

**REPORT
OF THE
STUDY GROUP
ON
SOCIAL SECURITY
1958**

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INTRODUCTION

In pursuance of one of the recommendations on labour policy in the Second Five-Year Plan, the Government of India, Ministry of Labour and Employment, set up *vide* their Order No. L and E-1 (5)/57 dated 3rd August 1957, a Study Group, consisting of the following:—

1. Shri V.K.R. Menon, *Chairman*
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International Labour Office (India Branch),
NEW DELHI.
2. Colonel V. M. Albuquerque,
Director General,
Employees' State Insurance Corporation,
NEW DELHI.
3. Shri S. N. Mubayi
Central Provident Fund Commissioner,
NEW DELHI.
4. Shri B. N. Datar,
Deputy Secretary to the Government of India,
Ministry of Labour and Employment, and
Director, Labour & Employment, Planning
Commission,
NEW DELHI.
5. Shri S. Krishnamurty,
Research Officer,
Office of the Controller of Insurance,
Kennedy Cottage,
SIMLA.
6. Shri K. K. Bhargava, *Member-Secretary*
Insurance Commissioner,
Employees' State Insurance Corporation,
NEW DELHI

2 The Group records with deep regret the death of Shri K.K. Bhargava on the 14th February 1958. It also places on

record the valuable services which he rendered to the work of the Group.

3. With Government's approval, the work of Member-Secretary was, in consequence of Shri Bhargava's death entrusted to Shri S. Krishnamurty. But after a short while, the Ministry of Finance expressed their inability to release Shri Krishnamurty from his headquarters at Simla in view of pressure of urgent work in his own Department. It was only at a much later date that the assistance of Shri S. P. Jain, who since joined as Actuary in the Office of the Director General of the Employees' State Insurance Corporation, could be made available as Member-Secretary of the Group. These relatively unimportant matters of detail are mentioned at least to show that they constituted one major, though unavoidable, reason why the Group took considerably more time to complete the work than was originally provided for.

4. The Study Group (hereinafter referred to as the Group) was to—

- (a) examine the experience gained by the working of existing social security schemes;
- (b) study how these schemes and any other privileges given to workers could be combined in comprehensive social security scheme;
- (c) work out the administrative details of such an integrated scheme;
- (d) examine whether, without any appreciable increase in the total liability of employers and workers, additional advantages can be given to the working class; and
- (e) examine and make recommendations regarding conversion, wholly or partly, of the present provident funds into suitable pension schemes as envisaged in the Second Five-Year Plan.

5. Unlike a Commission or Committee, where questionnaires are issued and evidence taken before conclusions are reached, the Group felt that its work should be on the basis of data and other information already available—including memoranda and other notes addressed to Government in the past by the different interests concerned in regard to the working of the social security measures now in operation. Any other proce-

ture would have further prolonged the work of the Group. We have no doubt that this Report will, in due course, be discussed at a tripartite meeting or conference. Any lengthy discussion by the Group itself would have, in the circumstances, proved even superfluous and we felt it would be preferable to confine the report mostly to technical aspects. If every suggestion made from every quarter has not been fully discussed in this Report, this does not mean that the question was not fully considered. The omission is rather due to the Group's desire to keep the Report as short as possible. When dealing with the working of the different legislative enactments, the main points of criticism in regard to each have been summarised and, where appropriate, remedial action suggested. We may, however, deal with a few important points here.

6. There seems to be an impression in some quarters that integration of the different schemes will release funds which would be sufficient to provide extended benefits or new forms of benefits without requiring any further levy on the employers or workers. The fact that the administrative costs are at present only equal to a small percentage of the contributions will itself show that this assumption is wholly incorrect. Even if we assume, for the sake of argument, that administrative costs are reduced to zero, the savings would still be insufficient, by themselves, to provide any substantial additional or new benefits. We are, however, recommending integration to the limit possible as we are satisfied that this will result in added convenience to both employers and workers.

7. There is a feeling among workers that they are not getting the full worth for the contributions made by them to the E. S. I. Scheme as also a resentment that, at present, the workers are contributing about double what the employers do though, if the maximum rates permitted in the Act were realised, the position would be the reverse—the employer contributing per worker double what the worker himself does. There is considerable force in both these complaints and our recommendations take them fully into account. We have recommended that the levy of contributions from the employers should be raised to the maximum statutory limit without further delay and also shown that unless this is done, it would not be possible to provide for the benefits on the scale that the legislation really

intended. This and our other major recommendations appeared in the Press some months back and we are aware that since then, representations have been made that there should be no increase in contributions till the existing large surpluses (in the E.S.I. Corporation's funds) are spent up. While we have shown later that these surpluses will disappear as soon as the Corporation seriously starts its capital works programme of construction of hospitals etc., even on the minimum standards, we would like to emphasise a point here, even at the risk of repetition. It would be unfair to expect those responsible for the administration of the Corporation to frame and proceed with clear forward planning without an assurance that the requisite finances will be forthcoming. Any standard of hospital buildings, equipment, etc., adopted, say, at Kanpur should be such as can be adapted to every other city or area in India to which the Scheme applies. It would, therefore, be extremely risky for the Corporation to start on a serious forward programme by merely feeding on the accumulated fat. It is our general belief that among the many reasons why the Corporation has not been able to accomplish so far all that it should have done, at least one reason has been a state of uncertainty as to the future. We hope that whatever might have been the effect of this in the past ten years, there will be no occasion for repetition of this in the next five years.

8. In regard to the other major enactment, the Provident Fund Schemes, the objections raised are mostly minor and have been dealt with later. The major objection from the workers is that Provident Funds are no effective substitute for a Pension Scheme. We entirely agree with this view and have made a recommendation for substituting the present schemes by one of old age and survivorship pension. Indeed, this is the major single recommendation in this Report.

9. Some of our recommendations, particularly in regard to improvements in certain matters, as for example, provisions relating to duration and/or quantum of sickness and maternity benefits etc. have, we understand, already been independently considered by the E. S. I. Corporation. In such cases, where the issues have still not been implemented, we hope that our endorsement of the same recommendations might, to some degree, facilitate their early implementation.

10. The Report does not deal with unemployment relief in any form. The Group is aware that the present provisions in the Industrial Disputes Act relating to compensation on retrenchment and lay-off, by no means, constitute a perfect remedy. But chronic unemployment in general is a problem that has been baffling the country for decades. Though we recognise that the case for some relief to those who were in employment and are thrown out is distinguishable from the many more that never had a regular employment at all. A factor which has aggravated the situation during the last year or two has been the closure of working units. Some closures are admittedly due to mis-management, or, at least, inefficient management. The compensation payable under the Act, even if this can be realised in such cases, will, at the most, be only a temporary relief. New avenues of employment may not be easily available. The more satisfactory solution is to find means of avoiding closures where the causes are remediable. But this will require some funds to be built up to provide ways and means for keeping such units running till an independent enquiry and actual working during this period show conclusively whether or not the unit can continue to run reasonably satisfactorily. Even in some industrially advanced countries, there is statutory provision requiring industrial units to build up 'crisis reserves' for such emergencies. The Group feels that this would be a more practical approach than merely doling out pure relief to an infinitesimal section of the total unemployed population. This, however, requires an intensive study. Even the scanty information regarding the 'crisis reserves' came to the Group's notice only very lately. The recent report of the Textile Enquiry Committee also advances some good guidance points in this direction. If Government so wishes, the Group will be quite willing to undertake this study separately, with suitable expansion of the Group, if necessary.

11. The Group held a number of meetings to discuss various aspects of the question. Its general approach was to consider first, the schemes in operation in the country at present which could be considered as falling within the ambit of social security; secondly, to discuss the lacunae in the present schemes in the light of the experience gained in the country as well as the experience and trends in the development of similar schemes

in other countries; thirdly, to examine both the feasibility and desirability of integration from the point of view of the various parties concerned; fourthly, to suggest solutions to the practical difficulties that may have to be encountered even where integration is both feasible and desirable; and, finally, to evolve as comprehensive and well-knit a scheme of social security as is feasible in the present conditions of the country along with some details of the administrative structure that will be required for its implementation.

12. The orthodox form of Reports of this type is to state the Conclusions and Recommendations towards the end. The Group felt, however, that as its recommendations do not, in terms of benefits or the incidence of costs, involve a wide departure from what are involved under existing conditions, the Report could be made shorter and more effective by stating the Conclusions and Recommendations immediately following upon this Introduction.

CHAPTER I

CONCLUSIONS AND RECOMMENDATIONS

13. Under existing conditions, any large extension 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 procedure, restricting additional financial levy for the time being, to what is required for this limited purpose.

14. (a) Existing enactments providing for some forms of social security or social insurance in the accepted sense are :

<i>Act</i>	<i>Contingencies Provided for</i>
(i) Employees' State Insurance Act.	Medical care and treatment, sickness benefits, maternity benefits, employment injury including invalidity and dependants' pensions where death arises as a result of employment injury.
(ii) Employees' Provident Funds Act, Coal Mines Provident Fund and Bonus Schemes Act and Assam Tea Plantations Provident Fund Scheme Act. (The scheme of old-age pensions introduced in the Uttar Pradesh is left out of account for present purposes).	Old Age or death while still in service.
(iii) Coal Mines Labour Welfare Fund Act, and Mica Mines Labour Welfare Fund Act.	Medical care and treatment.

(b) Existing enactments providing for relief in certain contingencies but which are not measures of social security in

the accepted sense as the liability in each case is placed directly on the individual employers :

<i>Act.</i>	<i>Contingencies Provided for</i>
(i) Workmen's Compensation Act	Compensation in the form of single lump sum payments in case of permanent disability or death resulting therefrom and periodical payments in case of temporary disability.
(ii) Plantations Labour Act.	Medical care and treatment, sickness benefits, maternity benefits.
(iii) Maternity Benefit Acts of State Governments and Mines Maternity Benefit Act.	Maternity benefits
(iv) Industrial Disputes Act.	Payments in cases of retrenchment and lay-off—a form of limited unemployment relief.

