SOCIAL INSURANCE IN INDIA

Prof. B. P. ADARKAR

1973

Published by
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235 Dr. D. N. ROAD,
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(i) Publication of one or more books in English, Hindi, and regional languages annually on some of the great builders of Indian economy aimed primarily at educating the younger generation in high standards of building the national economy as practised by those great entrepreneurs and placing the example of their lives for emulation by India's youth.

(ii) Organising one or more memorial lectures annually on subjects which were of interest to the late Mr. A. D. Shroff, namely, banking, insurance, and industrial finance, the subjects to be chosen in rotation, and the lectures to be delivered by persons eminent in these fields.

(iii) Awarding annual scholarship or scholarships to outstanding student or students in the field of management.

(iv) Instituting a prize to be known as The A. D. Shroff Memorial Prize for the student standing first in Banking at the Sydenham College of Commerce, Bombay.

(v) Doing all such acts, matters and things as are incidental or conducive to the attainment of the above aims or objects or any one or more of them; and

(vi) Without prejudice to the above charitable objects or any of them, the TRUSTEES shall have the power to spend, utilise and apply the net income and profits of the TRUST FUND for the TRUST FUND for the charitable object of education or such other objects of general public utility not involving the carrying on of any activity for profit as the Trustees may think proper, it being the intention of the SETTLOR that the income and/or corpus of the Trust Fund shall be utilised for all or any of the aforesaid charitable objects without any distinction as to caste, creed, or religion.

INTRODUCTION

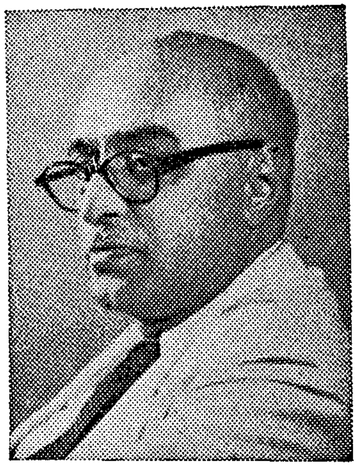
Once every three years, the Trust has to arrange a lecture on Insurance as per the Trust Deed. Since social insurance which comprehends the welfare of millions of persons is an important subject, Prof. B. P. Adarkar was invited in 1973 to deliver a public lecture on SOCIAL INSURANCE IN INDIA.

As is our practice, the text of this learned lecture is published for distribution to educational institutions and others interested in the subject.

Our publications in the past have elicited high appreciation from the public, and I am sure that this excellent study of social insurance in India will also receive the same attention and appreciation.

N. A. Palkhivala
Chairman
Board of Trustees

22nd June, 1973



A. D. SHROFF

(1899 - 1965)

A. D. Shroff's achievements in the field of business, industry and finance were many and varied. A large number of enterprises owe their origin and development to him. As an economist, his predictions have proved right over the years. Through the Forum of Free Enterprise, which he founded in 1956, as a non-political, educative organisation, he sought to educate the public on economic affairs. It was his firm conviction that a well-informed citizenry is the foundation of an enduring democracy.

George Woods, former President of the World Bank, paid the following tributes to A. D. Shroff:

> " In every age and in every society men must express anew their faith in the infinite possibilities of the human individual when he has freedom to develop his creative talents. For this is in large part how the message of freedom is passed from generation to generation. A. D. Shroff spoke eloquently in a great tradition, and thanks to him we can be sure that other great men of India will continue to speak this message in the unknown context of our future problems. "

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SOCIAL INSURANCE IN INDIA

By

Prof. B. P. ADARKAR

Let me, first of all, express my gratitude to the Trustees of The A. D. Shroff Memorial Trust for having invited me to deliver the Memorial lecture this year. Let me also pay my homage to the great man whose memory is enshrined in the Trust and in the Forum of Free Enterprise which he founded as a non-political organisation. Mr. Shroff, the great pragmatist that he was, stressed the importance of right thinking and right methodology throughout his life and it is a proud privilege for me to be here this evening for a Memorial lecture under the auspices of a Trust associated with his name.

This is the first time in this series that Social Insurance has been selected as a topic falling under Insurance and I feel very much honoured for being called upon to speak on it.

It is more than a quarter of a century since I

Prof. B. P. Adarkar, M.A. (Cantab) is recognised as a pioneer in the field of social insurance in India, having drawn up the first scheme for the Government of India in 1944. His distinguished career includes Economics professorships in three Universities and various advisory and administrative posts in the Government of India. He was also Minister-Envoy in the Indian Embassy in Bonn. He is the author of several books and papers on economics and other subjects and has attended many international conferences.

submitted my **Report on Health Insurance** (in August 1944). It has had a wonderful reception from both the Government of the day, which was British, and the public. The Tripartite Labour Coference heaped praise on it. The late Sardar Patel called its author the "chhota Beveridge." It looked like the dawn of Social Security in India, and for me it was a day of fulfilment, so much so that I decided to make social security my life's mission — an ambition which was never to be realised, for reasons which can now be disclosed. The plain fact was that I clashed with the Steel Frame, the Indian part of it, two members of which decided that a mere professor like me, after having submitted my scheme, should take up research or something. The two gentlemen, who knew next to nothing about social insurance, were keen on having in my place their own nominee, who also shared their innocence of the subject. I pleaded in vain that they should allow me to look after and bring up my baby or that they should at least get an expert from the ILO to manage the scheme. My contract was unceremoniously terminated in 1946. This did not, however, interfere with my personal fortunes, as although I had resigned my university post previously, I prospered elsewhere in the Government of India. On the other hand, it did much harm to the progress of the scheme itself, which was hopelessly delayed.

