the providers of medical care, public insurance companies and the target community; the arrangement being that the insurance companies would reimburse treatment costs of the target community and the governments would subsidise the premium to the insurance companies for the insurance sold to the community. However, such efforts have now come to a standstill after the announcement of the central UHIS in the budgets of the subsequent years. The lesson to be learnt here is that even the UHIS, delayed as it is, cannot be effectively and efficiently implemented on the ground unless there is adequate propaganda and popularizing of the scheme among the target community.

2. Yeshasvini Health Insurance Scheme

Main features

1) *Scope* - The Yeshasvini scheme is designed in such a way that it can handle the problem of restricted scope - a solution to which implies the mobilization of the millions of dispersed rural farmers and informal sector workers in Karnataka. Such mobilization implies three major steps - communicating the scheme to potential participants, creating a system to collect their premiums, and issuing identity cards for participants. The simplest way to achieve this is to make use of a pre-existing and well-established rural institution, which connects a majority of the rural people. The scheme, therefore, uses the cooperative societies[18], and makes every effort to ensure *that all members* of the cooperative societies become members of Yeshasvini as well[19]. The main intention of this is to avoid the problem of adverse selection, which would be a natural outcome if only sick people join the scheme. This would further limit the subscriber base and therefore bankrupt the scheme.

2) *Inducing participation* - Members are urged to participate in many different ways. First, some members volunteered to join in the scheme. Second, the societies discuss it with the members in order to convince them. Third, the societies arbitrarily take the decision and sign members up for the scheme. Lastly, in many cases, all members with outstanding loans are automatically signed up[20]. Such initiatives have been one of the main reasons for the large subscriber base for the scheme even in its initial years.

3) *Premium* - The premium was initially fixed at approximately Rs 90 per person per year, based on earlier research on the contributory capacity of the poor. As of 2005-06, this premium has been increased to Rs.120 per person per year (ILO 2006-b). Two assumptions are important to justify such low rates of premium. The first is that it costs Rs.10,000 for a life saving operation, on average. The second is that only one to two per thousand population would require major surgical procedures during the year[21]. Given the low premium rates, the success of the scheme then depends on generating a large number of rural subscribers. As mentioned earlier, given that the scheme was able to reach out to a large number of people in the very first year, this was not a constraint[22].

4) *Mode of financing* - Yeshasvini was partly self-financed and partly subsidized by the government for the first year, although since it was the initiative of a private party (Dr. Devi Shetty of the Narayan Hrudayalaya) there was no idea of having a subsidy component initially. However, it was also felt that the government involvement in the scheme for at least the first year, both in the propaganda of the scheme and in its financing would make the scheme much more successful, and therefore the subsidy was introduced. Each

[18] Currently over 31000 co-operative societies have been established. The Co-operative movement encompasses developmental sectors like textiles, sericulture, industries, animal husbandry, fisheries, sugar, horticulture and agricultural credit, marketing, etc.
[19] The initial focus of the scheme was on those cooperatives, which had the largest membership, i.e., farmers, milk producers and sugarcane producers.
[20] Such forced participation has been debated on ethical grounds, which we shall discuss in the section on evaluation.
[21] This is an actuarial assumption that is generally used in the West, but not very well supported in India.
[22] Since, at the time of the planning of the scheme, the size of the total target population was unknown and there was very little information on the health record of the target population, it was completely arbitrarily decided that a minimum of 1 million members (10 Lakh) would be necessary to launch the scheme. Even the first year subscriptions exceeded this target.

participant paid Rs.60 per year, while the government provided Rs.30 per year per subscriber. As mentioned above, it has subsequently been increased to Rs. 120 per year per subscriber and Rs. 90 per insured under the age of 18. The subsidy component was meant to be withdrawn from the second year onwards, but now the scheme is in its fourth year, and the subsidy from the government still continues. And as we discuss in the analysis, without this component, the scheme would not be able to operate over the last three years.

5) *Contingencies* - Given the fact that poor people cannot pay for hospitalization for both major and minor illnesses, it was decided that all charges associated with any surgical procedure would be covered[23]. Over 1,700 different operations are covered. However, there are significant exclusions including implants (valves, grafts, nails, screws and joint replacement surgeries, liver transplants and dental surgeries). The scheme also does not cover follow up investigations (unless it can be proved that there was some negligence on the part of the hospital). Each person is entitled to a maximum coverage of Rs.200,000 per year.

6) *Non-surgical consultation* - The scheme also covers outpatient consulting (primarily doctor's fees) at the network of hospitals. Investigations (diagnostics and X-rays) as part of the outpatient consulting are offered to Yeshasvini patients at 70 per cent of the total costs[24]. Most often, the amount of premium paid per annum would be recovered merely through outpatient consultation through the year[25], in addition to the free surgical services. This is a significant advantage of the scheme.

7) *Health infrastructure* - An important advantage of Yeshasvini is that it provides rural people with access to hospitals/clinics in the private sector. Not only are the government hospitals under-funded and inefficiently managed, where often, patients end up paying for the 'free' care, more importantly, they are under- funded and do not always have the required equipment. The private hospitals are thus key to the success of the scheme, since it provides largely surgical services. By June 2004, 118 hospitals were willing to and certified to participate, and by March 2006, 169 hospitals and nursing homes were part of the network.. Only those hospitals with a certain level of infrastructure are licensed to be part of the network[26]. The rates charged by each hospital for various operations are obtained, and based on a comprehensive survey of rates charged by different hospitals in Karnataka, a rate sheet for various operations and treatments has been developed. Tariffs for the most commonly performed diagnostic tests have also been fixed.

8) *Administration* - Yeshasvini is administered by the Yeshasvini Trust, which is composed of 11 board members[27]. The Insurance Development Regulatory Authority (IRDA) mandates that insurance schemes must have a Third Party Administrator (TPA) who will handle the administrative activities of the programme, including the claims process, but will not be part of the organization providing medical services. Although the IRDA does not specify such

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[23] Thus a person who needed a heart operation would not be asked to pay any charges for the variety of diagnostic tests that are required before the operation. In fact, other than transportation, the patient would not need to incur any expenses at all.

[24] The scheme, however, does not cover any type of medical treatment where there is no need for surgical intervention.

[25] Assuming that on an average, individuals have the need for such consultations around three to four times per year, and assuming an average of Rs.20 per consultation for such poorer sections of the population.

[26] As yet, largely district level hospitals are part of the system. In terms of access, rural villagers will have to travel at a maximum about 100 km to get surgical care at a district level hospital (average distance around 40 km). The taluk level hospitals are expected to join as well, but they will have to improve their infrastructure quite dramatically over the next few years to be eligible.

[27] These members usually include representatives from the Karnataka Department of Cooperatives, the Managing Director of the Apex Bank, the Secretary of the Sugar Cane Commission, the Secretary of the Karnataka Milk Federation, and some number of doctors who represent the network of participating hospitals.

rules for self-financed schemes, and so, Yeshasvini may not be bound by the law, the Trust decided to appoint a well established private firm: Family Health Plan Limited (FHPL), a division of Apollo hospitals, as the TPA. FHPL already had more than a decade of experience in administering medical health schemes[28].

Performance

Given the above design features, Yeshasvini recorded excellent performance within its first two years of operation. The total number of members registered in the first year was 16 lakh, and this increased to 20 lakh in the second year (Table 16). In the first year, a total of 9,039 surgeries had been completed valued at a total of Rs.10.53 crores. However the actual number of pre-authorizations was higher at 10,214 (valued at 11.94 crores). The difference between the two numbers occurs because pre-authorisation are issued, but the surgery does not take place by the end of the fiscal year. In addition, the number of free outpatient treatments done at various hospitals was large, a total of 35,814 occasions. From an accounting standpoint, the scheme turned a profit. The total premium paid by 16 lakh subscribers was Rs 14.4 crores. Subtracting the total number of surgeries (11.94 crores) and the administrative expenses paid to FHPL (Rs.59 Lakhs), the scheme generated a surplus of 1.86 crores, which was carried forward to the second year of operations.

Table 16. Growth of Membership under the Yeshasvini Health Insurance Scheme

Source	No Insured Targeted	Total No of Insured	Gap Between Target and Actual
2003 - 2004	3,100,000	1,601,152	- 1,498,848
2004 - 2005	3,000,000	2,021,661	- 1,478,339
2005 - 2006	3,500,000	1,473,576	- 2,026,424

Table 16 shows that in all the three years, the scheme had set a much higher target membership to be reached than it was able to achieve. While the subscription base increased from the first year to the second, the tempo was not possible to be maintained in the third year, and this is perhaps because it was in this year that the premium for the scheme was doubled, which resulted in a huge dropout. For the fourth year, therefore, a more modest target has been set at 2,500,000 insured. When we look at the insured base disaggregated by gender, we find that more men have been registering than women, and this has only fallen even more in the latest year (Table 17) operations.

Table 17. YHIS Membership by Gender

Year	Male Insured		Female Insured	
	Number	Percentage	Number	Percentage
2004 - 2005	1,029,187	59	698,039	41
2005 - 2006	848,180	62	526,994	38

[28] In Annex 4.3, we provide a brief description of the way in which the FHPL in collaboration with the Yeshasvini Trust, handles the administrative responsibilities.

From the perspective of providing coverage for life saving operations for people who would no have been able to afford the operations, the scheme is clearly an unqualified success. It covers a significant percentage of the target population, and has the potential to cover more. The rate of coverage is also very high (Rs. 200,000 per person per year) and the highest compared to any similar schemes for this type of target population anywhere in the world. A clear indicator of success is the number of people who benefited in terms of operations.

Table 18. Amounts of Contributions and Subsidies

Year	Total Contribution From Insured		Amount of Subsidies	
	Amount	Percentage	Amount	Percentage
2003 – 2004	96,909,491	68.3	45,137,021	31.7
2004 – 2005	119,755,440	73.9	42,384,117	26.1
2005 – 2006	162,900,000	59.7	110,210,000	40.3

The premium amount collected by the scheme over the three year period came to a total of Rs. 380 million - with increases over the years (Table 18). The increase in the third year was despite the fall in membership because the premium amount was increased. The subsidy component provided by the state government also increased accordingly. The claims also increased over the years (Table 19). The total claims settled in the latest year, 2005 - 2006, up to March alone, stands at 182 million which is already superior to the claims figure for the two previous years which had both a higher number of insured.

Table 19. Claims Settled under the Scheme

Year	Total Amount of Claims Disbursed
2003 - 2004	105,482,417
2004 - 2005	180,221,408
2005 - 2006	182,252,499
Total	**541,956,324**

On comparing Tables 18 and 19, we find that the claims to total contributions + subsidy ratio was 74 per cent in the first year, which subsequently increased to 111 per cent in the second year. The state government provided a complementary subsidy of Rs. 60 million to the scheme in April, because of which the third year, the scheme recorded a claims ration of 94 per cent. Without this subsidy element, this figure would have been as high as 120 per cent. One of the constraints faces by welfare funds and other social protection schemes in the country has been the high administrative costs, which can make the schemes unviable. The hallmark of Yeshasvini has been to keep the administrative costs relatively low. Table 20 shows the amounts used as administrative costs over the last three years.

Table 20. Administrative Costs of the Yeshasvini Scheme

Year	TPA Fee	Other Expenses	Total Admin. Costs
2003 – 2004	5,900,000	1,745,470	7,645,470
2004 – 2005	4,000,000	2,158,999	6,158,999
2005 – 2006	4,000,000	2,157,785	6,157,785
Total	**13,900,000**	**6,061,255**	**19,961,255**

Administrative costs have been kept at a very low level over the three-year period. The extra costs charged by the TPA in Year I were justified by the establishment of its Bangalore branch and purchasing of necessary equipment. The payment due to TPA was converted into a flat amount in Year II. Since the contract has been renewed for another two-year term under the same conditions, there will be no change in Year IV.

Besides the phenomenal success in terms of the coverage across the targeted population, another key result is that 99 per cent of Yeshasvini's participants are poor (Kuruvilla et al 2005), and would not have been able to afford many of these surgeries in the absence of insurance. Therefore, from the perspective of human lives saved as well, the insurance programme has therefore been a success. It also appears to be well managed with very limited delay in the reimbursement and claims process.

Evaluation

From all accounts, the YHIS seems to be a thorough success, and central government has urged all state governments to replicate the Yeshasvini model in their states as well. While no state has yet actually implemented the Yesahsvini model itself, states like Assam, Punjab, Janmu & Kashmir, West Bengal, Jharkhand, Kerala and Uttaranchal have designed and introduced (or plan to introduce) their own health insurance schemes based on the Yeshasvini experience. The Yeshasvini experiment has also been considered worthy of replicating in other low-income countries of the world. However, there are some grey areas which need to be addressed, and in some respects, the scheme has even been called to question. The following points are worthy of consideration:

1) Hospitalisation not leading to the surgery including common cold and fever are not covered under Yeshasvini. The scheme, which had 16 lakh farmers enrolled in the first year, faced a large dropout in the second year (despite the 22 lakh coverage in the second year), as it covers only surgeries and not routine medical problems. So, if a participant is hospitalized for pneumonia, for example, which does not require surgery, she would have to pay for that. Further, if diagnostic work is done during outpatient visits and surgery is not required, the patient must cover his/her own costs. Yeshasvini is, in that sense, only a catastrophic care system. The scheme should also cover medical admission and maternity benefit with co-payment, which is a significant problem for vast sections of the poorer population.

2) Due to the government involvement, the programme has come to be known as a government activity despite communication efforts to show this as a private self-financed insurance scheme. This has often become a double-edged sword. In many cases rural farmers distrusted the government's ability to do anything and reported that they would not have joined the scheme if they felt they had a choice. Others, however, reported that they agreed to join only because it was a government scheme. Some felt that government hospitals were of poor quality, but the fact that they could be treated at a private hospital through a government backed programme was great.

3) Another important point is the fact that not all of the subscribers exercised free choice in joining the scheme, the ethical point that was mentioned earlier regarding the forced participation of many members by the cooperatives. This raises a number of issues that require to be addressed in subsequent years of operation. Clearly, there needs to be a massive education effort of the rural population (an extremely difficult job) but the government cooperation department also needs to be educated about the importance of communication strategies. Simply giving the secretaries of cooperatives target enrolment figures is not the solution. This is a self-financed health insurance scheme which owes its long-term success

only to the fact that individuals, once understanding clearly the principles and mechanisms of the scheme, *freely* choose to join.

3. Conclusions

In this chapter, we have looked at the need for health insurance for the low income and unorganized sector households in the country. There is more than enough evidence to show that a major share of the expenditure of the poorer households is towards health expenses, which has the potential to drive the households steeper into poverty and debt trap. There is also an increasing understanding that insurance will be an effective tool to gradually reduce the out-of-pocket payments that people in general, and the poor in particular, regularly make towards health expenses. One of the most significant factors that should encourage the service providers is the fact that it is no longer safe to assume that the poor cannot contribute towards their insurance.

In this context, we have looked at the Universal Health Insurance Scheme and the Yeshasvini Health Insurance Scheme, as two cases of schemes with great potential to be highly successful. Both of these aim at covering a large section of the poor population, and both of these are based primarily on mobilizing the resources from the people themselves. There is an element of subsidy in both the schemes - while under the UHIS, this is only for the BPL households, for the YHIS, it is across the board, and the total amount of subsidy has been significant in both cases. The contributory rates of the schemes differ. Perhaps, this is one area where the YHIS scores over the YHIS - the YHIS depends on low subscription amounts from a very large section of the population in order to finance the scheme. The contribution rates of the UHIS, on the other hand, are relatively higher, and despite significant subsidies offered to the BPL population, the coverage has not been promising yet. Consider the disparity - the YHIS has reached out to 22 lakh people in its second year *in Karnataka state alone,* while the UHIS had covered barely 5 lakh households in its second year *in all of the country.* Second, a majority of the subscribers of the YHIS were the poorest of the poor, while the coverage of the UHIS among the BPL population was quite dismal.

An important difference between the strategies adopted by the two schemes is with respect to the marketing. Evidence shows that the UHIS has hardly been pushed aggressively and the awareness of the scheme has in general been very low. The YHIS, on the other hand, has been marketed very aggressively - through all possible channels. In particular, by using the existing cooperative societies, the scheme has managed to reach out to a large section of the population. A further bonus for the members of the YHIS is the private involvement in the scheme. The scheme was essentially thought of and introduced by a private concern, but the government involvement was used both at the stage of selling the product as well as for providing subsidies. The public-private partnership has thus paid phenomenal returns with respect to this scheme. The most attractive feature, perhaps, is that it allows the members access to private clinics and hospitals, something that no other government scheme in the country allows.