15. One single agency should be set up—hereinafter referred to as the Organisation—which should as a first step assume administrative responsibility for the enactments mentioned on items (i) and (ii) para. 14 under (a) above. In case of workers covered by both the Employees' State Insurance Act and one of the Provident Fund Acts, employers will pay to this Organisation in one single payment, the contributions due under both. Inspectorate and supervisory staff will be unified. These and other consequential measures will aim at simplification and added convenience to both parties—employers and workers.

16. The coverage under items (i) and (ii) under 14 (a) are not identical but the advantages of setting up the Organisation still exist. It should, however, be the aim to make the coverage under the two enactments identical as far as practicable and in stages by a prescribed target date. As one step towards facilitating this, action should be taken to delete the provision in the E. P. F. Act under which newly established factories are exempted from its provisions for the first three years. The deletion of this provision is necessary for another reason as well.

17. The present arrangements in respect of item (iii)

under 14 (a) by which the respective Welfare Funds are responsible for medical care and treatment of workers in coal and mica mines is working satisfactorily and should continue.

18. The quantum of cash benefits at present granted under the E. S. I. Act should be augmented as follows

- (i) Sickness benefit should be payable upto a maximum period of 13 weeks in any three benefit periods of 26 or 27 weeks each
- (ii) Extended sickness benefit, at full normal benefit rate may be granted in case of tuberculosis, or other prescribed long term diseases for a further period of 39 weeks but only to such persons as have completed at least two years of qualifying service.
- (iii) The maternity benefit rate should be raised so as to be equal to the full average wage of the insured woman and subject to a minimum of Re 1 per day *

19. There is considerable scope for improving the standard of medical care and treatment for workers covered by the E S I Act. The provision of medical care and treatment (including hospitalisation) for families of workers is urgently needed as it is this omission that has brought in the largest and quite legitimate criticism from organisations of workers and individual workers themselves. All these improvements could be provided only if substantial additional funds are available. For this purpose, the levy on employers should be increased to the maximum that the *law already provides for*. The justification which existed for levying contributions at lesser rates has, with the considerable extension of the scheme, lost much of its force. The standard of medical care and treatment should be greatly improved and the scope extended to cover families. In fact, a beginning has already been made in this direction.

20. The enactments relating to Provident Funds have proved a real boon to workers covered thereby, in the form of provision for old age. But payment in lump sum has obvious disadvantages compared with a regular pension scheme. The time is ripe for converting the Provident Funds into a statutory Pension Scheme to be administered by the Organisation. A scheme of Old Age, Invalidity and Survivorship Pension *cum*

* We are glad to note that this has already been done, effective from June, 1958.

gratuity is recommended for adoption. This involves payment of a small gratuity sufficient to meet immediate needs and using the rest of the resources towards giving the maximum pensionary benefits. Though the Assam Tea Plantations Provident Fund Act is an Act of the State Legislature, it is hoped that it would be merged in the new Scheme. Otherwise, the workers in plantations in Assam would be deprived of a valuable benefit.

21. To provide pensions of reasonable amounts, the resources should be augmented by :

- (a) Increasing the present rate of contributions of workers and employers to Provident Fund from $6\frac{1}{4}$ per cent. to $8\frac{1}{3}$ per cent.
 - (b) While the statutory amendments and administrative arrangements required for the conversion into a Pension Scheme will take time, the increase of Provident Fund contributions (to $8\frac{1}{3}$ per cent) should be given immediate effect by amendment of the rules under the respective Acts. Delay in effecting the increase will adversely affect the insured workers as a year of contribution at the existing rate ($6\frac{1}{4}$ per cent.) will be taken as only nine months for reckoning length of service.
22. (i) Translated in terms of percentage contributions the recommendations regarding rates of contribution in paras 19 and 20 above imply that as a transitional arrangement rates for the three classes of factories may be laid down as follows :
- (a) For factories, the employees of which would be eligible only to the benefits under the Employees' State Insurance Act, there will be no change. Their rates of contribution, when raised to the maximum that the law provides for, work out to about $4\frac{2}{3}$ per cent. by employers and $2\frac{1}{3}$ per cent. by employees.
 - (b) For factories, the employees of which would be eligible only to benefits under the proposed Scheme of Old-Age Invalidity and Survivorship Pension-cum-Gratuity, their rates of contribution will be raised to $8\frac{1}{3}$ per cent. by employers and $8\frac{1}{3}$ per cent. by employees.

(c) For factories, the employees of which are covered for the full range of benefits under the E.S.I. Act plus the proposed scheme of Old-Age, Invalidity, and Survivorship Pension-cum-Gratuity, their rates of contributions as under (a) and (b) above would work out to about 13 per cent. by employers and 10-2/3 per cent. by employees.

(ii) In addition, the employers will be liable to pay an administrative charge not exceeding 0.4 per cent. of the total wage bill in cases under (b) and (c) above. No separate administrative charge will be leviable in cases under clause (a).

23. The Workmen's Compensation Act originally provided coverage for both workers in organised industry as also in several scattered employments. With the gradual extension of the E.S.I. Act more and more workers in organised industry will be governed by this Act. Several cases will still remain, particularly of scattered employments where the responsibility for payment of compensation will continue to rest with the individual employer concerned. A pension scheme can be adopted even in these residuary cases by requiring the employer to pay to the Organisation a lump sum amount and the Organisation then taking on the responsibility for making recurring pensionary payments to the injured worker or his dependants as the case may be. Steps should be taken to revise the relevant schedule to the Workman's Compensation Act to increase the present scales of lump sum payments to meet the cost of the new pensionary liabilities.

24. While the provisions in the Industrial Disputes Act relating to compensation on retrenchment and lay-off have afforded some relief and acted as some deterrent to hasty retrenchment, certain unsatisfactory features have nevertheless been revealed. The permanent remedy may be in the form of a scheme of unemployment benefit but a scheme of this type will not be practicable for some time to come. Till then, improvements should rather be in the direction of avoiding closures—and consequent retrenchment, as far as possible, as, e.g., by creation of a fund through which industrial units in temporary difficulties can be assisted and kept running where such a course

is in the interests of the workers and the public interests at large: This subject will be studied and a supplementary report submitted if Government so wishes.

25. Comparative studies made of some countries in Europe by the I.L.O. show that the employer's liability towards cost of social security measures for the workers—expressed as a percentage of the wages—is, in many cases higher than what the Group has recommended—this, in spite of the fact that adequate standards of medical care, hospitalisation etc. are provided in these countries by the State for the population as a whole including industrial workers.

CHAPTER II

ACHIEVEMENTS AND CRITICISMS OF THE EXISTING SCHEMES

26. Before considering what changes in benefits should be made, we took some account of the social security insurance benefits provided in other countries and the working and progress of the existing schemes in India. The contingencies against which social security measures in other countries are provided consist of sickness, maternity, employment injury, invalidity, unemployment, old-age or death of the breadwinner. Usually the rates of benefits are adjusted to the number of children and dependants of workers. The measures which provide some kind of protection in the contingencies mentioned above in India at present are :

1. Medical care Coal and Mica Mines Welfare Fund Acts; E.S.I. Act and the Plantations Labour Act.
2. Sickness Benefit E.S.I. Act, Mines Maternity Benefit Act, State Maternity Benefit Acts and Plantations Labour Act.
3. Employment Injury Workmen's Compensation Act and E.S.I. Act.
4. Unemployment Industrial Disputes Act (Provisions relating to retrenchment and lay-off).
5. Old Age & Death Employees' Provident Funds Act; Coalmines' Provident Fund Act and Bonus Schemes Act; Assam Tea Plantations Provident Fund Scheme Act. (The recently introduced scheme of old-age pensions in the Uttar Pradesh is still in an experimental stage and limited to destitutes and not to workers as a group and has not, therefore, been taken into account

for purposes of our general study or recommendations).

27. Of the Acts enumerated above, the Mines Maternity Benefit Act, the State Maternity Benefit Acts, the Plantations Labour Act, Workmen's Compensation Act and the Industrial Disputes Act place the liability directly on the employer concerned and, as such, cannot be said to be social security measures in the normally accepted sense. Social security in the latter sense is provided today mainly by the E.S.I. Act, the E.P. Fund Act and the Coal Mines Provident Fund and Bonus Schemes Act. Appendix II shows the gradual progress made in applying the above schemes, the present position, the success so far achieved and also the various benefits provided for under the schemes.

28. We now proceed to describe briefly the salient features of the above enactments as also to give a list of the many criticisms levelled against them from time to time. No comments are needed in regard to the Plantations Labour Act as it is still in the process of implementation and the only serious criticism (of the workers) has been that the implementation has been proceeding at too slow a pace. Some of the criticisms on the other enactments, the Group accept as fully valid while others have partly influenced our recommendations. Criticisms which fall in these categories have been shown in italics. After giving the list, the Group's own findings and recommendations in respect of each enactment are summarised.

Workmen's Compensation Act, 1923

29. This Act may be said to be the forerunner of the measures under consideration and has now been in operation for nearly 35 years. It has been amended a number of times since and even now, a number of amendments are under the consideration of the Government of India including suggestions to extend its scope and to improve its working. In factories to which all provisions of the E.S.I. Act apply, the provisions in this Act are replaced by the more progressive measures of the E.S.I. Act. The principal criticisms of this Act are :

30. *Employees' Viewpoint* : (1) Evasions occur particularly with small backward employers or with employers not in a good financial position.

(2) Salary limit is low and even some manual workers are not covered.