Then, after an interval of two years, they got Dr. C. L. Katial, an eminent Indian doctor from London, as a Director General to conduct the affairs of the Employees' State Insurance Corporation. Dr. Katial's experience was sadder than my own and, when he retired in 1953, he issued a statement in which he very feelingly complained of the non-cooperation of certain Central Government officials. He said: "The insurance scheme was stultified and retarded by a section of officials who did not believe in the scheme... Their attitude had been due to lack of understanding and posterity would announce the correct judgment on the scheme. . . . They, like Goering and Goebbels, believed that bigger the lie the more credible it was . . . Power divorced from responsibility is a very dangerous weapon. I would appeal to those in power to use it judiciously and not to the detriment of the structure it has taken so long to build."

The whole episode once more illustrated my favourite dictum that "In India, it is not Science but Nescience that rules" and my belief that here our policy failures are mainly due to the fact that the expert, the man with the brains, is not given his rightful place and the fullest scope for work as is necessary, especially in a planned economy of a developing country. There has been everywhere too much interference and what is called "instant government" by dilettante officials, advising half-educated Ministers, who cannot see their way through the nation's problems and who, in the circumstances, often take wrong and belated decisions. Anyhow, thanks to the untiring efforts put in by Dr. Katial, the scheme somehow got on its legs by 1952, four years after his appointment, and promptly in 1953, he had to leave his job on termination of his contract; and once again, hard-earned technical experience was lost to the country!

I

SCOPE OF SOCIAL INSURANCE

The subject of social insurance is vast and rather technical, and it is impossible in a brief lecture both to instruct an audience and also at the same time examine all the issues so as to make constructive criticism or provide guidelines.

Before coming to the topic of this lecture, viz., "Social Insurance in India," let us define the scope of social insurance. I shall begin by quoting the classical remark of the late Sir William Beveridge, one of the High Priests of social insurance. "Organisation of social insurance," said Beveridge, "should be treated as one part only of a comprehensive policy of social progress. Social insurance fully developed may provide income security; it is an attack upon Want. But Want is only one of the five Giants on the road to reconstruction and in some ways the easiest to attack. The other Giants are Disease, Ignorance, Squalor and Idleness." Or, as an I.L.O. publication puts it: "In the life of man, there are two stages of dependency —childhood and old age—and in the intervening years of adult life there are likely to occur spells during which he cannot earn his living. Instinct sees directly to the rearing of children, but Nature's concern for other cases of dependency is less clear and more remote." It is here that the **raison d'etre** of social security lies; for, where Nature cannot function for the good of man, it is for the social organism to intervene in his interest. Social security, thus, is the security that society furnishes through appropriate oganisation, against certain risks to which its members are perennially exposed. It is the security of the masses among the society who cannot effectively provide by ability or foresight alone against the risks. The masses in any country consist of the low-paid labouring classes, whether they are industrial, semi-industrial or agricultural, and whether they are self-employed or employed by others. But some sections of these are well-organised, compact and relatively better-off, while others scattered, disconnected and impecunious. The methods appropriate to these two categories, so far as social security is concerned, have therefore to be different.

Accordingly, Social Security measures fall under two main heads: Social Insurance and Social Assistance. The field of Social Insurance is where the class of workers to be covered is sufficiently well-organised, legally regulated and financially stable, and further, to quote the same ILO publication "wherever there exists an apprehension of exaggerated claims and conscienceless exploitation of a common fund." Social Assistance, on the other hand, is more applicable where the persons to be covered are too poor to contribute, too illiterate to follow the technicalities of insurance and too scattered to be brought under a proper scheme of insurance. Thus, in an organised social security system, comprehensiveness can be obtained by means of a well co-ordinated complex of social insurance and social assistance schemes.

It has often been stated that India is too poor and too undeveloped to have the luxury of social security. This is only partly true. In a B.B.C. broadcast many years ago, Beveridge was put this very question. "Well," said Beveridge, "I am often asked whether Britain can afford the Beveridge Plan and my reply is . . . It's like asking if a housewife can afford to buy bread for her family before she buys a radio. Of course, she can and should." Beveridge proceeded to say that "in a sense, the poorer you are, the more you need it (viz., social security) — by maintaining your health it will help you to increase productivity."