The analysis in this chapter thus shows that health insurance is a very viable option to cater to the vast and varied health needs of the poor sections of the population. However, an important factor to remember is that in the current debate on health security for the poor, health insurance is made out to be a panacea for all the ills facing the poor. Health insurance, no doubt, has emerged as an important financing tool as it promises to mobilise some resources from the people themselves. But health insurance that strengthens the demand side makes sense only when the supply of health care is reasonably well developed. Where this is not so, health insurance is meaningless. The supply of health care in rural and remote areas of the country is far from satisfactory. Although public health centers are pervasive, these centers have degraded over time in most states due to lack of funds, accountability and so on. Any attempt to introduce health insurance for the poor must also be accompanied by the revival of health care facilities at these centers.

It also needs to be understood that health insurance *per se is* just a financing mechanism and does not in any way ensure that health services are delivered efficiently and effectively. However, in the case of insurance for the lower income and disadvantaged sections of society, such micro-insurance is more than a financing mechanism - it is also a tool of social and economic empowerment. But unless the management of these schemes is sound, given the complexities of insurance markets, unregulated private medical sector and private voluntary insurance are sure ways of leading the health systems to be cost ineffective, inaccessible and highly inefficient. Expanding the insurance services without considering whether medical services are available or not is sure way of making the scheme dysfunctional from the beginning.

The cost and quality of these services are other important factors. Who will regulate the practices of providers? It seems that the government is trying to divert the attention from inefficient healthcare delivery system and use health insurance ‘mantra’ as if it is going to solve all problems. Health insurance markets are fundamentally complex in nature. In health sector we have neither invested to build capacities to manage these mechanisms nor have we developed adequate regulatory and administrative infrastructure to ensure that such systems work efficiently. In the next chapter, we look into an overall agenda of the central government to address the basic health security needs of the people - the National Rural Health Mission, which was launched in 2005.

Annex 3.1: Performance of the Universal Health Insurance Scheme

Coverage under the Universal Health Insurance Scheme							
Sl. N0	States and Union Territories	2003			2004		
		BPL Househ. Cover.	Non BPL Househ. Cover.	Total Househ. Cover.	BPL Househ. Cover.	Non BPL Househ. Cover.	Total Househ. Cover.
1	Andhra Pradesh	162	27,003	27,165	223	41,633	41,856
2	Arunachal Pradesh	0	63	63	0	98	98
3	Assam	16	7,924	7,940	105	15,606	15,711
4	Bihar	35	2,787	2,822	65	3,391	3,456
5	Chattisgarh	151	1,365	1,516	32	4,065	4,097
6	Goa	0	173	173	1	598	599
7	Gujarat	161	19,287	19,448	1,584	36,706	38,290
8	Haryana	1	3,345	3,346	1	8,175	8,176
9	Himachal Pradesh	1	1,049	1,050	0	1,610	1,610
10	Jammu & Kashmir	0	1,000	1,000	0	1,503	1,503
11	Jharkhand	0	397	397	0	703	703
12	Karnataka	302	15,823	16,125	312	19,670	19,982
13	Kerala	1,449	15,130	16,579	3,202	31,819	35,021
14	Madhya Pradesh	156	9,221	9,377	365	15,013	15,378
15	Maharshtra	1	54,461	54,462	114	87,380	87,494
16	Manipur	0	184	184	0	286	286
17	Meghalaya	0	200	200	1,200	420	1,620
18	Mizoram	0	78	78	0	380	380
19	Nagaland	0	63	63	0	82	82
20	Orissa	1	807	808	9	3,032	3,041
21	Punjab	1	15,249	15,250	6	24,611	24,617
22	Rajasthan	166	28,385	28,551	274	37,839	38,113
23	Sikkim	0	23	23	0	23	23
24	Tamil Nadu	900	25,846	26,746	1,664	38,269	39,933
25	Tripura	0	439	439	0	925	925
26	Uttar Pradesh	65	9,297	9,362	141	19,876	20,017
27	Uttaranchal	0	829	829	0	2,514	2,514
28	West Bengal	0	1,359	1,359	100	3,970	4,070
29	Andaman & Nicobar	0	0	0	0	0	0
30	Chandigarh	0	1,889	1,889	0	3,669	3,669
31	Dadra & Nagar Haveli	0	0	0	0	0	0
32	Daman & Diu	0	32	32	0	182	182
33	Delhi	8	2,578	2,586	15	2,866	2,881
34	Lakshadweep	0	0	0	0	0	0
35	Pondicherry	0	457	457	0	590	590
	All India	**3,676**	**246,743**	**250,319**	**9,412**	**407,524**	**416,936**

Annex 3.2: Major Exclusions under the Universal Health Insurance Scheme

1. All pre-existing diseases.
2. All diseases contracted during the first 30 days from the commencement date of the policy provided that in the opinion of the panel doctors, the insured person could not have known about the existence of the symptoms of the disease at the time of making the proposal and had not taken any consultation, treatment for the disease prior to subscription of the policy.
3. Some diseases such as cataract, benign prostatic hypertrophy, hysterectomy, hernia, hydrocele fistula, piles, sinusitis, congenital internal disease, are not covered in the first year of the policy.
4. Corrective, cosmetic or aesthetic surgery or treatment.
5. Cost of spectacles, contact lens and hearing aid.
6. Vaccination, inoculation, sterility, venereal diseases, intentional self-injury, use of intoxicating drugs and alcohol, HIV/AIDS.
7. Treatment of sterility, pregnancy, childbirth, miscarriage, abortion, etc.

Annex 3.3: Collaboration between the Yeshasvini Trust and FHPL

It was FHPL that actually conceptualized, designed and implemented the administrative rules and procedures for YHIS. A representative of the Yeshasvini Trust sits in the offices of FHPL to provide guidance and ensure adherence to the basic strategic elements of the scheme. It is FHPL who devises the operational procedures and systems for managing the scheme on a day-to-day basis. For this FHPL is paid Rs. 59,000,000, which translates into roughly 4% of the total premiums paid to YHIS.

When a YHIS doctor determines that a Yeshasvini patient requires surgery, that doctor requests FHPL to authorize the surgery. In order for FHPL to do this, the hospital must send FHPL a pre-authorization form, along with a copy of the ID card of the patient and society membership card. They can send it by mail or courier. In cases of emergency they call and send the documents later. FHPL's Resident Doctor makes a decision whether or not to authorize the operation at the prescribed fee and the decision is communicated to the hospital. If the decision is positive, the hospital may proceed with the surgery. This process is called pre-authorization. Following the surgery, the network hospital submits the claim to FHPL.

The process is fairly simple. From the patient's point of view, in particular, there is very little work to do. Even for the network hospitals, the system is relatively simple and a substantial amount can be handled electronically, via the internet. There are some problems however. If a patient gets opinions at different hospitals, there may be multiple pre-authorizations issued for the same operation. It is also possible that hospitals that have received pre-authorization, but did not do the operations (because of multiple pre-authorizations or because the patient changed his mind, for instance) could send in fraudulent claims. As the program matures, however, such practices will be eliminated as controls systems are established.

IV. THE NATIONAL RURAL HEALTH MISSION

Introduction

The National Rural Health Mission (NRHM) was launched by the central government in April 2005 with the goal of improving the availability of and access to quality health for the people, especially those living in the rural areas. In order to achieve this, it was recognised that the public spending on health had to be raised from 0.9 per cent to at least 2 to 3 per cent of the GDP. The main focus of the mission will be on the 18 states where the public health infrastructure is very poor and the public health indicators are very low. These states are Arunachal Pradesh, Assam, Bihar, *Chhattisgarh,* Himachal Pradesh, Jharkhand, Jammu and Kashmir, Manipur, Mizoram, Meghalaya, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttaranchal and Uttar Pradesh.

The aims of the NRHM are:

- Undertake architectural correction of the health system to enable it to effectively handle increased allocations as promised under the National Common Minimum Programme and promote policies that strengthen public health management and service delivery in the country;
- Provide access to every village, a female health activist called the Accredited Social Health Activist (ASHA), and a village health plan prepared through a local team headed by the Health & Sanitation Committee of the Panchayat. It also aims at strengthening the rural hospitals for effective curative care as also to make them accountable to the community through Indian Public Health Standards (IPHS);
- Achieve optimal utilisation of funds and infrastructure and the strengthening of delivery of primary healthcare;
- Revitalise local health traditions and mainstream the traditional AYUSH (including Ayurveda, Siddha, Homeopathy, and Unani) into the public health system;
- Effectively integrate health concerns with determinants of health like sanitation & hygiene, nutrition, and safe drinking water through a District Plan for Health;
- Decentralise programmes for district management of health;
- Address the inter-state and inter-district disparities, especially among the 18 high focus States, including the unmet needs for public health infrastructure;
- Define time-bound goals and report publicly on their progress.
- Improve access of rural people, especially poor women and children, to equitable, affordable, accountable and effective primary healthcare.

Box 3. Goals of the National Rural Health Mission

- To reduce the Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR).
- To enable universal access to public health services such as women’s health, child health, water, sanitation & hygiene, immunization, and nutrition.
- To prevent and control communicable and non-communicable diseases, including locally endemic diseases.
- To enable access to integrated comprehensive primary healthcare.
- To achieve population stabilization, and gender and demographic balance.
- To revitalize local health traditions and mainstream AYUSH.
- To promote healthy life styles.

The strategies adopted by the NRHM to attain these goals are divided into two parts - the core strategies and the supplementary strategies. In Annex 4.1, we provide detailed descriptions of how these strategies will unfold themselves in actual practice. Here, we take a cursory look at the core and supplementary strategies.

Core Strategies

- The mission will provide training to the Panchayat Raj Institutions (PRIs) in order to enhance their capacities to own, control and manage public health services.
- Through the ASHA in every village, the mission will promote access to improved healthcare at household level.
- The mission will help set up village health committees in every village. These committees will prepare unique health plans to cater to the health needs of each village.
- The existing Primary Health Centres (PHCs) and Community Health Centres (CHCs) will be strengthened. CHCs with 30-50 bedded CHC per lakh population will be provided in order to improve curative care to a normative standard (Indian Public Health Standards defining personnel, equipment and management standards).
- An inter-sectoral District Health Plan will be prepared by the District Health Mission, which will address the problems of drinking water, sanitation & hygiene and nutrition.
- The mission will integrate vertical health and family welfare programmes at the national, state, block, and district levels.
- The mission will provide technical support to the national, state and district health missions, for better public health management.
- A key strategy is to strengthen the capacities of PRI representatives and others on the village health committees for data collection, assessment and review of the programme for evidence based planning, monitoring and supervision.
- The mission will also develop their capacities in order to promote preventive health care at all levels. Healthy life styles, reduction in consumption of tobacco and alcohol, etc., will be promoted.

Supplementary strategies

- Regulation of the private sector including the informal rural practitioners to ensure availability of quality service to citizens at reasonable cost.
- Promotion of public-private partnerships for achieving public health goals.
- Mainstreaming AYUSH - revitalizing local health traditions.
- Reorienting medical education to support rural health issues including regulation of medical care and medical ethics.
- Effective and viable risk pooling and social health insurance to provide health security to the poor by ensuring accessible, affordable, accountable and good quality hospital care.

Figure 2. Institutional Mechanisms of the NRHM

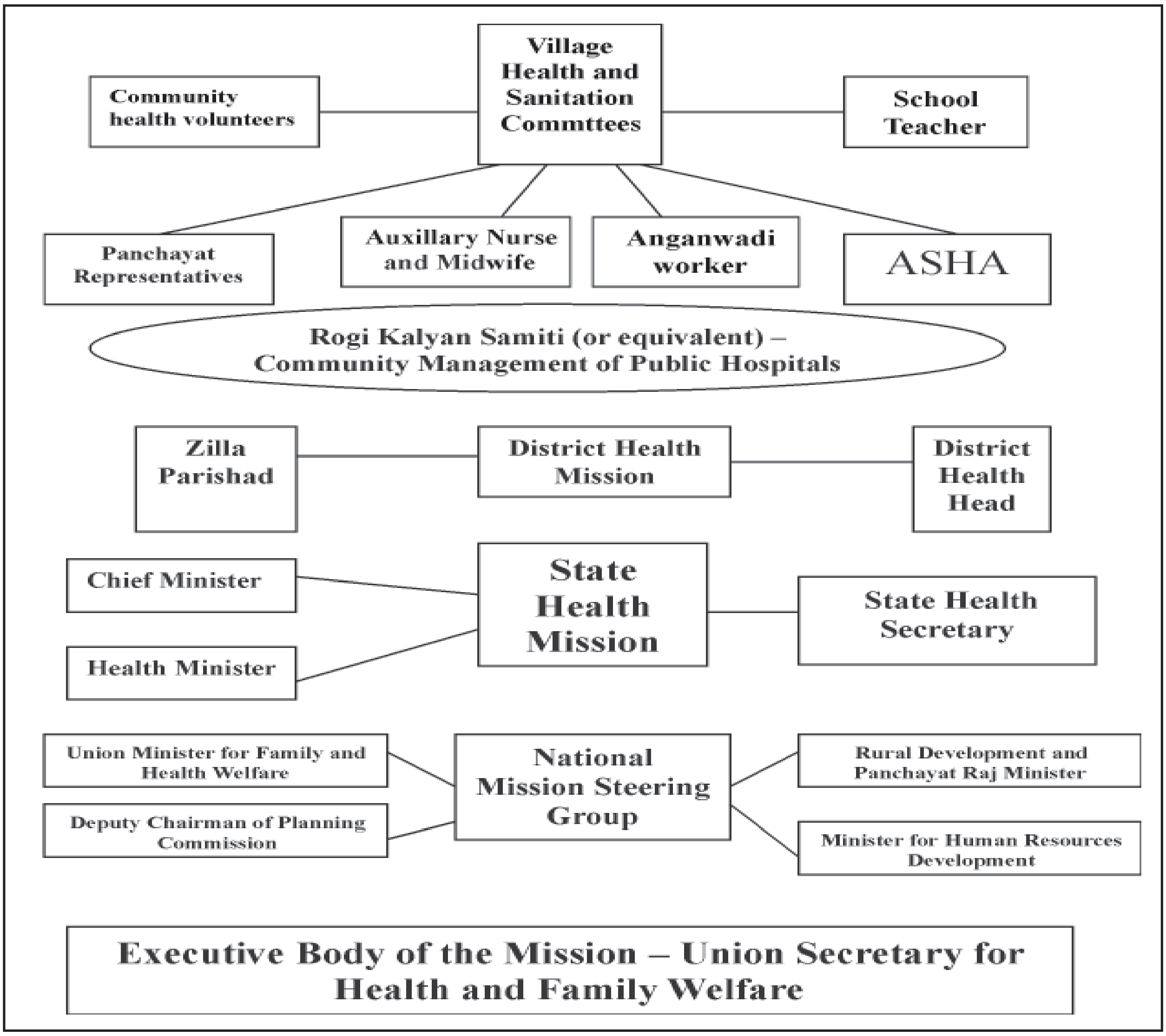


Table 21. Timeline Set for the Major Components of the NRHM

Sl. No	Components	Deadline
1.	Merger of Multiple Societies Constitution of District/State Mission	June 2005
2.	Provision of additional generic drugs At SC/PHC/CHC level	December 2005
3.	Operational Programme Management Units	2005-2006
4.	Preparation of Village Health Plans	2006
5.	ASHA at village level (with Drug Kit)	2005-2008
6.	Upgrading of Rural Hospitals	2005-2007
7.	Operationalizing District Planning	2005-2007
8.	Mobile Medical Unit at district level	2005-08

The role of the NRHM in the redistributive mechanisms for social protection is evident when we look at the strategies it proposes to introduce for new modes of health financing including risk pool. The details of this are provided in Section IX, Annex 4.1. Among the key features of this aspect are that the District Health Missions (DHMs) will progressively move towards paying hospitals for services by way of reimbursement, on the principle of 'money follows the patient', all existing CHCs will have a wage component paid on a monthly basis, while other recurrent costs may be reimbursed for services rendered from the District Health Fund. Further, a district health accounting system will be created to monitor this fund and take corrective action. The most important feature is that wherever possible, credible community based health insurance schemes will be launched (where they already exist, they will be improved) and encouraged to be part of the mission. Under all of these insurance schemes, the central government will provide subsidies to cover a part of the premiums for the poor and monitor the schemes. The Insurance Regulatory and Development Authority (IRDA) will be approached to promote such Community Based Health Insurance (CBHI) schemes, which will be periodically evaluated for effective delivery. While the NRHM thus clearly lays the ground and institutional mechanisms to introduce and implement the micro health insurance schemes, it remains to be seen how such elaborate strategies actually play out in actual practice.