(3) Schedule II to the Act defining scope could be widened and clerks might also be covered.

(4) Definition of 'employment injury' is narrow as compared to that in other countries, e.g., wilful disobedience or drunkenness deprives the employee of compensation even in cases involving permanent disablement. Accidents to and from place of work are covered.

(5) The waiting period of seven days is rather too long.

(6) The list of occupational diseases needs enlargement.

(7) *Lump sum payments in case of death and permanent disablement are not adequate and are likely to be frittered away. Pensions provide better security in serious disablement or for dependants.*

(8) Payment made for temporary disablement is deductible from lump sum payments for death or permanent disablement thus reducing the amount available in many cases.

(9) The employees are generally in a weak position to make their claims and get them against comparatively powerful employers.

(10) A claim against employer creates a contentious atmosphere and may result in loss of employment.

31. *Employers' Viewpoint*: An employer who is not prudent enough to take a Workmen's Compensation Insurance policy is landed in difficulties when a case of death or permanent disablement arises if his capital is not much. The difficulty would become aggravated if the compensation payable under the Workmen's Compensation Act is increased.

Group's Findings and Recommendations

32. The Group does not feel justified in examining each of the criticisms detailed above but only those which are of such wide importance as to justify a basic change in the existing law. In the present case, there is also the fact that Government, it is understood, is already considering amendments to the Act to meet many of the points of criticisms and that an amending Bill is before Parliament.

33. Item 7 of the points taken by employees is, however, of importance and has a direct bearing on the Group's terms of

reference. A worker in a factory who is invalidated or dies as a result of employment injury can get an invalidity pension, or, in case of death directly resulting from the injury, the family gets a survivorship pension. But the family of a worker engaged in, say, elephant catching and who dies as a result of employment injury gets only a lump sum compensation which, in terms of relief, is much smaller than the pensions admissible under the E.S.I. Act. Yet, prior to the enactment of the latter, the position of both the workers was indentically the same as both were governed by the W.C. Act. If there was any likelihood of all persons covered by the W.C. Act receiving, in the foreseeable future, the alternative and better benefits provided by the E.S.I. Act, it might have been only a matter of waiting. We recognise that progressive implementation of the E.S.I. Act will cover more and more of the categories now protected only by the W.C. Act. But it is obvious that there will still remain many occupations included in the Schedule to the W.C. Act which are not regular steady employments and the question of regular monthly contributions in such cases will be wholly outside practical politics.

34. Therefore, several cases will still remain where the provisions of the W.C. Act will continue to apply making the individual employer responsible for compensation to individual workers receiving employment injury or dying as a result thereof. But even in such cases a system can be evolved by which the employer is required to pay a lump sum not to the worker or his family but to a public authority, the E.S.I. Corporation, in this case. The latter, in its turn, will arrange to disburse to the worker or his family periodical payments in the form of pensions. The quantum of pension will, of course, depend on the amount which the employer is required to deposit in the form of lump sum. If pensions are to be on the scale provided in the E.S.I. Act, the lump sum payable will have to be considerably more than what is provided in the existing schedule to the W.C. Act. This might cause serious hardship to the individual employer. The E.S.I. Act covers workers in organised industries where there is steady employment. No special hardship is, therefore, involved in requiring the employers to pay monthly contributions towards possible employment injury, irrespective of whether or not an injury is sustained during the

period of employment under a particular employer. But in the case of purely temporary employment under different employers, many will escape liability altogether if no employment injury is sustained by a worker while in their employment. On the other hand, the employer under whom an injury is sustained will be called upon to pay a disproportionately large sum which may be even beyond his means as several of such employers may themselves be men of not great means. There will, consequently, be even the risk of suppressing the reporting of injuries.

35. To meet these difficulties a decision should first be reached as to the limits to which the amounts provided in the Schedule to the W.C. Act can be suitably increased. Though some increases were made some years ago, there is no doubt that the existing limits do not provide adequately for the large increase in the wages and the cost of living that have occurred after the Schedule was last revised. Under conditions as exist today, the Group feels that the Schedule can be revised so that the maximum liability on the employer can, in each case, be doubled. This is recommended and, thereafter, actuarial calculations should be made as to what scale of recurring pensions may be provided from the lump sum payments of these amounts received by the Corporation. It is desirable, however, to ensure a simple form of pensionary benefits as the amounts, in any case, will not be as great as those provided in the E.S.I. Act. We have suggested the E.S.I. Corporation as the agency for distributing these pensions as it is already doing this type of work in regard to pensions under the E.S.I. Act. It is understood that the Corporation can make suitable arrangements for remitting sums due to persons or dependants living in outlying areas where the Corporation may not have its own offices

36. We are aware that many cases of compensation under the Act now go by default as the law requires a claim to be lodged before the court which workers or their families often fail to do due to ignorance. Among the amendments receiving Governments's consideration is one by which any authority specifically empowered can bring in before the court cases where compensation is payable even where the worker or his family do not make a claim. We would state, however, that if the E.S.I. Corporation is required to disburse invalidity or survivor-

ship pensions as recommended above, this will be done only in cases where lump sum payments have been deposited. The Corporation will not be called upon to adjudicate any claims nor undertake any other functions under the W.C. Act. All those functions should continue to be performed by the various authorities prescribed in the Act.

Employees' State Insurance Act, 1948

37. This might be said to be the first enactment which placed the liability for benefits according to need, not on the employer, but on a national organisation. Mainly because of the cautious policy followed so far, its working has shown that the income has been in excess of the expenditure.

38. *Employees' Viewpoint*: (1) Benefits are granted only in certain contingencies and those who do not claim, feel that their contributions are wasted. This applies especially to clerks.

(2) The exemption limit for contributions from employees should be fixed higher. It has been suggested that the limit be Rs. 3 per day below which employees should not contribute.

(3) The employers are contributing less than the employees at present. *This will however be removed if the employer's special contribution is raised as already notified by the Central Government or if transitory provisions cease to be in operation.*

(4) *Medical care for families should be included straight-away and on a comprehensive basis.*

(5) *Better hospitalisation facilities should be provided under the Scheme for insured persons and also for families.*

(6) Cash benefit should be paid more promptly, if necessary by simplifying the procedures.

(7) There should be some benefit for those also who do not make claims.

(8) *Cash benefit should be for a longer duration, particularly in the case of T.B., cancer, etc.* For T.B., the period has been extended to six months but even this proves inadequate in many cases as persons get neither wages from the employer nor benefit from the Corporation and yet are unable to go back to work.

(9) Better facilities granted by some employers are withdrawn on implementation of the Scheme. To prevent hardship,

the Regulations provided for withdrawal only to a limited extent. Even so, the employees often feel that this is a hardship because, with the contributions they pay, the benefits they get are not much more.

(10) There should be provision for maternity benefit in case of abortion or miscarriage.

(11) *In certain States, maternity benefit is granted at full wages. The E.S.I. Act grants approximately 7/12th of wages. This results in reduction in benefit in these cases.*

(12) There should be provision for some kind of death grant.

39. *Employers' Viewpoint :* (1) *The contributions charged from non-implemented areas are considered unjustified and a burdensome tax.*

(2) The contributions charged are much too heavy as evidenced by the accumulation of funds with the Corporation. The employers generally claim that the benefits granted by the Corporation could be given at lesser cost.

(3) The maintenance of contribution cards, calculation of appropriate stamp to be affixed and the submission of returns is rather cumbersome.

(4) The employer's contribution is being increased while, at the same time, there is reduction in the State Government's share. This has been resented by employers.

(5) To keep down the cost on employers which ultimately is passed on to the consumers, there should be simplification of administration and the contributions should be kept as low as possible.

(6) Some workers take leave from employers on wages and claim sickness benefit also. This results in malingering. The employer is unable to deduct benefit from wages, if wages are drawn before claiming sickness benefit.

(7) The Corporation is entitled to make recoveries from employers under Section 66 of the E.S.I. Act. Some organisations of employers do not consider this right, though this provision has been having a salutary effect in getting the requirements of the Factories Act more carefully followed.

40. *General.* Owing to division of responsibility between the Corporation and the State Government for cash and medical benefit respectively, there have been delays in implementation,

in improving medical arrangements, particularly hospitalisation and inclusion of families for medical care.

Group's Findings and Recommendations

41. As the Scheme under the E.S.I. Act was the first national scheme involving even a modest form of social security, Government were doubtless anxious that great caution should be exercised in the earlier stages. Many doubts had been expressed that as a result of malingering or abuse of the benefits provided under the Act, the funds of the Corporation might become bankrupt. Further, even if ample funds were available, the building of dispensaries, hospitals or extension of existing hospitals as also of getting an adequate number of trained doctors and medical attendants would take time. The division of responsibility between the Corporation and State Governments in regard to medical care and treatment also brought about minor differences which took time to solve. Nobody can claim that the existing standard of medical care and treatment is at all adequate. Hospitalisation facilities have only made a bare beginning. The decision to extend benefits to families was taken only very recently and is yet to be effectively implemented. One cannot blame the workers when they point out that some of them were enjoying a better standard of medical care and treatment including hospitalisation for themselves and their families, all provided free by certain progressive employers, whereas, by the application of the Act, they have to make a contribution and still receive benefits of a lower standard and hitherto confined to the workers alone and not to their families. On this point, it may, however, be stated straightaway that the Corporation will not, at least in the foreseeable future, be able to provide standards equal to what is provided by the best employers. It may also be noted that employers who provide such high standards are still the exception. A scheme of insurance involves equalising of benefits to all and if the equalised standard has to be the same as the higher standards enjoyed by a small section, the cost will indeed be prohibitive.