Of course, we cannot perhaps for many years to come and for various reasons manage to have one unified and comprehensive Beveridge plan for the Indian masses, but we can and should have a series of social security schemes designed for various categories of workers and for different risks and contingencies. These schemes can be later welded into a bigger and all-sided system applicable to the country as whole, if and when this becomes feasible. It will be one of the questions which I shall attempt to answer, viz., whether such a comprehensive social security system, affording a from-the-cradle-to-the-grave or from-the-womb-to-the-tomb coverage, is feasible at the moment or will be so in the foreseeable future.

II

THE PROGRESS OF SOCIAL INSURANCE IN INDIA

(a) The Various Schemes

It is very tempting to take a historical review of the progress of social insurance in India during the last two decades. The progress has been like the growth of a Banian tree, or, as the Latin proverb goes, **Quot rami tot arbores** — as many branches, so many trees!

Of course, the progress has not been uniform or free from defects and lacunae, but nonetheless in many ways it has been quite impressive. Perhaps it may not be inappropriate to quote some of the statistics. Starting in 1952, with a coverage of 120,000 employees in two centres only, viz., Delhi and Kanpur, the Employees' State Insurance Scheme (ESIS) had on 31.3.1972 a total of 3,975,500 employees in 21,737 factories in 318 centres on its registers in what are called the "implemented" areas, and 615,950 employees in 1,759 factories in the "non-implemented" areas — the total number of employees covered by the scheme being 4,591,450. Including insured persons and their families, the total number of beneficiaries of cash and medical benefits was 16,714,550 as on 31.3.1972 — quite a large proportion of the total employed population and families.

Likewise, the Employees' Provident Fund

(EPF) Scheme, to which both employers and employees contribute and which was also inaugurated in 1952, with a modest beginning of 1.2 million subscribers in 1,400 establishments, now covers 5.7 million subscribers in 46,900 establishments.

The Coal Mines Provident Fund Scheme, set up earlier in 1948 and originally applicable to coal mines in Bihar and West Bengal only, now covers all the coal mines in both the public and private sectors all over India, except Jammu and Kashmir. This scheme, as well as the Assam Tea Plantations Provident Fund Scheme of 1955 is similar in its operations to the EPF Scheme for factories.

Other schemes of social security, such as the Lay-off and Retrenchment Compensation Scheme of 1953, the scheme for Seamen and Dock Workers (comprising sickness benefits as well as workmen's compensation, etc.), are not **social** insurance in the strict sense of the term, as the burden in their case falls mainly on the employers, except in the case of the Seamen's Provident Fund Scheme, which is based on the same principles as the EPF. However, all these schemes provided compensation for loss of employment etc.

In the case of Government employees, the ESI, the EPF and the Workmen's Compensation Schemes are applicable to all public sector employees and other governmental industrial workers on par with factory workers, as the law does not distinguish between factories on the basis of ownership, except where otherwise indicated in specific

Acts. For the rest, government servants receive various benefits regarding leave, maturity, sickness, retirement (i.e., pensions and gratuities) etc.,— in which the employer (the Government) is the only contributor and, therefore, they are not of the nature of social insurance either. The element of social insurance, however, arises in provident fund arrangements in the case of non-pensionable government servants, to some extent.

(b) The Three Phases

There have been three distinct phases in this progress. They can be described as the phase of Initial Planning, that of Structural Foundation, and that of Expansion.

The first phase, viz., that of Initial Planning corresponds to the period 1942-48. During this phase came my Report on Health Insurance, together with the Note of Messrs. Stack and Rao (the ILO experts), the Report of the Labour Investigation Committee (under Mr. D. V. Rege), and the Report of the Health Survey and Development Committee (otherwise known as the Sir Joseph Bhore Committee). In a sense, it was a three-pronged attack.

The second phase of Structural Foundation occurred during 1948-52 and comprised the passing of the ESI Act of 1948, the Coal Mines Provident Fund Scheme of 1948, and the EPF Act of 1952 as also the introduction of ESI in Kanpur and Delhi in 1952.

The third stage, that of Expansion, began in 1952 and continues to this date in the various fields which I have just narrated. During this phase, there have also been some periodical investigations into the affairs of the various schemes of which a brief mention here may not be out of place. Also a little later, I shall examine some of the more important suggestions for reform made by the investigating bodies.

(c) The Investigations

The first investigation (1957-58) was by a Study Group under the chairmanship of Mr. V. K. R. Menon. The Group were asked to study how the varous schemes of social security and any other privileges given to the workers could be combined in "a comprehensive social security system." The Group's main recommendation was the unification of the ESI and EPF schemes under a single Organisation, together with the conversion of the Provident Funds into a statutory Pension Scheme, and the adoption of a single contribution for cash benefits in respect of sickness, maternity and employment injuries and medical provisions, along with old age, invalidity and survivorship pension-cum-gratuity payments. The Group's emphasis was on integration rather than on extension. "Under existing conditions," they said, "any large extensions of social security measures will not be possible either in terms of coverage or actual benefits. The aim should be to improve upon existing measures and to simplify administrative procedures." The Group's recommendation for unification of ESI and EPF have not so far been implemented. The main difficulty has been that the industry-wise coverage of the ESI and EPF schemes is not identical. The Group's finding that any large extension of social security measures would not be feasible for some time, however, seems to be correct.