Evaluation of the NRHM

One look at the institutional structure (Figure 2) that is necessary as well as the timeline (Table 21) that has been targeted for the NRHM reveals that it has been far too ambitious. Given the track record of such programmes in the country, it is very challenging to attain the results as the mission foresees in such a short span of time. The mission has to necessarily be a long term one, and importantly, it should be phased out. In its current design, it attempts to do everything simultaneously, which is likely to cause more damage than good. Expectedly, the mission has already encountered delays in its implementation which has only resulted in a backlog.

Given that the NRHM was launched in April 2005, there was great expectation that the Budget 2005-06 would make a marked deviation using the NRHM as the peg for at least launching a process for changing the political economy of healthcare in India. Unfortunately the only mention of the NRHM within the budget was in the Finance Minister's speech, *'The National Rural Health Mission (NRHM) will be launched in the next fiscal. Its focus will be strengthening primary health care through grass root level public health interventions based on community ownership. The total allocation for the Department of Health and the Department of Family Welfare will increase from Rs.8,420 crore in the current year to Rs.10,280 crore in the next year. The increase will finance the NRHM and its components like training of health volunteers, providing more medicines and strengthening the primary and community health centre system'.* It is necessary to point out here that by merely increasing the allocation towards public health, nothing substantial will be achieved. Unless there is a plan properly in place that indicates how the money will be spent, there are likely to be more leakages than constructive spending. Thus far, no such plan for the expenditure has been charted out.

Even at the stage of the design of the NRHM, there have been many loopholes. In the true style of most of the state programmes, it has set targets too high and unrealistic to be achived without a proper plan in place. In this sense, several constraints to the achievement of these targets simply because the design of the scheme does not support it adequately. The following constraints are noteworthy.

1. The NRHM has been elaborated without any prior preparation. There was no data collected through pilot studies on the technical, operational and administrative feasibility of implementing the scheme in any part of the country, leave alone the 18 main target states.

It has been prepared with a sense of urgency almost as if increasing the public expenditure on public health will address all the issues dogging this domain automatically. Further, there is no contingency or corrective action plan in case of failures.

2. Increasing the budgetary allocation by itself is not sufficient to ensure the success of a programme. The institutional design of any programme is unlikely to face much success unless other complementary infrastructural facilities are in place and operating effectively. For instance, for making the elaborate institutional deliveries of the NRHM a reality, it would require availability of all weather roads and transport facilities from the villages to the hospital where patient-friendly, well-trained and proactive staff with support facilities are available to ensure these deliveries. These are far from reality in a majority of the villages in the country, particularly in the main target states. Beneficiaries still have to travel long distances to reach these health centers to avail facilities. The strengthening of infrastructure such under earlier programmes remain under or non-utilized.

   The new mission is being launched, therefore, without taking stock of and without properly evaluating the previous programmes. For instance, the Voluntary Health Guide (VHG) scheme launched in 1977 is similar in characteristics and philosophy (peoples' participation in the care of their own health) to the proposed ASHA scheme. It is not clear if the lessons learnt from the failure of the VHG scheme have been taken into account in the design of the NRHM.

3. One of the key problems faced by the rural public health institutions is that either there is no primary health facility within the village, or even if it is available, the village level health functionary who is supposed to render her/his services at these centres is typically irregular. The NRHM envisages that it will address this problem by appointing a female health activist for every village. This activist will play the role of a middle-person. Being a local resident, she would be available in the village and act as a link in the provision of primary health care services to the community. There are two problems with this kind of approach. First, the will make the already lax existing health functionaries even more so, and make them even less accountable to the people as well as to the government by partially releasing their burden. Second, the role of the female health activist itself is currently ill designed. She is to act as a bridge between the ANM and the village and, at the same time, she is to be accountable to the panchayat. When the ANM (who is a functionary of the Health Department) herself is not accountable to the panchayat, how is the ASHA supposed to do the balancing act between the ANM and the panchayat?

4. For the existing village level health functionaries, a better vigil with inbuilt mechanisms for prompt disciplinary action, including termination of job of the offender is urgently required, which should not be mixed up with politics and personal vendetta. Such mechanisms currently do not exist, and are not specified under the NRHM either.

5. While governments have created the infrastructure, like hospitals, primary health centres, subcentres etc., they have not endeavoured to assure that the complete inputs for the efficient functioning of these are provided. The government's own Reproductive and Child Health (RCH) Facility surveys highlight the pathetic conditions of public healthcare facilities, which are largely due to inadequate resources being allocated, but very little has been done to use this most valuable information to improve the public healthcare facilities. However, we reiterate here that by merely increasing the allocation, the problem cannot be solved. There have to be proper use and accountability mechanisms set in place.

6. The NRHM ignores the rampant migration of the rural population into the urban areas, and these migrants who become settlers after a point face similar if not worse health problems. This has not been recognised by the mission.

7. According to the projections made, for a unit of 100 ASHAs which would be in each block of 100,000 population the total cost of training would be Rs. 741,500. In a district with 12-15 blocks, about 1 crore of rupees will be available for training of ASHA. As with most programs in the past, a greater part of the mission's tenure will be spent on training with little or no time to assess the impact.

8. The financial aspects of the mission also have to be taken into consideration. For 2005-06, the mission document states that Rs. 6,713 crores have been allocated for NRHM. If we look at the 2005-06 Central government budget, we do not see the NRHM figuring as a separate budget item. It seems, therefore, that the NRHM is going to use funds of existing programs like the RCH-2, Integrated Disease Surveillance Project and the AYUSH programme. NRHM is thus being seen as an omnibus for the above programmes.

9. At the national level today the central and state governments spend about Rs.25,000 crores annually on healthcare (excluding water supply and sanitation), which is just about one percent of GDP. If these resources were to be distributed on a per capita basis equitably, then rural healthcare should get Rs. 17,500 crores in contrast to about Rs. 10,000 crores it receives today. Of course, this does not happen because the more expensive hospital services and the elaborate health bureaucracy are located in urban areas. It is not clear that the NRHM intends to address this issue either.

10. The expenditure budgets and demand for grants of Budget 2005-06 show that there is no mention of NRHM as an item of expenditure, while the Finance Minister had said that the increase of Rs. 1860 crores over the previous budget on public health would finance the NRHM component. This overall increase of 24 per cent in the budget thus appears substantial and if it were to be divided equally among all PHCs then each PHC would get additionally about Rs. 8 lakhs. However the budgetary allocations belie this fact when we see that the increase for the HIV/AIDS program is 105 per cent from Rs. 232 crores in 2004-05 to Rs. 476.5 crores in 2005-6. Similarly for the RCH program the increase is a whopping 94 per cent from Rs. 710.51 crores to Rs. 1380.68 crores, for medical education also a high of 50 per cent from Rs. 912.82 crores to Rs. 1360.78 crores and as much as 80 per cent for Indian Systems of Medicine and Homoeopathy (AYUSH) from Rs. 225.73 crores to Rs. 405.98 crores. Just these four programs account for Rs. 1543 crores (or 83 per cent) of the increased amount of Rs. 1860 crores, which leaves precious little funds to achieve the ambitious targets of the NRHM (see Table 22).

Table 22. Demands for Grants of Ministry of Health and Family Welfare (Crores)

Category	Budget 2004 – 2005	Budget 2005 – 2006
Medical and public health	3,103.12	4,253.84
Ayush	225.73	405.98
Family welfare	6,696.37	7,769.01
Gross total health	10,025.22	12,428.83
Grants to States and UTs	4,663	5,158.00
Total Health Central Government	5,362.22	7,270.83
Less Recoveries	(-) 1,587,10	(-) 1,741.72
Net Health Central Government	3,775.12	5,529.11

Source: Budget 2005-06, Demand for Grants, Demand Nos. 47, 48, 49, Ministry of Finance, GOI, New Delhi, 2006

In conclusion, while the NRHM intends to address the major constraints in the domain of public health, the design seems to be more geared towards increasing the public expenditure on health and setting up an elaborate institutional framework, without much focus on how the various actors will coordinate with each other and undertake their responsibilities. The performance thus far has been modest. While the central government budgets for 2005 and 2006 themselves have not allocated much resources towards the NRHM, the field reality is even more dismal. As per the time line of the mission, for the year 2005-06, 40 per cent of the 2.5 lakh ASHAs were to be selected and trained in the 10 most high focus states. However, only Madhya Pradesh showed some progress in this area while the remaining states showed little or no progress. The individual state ASHA models were also to be finalized, however this has been done only in Himachal Pradesh, Andaman and Nicobar islands, Andhra Pradesh, Chatthisghad and Punjab. Among the high focus states, only Madhya Pradesh has finalized the state and district level action plans for the implementation. Most importantly, none of the states have yet signed the memoranda of understanding with the central government to integrate all the health programmes under the NRHM. This indicates that the mission document is far more ambitious than the way things are implemented on the ground.

Thus the overall NRHM strategy needs a drastic makeover and reoriented into a universal access framework for which financial resources need to be determined on the basis of needs and demands of people, and this would be best met if resource allocations are based on an assessments of such needs and demands and given to local governments to plan their use autonomously. The NRHM should be used as an opportunity to work out a new health financing strategy, which devolves financial resources to local governments and uses a social audit framework to monitor its implementation.

Annex 4.1. Detailed Plan of Action of the NRHM

I. Accredited Social Health Activist

- Every village/larger habitat will have a female Accredited Social Health Activist (ASHA) - chosen by and accountable to the panchayat- to act as the interface between the community and the public health system. Each state will choose a state-specific model.
- ASHA would act as a bridge between the ANM and the village and be accountable to the Panchayat.
- She will be an honourary volunteer, receiving performance-based compensation for promoting universal immunization, referral and escort services for RCH, construction of household toilets, and other healthcare delivery programmes.
- She will be trained on a pedagogy of public health developed and mentored through a Standing Mentoring Group at National level incorporating best practices and implemented through active involvement of community health resource organizations.
- She will facilitate preparation and implementation of the Village Health Plan along with Anganwadi worker, ANM, functionaries of other Departments, and Self Help Group members, under the leadership of the Village Health Committee of the Panchayat.
- She will be promoted all over the country, with special emphasis on the 18 high focus States. The Government of India will bear the cost of training, incentives and medical kits. The remaining components will be funded under Financial Envelope given to the States under the programme.
- She will be given a Drug Kit containing generic AYUSH and allopathic formulations for common ailments. The drug kit would be replenished from time to time.
- Induction training of ASHA to be of 23 days in all, spread over 12 months. On the job training would continue throughout the year.
- Prototype training material to be developed at National level subject to State level modifications.
- Cascade model of training proposed through Training of Trainers including contract plus distance learning model.
- Training would require partnership with NGOs/ICDS Training Centres and State Health Institutes.

II. Strengthening the Sub Centres

- Each sub-centre will have an Untied Fund for local action @ Rs. 10,000 per annum. This Fund will be deposited in a joint Bank Account of the ANM & Sarpanch and operated by the ANM, in consultation with the Village Health Committee.
- Supply of essential drugs, both allopathic and AYUSH, to the Sub-centres.
- In case of additional Outlays, Multipurpose Workers (Male)/Additional ANMs wherever needed, sanction of new Sub-centres as per 2001 population norm, and upgrading existing Sub-centres, including buildings for Sub-centres functioning in rented premises will be considered.

III. Strengthening the Primary Health Centres

The mission aims at strengthening the PHCs for quality preventive, promotional, curative, supervisory and outreach services, through:

- Adequate and regular supply of essential quality drugs and equipment (including Supply of Auto Disabled Syringes for immunization) to PHCs.
- Provision of 24 hour service in 50 per cent of the PHCs by addressing shortage of doctors, especially in high focus states, through mainstreaming AYUSH manpower.
- Observance of Standard treatment guidelines & protocols.
- In case of additional outlays, intensification of ongoing communicable disease control programmes, new programmes for control of non-communicable diseases, upgradation of all PHCs for 24 hours referral service, and provision of a second doctor at the PHC level (1 male, 1 female) would be undertaken on the basis of the felt need.

IV. Strengthening the Community Health Centres for Referral Care

A key strategy of the Mission is to:

- Operationalise the 3,222 existing Community Health Centres (30-50 beds) as 24 Hour First Referral Units, including posting of anaesthetists.
- The codification of new Indian Public Health Standards, setting norms for infrastructure, staff, equipment, management etc. for CHCs.
- Promotion of Stakeholder Committees (Rogi Kalyan Samitis) for hospital management.
- Developing standards of services and costs in hospital care.

V. District Health Plan

- The District Health Plans will be an amalgamation of field responses through Village Health Plans, State and National priorities for Health, Water Supply, Sanitation and Nutrition.
- The health plans would form the core unit of action proposed in areas like water supply, sanitation, hygiene and nutrition. Implementing departments would integrate into the District Health Mission for monitoring.
- The district will be the core unit of planning, budgeting and implementation.
- Centrally Sponsored Schemes could be rationalized/modified accordingly in consultation with States.
- All vertical health and family welfare programmes at the district and state levels will merge into one common ‘District Health Mission’ at the District level and the ‘State Health Mission’ at the state level.
- A Project Management Unit will be provided for all districts, through contractual engagement of required people such as accountants, administrators, consultants, analysts, etc., for improved programme management.

VI. Converging Sanitation and Hygiene under the NRHM

- The Total Sanitation Campaign (TSC) has presently been implemented in 350 districts, and is proposed to cover all districts in 10th Plan.
- The components of TSC include rural sanitary marts, individual household toilets, women sanitary complex, and School Sanitation Programme.
- The District Health Mission would therefore guide activities of sanitation at district level, and promote joint IEC for public health, sanitation and hygiene, through Village Health & Sanitation Committee, and promote household toilets and School Sanitation Programme. Every ASHA would be provided incentives for promoting household toilets by the Mission.

VII. Strengthening disease control programmes

- National Disease Control Programmes for Malaria, TB, Kala Azar, Filaria, Blindness & Iodine Deficiency and Integrated Disease Surveillance Programme shall be integrated under the Mission, for improved programme delivery.
- New Initiatives would be launched for the control of Non Communicable Diseases.
- The disease surveillance system at village level will be strengthened.
- Generic drugs (both AYUSH & Allopathic) for common ailments will be provided at all levels down to the village.
- A mobile medical unit at the district level will be provided for improving outreach services.

VIII. Public-private partnership for public health goals, including regulation of the private sector

- Since almost 75 per cent of the health services are being currently provided by the private sector, there is a need to refine regulation in order to make it more transparent and accountable. ò Reform of regulatory bodies/creation where necessary
- Guidelines will be developed for Public-Private Partnership (PPP) in health sector. Identifying areas of partnership, which are need based, thematic and geographic.
- The public sector will play the lead role in defining the framework and sustaining the partnership.

IX. New Health financing mechanisms

A Task Group will examine the new health financing mechanisms, including risk pooling for hospital care as follows:

- The District Health Missions (DHMs) will progressively move towards paying hospitals for services by way of reimbursement, on the principle of 'money follows the patient'.
- Standardization of services - outpatient, in-patient, laboratory, surgical interventions and costs will be done periodically by a committee of experts in each state.
- A National Expert Group will be set up to monitor these standards and give suitable advice and guidance on protocols and cost comparisons.
- All existing CHCs will have a wage component paid on monthly basis. Other recurrent costs may be reimbursed for services rendered from District Health Fund. Over the Mission period, the CHC may move towards all costs, including wages reimbursed for services rendered.
- A district health accounting system will be created to monitor the District Health Fund Management, and take corrective action.
- Adequate technical managerial and accounting support to be provided to the DHM in managing risk-pooling and health security.
- Where credible Community Based Health Insurance Schemes (CBHI) exist/are launched, they will be encouraged as part of the Mission.
- The Central government will provide subsidies to cover a part of the premiums for the poor, and monitor the schemes.

- The Insurance Regulatory and Development Authority (IRDA) will be approached to promote such CBHIs, which will be periodically evaluated for effective delivery.

X. Reorienting Health/Medical Education to support rural health issues

- While district and tertiary hospitals are necessarily located in urban centres, they form an integral part of the referral care chain serving the needs of the rural people.
- Medical and paramedical education facilities need to be created in states, based on need assessment.
- Task Group to improve guidelines/details.