42. Little purpose will be served by analysing the many causes leading to the above complaints. Instead, our attempt should be to suggest measures by which the Corporation will be able to go ahead with its forward programming with a reason-

able assurance of adequate financial support and in the light of experience gained so far. It may be recalled that before deciding on the question of levy to be imposed on the employers and workers, as eventually incorporated in the Act, a considerable amount of actuarial studies and investigations had been made. This was over twelve years ago though the legislation itself was enacted only in 1948. Leaving aside minor points of detail, there are only two major factors that have since been brought to light. The average sickness rate has proved lower than what was estimated and, in passing, this shows that the complaint of malingering which one hears of occasionally is by no means serious. As against this, the cost of medical care and treatment has risen very considerably since the original calculations were made, the percentage rise in cost being much more than the percentage of wage increase during the same period. Calculations made in the light of conditions today show that if a reasonable standard of medical care and treatment as well as hospitalisation are to be provided for the insured workers and their families, even a contribution from employers at the maximum rate of 4-2/3 per cent. will not meet the cost. This is why the calculations in Appendix III have taken into account the existing savings as one means of partially liquidating future liabilities.

43. The improved standards which the Corporation decides to provide will, of course, have to be limited to the resources available. But once standards are fixed, the Corporation should be in a position to provide the same standards throughout the country—otherwise, serious discontentment is bound to arise. For this, the Corporation must have the financial resources assured not only for today but equally for the years to come. It will be impossible to do real forward planning or programming otherwise.

44. At the moment, the Corporation has a surplus approximating to thirteen crores of rupees. A view is expressed that this alone indicates that the rate of contribution is in excess of the needs. Such a view is obviously erroneous and can be easily proved so. Hitherto, the benefits were extended only to the worker and not to the family. Adequate hospital facilities have not yet been provided in the majority of cases. The result is that the expenditure incurred *per capita* is no more than a fraction of

what the cost would have been if these had been provided on a reasonable standard and if families had been covered. One further partial cause of the surplus is the collections made from non-implemented areas. If matters have now to be proceeded in a business like fashion, the Corporation will require large sums for capital construction and the accumulated surpluses can, at the most, only provide the resources for meeting this capital cost. From this point of view, the accumulated surpluses have proved a blessing.

45. We are frankly disturbed by a suggestion from some quarters that there should be no increase in the levy on employers till the existing surpluses available are all spent up. As already indicated, unless the future resources are clearly settled, the Corporation will not be able to plan on certain determined standards, and also, the present savings will be required for partially meeting future liabilities. Apart from all this, a question even arises of the equity of such a suggestion. Hitherto, owing to some fortuitous circumstances, the employers, even in the areas to which the Act has been extended, have been contributing on behalf of each worker only about half of what the worker himself has been contributing. This disparity is difficult to justify as the reverse would have been more equitable and is what the Act actually provides. It will perhaps be agreed, as facts abundantly show, that the surpluses have arisen mainly because the workers have not, so far, received benefits commensurate with their contributions, though they have been contributing at the maximum rates prescribed under the Act. On merits, it would be more equitable to hold that the savings which have arisen owing to the workers being on 'short rations' during the last six years or so should be spent rather on giving them extra rations in future. In any case, we are of the view that to retain the employers' contribution at about a fourth of the statutory maximum till all the existing surpluses are spent up, is a proposition that will be almost impossible to defend.

46. As already stated, the present provisions relating to contributions from employers were framed to avoid any competitive disadvantage for employers in areas covered by the Act over those in the uncovered areas. It will be recalled that this difficulty arose when the first pilot project was proposed to be started at Kanpur, which has one major industry which

would have been materially affected in comparison with the same industry in other parts of India to which the Act was not extended. The transitory provisions were introduced and though these gave some relief to the employers in the areas covered, the position on the whole, did not result in a perfect solution. Employers in the non-covered areas were also required to make a contribution, though they got nothing in return. It is clear, however, that these transitory provisions were intended to be a temporary measure.

47. The position has now completely changed. The scheme has long ceased to be of a pilot type. The total number of workers that are eligible to be covered by the Act is approximately twenty-two lakhs. A few scattered areas will have to be exempted for many years to come, if not permanently at least because the Corporation will be unable to extend its services to those areas without wholly disproportionate costs and with no possibility of effective supervision and control. For present purposes, we may assume that the total number to be exempted in this fashion may be two lakhs. The number covered till now is about thirteen lakhs. As soon as another three lakhs are covered bringing the total to sixteen lakhs, the factor of competitive disadvantages will have disappeared, as the major industries, where this factor applies, would have been covered. We recommend that as soon as sixteen lakhs of workers are covered by the provisions of the Act, the contributions from employers in the covered areas should be raised to the statutory maximum which works out at about $4\frac{2}{3}$ per cent of the wage bill. With effect from the same date, the levy of contributions on employers in the uncovered areas will cease. We specifically emphasise that the decision should be reached now for, as already explained, positive future planning will be difficult unless the future financial resources are also assured.

48. In regard to improvements in cash benefits, duration of benefits in case of prolonged illness like T.B., cancer, etc., our recommendations are contained in Chapter IV. We note, however, that some of these have already been independently considered by the Corporation and decisions reached.

Employees' Provident Funds Act and Coal Mines Provident Fund Scheme

49. The Coal Mines Provident Fund Scheme was established with a view to implement one of the recommendations of a Board of Conciliation made in 1947. The Employees' Provident Funds Act replaced in 1952 an Ordinance passed earlier and established a unified Provident Fund for six industries to begin with. It has been extended to thirty-two other industries since. The principal points deserving mention about these two Funds are as follows :

50. *Employees' Viewpoint :* (1) *Provision for maintenance of families in case of premature death is wholly inadequate.*

(2) *The provision of contribution at 6½ per cent. from each party is inadequate.*

(3) *The system of payment of provident fund accumulations in one lump sum has certain obvious disadvantages which can be removed by substituting for the present scheme a suitable Pension Scheme.*

(4) *All industries are not at present covered.*

(5) *Small factories are not covered as also new factories for a period of three years.*

(6) *Members of provident funds are discriminated against when looking for employment as, in their case, employer has to pay provident fund contributions from the very beginning.*

51. *Employers' Viewpoint :* (1) *Some industries feel that the contribution rather tells heavily upon them.*

(2) *Separate contribution cards, returns and inspections for the Provident Funds Act and for the E.S.I. Act make the work of the employer more as well as cumbersome. The extra administrative charge they pay could be eliminated or reduced if the cost of administration were brought down by integration or otherwise.*

Group's Findings and Recommendations

52. Of all the criticisms made, the most important is the one that a provident fund has certain disadvantages which can be remedied by adoption of a pension scheme. It is hardly necessary to elaborate this at length. Lump sums, if they are to serve during old age, should be wisely invested and not many workers

have the experience to do so. Cases are not unknown where even high placed officials who commuted the bulk of their pensions suffering in later years as a result of unwise spending of the commuted amounts. Where the recipient of the provident fund is a workers' widow, there is every risk of her being exploited by male relatives. If a worker dies young, the amount payable to his dependants will be so small as to constitute hardly any real relief. The Chairman as the Secretary in the Ministry of Labour when the E.P.F. legislation was enacted can testify that the main reason for not starting with a pension scheme in the very beginning was that this would require a large administrative machinery which could not be set up all at once. Now that the machinery for administration of the E.S.I. Act and the E.P.F. Act are well established, the time is ripe for establishment of a pension scheme which the existing machinery dealing with the two Acts can, with adjustments and minor expansion, well handle

53. The Group also recommends the amalgamation of the three Organisations, those dealing with the E.S.I. Scheme, E.P.F. Scheme and the C.M.P.F. Scheme all into one. This need *not* wait till the coverage under the different enactments is made uniform though, as far as practicable, such uniformity should be progressively aimed. After the integration, employers and workers will make single payments of amounts representing their liabilities under one or more of these three enactments. The parent Organisation to which the others should be merged is the E.S.I. Corporation. When this is done, there will be no further duplication of inspectorates or supervisory staff and the criticism of the employers, which has considerable force, will disappear.

54. The Group makes it clear, however, that the integration is recommended primarily for the convenience of the parties. This aspect, as also the question of what the administrative changes should be, are discussed later.

CHAPTER III

FEASIBILITY OF AN INTEGRATED SCHEME

55. One of our terms of reference relates to a comprehensive social security scheme and another to an integrated scheme. Both in effect mean the same and this general question requires some discussion. This is even more necessary because, now-a-days, expressions like 'comprehensive', 'co-ordinated' and 'integrated' appear to be given a more exaggerated significance than is warranted on the merits of each case. In our view, any integration of two or more schemes can be justified only if this fulfils one or other of two main tests. The tests are, first, whether the integration will result in any substantial economy and, secondly, whether it will result in distinct added convenience to the parties concerned—the employers and workers.

56. Our recommendations do not include any new item of social security though the recommendation for converting the present form of provident funds into a scheme of Old Age and Survivorship Pension-cum-Gratuity Scheme does mean a very major change. Possible integration has, therefore, to be considered as among the schemes already in operation. We will consider each of them by applying the aforesaid tests.

57. The Coal and Mica Mines Labour Welfare Funds are created through a cess levied specifically for the purpose of providing various welfare measures for workers in coal and mica mines respectively. The only part of the activities of these three Funds which form an item of social security as such is in regard to medical care and treatment including hospitalisation. There are tripartite advisory committees to advise on all matters relating to activities of the Fund and the administration has been proceeding smoothly enough. It is advisable that all activities of these Funds should be controlled and co-ordinated by one authority as at present. The only possible integration with another organisation will be in regard to medical care and

treatment but this, even if effected, is not likely to result in any savings or added convenience to the workers. Thanks to the liberal income from the cess, the standards of medical care and treatment provided by these Funds are of a high order. An integrated scheme should normally involve application of uniform standards. But, within the available resources, it is doubtful whether the standards now provided for workers in coal and mica mines can be applied, at least for some time to come, to all industrial workers in general and the likelihood is of the standards prevalent in the case of the former being levelled down rather than a general levelling up. There is no justification for this. It follows that the present system of working of these Funds should continue unchanged and that there should be no integration with any of the other schemes. True, workers in coal mines in particular will continue to be provided with standards higher than is available to industrial workers in general. But all the world over and the I.L.O. have recognised that coal miners, because of the peculiarly uncongenial and hazardous nature of their work, are entitled to special favoured treatment.