The second principal investigation (1963-66) was by the ESI Scheme Review Committee under the chairmanship of Shri C. R. Pattabhi Raman. This Committee was a tripartite one and was concerned with the ESI scheme only and its working. It made 176 recommendations, a large number of which have been accepted and implemented by the Government. I shall refer to some of their more important recommendations later.

The third major investigating body, which was asked to report, **inter alia,** on the working and reorganisation of social security schemes in India, was the National Commission on Labour (1969) under the chairmanship of Dr. P. B. Gajendragadkar. The Commission, with many different issues affecting labour to attend to, could not have concentrated much on the social security schemes. They, therefore, contented themselves with reviewing the progress that had taken place, and mostly concurring with the recommendations and observations of the ESI Review Committee. Also, they made a general statement that "an ideal arrangement will be to gradually work towards a comprehensive social security plan by pooling all the social security collections in a single fund which different agencies can draw upon for disbursing various benefits according to needs". We shall have an opportunity to consider the implications of this rather vague and wishful statement at a later stage. Suffice it to say here that so far as India is concerned, a comprehensive social security plan covering all risks and all sections of the population will remain only a dream for a long time to come.

There have also been a few internal investigations within the ESI organisation and in the Department of Social Security. For instance, as a step towards the merger of the ESI and EPF schemes, the ESI Corporation presented an "Operation Plan" to the Department during 1968-69. Also, the Department itself set up a Working Group late in 1969 to study all aspects of the proposal for integration of social security schemes, including its feasibility and its advantages and disadvantages. The Report submitted by the Working Group seems to be still under consideration. And, finally, now the ESIC has set up a Committee on Perspective Planning to make recommendations, **inter alia,** regarding the provision of medical benefit on a uniform basis, a viable programme of phased extension of the scheme, the possibility of introducing a "No Claim Bonus", raising of the share of State Governments in the Corporation's medical and other expenses, and also the proposal regarding the Central Government's contributions to the ESI Fund. There is no doubt that all these retrospective and perspective examinations are essential to the further development of social security in India.

IV. AN APPRAISAL OF ESIS

As I said, it is impossible within the compass of a single lecture to do proper justice to a subject like this. I shall, however, focus attention on some important aspects of social insurance in India and consider how far the various schemes have fulfilled our expectations and also how far they satisfy acceptable tests of efficiency.

(a) Administration

First of all, the question of Administration. So far as the ESI Corporation is concerned, there is no doubt that it is overweighted with Government's representatives and nominees and underweighted with representatives of employees and employers. Thus, the officials have a strength of 23 in a total of 39 members of the Corporation. On the other hand, as pointed out by the ESI Review Committee, the scheme is "over-administered and under-financed by the Central Government." This over-weighting is mainly due to the fact that there are 15 representatives of the State Governments. Although the constitution of the Central Board of the Corporation broadly follows the structure which was proposed by me in my Report, still whereas I had proposed representatives of the four regions rather than for each Province/State in 1944, allowing for rotation in the representation, the Board is now inflated due to State-wise representation. Seeing that the employees and employers pay for the major part of the scheme, I feel that they should have a greater voice in the affairs of the Corporation. The ESIS Review Committee made some inadequate suggestions in this regard, but even those have not been so far implemented.

The administrative structure of the EPF Scheme is more or less similar to that of the ESI Scheme and open to the same criticism. In fact, in the case of the EPF scheme, seeing that the Central and State Governments have to contribute practically nothing but only to exercise some supervisory powers, there is no reason why they should at all dominate the show. The same observations apply to the Coal Mines Provident Fund Scheme, although with the nationalisation of the coal mines now the picture becomes somewhat blurred.

(b) **Contributions**

Considering the financial aspects, the main issue that arises is about the structure of contributions of the ESI Scheme. When in 1944, I undertook the framing of the Scheme, we were in the midst of World War II and the then (British) Government of India was most unwilling to commit itself to any new financial burdens, and my terms of reference, therefore, precluded any Central Government contribution. However, for various reasons fully discussed in my Report (Chapter IX), I felt that financial participation by the State (including both the Centre and the Provinces) would be "an eminently desirable feature of the scheme", and accordingly, I proposed another alternative scheme of triple contributions, viz., by the Government, the employer and the worker. Also, in an Appendix

(XIX) to the Report, I threshed out the whole question in detail and answered all possible objections. Although **the Appendix stands** unrefuted, I am surprised to find that Government spokesmen still continue to raise the same objections which were laid low by me more than 25 years ago!