V. THE UNORGANISED WORKERS' SOCIAL SECURITY BILL - 2006

Introduction

In Chapter 1, we discussed the National Social Security Scheme for the Unorganised workers, which was introduced as a pilot project to be tested before the legislation pertaining to the scheme could be enacted. As discussed in that chapter, even though the scheme itself did not really take off successfully with the overall coverage being under 10,000 workers, the draft of this scheme has been under revision to be passed as a legislation, i.e., the Unorganised Sector workers' Social Security Bill. The National Commission on Enterprises in the Unorganised Sector (NCEUS) was set up in 2004 in order to look into this bill. While the National Commission on Labour published a draft of the bill in August 2005, this has subsequently been revised again based on the recommendations of the NCEUS, and in May 2006, the commission has released its report on social security for the unorganised workers, which includes this bill.

The NCEUS report is a comprehensive document, which discusses the most recent research being undertaken on the unorganised sector. The commission also attempts to bring workers in this sector under social security cover. In Part I of the report, the issues that are covered are the following. 1) The definitional and conceptual issues on the unorganised sector. 2) The size and estimation of the size of this sector. 3) Studies documenting the various kinds of insecurities they face. 4) The priority social security needs of unorganised workers. 5) The state, national and international experiences in providing social security to unorganised sector workers. After this discussion, the draft bill on providing social security for the unorganised workers is made available. This being the most recent version of the bill that is publicly available, and given that its design is based largely on redistributive mechanisms, we undertake a brief analysis of the same in this chapter.

Salient features

1. The bill defines the unorganized sector as consisting of all unincorporated private enterprises owned by individuals or households engaged in the production or sale of goods and services and operated on a proprietary or a partnership basis and employing less than 10 persons.

2. Two criteria are put down to identify the unorganised worker - a) the listing of occupations that fall under the unorganised sector, and b) the worker (engaged in any of these occupations) whose salary does not exceed Rs.6500 per month. There is also mention in the bill of the 'informal workers in the organised sector' being covered. Both self-employed workers and wage labourers are covered.

3. The bill proposes to introduce a contributory social security scheme called the National Social Security Scheme for Unorganised workers, whereby each worker will be registered and provided a social security number. Workers are expected to contribute Re.1 per day. In the case of the BPL households, the workers' contribution will be made by the central government. Wherever the employers are identifiable, they will contribute Re.1 per day towards the scheme. Where the employers are not identifiable or where there are no employers, as in the case of the self-employed workers, the central and state governments will make the contribution in the ratio of 3:1. The central and state governments will further contribute Re.1 per day per worker (for all workers registered) in the ratio of 3:1.

4. The implementation of the scheme is to be decentralised. Workers' Facilitation Centres (WFCs) will be set up at the Gram Panchayat (GP) levels and the main responsibilities of

the WFCs will be registering the workers, providing them with social security numbers and cards, accepting contributions and disbursing benefits. The overall implementation strategy is provided in Annex 5.1.

5. The bill proposes to cover *five contingencies - medical care, sickness, maternity, old age and death.* Every unorganised worker is eligible to register himself/herself at the centres and avail of the benefits. Health benefits in the form of health insurance for self, spouse and children below the age of 18 years, sickness benefits, and maternity benefits for women workers or spouse of men workers will be provided. Life insurance to cover natural and accidental death, and old age security in the form of old age pension for BPL workers above the age of 60 years and provident fund cum unemployment insurance benefit to all other workers.

6. The Commission has suggested that it should be the responsibility of the State Social Security Boards to negotiate with the concerned insurance agencies, with the help of the National Social Security Board, and decide on how best to apportion the contribution and secure the best possible deal. The Commission has suggested a division of the premium consisting of Rs. 380 for sickness and maternity cover and Rs. 150 for life insurance and Rs. 565 for old age security. These figures were arrived at in consultation with insurance agencies.

The specific benefits suggested by the commission in consultation with the insurance companies are provided in Annex 5.2. Since these are still under discussion and negotiations with insurance companies, we do not provide them in the main text. The financial requirements of the scheme have also been worked out, which have been provided in Annex 5.3.

Evaluation

It is clear that these features are a modified and improved version of the pilot scheme that was launched in 2004. They take care of some of the flaws in the earlier scheme - for instance, the constraints with respect to the contribution amounts, the wider range of contingencies that are covered, etc. However, the draft bill continues to suffer from the some grey areas.

First, the degree of heterogeneity among the categories of unorganised workers is too important to be neglected. However, the Bill 'lumps' the various occupations. The definition of 'unorganised worker' needs to be revisited. For one, the occupations listed in the annex of the bill is a list of the establishments belonging to occupations that would be categorised as being unorganised (except in the case of self-employed workers), and this list is not exhaustive. What then of the workers belonging to those occupations that do not feature on the list, who also earn less than Rs.6,500 per month? What also of the millions of involuntarily unemployed?

Second, akin to a majority of the existing social security schemes in the country, the bill uses an income criterion similar to the BPL criterion. However, there is a difference between this draft and earlier draft of August 2005. While the income cut off level under the latter was Rs.5,000 per month, now it has been increased to Rs.6,500 per month, the same as what was implemented under the National Social Security Scheme, the pilot project in 2004. It is not at all clear how these numbers are arrived at and what the bases for the limits are. However, the greater cause for worry is not how these numbers are fixed, but rather the fact that the income criterion is used to identify the eligible workers. Such a criterion is very problematic considering the nature of the unorganised sector. Given that most of the workers under consideration are either wage-employed or self-employed, and do not have the guarantee of regular employment, such a criterion is presumptuous and quite meaningless. Presumptuous because it assumes that all workers are employed continuously throughout the year. Meaningless because except perhaps in the case of certain occupations where records of income are likely to be maintained, it is difficult to ascertain the monthly income of a majority of the unorganised sector workers.

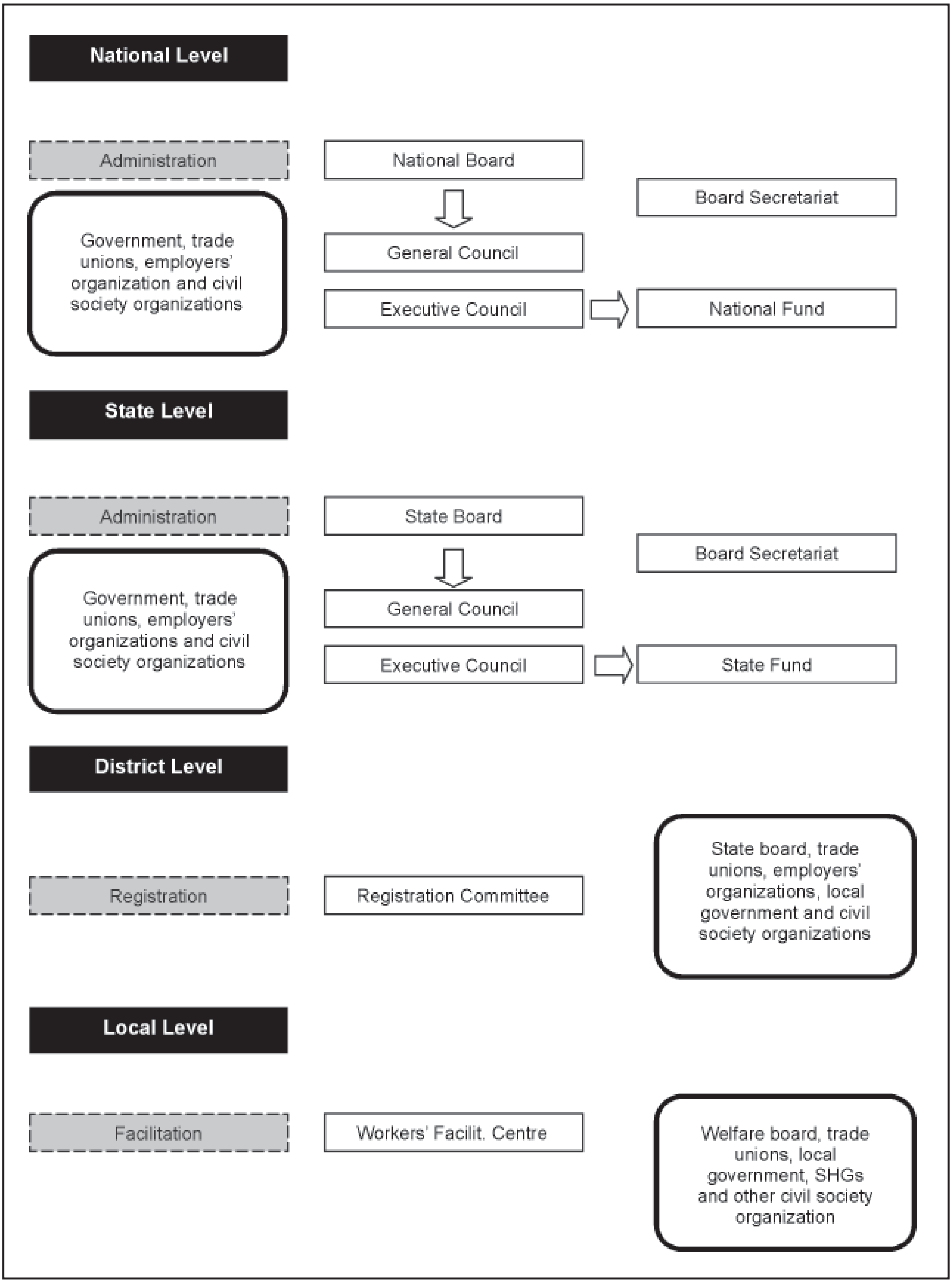
Third, the sector-specific needs of the workers are too important to be ignored and the bill needs to guard against treating the entire unorganised sector as one homogeneous unit with respect to this as well. It is high time that it is recognised that all unorganised sector workers have a set of general social security needs such as those provided for under the bill, and a set of specific social security needs, which are specific to the occupation. For instance, the construction workers and other building workers are highly prone to accidents during the course of their work. The bill does not provide for any cover in the event of such accidents, i.e., employment injury insurance. Although the construction workers are meant to be covered under the Building and other Construction Workers' Act, thus far, the benefits of this act are availed of largely by the workers in registered companies. The truly informal and casual labourers who work for one or more contractors seldom avail of such benefits, except in some states where the law has been well enacted, such as Kerala. The construction industry is only an indicative example. Similarly, every sector or at least group of sectors have different kinds of occupation specific needs, which need to be taken into consideration.

Fourth, with respect to the contribution amounts, although the bill is an improvement on the scheme of 2004, in that the policymakers have recognised that even at a rate as low as one rupee per day, all the workers cannot afford to contribute. There is one section of the unorganised workers' population that cannot afford to contribute towards their social security at all. This section, the scheme has identified as the BPL workers, who are thus exempted from making the contribution, which will then be borne by the government. While such a subsidy is necessary, in the light of our discussion and arguments on the inappropriateness of the BPL criterion, it is not convincing that the scheme will subsidise all the poorest of the poor. Given the way the BPL households are identified by the government, some undeserving households and workers may also be subsidised.

At the other extreme, there are many workers who can contribute much more than is required under the bill. Such heterogeneity in the contribution capacities has to be taken in consideration while finalising the contribution rates for the workers. Similarly, the benefits can also be provided as differential products for the different contributory categories respectively.

A last point to be mentioned is that two issues have historically dogged most policies similar to the one being proposed, in particular the social security scheme that was introduced in 2004. These are - a) poor dissemination leading to poor awareness among the intended beneficiaries, and b) the overlapping of new schemes with the existing ones, resulting in considerable chaos in the implementation. These need to be given importance to avoid piece-meal and haphazard implementation. To ensure the proper dissemination of the schemes and convergence of the proposed schemes with the existing ones, gram panchayats can be entrusted with the responsibility of registration of workers and implementation of schemes. Gram panchayats have comparative advantages in terms of information about worker needs, convergence of schemes as these are the implementing agencies for several existing schemes like pensions, and they also enjoy constitutional status. While the bill has put together an implantation mechanism and arrangements to factor this in, it is yet to be seen how it will work out in the field.

Annex 5.1. Implementation Machinery of the Unorganised Workers' Social Security Bill - 2006



Annex 5.2. Recommendations of the National Commission on the Specific Benefits of the National Social Security Scheme for the Unorganised workers, 2006

The Commission suggests an annual premium of Rs. 380 per worker based on preliminary discussions with public sector insurance agencies. A single policy is expected to cover a typical family of five members. The minimum benefits presently stipulated are:

Health Benefits

a. Hospitalisation cover up to Rs. 15,000

b. Maternity benefit of Rs. 1,000 (maximum) per delivery

c. Personal accident cover in the event of death of earning head of family (Rs. 25,000) and sickness cover for the registered worker during hospitalisation (Rs. 50 per day for a period of 15 days)

Life Insurance

The suggested annual premium for life insurance is Rs. 150 per worker per annum. This is expected to provide a benefit of at least Rs. 15,000. The benefit could be negotiated with insurance agencies.

Pensions/Provident Funds

As mentioned earlier, a premium of Rs. 565 is available per worker per year for old age security, either in the form of pension or contribution towards Provident Funds. The Commission has considered both these options for all workers and has recommended a Provident Fund for all registered workers above the poverty line and a pension for old aged (60+) workers in BPL households. The calculations of the Commission show that even if one were to consider pensions at Rs. 2,400 per year (i.e. Rs. 200 per month) to contributing workers, this would depend upon the age of entry of workers into the scheme. The Commission's discussions with the Life Insurance Corporation (LIC) suggest that the return on investment could be between 5.5 to 6 per cent per annum, which is a conservative estimate. This is mainly due to the restrictions on the type of investment as per the Insurance Regulatory and Development Authority (IRDA). This will fall short of Rs. 200 for those workers entering scheme at around age 39 and above; while less conservative estimates (assuming a return of 10 per cent) show that this age will be around 43. This would mean that those workers above the age of around 40 years would not be in a position to secure a minimum pension of Rs. 200 per month.

Taking the above into account, the Commission recommends the institution of a Provident Fund for the contributing informal workers who are above the poverty line (estimated at 77 per cent). This will ensure that all those who contribute will get a terminal benefit on completion of 60 years of age.

The Commission further recommends that the workers be given an option, on attaining 60 years of age, to take either the accumulated corpus in their PF or purchase an annuity. This will give an option to those who are desirous of having an old age pension.

In addition, the Commission also recommends that the PF may also be designed as an Unemployment Insurance by permitting the workers to withdraw up to half of his contribution depending on the period of unemployment. However, a minimum lock-in period of ten years is recommended.

For poor workers (BPL), it is desirable that they are entitled to a minimum level of protection regardless of the year of inception of the scheme and number of years of their contribution. In the case of BPL workers, the Commission has suggested a premium of Rs. 565 per worker per annum towards old age security of unorganised workers.

The Commission recommends payment of a minimum pension of Rs. 200 to all the poor (BPL) aged unorganised workers on completion of 60 years of age. This can be done by expanding the NOAPS, which at present is confined only to those above 65 years and are identified as destitute.