58. In regard to the enactments listed below, the financial liabilities rest on the individual employers :

<i>Act</i>	<i>Contingencies provided for</i>
(i) Workmen's Compensation Act.	Compensation in the form of single lump sum payments in case of permanent disability or death resulting therefrom and periodical payments in case of temporary disability.
(ii) Plantations Labour Act.	Medical care and treatment, sickness benefits, maternity benefits.
(iii) Maternity Benefits Acts of State Governments and Mines Maternity Benefit Act.	Maternity benefits.
(iv) Industrial Disputes Act.	Payments in cases of retrenchment and lay-off—a form of limited unemployment relief.

59. Government's function in these cases is, therefore, one

of ensuring effective enforcement. Constitutionally this is the responsibility of the State Governments and this alone can be a major reason why none of these can be integrated with schemes operated by Central authority. Even if there were no constitutional difficulties, any such integration will not achieve either of the purposes which we have earlier indicated as tests. We are aware that one major reason advanced by those who advocate Central legislation and administration is the need for ensuring uniform standards. We feel, however, that this should be effected through means other than integration. The machinery for this purpose already exists in the tripartite bodies set up by the Ministry of Labour and Employment and in the recent creation of a separate division in the Ministry dealing with enforcement and implementation of labour laws. If, however, the present system of payment of workmen's compensation in lump sums is converted into a system of pensionary payments, there will be a case for partial integration. This has been discussed earlier.

60. With most of the enactments thus eliminated as unsuited for integration, we are left with only two major items, the Employees' State Insurance, the Employees Provident Fund and the schemes of Provident Funds for workers in coal mines and in plantations. The coverage in respect of the first two is not identical but a very large number of workers are covered by both. With the further extension of these two schemes, this number will further increase though a cent per cent uniformity may still take some time.

61. There are certain factors common to these enactments, which make them ideally suited for integration. The E.S.I. Corporation has, among its other functions, that of disbursing payments direct to individual workers either as sickness benefits or recurring payments in case of employment injury. Similarly, the Provident Fund administration has to make payments to the subscribers as and when their claims fall due. Workers would definitely prefer to deal with one office alone in regard to claims under both the Acts than having to run to different offices in connection with different claims. This convenience will be appreciated much more if, as in our major recommendation, the lump sum payments in the form of provident funds is substituted by a system of recurring pensionary payments—involving several regular visits to the office.

62. The integration will give even greater relief to the employers. Both the administrations now have their own separate inspectorates. When inspecting factories or offices of the employers, a good deal of the same records and information may be called for by both series of inspectors. Integration will combine the functions of two inspectors in one and thus give some clear relief to the employers.

63. It follows, therefore, that the suggested integration clearly fulfils one of the two tests, added convenience—or, perhaps lesser inconvenience—to the parties concerned. As to the other test, that is, of possible economy, we do not wish to be dogmatic. At the outset, we would point out that economy, if possible, can be only in respect of the cost of administration. We are not sure if it is sufficiently recognised that the administrative cost, even today, form only a very small portion of the wage bill. In the case of provident funds, the present rate amounts to only $\frac{3}{8}$ per cent (three-eighths) of the wage bill. The E.S.I. Act makes no separate provision for administrative charges. But the expenditure now incurred is about 9.8 per cent of the total contributions or about 0.4 per cent of the wage bill of workers in the areas in which the Act has been implemented.

64. Even assuming that, as a result of the integration, the combined administrative costs can be reduced by, say, 15 per cent, the actual relief to individual employers will, in terms of the total contributions, be relatively negligible. In view, however, of the growing general criticism in respect of mounting administrative expenditure, we would have made a positive recommendation for a reduction if we could only do so with confidence. But there are many points involved and we can only touch upon some of them.

65. At first thoughts, it may be argued that the combination of the inspectorates and some supervisory posts should alone bring about an immediate reduction, however small, in the administrative costs. But as against this, the conversion of provident funds into a pension scheme will involve handling of more than twenty times the number of individual transactions than at present. The economy effected by integration of work at local offices may well be offset by the need for opening more local offices for the convenience of the very large number of

persons to be catered for. It is noted in this connection that the Provident Fund Scheme has, at present, no local offices. But with the introduction of the pension schemes, local disbursing offices will be essential. A further question which will also have a bearing on the cost of administration but which we are not in a position to adjudge on is the extent to which an existing agency like the post offices or local treasuries will be made use of in regard to disbursements.

66. We are also aware that both the E.S.I. Corporation as well as the Board of Trustees of the Provident Fund Schemes do keep a regular watch against any undue mounting up of the costs of administration. As the statutes themselves do not lay down any limits, this, in the long run, will be the only effective remedy. So far as we are concerned, the most we can say is that with the many unknown factors, we cannot safely recommend that any specific reduction in administrative costs is possible. We can only recommend that the present accepted ceilings should not be exceeded. What these are, are stated in Chapter IV.

67. As explained earlier, the coverage under the two schemes (E.S.I. and the Provident Funds) is not identical and cent per cent identity may not, for practical reasons, be attainable for quite some time to come. There is, however, only one fundamental obstacle. Under the E.S.I. Act, there is no special exemption given to 'infant factories', that is, for the first three years of their establishment. The E.P.F. Act, however, gives this exemption and this is bound to raise administrative difficulties in the working of the integrated scheme. This provision in the E.P.F. Act will create difficulties, even if there were no integration. Let us take the case of a worker covered only by the E.P.F. Act. If our recommendation for converting the provident funds into a pension scheme is accepted, the amount of pension will depend on the total length of service and on payment of contributions. In these circumstances, we *recommend that steps be taken to delete the special provision relating to exemption of factories for the first three years under the E.P.F. Act.*

68. We make it clear, however, that the integration of the schemes of Employees' State Insurance and of the Provident Funds administered by the Central Government can be effected

as soon as the necessary administrative arrangements can be made. The proposed organisational set-up is described in appendix I. *We recommend that the sooner the administrative integration can be effected, the better it may prove for future smooth working.*

69. In view of the definite long-term advantages, it is presumed that the Government of Assam may agree to integrate their scheme of provident fund for workers in plantations, though it is at present administered by the State Government.

CHAPTER IV

THE SCHEME

70. The integrated scheme will provide for medical benefit and cash benefits for sickness and maternity, compensation for employment injury, life pension on normal or invalidity retirement *cum*-gratuity and survivorship pension to dependants on the death of the insured person, whether in service or on pension. The scales and conditions for the various benefits will be as given below: the terms average wage contribution and benefit periods and qualifying service used in this connection are explained at the end of this chapter.

1. Medical Benefit

71. (a) *Normal Medical Benefit*: An insured person and his family will be entitled to medical care and treatment including hospitalisation so long as he remains in insurable employment and for a period of 13 weeks thereafter.

(b) *Extended Medical Benefit*: In the case of tuberculosis, cancer, mental disorders, leprosy and such other long-term diseases as may be specified, this benefit will be extended by another 52 weeks provided the insured person has completed at least two years of qualifying-service. This extended benefit will be admissible only to the insured person and not to his family.

2. Sickness Benefit

72. The sickness benefit will be on the present level, that is, about 60 per cent of the average wage earned during the preceding contribution period. On payment of contributions for 90 days at least, the insured person will be entitled to sickness cash benefit during the ensuing benefit period but it will be subject to a maximum of 13 weeks in any three half-yearly

benefit periods. In cases which satisfy the condition laid down under extended medical benefit, full rate of cash benefit will be continued for the further period of 39 weeks. No sickness benefit will be payable for the first two days of sickness. Sickness not separated by more than 15 days will be deemed to be linked.

3. Maternity Benefit

73. Full average wage subject to a minimum of Re.1 - per day will be paid for a period of 12 weeks, of which six weeks should precede the expected date of confinement. This amount will also be payable in cases of miscarriage, occurring after twenty-six weeks of gestation. Insured women, who are qualified for sickness cash benefit, will be eligible for maternity benefit.

4. Employment Injury

74. (a) In cases of temporary disablement arising out of and during employment, 60 per cent of average wage will be paid during the period of disability. Temporary disablement benefit will not be paid for the first three days, but if it lasts for more than 28 days, the benefit will be paid for the first three days also. In cases of permanent partial or total disablement, a life pension depending on the degree of disability, subject to a maximum of 60 per cent of average wage, will be paid during the life-time of the insured person. On his death, this pension will be continued to the dependants as Survivorship Benefit. This will be in addition to any survivorship pension accruing in terms of the contributory record for the period subsequent to the injury. On death due to employment injury, 60 per cent. of the average wage will be admissible as Survivorship Pension Benefit. The Survivorship Benefit will be payable as indicated in sub-para (b) below:

(b) The Survivorship Pension Benefit will be payable to the specified dependants as follows :

(i) In case of a male insured person :

50 per cent. to the widow or widows till death or remarriage. 20 per cent. for each legitimate child up to the age of fifteen (18 if studying in school) and terminable, in case of girls, on marriage

if this occurs earlier; where there are three or more legitimate children, an amount of 50 per cent. of the Survivorship Benefit will be equally distributed among them.