Messrs Stack and Rao, the ILO experts, who supported my views, stressed that the Central Government must be prepared to bear a share of the cost of administration, which they put at two-thirds of the cost of administration of the ESI Corporation. However, the Central Government did not agree with these views and instead undertook to make a temporary annual grant for 5 years to the ESI Corporation in respect of the cost of administration and to arrange loans to the Corporation for meeting the establishment expenses incurred for setting up the organisation. Thus, after 1953, the Central Government grant was stopped. Also, the Corporation had by that time repaid the entire loan of Rs. 36 lakhs to the Central Government. So, currently the Central Government makes **no grant of any kind** to the ESI Scheme. This has been a major surprise and disappointment for me.

The ESIS Review Committee of 1966 also made out a strong case for Central Government contributions, stating that the directives in the Constitution of India also necessitate an active Central participation. I may add that if we talk of socialism, social justice and a "socialistic pattern of society", this is the least that the Centre can do for promoting those ideals. Unfortunately, the Centre's attitude to social insurance has been quite negative so far as financial participation is concerned, and very positive as regards administrative powers! Before I leave this point, I must take note of the recently appointed Committee on Perspective Planning, which, I am told, is seized of the question. I hope the Committee will press for Central contributions to the ESI Scheme under the Fifth Five Year Plan.

Another problem that has arisen is that regarding what are known as the "transitional provisions." Under these provisions, employers in the non-implemented areas have been required to pay a "special contribution" to put them on par with employers in the implemented areas. However, the benefit of this special contribution does not accrue to the employees in the non-implemented areas, and there is no reason why this transitional arrangement, which has been in force since 1952, should be continued, as the Scheme is now implemented in all major industrial areas except in Jamshedpur. However, I understand that at the recent meeting of the ESIC in November 1972, a decision to do this has been taken.

An important question arises regarding the scales of contributions and the corresponding scales of cash benefits, whose real value has fallen considerably, due to the enormous rise in prices. I have a feeling that the entire scheme of contributions and cash benefits needs to be revised upwards in view of this; also that the maximum limits of wages and incomes for coverage of workers may have to be raised as well, perhaps up to Rs. 1,000 p.m. This is important not only from the viewpoint of the solvency of the ESI Fund, but also from that of the maintenance of the worker's standards of living.

There are many minor technical questions such as the grouping of insured persons under three sets, viz., A, B and C, which the ESI Review Committee would like to see abolished — a conclusion with which I fully agree — the revision of the periods of contribution, the time unit of contributions, etc. Whatever measures reduce the paper work of the employers and the ESIC and simplify the procedures, so as to cause the minimum confusion in the minds of the beneficiaries, should be expeditiously adopted.

(c) ESIC's Financial Position

The ESIC's financial position is fairly sound. Apart from the ESI Fund, there are two other Funds, viz., the Permanent Disablement Fund and the Dependants' Benefit Reserve Fund. These funds have been on the right side of the budget, because of savings arising from a substantial or rather safe margin of "error" between the assumed and the actual incidence of sickness under the Scheme. In 1944, in the absence of comprehensive and reliable morbidity statistics, I recommended the adoption of what is called the Budgetary or Assessment system instead of the Actuarial or Capitalisation system for the financial management. The Budgetary System does not correlate contributions to the age of the worker but assumes a certain average rate of sickness, leaving plus and minus errors to be taken care of by a Reserve Fund or Guarantee by the Government. On the other hand, the Actuarial System is similar to the principle of ordinary life insurance and correlates contributions to a risk which increases with age etc. The Budgetary method has been prevalent all over the world, except in the U.K. and Ireland and I proposed its adoption here.

However, it was not acceptable to the then Acting Superintendent of Insurance, Mr. P. V. Krishnamurty, whom I was required to consult and who appeared to be trained in the British system. There was a deadlock and the Government had to appoint an Actuarial Advisory Committee to resolve it. That doyen of Indian actuaries, the late Mr. L. S. Vaidyanathan, was named as chairman of the Committee and two other actuaries helped him. Happily, that Committee fully endorsed my proposals. We assumed an average sickness rate of about 16 days per annum per worker, which was comfortably higher than the maximum rate of sickness anywhere in India (for which data were available), viz., 14.6 days per annum per worker. Looking retrospectively at the results, I feel that our "guestimate" was not too bad and that it has made it possible to finance the subsidiary funds mentioned earlier, as well as to build up the main fund.

At the end of the financial year 1971-72, amounts to the credit of the two funds stood at Rs. 78 million and Rs. 34 million respectively. There are also a few smaller funds for other purposes, to which accretions have been taking place. As against all these funds, investments as on 31.3.1971 stood at Rs. 160 million. A year later, on 31.3.1972, the total investments were much higher, viz., Rs. 216 million.