Annex 5.3: Financial Implications of the National Social Security Scheme, 2006

Individual Contribution Distribution					
	Worker	**Employer**	**C. Gov.**	**S. Gov.**	**Total**
BPL	0	0	912,50	182,50	1,095
APL – Without Employer	365	0	547,50	182,50	1,095
APL – With Employer	365	365	273,75	91,25	1,095
Extension Targets					
(In Crore – X 10 million)	2006-07	2007-08	2008-09	2009-10	2010-11
Total N0 of Workers	6	12	18	24	30
BPL workers	1.38	2.76	4.14	5.52	6.9
APL workers	4.62	9.24	13.86	18.48	23.1
Expected Costs – Health and Life Insurance for All					
(In Crore – X 10 million)	2006-07	2007-08	2008-09	2009-10	2010-11
Contrib: Rs. 530 per worker	3,180	6,360	9,540	12,720	15,900
Of Which:					
● APL Workers Cont.	816	1,632	2,449	3,265	4,081
● Government Contr.	2,362	4,725	7,087	9,449	11,811
o Central G.	1,834	3,668	5,501	7,335	9,169
o State Gov.	528	1,057	1,585	2,114	2,642
Expected Costs – Old Age Security					
1. Provident Fund - APL					
(In Crore – X 10 million)	2006-07	2007-08	2008-09	2009-10	2010-11
Contrib: Rs. 565 per worker	2,610	5,221	7,831	10,441	13,05
Of Which:					
● APL Workers Contr.	870	1,740	2,610	3,480	4,351
● Government Contr.	1,742	3,483	5,225	6,967	8,709
o Central G.	1,306	2,613	3,919	5,225	6,532
o State Gov.	435	871	1,306	1,742	2,177
2. Old-Age Pension - BPL					
(In Crore – X 10 million)	2006-07	2007-08	2008-09	2009-10	2010-11
Pension: Rs. 2,400 per year	3,244	3,292	3,340	3,387	3,434
Of Which:					
o Central G.	3,244	3,292	3,340	3,387	3,434
o State Gov.	0	0	0	0	0

VI. CONCLUSIONS

Social security for the unorganized sector workers and the poorer sections of the population has been receiving the urgent attention of the central and state governments in the last decade or so. Considering that more than 90 per cent of the labour force in the country is in the unorganized sector and workers in this sector have little or no social security cover, it is high time that relevant policies are framed and implemented. The central government has drafted a legislation called the Unorganised Workers' Social Security Bill which is due to be passed in the near future. When such a bill falls into place, there is a legal binding on all the states to implement it and ensure that the workers are covered under the scheme. Such large scale coverage of the unorganized workers under social security would be a good approach to bridge the gap between the organized and the unorganized sector workers. It would also eventually enable more and more workers to get into the organized work force, as was envisaged by the 1991 economic reforms.

In this context, we have studied some initiatives that have already been taken by the governments in this direction. While some of the schemes purport to extend coverage to all unorganized workers, they have faced limited success in this endeavour due to both the nature of the sector and implementation loopholes. The relatively more successful schemes have been those which have been targeted at certain specific sectors in particular regions. While these schemes have reasonably achieved their limited objectives with respect to their target groups, it is necessary to understand the features of these schemes that have led to their success so that such designs may be replicated on a larger base in the future.

This study aims to present case studies on different kinds of social protection schemes introduced at the all-India level or in various states in order to study the extent to which they have reached out to the target communities and to analyse the redistributive content of the schemes. These schemes span both central government and state government initiatives. The selected schemes are the Janashree Bhima Yojana, the National Social Security Scheme for the Unorganised Workers, the Yeshasvini Health Insurance scheme in Karnataka, the Universal Health Insurance scheme, the National Rural Health Mission, the Construction Workers' Welfare fund scheme in Kerala, the Beedi workers welfare funds scheme in Karnataka and the Provident fund scheme for unorganized workers in West Bengal.

An important aspect in the provision of social protection to the unorganized workers is the understanding of what the unorganized sector is. This sector has been variously defined and there is yet no consensus on the definition of the sector. In India, the organised sector is defined as consisting of all government institutions, and of enterprises using power and employing 10 or more persons, and those not using power but employing 20 or more persons (ILO 2000: 2). This sector is characterised by skilled labour, regular employment, better remuneration, use of sophisticated technology and registered factories and service establishments. Workers in the organised sector have a high level of bargaining power.

The unorganised sector comprises of those workers who are not provided with a formal employer and employee contract. Consequently, they do not have access to social security. They are also often unable to organise themselves in pursuit of a common objective due to constraints such as the casual nature of employment, ignorance and illiteracy, small size of establishment and low capital-investment per person employed, scattered nature of establishments, superior strength of the employer operating singly or in combination (GoI 2002). In general, it may be said that those workers who do not have the luxury of the regular employer-employee relationship, who work as casual or temporary labourers for a number of employers for very low wages and who do not have state sponsored social security constitute the unorganized workers. A large number of self-employed workers also fall into this category.

This understanding of the unorganized sector has been in part provided by the government; yet, decades of experimenting with social security schemes for this sector shows that there is the tendency to turn towards an alternative criterion in order to cover the unorganized workers. This is the 'poverty' criterion. Poverty in India being defined using the concept of 'poverty line', a majority of the social protection schemes for the unorganized workers in the country are extended to the 'Below Poverty Line' (BPL) households. This means that the two categories - 'unorganised sector' and 'BPL households' are collapsed. Among the cases that we have discussed in this study - the Janashree Bhima Yojana clearly specifies that it targets the BPL households and those marginally above the poverty line, the National Social Security Scheme for the unorganized workers and the West Bengal Provident Fund Scheme use 'income' criteria similar to the BPL criteria, the Universal Health insurance scheme is extended across populations, but the subsidy is only for the BPL households (subsequently, even this scheme restricted focus to the BPL households). So one way or another, there is constant focus on the aspect of poverty when it comes to providing social protection for the unorganized workers[29]. Even the forthcoming Unorganised Workers' Social Security Bill, 2006, intends to adopt an income criterion to identify the unorganized workers - akin to the pilot project of 2004 on which the bill is based. Under the proposed bill, workers will be those earning a monthly income of at the most Rs. 6,500. In both Chapters 1 and 5, it has been explained why such income criteria are both inaccurate and inadequate.

Almost inarguably, all poor households (or at least what the government classifies as 'poor') belong to the unorganized sector. But it is a serious misrepresentation of the sector to claim that all unorganized sector workers are 'poor'. This is evident even when we look at the overall statistics - around 90 per cent of the labour force is in the unorganized sector, however, the proportion of BPL population in the country is between 25 and 32 per cent. Therefore, clearly, extending social security only to the BPL households *in the name of extending social security to the unorganized workers* leaves out a very large number of workers in the country completely out of any social security.

[29] It is important to mention in this context the route adopted by private insurers to identify the unorganized workers. Some of these insurers adopt a different route in covering the rural poor in their schemes. TATA AIG, for instance, for the coverage under its rural schemes, specifies that the workers have to earn an average monthly income of at least Rs. 6500 in order to be eligible to be covered. While on the one hand, this implies that many workers who earn less than this amount will be left out, it is a strategy that would work for a private sector company, whose schemes are not based on any subsidisation. The rationale for this is that there are other public sector schemes designed exclusively for the BPL households, such as the Janashree Bhima Yojana. Therefore, as a private sector scheme, in the interests of increasing the subscriber base and ensuring that that the drop-out rates from the schemes are kept low, such a targeting has to be adopted. However, one should note that there is no upper limit specified as in the case of the BPL schemes. Any rural household/individual who feels s/he can subscribe to the scheme is welcome to. To cater for the differential needs of the different income classes of rural households, there are three schemes especially designed.

Table 23. Target Population of the Various Schemes

Sl. No.	Name of Scheme	Year of introduction	Target Population
1.	National Social Security Scheme for Unorganised Workers	2004	● Unorganised workers in 50 selected districts in the country. ● Workers in age group 18 - 50. ● Wage employed or self-employed workers earning < = Rs.6,500 per month.
2.	Janashree Bhima Yojana	2000	● Unorganised workers belonging to BPL households and those marginally above poverty line across the country. ● Workers in the age group of 18 to 60. ● Groups of 25 members or more.
3.	Kerala Construction Workers' Welfare Funds	1990	● All construction workers in the age group 18 - 60 belonging to 26 categories of construction work in Kerala.
			● Engaged in construction work at least 90 days in the year preceding the year of registration.
4.	Karnataka Beedi Workers' Welfare Funds	1976	● All registered beedi workers in Karnataka.
5.	West Bengal Provident Fund for Unorganised Workers	2001	● Wage employed and self employed unorganised workers in West Bengal. ● Workers earning income < = Rs.3,500 per month.
6.	Universal Health Insurance Scheme	2004	● Groups of 100 or more households. ● Age group of 3 months to 65 years. ● Both BPL and APL unorganised sector households.
7.	Yeshasvini Health Insurance Scheme	2003	● All small and marginal farmers and agricultural labourers in Karnataka.
8.	Unorganised Sector Workers' Social Security Bill, 2006	2006 (forthcoming)	● Workers in the age group of 18 to 60. ● Workers earning < = Rs. 6,500 per month.

There is abundant evidence to show that the BPL targeting kind of social security has faced only limited success - the Janashree Bhima Yojana after 6 years of operation still has only 63.3 lakh workers registered, the National Social Security Scheme for the unorganised workers fizzled out even before it was properly implemented and the West Bengal Provident fund scheme has after five years, covered only 6.3 lakh workers. While these schemes have been successful in their own right to some extent, to claim that they have provided social security to the unorganized workers is faulty. The fact is that they have provided social security to a small proportion of the unorganized workers - to a large extent because they are designed to provide social security only to a limited section within this sector. Even in that respect, even with the limited focus on BPL categories, the coverage has been very low - and one cannot even claim that all BPL households have been covered under one or more of these schemes.

Take for instance the Universal Health Insurance scheme - in spite of subsidizing the BPL households, the coverage among these households has been very low. A majority of the subscribers have been the above poverty line households, to whom no subsidies are available. On the other hand, a scheme like the Yeshasvini Health insurance scheme which is open and available to all small and marginal farmers and agricultural labourers in the state at a uniform subscription, with uniform subsidies, has been able to reach out to a larger number of workers within the state in a shorter duration of time, than the Universal Health Insurance scheme, which covers the whole country. In this sense, the latter has hardly been 'universal'.

Another important issue is how the schemes are financed. All the schemes but the Karnataka Beedi Workers' welfare funds are inter alia based on contributions from the workers themselves. All the public sector schemes are subsidised by the government to some extent. The Yeshasvini Health Insurance Scheme intended to withdraw the subsidies after the first year of operations but the subsidy component has continued even into its third year. The increasing number of schemes which mobilise part or all the resources from the workers themselves is indication enough that the unorganised workers can no longer be thought of as the 'poor'. Even the so called poor - the BPL households - have been contributing to the various schemes where necessary.

Table 24. Resource Mobilization by the Schemes

S No.	Name of Scheme	Resource Mobilisation
1	National Social Security Scheme for Unorganised Workers	● Workers in 18 – 35 age group – Rs. 50 per month. ● Workers in 35 – 50 age group – Rs. 100 per month. ● Employers where identifiable – Rs. 100 per month. ● Central government – 1.16 % of the monthly wages of enrolled workers.
2	Janashree Bhima Yojana	● Workers – Rs. 100 per annum. ● Central government – Rs. 100 per annum.
3	Kerala Construction Workers' Welfare Funds	● Rs. 10 – 25 per month per worker ● 1 % of total construction cost by employer. ● 10 % of initial members' contribution per annum by the state government.
4	Karnataka *Beedi* Workers' Welfare Funds	● Cess of Rs. 2 per 1000 *beedis* on the registered manufacturers.
5	West Bengal Provident Fund for Unorganised Workers	● Rs. 20 per month per worker. ● Rs. 20 per month per worker by the government.
6	Universal Health Insurance Scheme	● Rs. 1 per day per individual member. ● Rs. 1.5 per day per household of up to 5 members. ● Rs. 2 per day per household of up to 7 members. ● Subsidy of Rs. 100 per annum for all three categories only for BPL households.
7	Yeshasvini Health Insurance Scheme	● Rs. 120 per annum per member.
8	Unorganised Sector Workers' Social Security Bill, 2006	● Workers to contribute Re. 1 per day. For the workers belonging to BPL households, the government will make this contribution. ● Where employers identifiable, they will contribute Re. 1 per day per worker. Where employers not identifiable and in the case of self-employed workers, government will make this contribution. ● Government will contribute Re. 1 per day per worker.

Some schemes are based on collections mobilized from the employers also - for instance, the welfare funds schemes, where a cess is levied on the establishments/undertakings in the particular sector - like in the beedi industry, construction work, etc. This trend is promising as it leads to some form of accountability on the part of the employers. But close monitoring of the sector is required. The Karnataka Beedi Workers Welfare fund scheme is based entirely on such a cess, which has eventually led to an increasing growth of unregistered companies, i.e., because of the legislation, the employers find alternative routes to circumvent the system. This has ultimately led to the increasing dilution of the fund, in addition to lesser benefits. Therefore, a rational model would be one where both the employers and employees have to make contributions - not out of force, but out of a sense of responsibility, because this would lead to a scenario where neither feels taken advantage of.

The next issue to be addressed is the benefits - both the scope and amounts of the benefits. In this respect, the benefits of the health insurance schemes are worthy of note. The Yeshasvini scheme covers all major surgeries and out-patient treatments, especially the doctor's fees. The Universal Health insurance covers a range of in patient treatment. However, the latter does not cover out-patient treatment, and also the Yeshasvini does not look into routine health problems - such as treatment for TB or cholera or malaria. This has led to a sense of dissatisfaction among many subscribers since both these types of health contingencies put a lot of pressure on household budgets and very often force the households into debt.

Table 25. Benefits Provided by the Schemes

S No.	Name of Scheme	Benefits
1.	National Social Security Scheme for Unorganised Workers	• Pension of Rs. 500 per month on retirement or disability. • Insurance cover of up to 1.25 lakhs to cover death/accidents. • Up to Rs. 30,000 health insurance under the Universal Health Insurance Scheme. • Rs. 50 per day up to 15 days for hospitalisation.
2.	Janashree Bhima Yojana	• Insurance cover up to Rs. 20,000 on natural death. • Rs. 50,000 in event of death or total permanent disability die to accident. • Rs. 25,000 in event of partial disability. • Free scholarship for children from 9th to 12th standards for up to two children per family.
3.	Kerala Construction Workers' Welfare Funds	• Pension of Rs. 75 - 300 per month on superannuation. • Death benefit of up to 1 lakh. • Maternity benefit of Rs.500 up to two live births. • Accident benefit of up to Rs. 50,000. • Scholarship for children of workers. • Interest free loans from the fund. • Medical expenses of up to Rs. 1,000. • Funeral expenses of up to Rs.2,000. • Assistance for marriage, invalid pension and refund of contribution if necessary.
4.	Karnataka Beedi Workers' Welfare Funds	• Medical assistance of Rs. 30,000 up to 2 lakhs. • Free treatment at the hospital and dispensaries set up by fund. • Annual assistance, scholarships, financial incentives for girl children and special incentives for well-performing children as part of the education benefits under the fund. • Up to Rs. 20,000 for house construction, and up to Rs. 5,000 for house repair or renovation.

S No.	Name of Scheme	Benefits
5.	West Bengal Provident Fund for Unorganised Workers	● Total contribution along with interest refunded to workers on attainment of 55 years or in the event of the account becoming inoperative due to death or prolonged default.
6.	Universal Health Insurance Scheme	● Medical expenses of up to Rs. 30,000 for hospitalisation. ● Rs. 50 per day up to 15 days to make up for loss of income in event of hospitalisation. ● Rs. 25,000 insurance in event of death of earning member due to accident.
7.	Yeshasvini Health Insurance Scheme	● All charges associated with surgical treatments (with exceptions). ● Maximum coverage of up to Rs. 2 lakhs per annum per member. ● Out patient consulting provided.
8.	Unorganised Sector Workers' Social Security Bill, 2006	● Health, old age, maternity and death will be covered. ● Provision of pensions and provident funds under the old age component of the scheme. ● Health insurance of up to Rs. 30,000 as under the Universal Health Insurance Scheme will be paid.

The life insurance benefits provided by the various schemes differ depending on the premium amounts and other design features of the scheme - in general, amounts ranging from Rs.20,000 to Rs.50,000 are provided based on the nature of contingency. With respect to the unorganised workers, however, the death of a household member, especially an income earning member is much more than a contingency. The repercussions of such an event are felt much into the future, therefore, the best way to package social insurance schemes is to offer a combination of life insurance and pension policies. Further, a factor that makes the unorganised workers skeptical about the idea of insurance is that they have to contribute towards something, the benefits of which will be available to them only in the event of the contingency.

While there is no escaping this route with respect to health insurance, workable arrangements are possible for other social insurance schemes. For instance, as mentioned above, either the insurance can be clubbed with a pension policy so that the workers have their own contributions in the form of a steady income in their old age. Or the schemes can be designed in the form of money-back policies - where in if the specified contingency does not occur within the particular time, the amount contributed with the interest added will be returned to the workers, which they can use for their future lives. This would make them think of their contributions as being much more useful - in the sense, it is both an insurance and an investment. This also has the potential to reduce the rate of drop out from schemes, since the workers would put in more effort to make timely contributions. The benefits of the Kerala Welfare funds model are noteworthy in this respect. The Janashree Bhima Yojana also has an effective benefits package - wherein the free scholarships provided to the children of the subscribers is a big incentive for more and more workers to join. Not only is the social security of the household taken care of, the education security is also addressed simultaneously.