- (ii) In case of female insured person :
50 per cent. to the husband only if he is totally incapacitated from earning himself,
20 per cent. for each child up to the age of fifteen (eighteen if studying in school) and terminable, in case of girls on marriage if this occurs earlier; where there are three or more children, an amount of 50 per cent. of the Survivorship Benefit will be equally distributed among them.

In cases under both (i) and (ii) above, where there is no widow or a husband eligible for pension, the share of the children may be raised provided the total does not exceed the maximum Survivorship Benefit and no one child gets more than 30 per cent.

(c) The title to employment injury benefits will accrue on the first day of entering into insurable employment.

5. Retirement Benefit

75. (a) *Pension*—On reaching the age of 60 (55 for women) in service and having put in 15 years of qualifying service or one earlier medically certified invalidity after five years of qualifying service, an insured person, provided he entered insurable employment before the age of 45, will be eligible for a pension for life. The pension will be the last five years average wage multiplied by a fraction equal to $1/80$ th of the number of years of qualifying service. The fraction will, in no case be less than $20/80$ th or more than $35/80$ th ($30/80$ th for women). One third of the pension can be commuted on an actuarially prescribed basis for specified purposes, such as, house construction.

(ii) An insured person entering insurable employment after the age of 45 will, on reaching the normal retirement age in service, be entitled to receive his own contribution together with the employer's contribution on his behalf and interest at a specified rate not exceeding three per cent. per annum, pro-

vided that the amount so due may be paid in such instalments as may be prescribed.

(b) *Survivorship Benefit*—This will be admissible (a) to the family of an insured person who dies after not less than five years of qualifying service and (b) to the family (as existed on the date of retirement) of a pensioner who dies while in receipt of a retiring or invalidity pension.

The survivorship pension in either case will be limited to a maximum of two-thirds of the retiring pension which the pensioner was drawing or, in case of death while in service, two-thirds of the invalidity pension that would have been admissible had the deceased worker retired on such pension on the date preceding the date of his death. This will be payable to the dependants in the manner described in para 74 (b) above.

(c) An insured person, after reaching the normal retiral age 60 (55 for women), if he continues in service, will not earn any further pension in respect of the additional years of service. He will however, continue to be covered for the other non-pensionary benefits and contributions will be reduced accordingly.

6. Gratuity

76. In case of retirement after 20 years of qualifying service, gratuity equal to four months of last five years' average wage will be paid. If retirement takes place after 25 years of qualifying service, the gratuity will be increased to six month's average wage of last five years.

7. Withdrawal Benefit

77. If, before attaining the age of fifty, an insured person opts out of insurable employment for reasons not involving dismissal for misconduct, he will be paid the percentage of wages shown below for the period for which contributions were paid :

Less than one year of service :	8%
1—15 years :	10%
15—25 years :	12%
over 25 years :	15%

Entrants after age 45 (40 for women), who so opt out even after the age of 50 will also be eligible for this benefit.

78. Persons opting out after attaining the age of fifty and who have fulfilled the qualifying period for retiring pension will not be allowed withdrawal benefits but will be entitled to draw on reaching the age of 60 (55 for women) the admissible retirement pension, based on the contributory period. Survivorship pension will also be admissible in such cases if death occurs before.

Contributions

79 (i) Full contributions will become payable on entry in insurable employment subject to any general exemption of a class of persons, e.g., casual workers.

(ii) Till uniform coverage for all benefits under the Integrated Scheme is possible, three separate scales of contribution for the following groups will be laid down as a transitional arrangement :

(a) *Those covered for pensionary benefits only* : Calculations shown in detail in Appendix III reveal that the proposed pension scheme will require a contribution of 8-1/3 per cent. of wages by the employers and the same rate by the workers. In regard to persons covered for pensionary benefits only contributions should be levied at these rates. For purposes of calculating pensions, a year of service rendered with the present rate of contributions will be reckoned only as nine months. So the longer the delay in raising the rates, the more will be the adverse effect on present members of the provident fund, when the pension scheme comes into force. Therefore, as a first step the present rate of contributions to the Provident Fund should be raised from 6-1/4 per cent. to 8-1/3 per cent. from as early a date as possible; that is, this should *not* wait till the pension scheme is actually introduced.

(b) *Those covered for benefits under the E.S.I. Act only* : Contributions from employers and workers in areas where the Act has been implemented, should be raised to the maximum provided under the Act. This works out at about 4-2/3 per cent. of the wage bill from the employers and 2-1/3 per cent. of wages from the workers.

(c) *Those covered for benefits both pensionary and under the E.S.I. Act* : The contributions payable will be the sum tot

of those payable under (a) and (b) above and will be paid in single consolidated amounts. The aggregate payable works out to about 13 per cent. of wages from the employers and 10-2/3 per cent. from the workers.

(iii) Persons continuing in service beyond the age of 60 (55 for women) will cease to pay pension contributions. As a corollary, they will get no additional pensionary benefits either for the service rendered beyond this age. Contributions on the scale under sub-clause (ii) (b) above will, however, continue to be paid for as long as the person is in insurable employment.

(iv) *Administrative Charges*: For reasons explained, it would be risky to suggest any reduction in the maximum limit of levy for administrative charges. It will be for the administrative authorities to keep these charges as low as possible, within this limit. The only change needed is to provide for these charges being reckoned as a percentage of the wages and not on the contributions. Otherwise, the quantum of the levy will increase the moment contributions to the provident fund are raised from 6-1/4 per cent. to 8-1/3 per cent. and we can find no justification for this. The maximum levy now provided in the E.F.P. Scheme works out at 0.4 per cent. of the wage bills. This (0.4 per cent. of the wage bill) may be prescribed as the maximum levy on the employers in cases under sub-clauses (a) and (c) of clause (ii). As no separate levy is made for administrative charges under the E.S.I. Act, this position should continue.

General

80. Contributions and benefits both will be related to the average wage earned during the relevant half-yearly contribution period. The actual amount of benefit during a half-yearly benefit period will, unless otherwise stated, be based on the contribution record of the preceding half-yearly period separated by a period of three months for operational convenience. The average will be obtained by dividing the earnings by the days paid for. Pensions will, generally speaking, be based on the qualifying service. For this purpose, in a contribution period, 11 to 44 days paid for will count for 1/8th year's quali-

fyng service; on the same basis 44-89 days paid for will count for 1/4th year's qualifying service and 90 days or over paid for will count for 1/2 year's qualifying service.

81. For the purpose of determining the amount of pension earned, and for this purpose only, a year of qualifying service during the period when provident fund contribution under the existing E.P.F. Scheme is paid at 6-1/4 per cent. will count for 3/4th of a year of qualifying service relatable to the Integrated Scheme, under which the relevant contribution is payable at 8-1/3 per cent.

82. The detailed calculations for the Integrated Scheme are given in Appendix III. One point may, however, be explained here. The provisions we have recommended in regard to pensions for a worker who is invalidated as a result of employment injury, and his family, in the event of his death are appreciably more liberal than what is provided in cases of normal retiring or survivorship pension. This is because it is well recognised in other countries as well that persons invalidated or dying directly as a result of employment injury deserve more liberal treatment than one invalidated or dying owing to normal causes. In India itself, while statutory provision for some old age benefits, in the form of Provident Funds, was made only as late as 1951, protection in respect of employment injury has been in force from as far back as 1923. The provisions we have recommended in cases of employment injury, are substantially the same as already provided in the E.S.I. Act. As the number of persons who are likely to get pensions on account of employment injury will be only a very small fraction of the total number of insured workers, the incidence of cost will not be very appreciable either. In the case of normal retiring or survivorship pensions, however, what we have recommended is all that can be provided even with an increased levy (8-1/3 per cent.) on the employers and workers. On the whole, these provisions are more favourable than what is admissible to the large number of Government servants, as for example, the pension for the widow will be for life or till remarriage and not limited to any specific period. We have no doubt that these provisions are adequately reasonable and that the disparity in the benefits arising in the two types of cases is justified and even inevitable.

CHAPTER V

CONCLUSION

83. We have, so far, definitely refrained from discussing in detail two of the terms of reference, though the preceding Chapters provide the answer. The terms in question are :

- (a) Whether, without any appreciable increase in the total liability of employers and workers, additional advantages can be given to the working class;
- (b) to make recommendations regarding conversion, wholly or partly, of the present provident funds into suitable pension schemes.

84. We have assumed that (b) above is not qualified by (a) for, if it did, then our report would have consisted of merely a factual report ending up with a recommendation that if the existing liabilities are not to be increased even in the slightest degree, then no improvements can be effected in any direction; in particular, that no reasonable pension scheme can be worked out if the resources are limited to what is now available from the provident funds.

85. The final result of our recommendations is that the employer's liability in regard to the E.S.I. Act and the Provident Funds Acts will together amount to 13 per cent. of the wage bill against 7-1/2 per cent. of the wage bill which is being paid today by employers in areas to which both the Acts have been applied. The liability of the workers will increase by the increased contribution in regard to the Pension Scheme, that is from 6-1/4 per cent. to 8-1/3 per cent. But as organisations of workers have themselves been pressing for this increase and for institution of a scheme of pension, it can be safely assumed that there will be no adverse reaction to our recommendations so far as the workers are concerned. As for the employers, though an increase from 7-1/2 per cent. to 13 per cent. of the wage bill is quite a significant increase, it should be emphasised that when viewed in the background, it will be apparent that

our recommendations should cause no alarm. Critics who are pressing for many other measures like unemployment insurance, etc. may even feel that our Report is one of the proverbial mountain producing a mouse! As already made clear, the increase in the contributions under the E.S.I. Act will only bring it to the level, which the law intended, when it was enacted ten years ago. It should be assumed that when Parliament enacted the law, it accepted the position that this levy will not result in an excessive burden on the industry. As such, it would be hardly fair to hold otherwise today, ten years after enactment of the law just because, for certain administrative reasons, only a much lower rate than the maximum has actually been levied all these years. As for the contributions towards the Pension Scheme, we would recall that at the 13th Session of the Labour Ministers' Conference (December 1956) it was agreed that the contributions to provident funds should be increased to 8-1/3 per cent. The new factor that has arisen is that unless this increase is effected, a suitable pension scheme cannot be worked out. Here again, therefore, our recommendation only emphasises a matter which has been under discussion for long and where the general view is identical with what we have recommended.