As regards the investment of surplus funds, it must be noted that the ESIC has no investment policy of its own, as it has to invest the funds in the manner prescribed by the Regulations laid down under the Act. This is also true of the EPF Fund. The result is that so far Government securities, postal certificates and fixed deposits with the State Bank of India form the only items on the portfolios of these funds. While the safety of the funds is of paramount importance, it is also necessary that the ESI Corporation should have some latitude to invest a **specified** part of the surplus funds in more lucrative avenues, of course, excluding equities or other less secure investments. On the other hand, I am not in favour of investing any of the funds in projects which satisfy the criteria of "social and economic utility". The recommendations made in this regard by an ILO Experts' Meeting in 1938-39 really apply to countries in which there is no economic or social planning set up by the governments. Here, in India, our Five-Year Plans are quite capable of taking care of investment in projects of social and economic utility, such as education, housing, etc., and there need not be any duplication.

The administrative cost of the social insurance schemes is an important element to be considered in the context of finance. The total cost rose from Rs. 2 million in 1952-53 to Rs. 48 million in 1971-72. As percentage of total contribution, it was 12.96 per cent in 1952-53 and 9.35 per cent in 1971-72. As percentage of total contributions, administrative cost has been fairly steady over the years, around 10 per cent. However, on the whole, this percentage appears to be rather on the high side and I feel that efforts should be made to reduce it.

One way of doing this, of course, is to unify the major schemes, viz., ESI and EPF, and also at a later stage amalgamate the smaller ones with these two in a consolidated organisation, step by step. The reduction in overheads etc., brought about by this, is likely to be quite considerable.

(d) **Benefits**

The ESI Scheme covers only three contingencies, viz., sickness, maternity and employment injury. It does not cover various other contingencies, such as old age, unemployment, invalidity etc. So far as cash benefits are concerned, the whole system seems to suffer from the traditional defects of Indian administration, which errs heavily on the side of caution and consequent dilatoriness and which assumes that everyone is a rogue until the contrary is proved! There is no doubt too much bureaucratic red-tapism is still prevalent, although the Corporation has done a lot to eliminate excessive paper work and to decentralise payment of claims — a policy which is steadily bearing fruit. The other main defect is that the cash value of the benefits, whether during sickness, maternity or employment injury, is generally too poor to be of any great significance to the worker. This defect is the direct consequence of inadequate contributions, particularly by the State and the employer. I hope early steps will be taken to correct it.

On the other hand, the availability of medical benefits is not subject to any contribution conditions, where employment in an insurable occupation has lasted for more than 13 weeks. Also medical benefits are now extended to the family members of the insured person. However, I am not sure that the medical benefits are either adequate, or substantial in terms of quality, and I understand that, in some cases, employees of establishments covered by the ESI Scheme have been exerting pressure on their employers to obtain exemption from the Scheme, so as to avail themselves of the medical facilities provided by the latter **gratis** to uninsured employees in the higher wage brackets. Nonetheless, I am glad that in the industries covered by the ESI Scheme, my proposal in 1944 for bringing both maternity and workmen's compensation within the purview of the Scheme along with sickness, was accepted and put into operation.

As regards the type of medical care, I do not wish to enter into the relative merits of the Panel and Service principles. In fact, I had recommended an independent medical service under the ESIS itself, but for practical reasons it was decided by the Government to utilise the existing medical facilities of the State Governments. Although this arrangement might have been useful and convenient from the short-term point of view, I am not sure that it has worked satisfactorily from the viewpoint of the insured worker, who largely contributes to the Scheme. Divided responsibility and dual control have led to defects and discrepancies more or less unknown in other countries where social insurance has been adopted and where the social insurance institutions or departments themselves provide medical facilities. The ESIS Review Committee went into this question, viz., whether the responsibility and control of the medical facilities should be entrusted to the Corporation or left in the hands of the State Governments. The Director-General of ESIC himself expressed the view that while the Corporation could set up and operate the medical benefits on its own, the work should continue to be done by the State Governments. The Review Committee were also inclined to leave the present arrangement undisturbed, although they were impressed by the arguments in favour of the Corporation managing the medical care. The State Governments argued that if they were to be divested of the responsibility relating to medical care, they should also be absolved of any financial obligation thereto. This argument was not quite logical, seeing that the Corporation would, in that case, be relieving the States of the financial responsibility for providing medical care to the workers as common citizens. I have carefully gone through the whole subject and feel that the case for transferring medical care to the Corporation is rather strong. There need be no great hurry in doing this and it could be done in stages. I feel that direct control by the Corporation is bound to check malingering and lax certification to a greater extent. It will also lead to better medical care and the development of proper medical services, especially by provision of training facilities to and assured employment of doctors recruited through medical colleges set up by the Corporation for this purpose, along with its own hospitals. The entire service will be more compact and, therefore, more responsible and more efficient. The gradual transfer of medical care from the State Governments to the Corporation should be on the basis of mutual understanding and co-operation. I may add, in conclusion, that the difficulty or the provisions of the Constitution is not insuperable.