The question of whether or not a scheme is viable is important from the view of implementing it in the long run. The Yeshasvini and the Janashree Bhima Yojana have been phenomenal successes in this respect. However, an important factor here is that of the administrative costs of implementing the scheme. We do not have data to indicate what the administrative cost component for JBY has been, however, even if we assume that this component has been as high as 10 per cent of the total value of benefits disbursed, has been worthwhile. In the case of the Yeshasvini scheme we have data that shows that the administrative costs were as low as Rs. 1.9 crores for all three years put together - a sum very low in comparison to the extent of benefits that have been made available to the members. That is however, not the case with respect to the welfare fund schemes, especially the Kerala Construction Workers' Welfare fund scheme - where the administrative costs have been 12 - 13 per cent of the total benefits disbursed. Out of this, a significant component is in the form of salaries to the functionaries. Therefore, one of the frequent attacks on this scheme is that the contributions of the workers have been used to pay the staff implementing the scheme, rather than improving the benefits package. While we will not get into this debate, it suffices our cause to point out that if there is a good institutional set up to implement the scheme, without the interference of much bureaucracy, the administrative costs are bound to be less.

Are there any particular design and implementation features that have helped some of these schemes click? This is important from the view of the potential of the schemes for replicability. Table 26 shows some key design features of the schemes that have led to a better coverage in some cases, better redistribution of resources in others and large volume of benefits in yet others.

Table 26. Special Design Features of the Schemes

S No.	Name of Scheme	Design features
1.	Janashree Bhima Yojana	● Free scholarship for children from 9th to 12th standards for up to two children per family. ● Use of NGOs to extend coverage of the scheme.
2.	Kerala Construction Workers' Welfare Funds	● A comprehensive benefits package including pensions, death benefits, maternity benefits, accident benefits, scholarship for children, interest free loans, medical expenses, funeral expenses, assistance for marriage, invalid pension, refund of contributions when necessary.
3.	Karnataka Beedi Workers' Welfare Funds	● Setting up of hospital and dispensaries specifically for the subscribers of the fund. ● Making the employers accountable by imposing cess on the total volume of output.
4.	Universal Health Insurance Scheme	● Different slabs of premium payment, and subsidisation of premium for the BPL households.
5.	Yeshasvini Health Insurance Scheme	● Innovative public - private partnership. ● Large subscriber base coupled with very low premiums. ● Simple implementation machinery - involving the Yeshaswini Trust. ● Use of cooperative societies to reach out to large number of members.
6.	Unorganised Sector Workers' Social Security Bill, 2006	● Recognition of different contributory capacities of different sections - subsidisation of the BPL households. ● Implementation through decentralised mode - Workers' Facilitation Centres at the local levels. ● Social Security cards and numbers to be given to the registered members, which is applicable across the country. ● Provision for both pensions and provident funds as part of old age benefits.

The last aspect is that of legislation. The Unorganised Sector Workers' Social Security Bill has been in the pipelines for more than two years now, and is yet to be passed. The central government has been passing the various welfare fund acts from as early as 1976, but only a handful of state governments have actually brought these acts to the ground level in their states. The Karnataka Construction Workers' welfare fund scheme has been under revision for many years - it is yet to fructify into a workable arrangement for the workers. The point therefore is that no matter what legislations are passed, unless there is a sincere effort on the part of the state governments, there are bound to be endless delays.

ANNEXURES

ANNEXURE 1. THE UNORGANIZED SECTOR WORKERS' SOCIAL SECURITY SCHEME, 2004

Government of India

(1) Short title, commencement and application:

Coverage under the Scheme

1) This scheme may be called the Unorganized Sector Workers' Social Security Scheme
2) Subject to the provisions of this scheme the self-employed workers where there are no employers employing them have an option to become the members of the scheme
3) This scheme shall apply to all the workers and establishments in the activities listed in the Annexure to the scheme

(2) Definitions:

Definitions

In this scheme unless the context otherwise requires:

i. "authorized officer" means any officer authorized by the commissioner for the purpose of the scheme
ii. "business number" means the number issued by the Employees Provident Fund Organisation to all the establishments/employers for the purpose of uniquely identifying them and for all the transactions under the scheme
iii. "commissioner" means Central Provident Fund Commissioner appointed under provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952
iv. "contributory service" means the period of services rendered by a member for which the contributions to the fund have been received or are receivable
v. "Designated bank" means any bank or post office that is designated by the Commissioner for the purpose of depositing contributions or drawing pensions for any financial transaction under the scheme
vi. "designated hospital" means any hospital designated by the Commissioner for the purpose of hospitalisation under the Universal Health Insurance Scheme or any appropriate scheme
vii. "eligible member" means a worker who is eligible to join the Unorganized Sector Workers' Social Security Scheme
viii. "EPS 95" means Employees Pension Scheme 1995 established under the Employees Provident Funds and Miscellaneous Provisions Act 1952
ix. "existing member" means an existing worker who is a member of the Employees' Pension Scheme, 1995
x. "facilitator" means any person authorized on behalf of this scheme to collect and deposit the contributions from the workers and employers, guide the employers and workers for the purpose of

compliance with the provisions of the scheme and to help them draw the benefits under the scheme

xi. "facilitation center" means the workers facilitation centers

xii. "family" means the family of the member including the member as defined in the Universal Health Insurance Scheme

xiii. "filer" means a filer authorized and appointed under the provisions of the scheme

xiv. "member" means an employee who becomes a member of the Unorganized Sector Workers' Social Security Scheme in accordance with the provisions of this scheme

Explanation:

i. A worker shall cease to be the member of Social Security Scheme from the date of attaining 60 years of age or from the date vesting admissible benefits under the scheme, whichever is earlier

ii. A worker drawing pay/income exceeding Rupees six thousand five hundred (6.500) per month at the time of enrolment is not eligible to become a member of the scheme

iii. All workers in the age group of 36-50 are eligible to become members only for a period of five years from the date of launching of the scheme. Thereafter only the workers who are of the age of 35 years or below on the date of joining the scheme are eligible to become the members of the scheme

xv. "NSSN" means National Social Security Number to be given by the Employees Provident Fund Organisation to uniquely identify the members

xvi. "orphan" means a person, none of whose parents is alive

xvii. "POP" means points of presence which include bank branches, post offices, depository participant offices and any other location from which electronic connectivity into a central computer system is possible for all financial transactions like collection of contributions, payment of benefits, transfer of amount to other POPs or to the fund etc. under the scheme

xviii. "pay" means all remunerations paid or payable

xix. "permanent total disablement" means such disablement of permanent nature as incapacitates a worker for all work which he was capable of performing at the time of disablement, regardless whether such disablement is sustained in the course of employment or otherwise

xx. "pension fund" means the pension payable under the Unorganized Sectors Workers' Social Security Scheme

xxi. "table" means Table appended to this scheme

xxii. "welfare fund" means the fund consisting of contribution from, employers, employees and government

Registration of Members

(3) Registration and allotment of National Social Security Number:

1) The Commissioner with help of the workers' facilitation centers, facilitators and filers, register the employers and the members
2) For the purpose of this scheme, the Employees Provident Fund Organisation will allot a NSSN, which shall be a permanent number all through the worker's life

(4) Declaration by persons taking up employment after the Pension Fund has been established:

The employer may before taking any person into employment, ask the person to state in writing whether or not he is a member of the scheme and, if so require the person to furnish the NSSN

(5) Options for joining the scheme:

All workers including self employed workers in the age group of 18-50 years. However, the workers in age group of 36-50 have an option to join the scheme within five years from the date of commencement of the scheme provided they have an identifiable employer and they too pay the contribution. Self-employed workers may also join the scheme provided they pay employers' contribution also.

(6) Resolution of doubts:

If any doubt arises whether a worker is entitled to become a member of the Unorganized Sector Workers' Social Security Scheme the same shall be referred to the officer authorized in this regard from time to time who shall decide the same: Provided that an opportunity of being heard shall be given to the employer and worker before passing final order in the matter

Collection and Recording

(7) 1) The Fund will be created out of contributions from:

a) The workers in the age group of 18-35 years at a rate of Rs. 50 per month
b) The workers in the age group of 36-50 years at a rate of Rs. 100 per month
c) The employer wherever identifiable, in both age groups at the rate of Rs. 100 per month
d) The self-employed in the age group of 36-50 years shall contribute the employers' share in addition to his/her share

2) The Central Government shall contribute at the rate of 1.16 per cent of monthly wages of enrolled workers taking as base the average national floor wage as notified by the Central Government from time to time

3) The contribution payable under sub-paragraph (2) shall be calculated to the nearest Rupee, fifty paise or more to be counted as the next higher Rupee and fraction of a Rupee less than fifty paise to be ignored

(8) Mode of payment of contribution:

1) The employers shall collect the worker contribution from the workers and their contribution and then deposit the contribution

in the designated branch of the bank or post office/POP in such manner as may be prescribed

2) The workers for whom there is no identifiable employer shall pay the contributions at the designated branch of the bank or post office or POP by submitting his NSSN. He may use the services of Workers Facilitation Centers, facilitators or filers for the purpose

3) The contributions by the employer and the worker under Para 7(1) shall be deposited by the 15th day of every month. Default in such deposit shall attract an interest of Rupee 1 per month or part thereof, which shall be deposited by the employer/worker along with the contributions

4) The member who does not deposit the contributions for a continuous period of one year shall cease to be a member of the scheme. However, such member can get his membership regularized by depositing the contributions for the gap period along with interest thereon as may be prescribed from time to time

(9) Unorganized Workers Social Security Scheme Account:

The account called the "Unorganised Workers Social Security Account" shall be opened by the Commissioner in any branch of designated bank, for depositing contributions by employers, workers, for delivering benefits under the scheme and/or operating for the purpose of administration of the scheme

10) Registers, records etc:

The commissioner shall, with the approval of the Board, prescribe the registers and records to be maintained in respect of the workers, the form and design of identity card, token, disc or electronic transfer system for the purpose of identifying, servicing or complying for any employee or his nominee or a member of a family entitled to join the scheme and receive pension and such other forms/formalities as have to be completed in connection with the grant or pension and other benefits or for the continuance thereof subject to such periodical verification as may be considered necessary or for the purpose of depositing contribution by the workers and employers

Explanation:

The registers and records suggested to be maintained herein are for the purpose of implementation of this scheme only. No other register required for any other purpose of the Act will be maintained

(11) Employer to furnish particulars of ownership:

Compliance and Enforcement

Every employer in relation to a factory or other establishment to which the scheme applies or is applied hereafter shall furnish to the Commissioner particulars of all the branches and departments, owners, occupiers, directors, partners, managers or any other person or persons who have the ultimate control over the affairs of such factory or establishment and also send intimation of any change in such particulars, within three months of such change, to the Commissioner by registered post

(12) Duties of employers:

1) Every employer shall send to the Commissioner within three months of the commencement of this scheme, or the business activity within such extended period as may be permitted a consolidated return of the workers entitled to become members of the scheme in such form whether electronic or paper as may be prescribed

2) Every employer shall maintain such accounts in relation to the amounts contributed by him to the scheme if possible or register himself with the workers facilitation center, or facilitator or filer in his area who will maintain the accounts of such employers for whom it is not possible to maintain any accounts or registers

3) Notwithstanding anything contained in this paragraph, the Commissioner may issue such directions to the employers generally, as it may consider necessary or expedient, for the purpose of implementing the scheme, and it shall be the duty of every employer to carry out such directions

4) A unique business number will be issued to each employer by the Commissioner or by any other officer authorized on his behalf, which shall be a permanent number and shall be quoted for all the purposes of the scheme

Explanation:

Until such time the business number is allotted, the employer may use the Permanent Account Number (PAN) issued under the Income Tax Act, 1961

5) Every employer shall make a self-declaration about all the relevant facts for the purpose of the scheme and sign a verification which shall be binding on him. Any false statement, declaration or verification shall attract the penal provisions under the law

(13) Punishment for failure to submit returns, etc:

If any person,

a) Deducts or attempts to deduct from the wages or other remuneration of the number, the whole or any part of the employer's contribution, or,

b) Fails or refuses to submit any return, statement or other documents required by this scheme or submits false returns, statement or other documents, or make a false declaration or,

c) Obstructs any Inspector or other official appointed under the Act of this scheme in the discharge of his duties or fails to produce any record for inspection by such inspector or other officials or,

d) Is guilty of contravention of or non-compliance with any other requirement of this scheme, he shall be punishable with a penalty which may extend up to Rs. 2.000 after giving a reasonable opportunity of being heard

Provisions under Rule 13 of the scheme would be applicable after the enactment of the lay

Finance and Investment

(14) Financing the scheme:
The scheme shall be financed with the contributions received from the members, employers and the Government as detailed in the Para 7 of this scheme

(15) The scheme to be a fully funded pension scheme:
The pension provisioning under the scheme will be set as a fully funded pension scheme under sound prudential norms, governance structure and actuarial fairness

(16) Investment of the pension fund account:

1) All incremental accretions accruing to Unorganized Workers Social Security Scheme Account including the contributions of the Central Government shall be transferred to a designated central depository for investment of moneys in accordance with the provisions and guidelines issued by the Government

2) An Advisory Committee of experts and professionals of proven track record in the area investment, social security and banking will be constituted by the Government which will suggest investment guidelines, broad pattern and options of investment of pension moneys to ensure safe and better returns and growth of the pension fund

(17) Utilization of the Unorganized Sector Workers' Welfare Fund:

1) An insurance policy to cover accident/death will be purchased from an insurance company

2) An appropriate health cover will be purchased to make available the benefits of health cover to the extent available under Universal Health Scheme being operated by an insurance company or any other scheme that is purchased for this purpose

3) Subject to the provisions of this scheme, the Fund shall not, except with the prior sanction of the Central Government be expended for any purpose other that the payments envisaged in the scheme, for continued payment of pension, widow pension, disabled pension, orphan pension and premium for insurance and for universal health insurance scheme or any such scheme that covers health insurance

(18) Administration account:

1) Not exceeding 1% of the pension fund shall be spent as administrative expenses for the purpose of collection of contributions, record keeping, maintenance of accounts, investment of the pension fund, compliance and enforcement and for benefit delivery

2) A separate account shall be kept, called the "Unorganized Workers Pension Fund Administration Account" for recording of all the administrative expense of the Pension Fund

(19) Forms of accounts:

The accounts of Unorganized Workers Pension Fund shall be maintained by the Commissioner in such form and in such manner as may be specified by the Central Government

(20) Audit:

The accounts of the Unorganized Workers Pension Fund and the administrative expenses incurred in running this scheme shall be audited in accordance with the instructions issued by the Central Government in consultation with Comptroller and Auditor-General in India

(21) Valuation of the Pension scheme and review of the rates of contributions and quantum of the pension and other benefits:

1) The Government shall have an annual valuation of the Pension Scheme carried out by an actuary appointed by it. The responsibility of the having the annual valuation shall lie with the relevant Pension Fund

2) The annual valuation will be submitted for validation to an independent panel of three actuaries every third year in order to certify that the pension scheme is fully funded, is sustainable in the long-term i.e the income in the present and in future exceed the present and future liabilities

3) The Central Government may at any time alter the rate of contributions payable under this scheme or the scale of any benefit admissible under this scheme or the period for which such benefit may be given

(22) Monthly Member's Pension and other Pension benefits shall be as under:

Award and Payment of Benefits

22.1 Monthly Members Pension

For all ages Pension Point of 480 will be required to secure a pension of Rs. 500 per month payable from age 60 for life of Pensioner. For other Pensions Points proportionate pension will be payable subject to a minimum and a maximum Pension

22.2 Contingency of Payment

22.3 Superannuation

The Pension depending upon the Pension Point shall be payable on reaching the age of 60, notwithstanding whether one is still employed/self-employed, for rest of life-time of the employee

22.4 Exit before 60 years

This covers all exits before attaining the age of 60 years. In this case Pension based on Pension Point, at the date of exit, shall be payable after attaining the age of 60 years

22.5 Permanent disablement

A sum of Rs. 100.000 will be paid from the Personal Accident Policy purchased from an insurance provider and the worker shall receive Pension based on Pension Point on attaining the age of 60 years

22.6 Death before attaining the age of 60 years

If death is due to accident and the money from the Personal Accident Policy is received in this regard the Widow Pension shall commence after attaining the age of 60 years of widow. Such widow pension will be based on Pension Point at date of death. If the death is not due to accident, Pension depending upon Pension Point of deceased employee shall be paid to the widow for life with immediate effect

22.7 Death during deferred period

If death occurs during the non-contributory period but before attaining the age of 60 years, the Pension depending upon Pension Point of deceased member shall be paid to widow for life with immediate effect