86. In this connection, we have often heard complaints that the total of the social security charges weigh heavily on the industry and the individual in India. We have, therefore, tried to assess the incidence of such charges in other countries which follow the contributory pattern. Comparisons are rather difficult in this field as different countries follow different methods of financing social security. General tax revenues and specific contributions appear in various combinations and where some of the services relating to social security are provided by other departments like the post office, the true incidence tends to get obscured. It may also be urged that some employers in India are voluntarily providing other additional benefits *e.g.*, gratuity, and that such additional benefits are occasionally made binding on the employers through awards of tribunals. The comparative position has, therefore, to be accepted with caution. But even allowing for all this, the position as indicated in Appendix IV makes it clear that the level of contributions towards social security of workers made by the employers is far heavier in

other countries and that there is little or no justification for any suggestion that the burden imposed by the present schemes in India are either excessive or disproportionate.

V. K. R. MENON *Chairman*

V. M. ALBUQUERQUE

S. N. MUBAYI

B. N. DATAR *Members*

S. P. JAIN *Member-Secretary*

APPENDIX III

**ACTUARIAL CALCULATIONS REGARDING
THE PROPOSED SCHEME**

The Scheme provides fairly comprehensive benefits covering the contingencies of sickness, maternity, employment injury, invalidity, old age and death. For calculating costs, a wide range of basic statistics is required relating to wages, size of family and incidence of sickness, confinements, accidents, invalidity, withdrawals and mortality appropriate for the working classes proposed to be covered. Most of it is not readily available. Material collected from the records of the two current Schemes under the E.S.I. Act, and E.P.F. Act, that are being proposed for integration, was analysed to obtain the requisite data as far as available. While the statistics thus collected are suitable for the purpose, a word of caution may be sounded at the very beginning. No new scheme can be expected to have ready-made statistics available at its inception. It is not practicable to collect such statistics specially but, even if it were, the result would not be commensurate with the effort involved. The various limitations and conditions relating to payment of contributions and grant of benefits affect the resultant statistics. In effect, every social insurance scheme generates its own peculiar statistics in the course of its working. Thus, it would be more appropriate to make use of the readily available data, closely relevant to the Scheme, and, if necessary, to modify them suitably in consideration of the expected deviations. These introductory remarks are made in order to emphasise that what is being attempted in this appendix is nothing more refined than to show that the rates of benefit proposed in the Scheme can, as far as it is possible to foresee, be met by the rates of contribution suggested and that there would be a comfortable margin to face any adverse experience. When the Scheme gets its feet firmly on the ground, say, after five years of its launching, it will be time to assess the experience and adjust the contributions

and benefits suitably. Prudence suggests that, to begin with, the Scheme should grant benefits on a conservative scale, even if the actuarial calculations, necessarily based on improvised data, seem to indicate a further liberalisation of benefits. They may be raised later on in the light of experience.

The Sources of Basic Data

Health insurance in India, which made a modest beginning in February 1952 has recorded rapid advances during the last four years. In certain centres, the Scheme has been in force for four to six years but the process of development in various directions is still going on. While, in general, the E.S.I. Scheme can furnish good basic material in regard to sickness, maternity and employment injury provisions, it can furnish only certain indications in some cases, where the experience is in infancy. For instance, extension of medical care to families has just made a start, extended sickness benefit in tubercular cases was introduced recently, and maternity benefit has been raised to full wage rate a few months back. Available material under the Scheme was specifically analysed and the results taken note of. Pensionary benefits to workers on a national scale are being considered for the first time but it is here that there is need for fairly reliable data, since, unlike the E.S.I. Scheme benefits, one is dealing with long range benefits. The E.P.F. Scheme has been in existence for the last six years, though it also is still developing. Provident fund is very much simpler in operation than a scheme of pensionary benefit, saddled as the latter is with invalidity and survivorship benefits. The E.P.F. Scheme can not furnish all the data required nor can the data be reasonably close. But it can supply workable statistics of wages and withdrawals. These data for the Delhi centre were analysed in detail on sorting and tabulating machines. Statistics of annual withdrawals from the Fund were specially collected from all over the country. The material available in the literature on labour problems such as *Industrial Awards in India*, *Indian Labour Year Book*, *Indian Labour Gazette*, etc., was studied and information was supplemented by special collection from some of the important local units. The basic elements required for the actuarial calculations and the process by which they were

determined along with the current experience are given in the various Annexures.

PART I

Pensionary Benefits

1. In the pensionary group the following may be taken as identifiable benefits :

- | | |
|----------------|-------------------------------------|
| 1 Retirement | (a) Normal |
| | (b) Invalidity |
| 2 Gratuity | |
| 3 Survivorship | (a) Death while in service |
| | (b) Death after normal pension |
| | (c) Death after invalidity pension. |

Before discussing the cost of these items, some remarks are needed about the constitution of the membership of the pension fund. Workers enter industrial employment at all ages, though there is a well-defined concentration at younger ages. Provident Fund data, relating to workers, who had practically completed at least a year's service before joining the Fund, show the entry ages spread out as follows :

<i>Age</i>	<i>Central Age</i>	<i>Per cent. of total</i>
Below 18	Below 18	6%
18-22	20	37%
23-27	25	25%
28-32	30	13%
33-37	35	8%
38-42	40	5%
Above 42	Above 42	6%

Entry ages are thus concentrated in the age span 18-27 but the proportion in the higher ages is not negligible. Under the Scheme, contributions and benefits will not vary with age at entry, but the cost of benefits, in relation to the contributions, varies considerably with age at entry. Accordingly, calculations were made for entry ages 20, 25, 30, 35 and 40. The detailed breakdown of cost of the various benefits for these central ages are shown separately in Table 1. The discussion that follows is based on the overall average for all entry ages obtained by combining them in the ratio of percentage employment shown by the group corresponding to respective central age.

2. The contribution of 1,000 members entering at ages 20 to 40 spread over central ages as given in para (1) above, on reaching stationary conditions, would form a Fund. On the basis of the calculations made, the Fund will annually pay the following amounts as benefits. These amounts are also shown in the last column as percentage of the value of wages earned by the members during their employment. Thus, the last column gives the contributions required to support them.

<i>Benefit</i>	<i>Cost</i> Rs.	<i>Contributions</i>
(a) Pensions (to members)	6,95,168	5.12
(i) Normal Rs. 4,76,625		3.51
(ii) Invalidity Rs. 2,18,543		1.61
(b) Pensions (to families) on death	10,54,819	7.78
(i) in service Rs. 8,44,364		6.23
(ii) on normal retirement Rs. 1,46,121		1.08
(iii) on invalidity retirement Rs. 64,334		0.47
(c) Gratuity	81,373	.60
(d) Withdrawal	2,19,489	1.62
	-----	-----
	20,50,849	15.12
Add cost of administration at 10%	2,05,085	1.51
	-----	-----
	22,55,934	16.63

An explanation seems necessary in regard to the provision of cost of administration at 10 per cent. It has been explained in the Report that while there will be no increase in the levy now made on employers in respect of administrative charges, it would be risky to make any reduction either. A pension scheme is far more complicated than one of a provident fund. For purposes of present calculations, the maximum administrative charges have been assumed at ten per cent. of the cost of the benefits. It is possible that with constant vigilance, the actual expenditure may prove slightly less but the difference will be so small that it will not be material.

In the above calculations, entrants at still later ages have not been taken into account, as, under the Scheme, such persons

4. (i) It will be seen that on the bases adopted in the calculations, contribution at $8\frac{1}{3}$ per cent. by an employee and the employer each will, on the whole, pay for the benefits evaluated. As circumstances permitted, care has been taken to keep the bases as realistic as can be foreseen. Actual experience of working of the Fund alone can give better data. Prudence requires maintenance of an adequate safety margin in such a case, as it would be easier to step up the benefits at a later date than a stepping down. This approach can be illustrated more concretely by a consideration of the cost of the various benefits for different entry ages shown in Table 1. It will be seen that as the age at entry increases from 20 to 40 the contributions required to support the benefits increase steadily from 13.78 per cent. to 18.45 per cent. of the wages. At age 30 it is just 16.41 per cent.; below this age it is less but above, it is more. Thus, the overall average, which just equals the prescribed contribution rate, very much depends on the relative ages of the members at entry. There is no statutory or conventional restriction about the entry ages, as is usual in most pension funds. By and large, industry does take up able-bodied active workers, who can put in strenuous work required of them, but, in actual fact, entry ages are spread over a large range as is shown by the E.P.F. data. The stabilising influence of the pension scheme may gradually narrow down the span of entry ages. The important point to note is that variations in this factor may well tilt the balance.

(ii) Among the various benefits, gratuity costs very little as a percentage of contributions. The percentage rises from 0.44 to 0.99; it is slightly less for age 40. All benefits, except withdrawal, cost increasingly more as the age at entry increases. The cost of withdrawal declines from 2.38 to .08 and the fall is distinct from age to age, obviously because of the reduction in span of ages, over which withdrawals take place; as is well known, withdrawals are more a function of duration of service rather than of age attained. Only for entry age 20 is the cost relatively important, being comparable with the cost of normal retirement. Socially, withdrawals defeat the main purpose of a pension scheme. But from the point of view of the Fund's solvency, withdrawals are even advantageous. The number which would have figured in the costly death or retirement

benefit will be correspondingly less and, in some cases, those withdrawing leave in the Fund something out of the employer's contribution. The E.P.F. data indicate that the rate of withdrawal is slightly higher than what is adopted in the present calculations. This is because one major effect expected from the institution of a pension scheme is to stabilise the labour force and to reduce withdrawals. When this happens the cost of pensions will increase.