(e) **Corruption and Malingering**

Corruption and malingering are a hidden danger in the practice of social insurance. Although the ESIS Review Committee generally absolved both workers and doctors on the ground of insufficient evidence, there is no doubt that these are widely prevalent. Reports of the Sub-Committees appointed by the ESIS Corporation on the working of the scheme in certain centres during 1955 and 1959 show that panel doctors committed various malpractices. Nor is the panel system more liable to them than the service system, although their techniques of excessive prescription and false certification are different. During the Naxalite days in West Bengal, for instance, false certification took place on a grand scale, with the result that the ESIS funds were frittered away at the rate of Rs. 20 million per month as against an average of Rs. 3.5 million per month.

Steps are being taken, I understand, in most States to have a statistical control on certification, which enables the Corporation to do some "watching" of the doctors, on the basis of the number of days of sickness per man per year. For example, the figure reached in the case of one doctor in Bombay was 45 days per man per year, which was far above the average of 10 days for the State as a whole. If the ESI Corporation had its own dispensaries and hospitals and also controlled them itself, the Corporation would no doubt be able to check these perennial evils to some extent. Meanwhile, it is a matter of satisfaction that the Corporation has taken further steps to energize the machinery for inspection of clinics and also advised the doctors to resist pressure in the issue of certificates particularly in times of stress caused by holidays, strikes, lockouts, etc.

(f) **No-Claim Bonus**

There is now a demand for paying a no-claim bonus to workers who have had no record of sickness during any year. In recent years, in India, "bonus" has become a blessed word,—a word which is spelt out by interested parties beyond its logical or dictionary meaning. The ESIS Review Committee considered this question fully. I am glad that the Committee turned down the idea completely. "No-claim Bonus" is often paid by insurance companies (e.g., in motor car insurance) to encourage good behaviour on the part of their clients. But here there is no question of good behaviour, as there is no guarantee that the workers will not fall sick in the hope of getting such a bonus! Social insurance, moreover, implies the pooling of risks and even if, say, in his young days a worker does not claim benefits, his sickness incidence goes on increasing with age and he gets his chance sooner or later. The medical opinion, as the Review Committee points out, has also been opposed to the bonus, because such a provision, it is feared, might lead to a tendency to avoid medical consultation and treatment even when an insured person is actually ill. Moreover, as a majority of the insured at any time are likely to have a "no sickness" record, there is likely to be an enormous number of claims presented to the Corporation, unnecessarily increasing its work load, apart from causing a great strain on its financial resources.

V. THE PROVIDENT FUND SCHEMES

As stated earlier, the Employees' Provident Fund Scheme and the Coal Mines Provident Fund Scheme launched respectively in 1952 and 1948, constitute the principal schemes in the programme for attacking the problem of Old Age. There are also smaller schemes such as the Assam Tea Plantations Provident Scheme of 1955. Moreover, nearly 2,000 establishments having provident funds of their own for a little over 2 million subscribers (as against 5.7 million of EPF) have been allowed exemption from the statutory scheme, subject to certain conditions. The statutory rate of contribution now for EPF as well as most of the other schemes is 8% of the wage earnings, with an equal contribution by the employers.

Up to 30.6.1970, the total amount of contributions realised under EPF was Rs. 16,623 million, while about Rs. 150 million was outstanding as arrears from a few establishments, notwithstanding the penal provisions for failure of employers paying up the collected contributions to EPF. The Fund is administered by a tripartite body, viz., the Central Board of Trustees. Investments, wholly in the form of Government securities, and other approved securities amounted to Rs. 10,815 million as on 30.6.1972. There are two minor ancillary funds, built out of monies of employers forfeited to EPF, called the Special Reserve Fund and the Death Relief Fund.

The Coal Mines Fund is run on lines more or less similar to EPF. For several years, the basic deficiency in the case of CMPF was that it failed to give relief in the event of premature death of the bread-winner. So, a Death Relief Fund was set up here also to ensure minimum guaranteed refunds to dependants of the deceased worker. As on 30.1.1969, the total contributions received in CMPF stood at more than Rs. 871 million.

The administrative set-up of both the Funds is very similar to that of ESIS and, without contributing a single rupee to either, the Governments (both Central and State) dominate the show, as if it were one of their departments. There may be a case for official supervision of these Funds, but unless the Governments are prepared to contribute in some manner to the treatment of the problem of security in Old Age, they really have no right to be at the helm of affairs. The Provident Funds are not strictly social insurance, although they are partly "social", seeing that both employers and employees contribute. The reason why I am concerned with them at the moment is that I would like to see some integration brought about between these Provident Funds and the ESIS, and also provision made in future for a scheme of old age pensions within the four corners of the integration. Currently, old age pensions schemes have been introduced by the States of U.P., Tamil Nadu, Haryana and Punjab by executive orders; however, they are really of the nature of social assistance, as the States themselves pay the pensions to the aged, i.e., those aged 70 years or more. It should be possible to introduce such schemes in other States also and in due course, it should also be possible to integrate them into a full-fledged system of social security.

From this point of view, it is satisfactory to note that it has been decided to introduce a Family-cum-Life Assurance Scheme for the employees of all establishments covered by the EPF Act. An interesting feature of the scheme is that the Government propose to make a part contribution which is small enough to be a token payment. Similar schemes are in the offing in the case of Coal Mines Fund.