22.8 Death after retirement

50 % of the member's last drawn pension but no less than Rs. 300 per month shall be payable to the widow to the rest of her lifetime

22.9 Orphan pension

On death of the member Orphan Pension shall be payable at the same rate as widow pension till the youngest one reaches age 25. If there is more than one orphan the Pension amount will be divided equally between two oldest running down to youngest

Note : Minimum Pension and or Maximum Pension shall be applicable only in those cases where member contributes up to age 60

(23) The calculation of scale of benefits will be as per the table - I attached to this scheme. This table shall be revised by the Central Government as may be required under the scheme from time to time

(24) The member on permanent disablement due to accident is entitled to the insurance amount or his nominee, in event of death of the member due to accident is eligible to the sum insured under the insurance policy purchased on his behalf

(25) Subject to the provisions and alternatives offered under the Unorganized Sector Workers' Social Security Scheme to a particular category of member in the Universal Health Insurance Scheme, five members of the family of the member including the member will be eligible to health cover benefits in the designated hospitals

Explanation:

The benefits under the policies purchased from different service providers including the insurance companies will be made directly by the insurance company or the service provider

(26) Payment of Pension:

The Pension as admissible under the scheme shall be paid by the Commissioner or by any authorized officer on his behalf immediately or a member becoming eligible through a designated bank, post office or POP

(27) Payment of insurance amount:

Member on his permanent disablement or the nominee in the case of death of the member as the case may be, shall submit his claim along with the policy and other documents to the insurance company, which shall be settled by the insurance company as per the provisions applicable for such settlement

(28) Disbursement of Pension and other benefits:

The Commissioner shall enter into arrangements for the disbursement of pension and other benefits under this scheme with disbursing agencies like post offices or designated banks. The commission payable to the disbursing agencies and other charges incidental hereto shall be met by the fund

(29) Payment of Pension in the case of a person charged with the offence of murder:

1) If a person, who in the event of the death of a member of the scheme is eligible to receive pension of the deceased under paragraph 8, is charged with the offence of murdering the member or for abetting the commission of such an offence, his claims to receive pension shall remain suspended till the conclusion of the criminal proceedings instituted against him for such offence

2) If on the conclusion of the criminal proceedings referred to in sub-paragraph (1) above, the person concerned is:

   a) Convicted for the murder or abetting in the murder of the member, he shall be debarred from receiving pension which shall be payable to other eligible members if any, of the family of the member, or

   b) Acquitted of the charge of murder or the charge of abetting the murder of the member, pension benefit shall be payable to him from the date of eligibility.

(30) The Central Government shall give directions to the Commissioner on the implementation, monitoring and evaluation and other day to day administrative requirements under the scheme for the purpose of coverage, registration, record keeping, collection of contributions, compliance, finance, investment and benefit delivery

(31) Power to issue directions:

The Central Government may issue such directions as may be deemed just and proper by it for resolving any difficulty in the disbursement of Pension and other benefits or for resolving any difficulty in implementation of this scheme

(32) Annual report:

The Commissioner shall prepare an Annual report on the working of the scheme during the previous financial year and submit to the Central Government before 30th of September or such extended time as the Central Government may allow

(33) Application of the provisions of the Employees' Provident Fund Scheme, 1952:

In regard to matters for which either there is no provision or there is inadequate provisions in this scheme the corresponding provisions in the Employees' Provident Fund Scheme, 1952, will apply

(34) Information to the Central Government:

The Commissioner shall furnish such information to the Central Government from time to time in respect of the income and expenditure from the fund account in such manner as may be directed by the Central Government

(35) Interpretation:

Where any doubt arises with regard to the interpretation of the provisions of this scheme, it shall be referred to the Central Government who shall decide the same

CALCULATION OF PENSION POINT

Benefit will have no link to the salary of employee/or service rendered by the employee. It is a fixed monthly Pension of Rs. 500 per month for 30 years of full and regular contribution and proportionate thereof for other cases.

Since it is unlikely that monthly contribution for each month will be paid regularly for 30 years together, we have therefore, based benefit on “Pension Point” system which is defined below.

If an employee aged “X” makes the Designated Contribution by the end of the year, in that case he will be awarded a Pension Point = 60 - X

Exemple : X, aged 30, makes its contribution during the year, his Pension Point, for this year, will be 60 - 30 = 30

If the Designated contribution is received by the 15th of each month during the entire year, then the Pension Point will be increased by 0,5

Exemple: Pension Point for the employee in example above, if he is regularly contributing by 15th of each month, then his Pension Point for the year will be 30,5 instead of 30

Alternatively, consider the same person aged 30 in the case he has not paid contribution regularly. Then otal contribution paid by him during the year is adding up to 1.500at the end of the year

Exemple:

Age	Pension Points	Age	Pension Points	Age	Pension Points
Age: 30	60-30 = 30+0,5 = 30,5	Age: 40	60-40 = 20+0,5 = 20,5	Age: 50	60-50 = 10+0,5 = 10,5
Age: 31	60-31 = 29+0,5 = 29,5	Age: 41	60-41 = 19+0,5 = 19,5	Age: 51	60-51 = 9 +0,5 = 9,5
Age: 32	60-32 = 28+0,5 = 28,5	Age: 42	60-42 = 18+0,5 = 18,5	Age: 52	60-52 = 8 +0,5 = 8,5
Age: 33	60-33 = 27+0,5 = 27,5	Age: 43	60-43 = 17+0,5 = 17,5	Age: 53	60-53 = 7 +0,5 = 7,5
Age: 34	60-34 = 26+0,5 = 26,5	Age: 44	60-44 = 16+0,5 = 16,5	Age: 54	60-54 = 6 +0,5 = 6,5
Age: 35	60-35 = 25+0,5 = 25,5	Age: 45	60-45 = 15+0,5 = 15,5	Age: 55	60-55 = 5 +0,5 = 5,5
Age: 36	60-36 = 24+0,5 = 24,5	Age: 46	60-46 = 14+0,5 = 14,5	Age: 56	60-56 = 4 +0,5 = 4,5
Age: 37	60-37 = 23+0,5 = 23,5	Age: 47	60-47 = 13+0,5 = 13,5	Age: 57	60-57 = 3 +0,5 = 3,5
Age: 38	60-38 = 22+0,5 = 22,5	Age: 48	60-48 = 12+0,5 = 12,5	Age: 58	60-58 = 2 +0,5 = 2,5
Age: 39	60-39 = 21+0,5 = 21,5	Age: 49	60-49 = 11+0,5 = 11,5	Age: 59	60-59 = 1 +0,5 = 1,5
					Total : 480

- Agarbatti making
- Agriculture
- Agriculture machinery handling
- Animal husbandry
- Arrack and liquor production and vending
- Automobile work
- Bakery work
- Band playing
- Bangles manufacture
- Beads making/piercing
- Beautician
- Beedi manufacture
- Bicycle repair
- Bindi work
- Blacksmithy
- Boat/ferry operation
- Bookbinding
- Brick-kiln work
- Brush making
- Breweries, distilleries
- Building and road maintenance
- Bulb manufacture
- Bullock/camel-cart operation
- Butchery
- Cable TV operation
- Cane/reed work
- Carpentry
- Carpet weaving
- Cashew processing
- Catering
- Chikan work
- Cine service
- Cloth printing
- Clubs and canteen service
- Coaching service
- Coir processing/manufacture
- Computer and information technology
- Confectionery
- Construction work
- Construction of tents and pandals, supply of ustensils and decorations for functions
- Courier service
- Dairying and allied activities
- Data entry operation
- Distribution of petroleum products
- Domestic work
- Dyeing
- Electronic and electrical goods repair
- Electroplating
- Embroidery work
- Envelope making
- Fire work/crackers production
- Fishery production
- Fish processing
- Floral work and garland making
- Flour mills operation
- Footwear production
- Forestry operation
- Foundry
- Gardening and parks maintenance
- Garment manufacture
- Gem cutting
- Glassware manufacturing
- Goldsmithy
- Hair dressing
- Handloom weaving
- Hawking and vending
- Head load work
- Health service
- Honey gathering
- Horticulture and floriculture
- Hotel and restaurant services
- Lock making
- Manual operations on unspecified jobs
- Masala making
- Matches manufacture
- Minor forest produce gathering
- Minor minerals and mines work
- Newspaper vending
- NGO services
- Oil extraction
- Packing and packaging
- Panwallaha service
- Pappad making
- Petrol bunk/pump and allied service
- Pickle making
- Plantation (other than those covered unde Plantations Labour Act, 1951)
- Plastic manufacture
- Pottery
- Powerloom weaving
- Printing press work
- Quarry work
- Rag picking
- Rice milling
- Rickshaw pulling
- Salt pan work
- Sand mining
- Sawmill work
- Scavenging
- Security service
- Sericulture (silk rearing)
- Service station work
- Shepherding
- Shoe shining work
- Shops and establishments service
- Small scale farming
- Soap manufacture
- Sports goods manufacture
- Steel vessels and ustensils manufacture
- Stone crushing
- Sweeping
- Tailoring
- Tanning (including hides and skin production), leather goods manufacture
- Telephone booth service
- Tendi leaves collection
- Tobacco processing
- Toddy tapping
- Toy making
- Transport services
- Laundry work
- Wayside mechanics and workshop services
- Welding

STATEMENT OF OBJECTS AND REASONS

The unorganized sector of the economy in India is the largest sector in terms of employment of the workforce. It consists of agriculture and such related activities as forestry, livestock and fishing as well as non-agriculture. The workers may be broadly divided into self-employed and wage workers. Wage workers may be sub-divided into those (a) working in the unorganized sector, and (b) working in the organized sector without any social security cover, Around ninety per cent of the workers in India are neither covered by any formal system of social security nor regulation of conditions of work. This Bill is intended to provide a measure of social security to the workers in the unorganized sector. This Bill provides a model that will be inclusive in nature and provide for clearly demarcated division of responsibilities between the Central and State Governments. It mandates the Central and State Governments to implement a National Social security Scheme.

UNORGANIZED WORKERS SOCIAL SECURITY BILL, 2006
A BILL

To provide for social security and welfare of unorganized sector workers and to provide for other matters connected therewith or incidental thereto.

Be it enacted by Parliament in the fifty-fifth year of the Republic of India as follows:

CHAPTER 1 PRELIMINARY

1. Short Title, Extent, Commencement and Application

(1) This Act may be called Unorganized Workers Social Security Act, 2006

(2) It extends to the whole of India

(3) It shall come into force on such date as the Central Government may, by notification in the official Gazette, appoint.

2. Definitions

For the purposes of this Act, unless the context otherwise requires:

a) “Agriculture” would include the following occupations:

   I. Farming, including the cultivation and tillage of soil etc;

   II. Dairy farming;

   III. Production, cultivation, growing and harvesting of any horticultural commodity;

   IV. Raising of livestock, bee-keeping or poultry;

   V. Fishing and/or fish farming;

   VI. Any practice performed on a farm as incidental to, or in conjunction with, the farm operations (including any forestry or timbering operations and the preparation for market and delivery to storage or to market or to carriage for transportation of farm products);

VII. Growing fodder or thatching grass or for grazing cattle.

b) “Central Government” means the Government of India;

c) “Employer” means a natural or juridical person, or an association of such persons, by whom any unorganized worker is engaged or employed either directly or otherwise, for any remuneration;

d) “Home based worker” means a person involved in the production of goods or services for an employer in his/her home or either premises of his/her choice other than the work place of the employer, for remuneration irrespective of whether or not the employer provides the equipment, materials or other inputs;

e) “Identity card” means a card issued to a worker carrying unique social security number issued by the authorized agency Of the State Board ;

f) “National Board” means the National Social Security Board for unorganized workers;

g) “Registered worker” means an unorganized worker registered for social security under this Act;

h) “State Government” means the Government of a State in the Indian Union;

i) “State Board” means the (name of the State) State Social Security Board for unorganized workers;

j) “Self employed worker” means a person who is not employed by an employer, but directly engages himself/herself in any occupation in the unorganized sector, subject to a monthly earning of Rs. 6,500 / - or such limits as may be notified from time to time, subject to such ceiling on land cultivated as may be notified from time to time by the State Government;

k) “Unorganized sector” consists of all private unincorporated private enterprises owned by individuals or households engaged in the production and sale of goods and services and operated on a proprietary or a partnership basis and employing less than 10 persons;

l) “Unorganized worker” means a self employed worker or a wage earner in the unorganized sector and includes wage workers in the organized sector without any social security cover;

m) “Wage worker” means a person employed for a remuneration in the unorganized sector or in the organized sector without any social security benefit, directly by an employer or through any agency or contractor, irrespective of place of work, whether exclusively for one employer or for one or more employers, whether simultaneously or otherwise, whether in cash and/or in kind, whether as a home based worker, or as a temporary or casual worker, or as a migrant worker, or as an outworker, or, workers employed by households including domestic workers, with a monthly wage of not more than Rs. 6,500 or such limits as may be notified from time to time, but does not include an unpaid family worker;

3. Rules of evidence

In this Act, notwithstanding anything contained in the Indian Evidence Act, 1872, the burden of proof that compliance with the provisions of the Act and the Scheme has been effected shall be entirely on the employer and the units of the Board wherever applicable.

> ***Explanatory Note :*** *This section facilitates shifting of the burden of proof from the workers to the employer. This is a departure from the normal practice and ordinary rules of evidence, which places the burden on the plaintiff*

CHAPTER II SOCIAL SECURITY BENEFITS

4. Framing of schemes

1) By this Act, the Central Government shall formulate a scheme to be called National Social Security Scheme for the unorganized sector workers consisting of the following national minimum social security benefits:

   I. Health benefits in the form of health insurance for self, spouse and children below the age of 18 years, sickness allowances, and maternity benefits for women workers or spouse of men workers;

   II. Life insurance to cover natural and accidental death

   III. Old age security in the form of old age pension for BPL workers above the age of 60 years and Provident Fund cum unemployment insurance benefit to all other workers

2) In addition to the national minimum, the Central Government may frame such schemes as it may deem necessary or finance such schemes of the State Governments as it may find appropriate subject to availability of finance by such means as mentioned in Section5 and may include those listed under (3) below;

3) The State Government may formulate such unorganized worker based schemes as it may find appropriate to (a) strengthen the national minimum social security by way of its own contribution, and/or (b) design and implement additional social security benefits through its own schemes. These may include:

   a) Provident fund schemes;
   b) Employment injury benefit scheme;
   c) Housing schemes;
   d) Educational schemes for children of workers;
   e) Skill up gradation of workers;
   f) Funeral assistance;
   g) Marriage of daughters; and
   h) Any other schemes to enhance the socio economic security of unorganized worker.

CHAPTER III NATIONAL SOCIAL SECURITY FUND FOR UNORGANIZED WORKERS

5. Constitution of a National Fund

The Central Government shall create a national Social Security Fund to which contributions shall accrue from the following sources:

a) Grants and loans from the Central Government;

b) Contributions from workers, employers and Governments for the specified national minimum social security shall be as under:

   I. Re. 1 per day by the worker, provided that for those below the poverty line the contribution shall be made by the Central Government;

   II. Re. 1 per day, per worker, by the employer, provided that where the employer is not identifiable, the contribution shall be shared by the Central Government and the respective State Government in the ratio of 3:1;

   III. Re. 0.75 per worker, by the Central Government, and Re. 0.25 per worker, per day, by the State Government.

<u>Explanatory note</u>: *The contribution of Central and State Governments in (iii) above is in accordance with the practice of Government contribution to social security schemes in the organized sector*

c) Any tax or cess that the Central Government may impose for the purpose of providing social security for unorganized workers;

d) Any tax or cess that the Central Government may impose on commodities and/or services in lieu of employers' contributions (which are either difficult to collect or appropriate employers in the unorganized sector are not directly identifiable).

   In addition to the above, contributions may also accrue from the following sources:

e) Contributions from the national financial/developmental institutions; and

f) Any voluntary contribution from individuals or institutions.

6. Existing Welfare Boards

All eligible unorganized workers shall be entitled to register and obtain benefits under the national minimum social security scheme, which shall be in addition to the social security benefits provided by the existing Welfare Boards created by the Central or State Governments, it any. Schemes which are in existence and operated through the Welfare Boards may be continued by the respective Governments in the existing form or in any other way as they deem fit.

7. Exemption from Income Tax

All financial contributions made by individuals and institutions to the National Social Security Fund will be exempted from the payment of income tax under the Income Tax Act.

8. Utilization of the National Fund

All contributions accruing to the National Board shall be credited to the Fund, which shall be applied for meeting the following:

a) Expenses on social security schemes of the Central Government;

b) Grants to the State Boards, including for the purposes of the functioning of the Workers' Facilitation centres;

c) Expenses on the administration of the scheme, subject to a ceiling of 5% of the contribution of the Central and State Governments as specified in section 5;

d) Investment in permitted schemes;

e) Any other item in connection with the administration of this Act.

CHAPTER IV NATIONAL SOCIAL SECURITY BOARD FOR UNORGANIZED WORKERS

9. Establishment and Incorporation

With effect from such date as the Central Government may, by notification appoint, there shall be established for the purposes of this Act, a Board to be called the National Social security Board for unorganized workers.

10. Functions of the Board

The National Board shall provide the following functions:

a) Administration of this Act and formulation of policies at the national level, and shall have such powers as may be laid down to direct, coordinate, supervise and monitor the functioning of State Boards and the Central Welfare Funds;

b) Review the working including auditing of the State-level Social Security Boards and the Central Welfare Boards every four years and make suitable recommendations to the Government(s) concerned for further improvement;

c) Manage and maintain the National Social Security Fund and provide financial assistance to State Boards;

d) Advise the Central Government on policy matters relating to social security, health and safety and welfare of unorganized workers;

e) Assist in capacity building of the State Boards, and collect, compile and publish statistics relating to the unorganized sector and undertake such promotional activities as may be decided from time to time.

11. Composition of the Board

1) The National Board for unorganized workers shall be constituted by the Central Government consisting of the following member organizations:

   a) State Boards for unorganized workers;

   b) Central Welfare Boards for unorganized workers administered by the Ministry of Labour and Employment;

   c) National-level unions of unorganized workers;

   d) National-level voluntary associations of unorganized workers including self-employed with an explicit social security scheme for its members; and

   e) National-level organizations of employers in the unorganized sector (such as organizations of tiny and small scale industries, farmers organizations) and government/public institutions with a stake in the welfare of the unorganized sector workers such as the All India Handicrafts Board, All India Handloom Board, Central Social Welfare Board, Department of Women and child Development, and Department of Small Scale Industries.

2) The Central Government shall decide the number and names of such organizations to be represented on the National Board.

3) The National Board shall work through a General Council and an Executive Council.

12. General Council

1) The Union minister for Labour and Employment shall be the Chairperson of the General Council.
2) The Secretary to the Government of India, Ministry of Labour and Employment, shall be the Member-Secretary of the General Council.
3) There shall be a General Council for the Board consisting of one representative from each of the member-organizations.
4) The General Council shall meet once a year within six months of the last day of the previous financial year;
5) The General Council shall discuss and review the functioning of the National Board in the light of the annual report for the preceding year. It shall also provide a platform for members to articulate their views, ideas and problems with regard to the unorganized sector in general and social security issues in particular and shall give broad policy directions to the Executive Council.

13. Executive Council

1) The Board shall have an Executive council with the Secretary to the Government of India, Ministry of Labour and Employment, as its Chairperson and a full-time Chief Executive Officer to be designated by the Central Government as its ex-officio Member-Secretary. In addition, the Central Government shall nominate the members to the Executive Council as per the following:
   a) Two representatives of the organizations of wageworkers in the unorganized sector, which are members of the National Board;
   b) Two representatives of organizations of self-employed workers in the unorganized sector workers, which are members of the National Board;
   c) Two representatives of organizations of employers in the unorganized sector that are members of the National Board;
   d) One representative from any one of the Central Welfare Boards;
   e) One representative each of the Government of India from the Ministry of Agriculture, Finance, Health and Small Scale Industries;
   f) Six representatives of the State Boards;
   g) One expert in the management of insurance products and services;
   h) One expert in the area of social security and related issues in the unorganized sector; and
   i) One expert in the management of finances.
2) The tenure of the members shall be for a period of three years. The Executive Council shall meet as often as required but not less than twice a year.

A, b, c and f may be based on the principle of rotation among the member-organizations.

14. Secretariat of the Board

The National Board shall have a secretariat with adequate professional and other staff. The staff of the National Board shall be governed by the Central Government rules and regulations existing from time to time. The annual budget of the National Board shall be prepared by the Secretariat and placed before the Executive Council for approval.

CHAPTER V STATE SOCIAL SECURITY BOARDS FOR UNORGANIZED WORKERS

15. Establishment of State Boards

1) Each State shall have a State Board to implement the national minimum social security as well as design and implement state level social security and welfare programmes for unorganized workers. The State Governments shall constitute the State Boards within one year of the date of commencement of this Act. The State Boards shall have the following as its members:

   a) Workers Welfare Boards (both existing and newly designed) providing social security and welfare to the unorganized workers;

   b) Organizations which are registered as trade unions/charitable societies, engaged in the provision of social security for unorganized workers subject to such qualifying criteria as the State Government may lay down;

   c) Departments or agencies of the State Government acting as employers of the unorganized workers (e.g. Public Work department, forest department, or those employing anganwadi workers, khadi workers, etc.);

   d) Representatives of organizations of self employed unorganized workers; and

   e) Representatives of employers' organizations in the unorganized sector.

2) The State Government shall decide the number and names of such organizations to be represented in the State Board.

3) The State Board shall work through a General Council and an Executive Council.

16. State Fund

1) The State Government shall create a State Social Security Fund to which contributions shall accrue from the following sources:

   i. Grants and loans from National Board and the State Government;

   ii. Any tax or cess that the State Government may impose on commodities and/or services in lieu of employers' contributions (which are either difficult to collect or appropriate employers in the unorganized sector are not directly identifiable);

   iii. Contribution toward additional social security scheme (if any) formulated by the State Board;

   iv. Contributions from the financial/developmental institutions; and

   v. Any voluntary contribution from individuals or institutions.

2) All financial contributions made by individuals and institutions to the State Social security Fund will be exempted from the payment of income tax under the Income Tax Act.

3) All contributions accruing to the State Boards shall be credited to the State Social Security Fund which shall be applied for meeting the following:

i. Expenses on the implementation of the national minimum social security and additional social security schemes of the State Government;

ii. Grants to the Welfare Boards and the Workers' Facilitation Centres;

iii. Expenses on the administration of the State Board as per the annual budget approved by the Executive Council;

iv. Investment in permitted schemes;

v. Any other item in connection with the administration of this Act.

17. Functions

The State Boards will have the following functions:

a) Administration of this Act at the state level including ensuring maintenance of individual accounts of the registered workers and records of receipt of contribution from individual employers;

b) Implement the national minimum social security for unorganized workers through appropriate organizational arrangements, and to stipulate norms for the evaluation of the work done by the Workers' Facilitation Centres;

c) To collect the contribution from the registered worker and the employer and to credit it to the account(s) as directed by the National Board;

d) Implement social security schemes, in addition to the National Social Security Scheme, that the State Board may design in consultation with the State Government;

e) Provide financial assistance to other member-organizations implementing social security programmes;

f) Advise the State Government on policy matters relating to social security, health and safety and welfare of workers;

g) Create awareness among the unorganized workers about the need for social security registration and the existence of various social security schemes;

h) Collect, compile and publish statistics, with the help of statistical organizations, regarding workers and their conditions of work, and employers who engage these workers at the Panchayat/Municipal, District, State levels with such details as gender and age, nature of occupation, level of earnings, etc.;

i) Review the working of the Welfare Boards and other implementing agencies on the basis of annual reports and statements of audited accounts or specially commissioned reports and make suitable recommendations to the Government(s) concerned for further improvement;

j) Assist in capacity building of Workers Welfare Boards and Workers' Facilitation Centres;

k) Initiate innovative approaches, though interaction across sectors and constituencies, for the enhancement of welfare, working conditions and productivity of unorganized sector workers; and

l) Submission of annual report to the National Board within four months from the last day of the previous financial year along with an audited statement of accounts.

18. General Council

1) There shall be a General Council for the State Board consisting of one representative from each of the member-organizations. The Minister of Labour in the State shall be the Chairperson of the General Council. The Secretary to the State Government concerned, Department of Labour, shall be the Member-Secretary.

2) The General Council shall meet once a year within six months of the last day of the previous financial year.

3) The General Council shall discuss and review the functioning of the State Board in the light of the annual report for the preceding year. It will also provide a platform for members to articulate their views, ideas and problems with regard to the unorganized sector in general and social security issues in particular and shall give broad policy directions to the Executive Council.

19. Executive Council

1) The State Board shall have an Executive council with the Secretary of the State Government concerned, Department of Labour, as Chairperson and an official designated by the State Government as Chief Executive Officer, who shall be the ex-officio Member-Secretary, after taking the view of the General Council of the State Board concerned. In addition, the State Government shall nominate the members to the Executive Council as per the following:

   a) Two representatives of the organizations of wageworkers in the unorganized sector, that are members of the State Board;

   b) Two representatives of organizations of self-employed workers in the unorganized sector workers, that are members of the State Board;

   c) Two representatives of organizations of employers in the unorganized sector that are members of the State Board;

   d) One representative from the National Board nominated by it;

   e) One representative each from the Departments of Agriculture, Finance, Health and Small Scale Industries of the State Government;

   f) Not more than six representatives of the State level Workers Welfare Boards or organizations providing social security to the unorganized workers that are members of the State Board;

   g) One expert in the management of insurance products and services;

   h) One expert in the area of social security and related issues in the unorganized sector; and

   i) One expert in the management of finances.

2) The tenure of the members shall be for a period of three years. The Executive Council shall meet as often as required but not less than twice a year.

   A, b, c and f may be based on the principle of rotation among the member-organizations.

3) Appropriate rules for appointment and removal from office of the Chief Executive shall be framed by the State Government.

20. Secretariat of the Board

The State Board shall have a secretariat with adequate professional and other staff. The staff of the State Board shall be governed by the State Government rules and regulations existing from time to time.

CHAPTER VI REGISTRATION OF UNORGANIZED WORKERS

21. Eligibility for Registration and for Social Security Benefits

1) Every unorganized worker shall be eligible for registration subject to the following conditions:
   a) He/she should have completed 18 years of age; and
   b) A self declaration confirming that he/she is an unorganized worker.
2) Every registered worker shall be eligible for national minimum social security benefits only if payments of regular contributions have been made.

22. Unique Identification Social Security Number

Each registered worker shall be eligible for receiving a Unique Identification Social Security Number in the form of an Identity Card issued in the name of the State Board. With a view to prevent duplication of identity, the Identity Card shall also carry the registration number of the ration card of the worker. In the absence of a ration card, the registration number on the voter's card shall be entered in the Identity Card.

23. District Committee for Registration of Workers

A district-level committee shall be constituted as the registering authority for the National Social Security Scheme. The District Committee will have the District Collector/Magistrate as the Chairman and the District Labour Officer as its Convenor and Nodal Officer. The District Committee shall include:

a) Two representatives of workers' organizations such as unions, associations or co-operatives in the unorganized sector;
b) Two representatives of organizations working among the unorganized workers who do not have organizations of their own;
c) Two representatives of employers' organizations in the unorganized sector:
d) One representative of the Zillah Parishad and one from amongst the Nagar Palikas; and
e) A representative of the State Board.

24. Identity Card

This Identity Card shall be issued under the authority of the District Committee based on a formal application for registration from workers and forwarded by the Workers' Facilitation Centre with its recommendation. The District Committee shall send the Identity Cards to the Workers' Facilitation Centre for distribution to the workers concerned.

25. Portability of Registration

The Identity Card issued by the District Committee to workers shall remain valid even in the case of migration to another district in the country and the new address can be changed on application to the District Committee concerned.

26. Cessation of Registration

1) The validity of the Identity Card shall be for a period of three years from the date of registration and can be renewed. If it is not renewed within one year of expiry, the worker will cease to be eligible to the

benefits of the scheme. Renewals would be allowed on payment of arrears of contribution, if any.

2) In the event of death, the Identity Card shall become invalid after the settlement of claims and the name of the worker shall be removed from the list of registered workers.

CHAPTER VII DELIVERY OF SOCIAL SECURITY BENEFITS

27. Implementation Machinery

1) The member-organizations of the State Boards shall be responsible for the delivery of mandatory social security benefits as decided by the State and National Boards. If adequate member-organizations do not exist, the State Boards shall decide the manner in which social security benefits shall have to be delivered to the registered workers.

2) The State Boards may decide on such delivery mechanism as may be feasible under local conditions. This may include existing delivery mechanisms as Welfare Boards or through tie-ups with local organizations like banks, Post Offices and insurance companies.

28. Workers' Facilitation Centres

1) In order to extend coverage and reach the unorganized workers in remote areas the State Boards may designate any one or more of the following at the local level as Workers' Facilitation Centre (WFC) for purposes of facilitating registration of workers:
   a) Existing Worker Welfare Boards and their local offices;
   b) Local Panchayati Raj Institutions (PRI) or urban local bodies;
   c) Organizations of workers including trade unions, associations and cooperatives in the unorganized sector;
   d) Self-Help Groups; and
   e) Non-profit organizations working among the unorganized workers.

2) Such designated Workers' Facilitation Centres shall perform the following functions:
   a) Disseminate information on available social security schemes for the workers;
   b) Facilitate the filling, processing and forwarding of application forms for registration of workers;
   c) Obtain registration from the District Committee and deliver the Identity Cards to the registered workers;
   d) Facilitate the registered workers to enrol in social security schemes;
   e) Act as an authorized intermediary in collecting contributions from the workers and employers to the social security schemes and remit them with the designated institutions;
   f) Ensure the delivery of social security benefits in cooperation with institutions designated to deliver such social security (insurance companies, Post Offices, Departments of the State/Central Government and other institutions concerned.

3) The Workers' Facilitation Centres shall be entitled to charge such fees as may be decided by the State Board for the performance of its functions. Wherever required, it may also receive personnel recruited or deputed by the State Board for purposes of administration.

29. Premium and Compensation/ Benefits

1) The National Board shall decide the amount and manner of payment of contribution by the workers to the National Social security Schemes. It shall however be the responsibility of the State Boards to remit the contributions of registered workers and employers to the National Board.

2) For schemes initiated by the State Boards, the State Board concerned shall decide the contributions of workers and employers.

3) The claim of registered workers for social security benefits shall lie solely against the State Board and it shall be the responsibility of the State Board to settle the dues, if any.

CHAPTER VIII DISPUTE RESOLUTION BODIES AND THEIR CONSTITUTION

30. Resolution of Disputes

The State Government shall constitute at least one Dispute Resolution Council in each district for resolution of disputes relating to the non observance of provisions in this Act, arising amongst the unorganized workers, employers, Workers' Facilitation Centres and State Boards.

31. Reference of Disputes

1) Any unorganized worker or employer or organization representing such worker or Workers' Facilitation Centres or State Boards may raise a dispute relating to the non-observance of provisions in this Act by filing a complaint before the Dispute Resolution Council in the manner prescribed by the State Government.

2) Upon reference of such dispute, the Dispute Resolution Council shall at the first instance proceed to arrive at a conciliated settlement to the satisfaction of all parties. Upon failure of such conciliation proceedings, the Dispute Resolution Council shall adjudicate on the matter as expeditiously as possible.

3) Where the dispute pertains to any matter covered by any other existing law, the Dispute Resolution Council shall forward the complaint to the appropriate authority created under the relevant Act for adjudication and such reference shall be treated as a valid complaint under such Act.

4) The Dispute Resolution Council shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (of 1908).

32. Consequences of Contravention of Provisions of this Act

Whoever contravenes any provisions of this Act or the rules made there under, other than those made punishable under any other law, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to five thousand rupees, or with both, and in case of continuing contravention, with additional fine which may extend up to one hundred rupees for every day during which such contravention continues. The Dispute Resolution Council shall be authorized to give the fine so collected either in whole or in part to the aggrieved party.

CHAPTER IX MISCELLANEOUS

33. Accounts and Audit

a) The National Board and the State Boards shall maintain proper accounts and other relevant records and prepare annual statements of accounts in such form as may be prescribed.

b) The National Board shall furnish to the Central Government before such date as may be prescribed, the audited copy of the consolidated account of itself and the Funds together with the auditor's report.

34. Power to Make Rules

The Central and the State Government shall have the power to make rules for the purposes of carrying out the objects of the Act

35. Savings

This law shall not affect the functioning of any other State or Central Acts providing for substantially similar or superior benefits to the unorganized sector workers.

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