One possible approach to the problem of Old Age would be to convert the EPF Scheme and other schemes into retirement pensions schemes, to which the Government also could contribute. The trouble is that when the retired worker gets his provident fund, he is inclined to fritter it away and in a few years, he and his family are left high and dry. Some sort of retirement pensions scheme, either full-fledged or partial (in conjunction with provident fund), therefore, seems essential.

VI. WORKMEN'S COMPENSATION

The Workmen's Compensation Act and allied schemes and legislation (outside the ESI Scheme) have become hopelessly out-of-date in terms of international standards. This legislation has inherited all the defects of the old British Workmen's Compensation Act, on which it was modelled, and while the latter has been replaced completely by the Social Security programme in Britain — which now provides a comprehensive coverage against industrial disability — our legislation continues to function as if nothing has happened! In my Report, I made out a strong case for the scrapping of the Workmen's Compensation Act and its replacement by a scheme of insurance covering both industrial accident and disease. I was glad that, so far as the industries covered by ESIS are concerned, workmen's compensation was made a part of the insurance scheme. However, I am afraid, although the ESI Scheme is a considerable improvement on the previous legislation, that too falls short of international standards in some respects. The Workmen's Compensation Act and the Employer's Liability Act, which apply to industries and occupations outside the ESI Scheme, are still suffering from various defects and lacunae. This is a well-worn topic of writings on social security, including my own Report. No amount of tinkering with the existing legislation is likely to produce satisfactory results, although strict administration of the laws can still be helpful. The best remedy, of course, will be the final merging of workmen's compensation in a comprehensive social security programme which may take years to materialise. Till then, I am afraid we shall have to make-do with the patchwork of the existing measures.

VII. UNEMPLOYMENT INSURANCE ?

Turning to the question of unemployment insurance or rather its feasibility in India, it must be realised that the problem of unemployment here is vast and that in its extreme form it includes beggary and destitution. Moreover, from decade to decade, in spite of so many Five-Year Plans, there is not only no reduction in the numbers of the unemployed, but there is a constant increase in them. If India tries any system of, say, social assistance to cope with the situation, she will undoubtedly exhaust herself in the process, and the whole country will become a huge Dharamsala! Theoretically, — and only theoretically — a scheme of unemployment insurance (as distinct from assistance) is not altogether impossible. For, in such a scheme, insurance would apply only to that section of the working population which was already employed and which had paid its contributions into the common fund; and, if from amongst this previously employed section, any worker became unemployed, he alone would be entitled to unemployment benefit, provided he had fulfilled the necessary conditions, such as those relating to minimum contributions, waiting period, etc. Thus the liability of such an insurance fund would not be unlimited.

While, theoretically, such a scheme is within the range of feasibility, when we come to the actual situation, we have plenty of reasons to deny ourselves the pleasure of having even this one. It may be recalled that in 1966 the Department of Social Security produced a draft scheme, which was presented to Parliament and passed, but it was limited in scope and was super-imposed on the Retrenchment and Lay-off Compensation scheme. However, it seems the scheme was never put into operation.

The experience of countries like the U.K. and the U.S.A. in the working of unemployment insurance and assistance schemes has not been quite happy. In Britain, even with an unemployment of 2% of the labour force, management of the scheme has become a perfect headache, because there is a lot of fraud going on, with some people actually earning more as unemployed than when they are employed (by taking up some other work clandestinely, while drawing the cash benefit), or just indulging in their idleness. This state of affairs continues in spite of penalties, both in the case of insurance and in that of assistance. Here, in India, in the present prevalent atmosphere of corruption, the prospect of unemployment insurance or assistance is dark indeed, and we should studiously keep out of it.

VIII. THE FUTURE

What is the future of social insurance as a whole in India? My answer is: "Go slow". As slow as you can, and exercise as much caution and prudence as you can.

There is no doubt that the progress of social insurance in India has been already slow; that its coverage is still limited to certain specified categories of workers and mainly to the risks of sickness, maternity, disablement and death due to employment; that the benefits are often of short duration and not quite substantial by international standards; that the burden of the various schemes is thrown mostly on employers and employees; that the State plays a dominant role in administration with consequent red-tapism and dilatory procedure; that little has been done to popularise social insurance amongst the workers; and so on. On the other hand, there is equally no doubt that a comprehensive system of social insurance and social security, covering not only the industrial workers but the entire population, is at present and perhaps for years to come beyond the capacity of the country. I was far more optimistic in 1944 when I wrote my Report than I am now, not only because of the gargantuan financial and administrative problems involved, but also because of the present moral climate of the country. Therefore, for the present, I think we should content ourselves with rounding off the corners of the various existing schemes, amalgamate them as far as feasible, and tighten their administration, so as to lighten the costs of social insurance. To those who are not happy with our achievements I would say that the ESI and allied schemes are the first of their kind launched in any country in Asia on a national scale.