(iii) The next important item is the member's retirement pension. Its cost rises steadily from 2.52 to 6.02 for normal retirements and from 1.31 to 2.49 for invalidity retirements. The total cost on account of invalidity pensions is less only because actual cases are few. But the cost of invalidity pensions for an individual is much more than it is in the case of retirement pension.

The more costly item, however, is the family pension. Its cost rises from 7.13 to 9.02 forming practically half of the cost of all benefits together. The cost of family pension in case of a person, who has retired, is relatively small as the family advances in age, while the retired member is alive and supports them. It is in the case of death in service that the cost of family pension is much heavier. In those cases, the cost rises almost steadily between 5.98 and 6.48, the variation with age at entry being not much. But, as stated in the Report, it is this death benefit which is most urgently needed in any real social security scheme. The cost has, therefore, to be met.

It may be added that no investigation of the mortality of workers in India has been made. Only a proper mortality investigation of Indian workers can show what the appropriate basis should be, and, hence, there is a need to keep a safety margin in the cost estimates for any deviation of the actual experience from the assumed basis.

5. The conclusion, arising from the considerations discussed above, is that, at least initially, it would be prudent to keep a safe margin between cost of benefits and the contributions. The simplest way of doing this is to restrict the total survivorship pension, in the first instance, to two-thirds of that admissible to the insured person himself and this is what has been recommended. In the light of experience it will be easy

to increase this ratio progressively, if periodic reviews of the financial position justify this. This initial restriction will reduce the cost by 2.6 per cent. of the wages of the members, which will be an adequate safety margin between cost and contribution. As illustrations the relative figures of contributions and various benefits for an average worker entering at different ages on this basis are given in Table II.

PART II

Health Benefits

1. The health benefits under the Scheme are medical care and cash benefits for sickness, maternity and employment injury. The cash benefits are precisely laid down in terms of money, whereas medical care is a service item and should depend on the residual left after meeting the cost of cash benefits. It will, thus, be a case of cutting the coat according to the available cloth. The cost of cash benefits is given below:

Benefit	Cost as percentage of average wage
1 Sickness	2.32
2 Maternity	0.22
3 Employment Injury	
(i) Permanent Disablement (pension to member and family)	0.54
(ii) Temporary Disablement	0.19
(iii) Survivorship (in case of death)	0.13
	<hr/>
	3.40

The bases, and the other details regarding the above, along with the current experience are given in Part II of *Annexure A*. It may be mentioned here that while the cost of pensionary benefits have been evaluated on 'Reserve' basis, the present benefits have been dealt with on 'Assessment' system, i.e., every year's revenues would, more or less, meet the year's costs without aiming at providing any reserve to be carried forward. Under employment injury, there is a provision for pension to the member and his family in certain cases. In the Scheme, such cases will be taken over by the pension side, but their cost

is being considered here, since, at present, the relevant contributions are meant to provide for them.

Out of a total contribution of 7 per cent. of wages required to be made by employer and employee for medical care and the above cash benefits, 10 per cent. may be laid aside for administration expenses. Thus, of the total contribution, only 2.9 per cent. of average wage is available for medical care, after providing 3.4 per cent. for cash benefits. The all-India average wage in 1956 in factories covered by the Payment of Wages Act was Rs. 1,212. As, at that time, only employees getting upto Rs. 200 p.m. were covered by this Act, against the limit of Rs. 500 proposed in the Scheme, the average may be taken at Rs. 1,250 per annum. Thus, the amount available for medical care of the member and his family is only Rs. 36.25 per employee. As against this, it is estimated that the cost of providing medical care including hospitalisation to the employee and his family would work out to Rs. 56 per employee. One-third of this is on account of hospitalisation of the employee and his family. It is based on a provision of 2.5 general beds, 2 T.B. beds and 0.5 maternity bed per 1000 employee-family units. At present, the State Governments are sharing 1/4th of the cost of medical care to the insured persons, but this will be reduced to 1/8th on inclusion of families. At present, only employees get full medical care. Families, though included recently, are entitled to only restricted benefit—out-patient treatment and domiciliary confinement. The question as to how far the State Governments will share the increased costs on account of granting full medical care to families is still not settled. Thus, there is a substantial uncovered gap and ways and means have to be found to cover it.

2. Though the bases, on which the figures in the preceding paragraph have been arrived at, take due note of the actual experience so far, they are comparatively more stringent. In the Interim Valuation Report on the working of E.S.I. Scheme upto the period ending September 1953, the Valuer toned down the original bases very considerably. These have been modified to a still lower level in the present calculation and yet the actual experience is lighter still. There has been no adequate analysis of the present experience on the strength of which

one could decide the probable future experience. The Scheme is still expanding in geographical coverage and assimilating experience. The benefits are also being adjusted in the light of experience gained. The standard of medical care is not yet upto the desired level. Inclusion of families for medical care is a new venture. The Scheme has not, therefore, yet reached a state of anything like maturity. In the circumstances, there should be a greater statistical justification than, now exists, if actual experience gained so far is to be the determining factor for purposes of calculation. But, wherever statistical evidence from independent sources lends support to the actual experience, it has been adopted with a small margin for future variations. In other instances, it is unsafe to change the interim valuation basis. What has been considered a safe margin between the adopted bases and actual experience has been maintained. If future experience so justifies, it may be reduced later.

3. (i) The position, as it would be, assuming that the present favourable experience continues, may now be discussed. The year 1957-58, was the first, when new areas qualifying for cash benefit during the year added only a comparatively very small number to the total number of employees already covered at the commencement of the year. Thus, in that year, particularly all those employees, who contributed, were eligible for all the benefits under the Scheme throughout the year. The employees' contributions which work out to $2\frac{1}{3}$ per cent. of the total wages, was Rs. 352.36 lakhs during the year. The total wages were thus about Rs. 15,101.12 lakhs, giving an average wage of Rs. 1265 per employee.

Under the Scheme, extended sickness benefit for another 39 weeks at full rate is being provided in case of specified long term diseases and the rate of maternity benefit is being increased to full wage instead of half. Under permanent disablement, full pension to family is also being provided. The expansion of the Scheme requires opening of new State Regional Offices and hence cost of administration will increase. The following table gives the actual expenditure during 1957-58 under the various items of cash benefits and administration, their percentage to total wages and the additional cost of extra

benefits under the Scheme estimated on the basis of the present experience :

Item	Expenditure (lakhs of Rs.)	Percentage of wage bill	Cost of extra benefits as percentage of wage bill.
1. Sickness Benefit	172.81	1.15	0.25
2. Maternity „	5.17	0.04	0.04
3. Employment Injury :			
(i) Permanent and temporary, disablement (total and partial) benefit	29.75	0.20	0.20
(ii) Dependents' benefit	5.45	0.04	
4. Administration Cost	61.81	0.40	0.20
		1.83	0.69

The above figures show that a margin of 4.48 per cent of wages will be left over for medical care. This gives roughly Rs. 56 per employee for medical care to the insured person and his family, adequate to meet the estimated cost.

(ii) The difference between the cost of different benefits given in para 1 and the costs on current experience given in the preceding sub-para is striking. The incidence of maternity and employment injury benefits being small, it is hardly necessary to discuss in detail the reasons for the difference regarding these items. There is some interest round the figure of cost of sickness benefit. As against the figure of 14 per cent based on actual experience, 2.32 per cent. is adopted in para 1 above. On the basis of 14 days' sickness benefit per employee per year, the cost works out to 2.98 per cent., whereas the experienced percentage of 1.15 is the cost of seven days' sickness per employee per year as deduced from the record of sickness benefit days. There are two main reasons to show that seven days' sickness is definitely low. Even in the areas covered, the scheme is not fully stabilised as it came into operation on different dates and no claims are admissible for the first nine months

after date of entry. Experience also shows all admissible claims are not actually made in the earlier stages and this is borne out, by the fact that in areas where the scheme has been in force for a few years, there is progressive increase year by year. The calculations also bring out a figure of 1.49 per cent. for seven days' sickness while the actual cost is only 1.15 per cent. This might indicate as if there were greater sickness among the low wage group section, but there is no solid evidence to establish this. The conclusion is that it is not safe to go strictly by the actual past experience.

4. The many reasons for accumulation of a large surplus in the funds of the Corporation have been explained in the main Report. These surpluses will not disappear overnight. Construction of hospitals and other ancillary buildings will take time, even if ample funds are readily available. So, for a short interim period, if the contributions are raised to the maximum, the surpluses may even show an increase. But, for purposes of long term planning, these surpluses will be the only safety valve which can be drawn upon in the contingency referred to in the preceding paragraph. The surpluses, if used on construction of buildings, will, to that extent, give some relief on future liabilities on the Funds. The existence of the surpluses at the time when the Corporation is embarking on large building programmes is a timely coincidence in that it avoids the need for borrowing of capital and payment of interest thereon.

TABLE I
Percentage of Wages required for the various benefits for different entry ages.

Age at entry	20	25	30	35	40	All Ages
(1) Pension to Member	3.83	5.34	6.30	7.37	8.51	5.12
1.1 Normal	2.52	3.69	4.41	5.22	6.02	3.51
1.2 Invalidity	1.31	1.65	1.89	2.15	2.49	1.61
(2) Family Pension	7.13	8.00	8.36	8.72	9.02	7.78
2.1 Death in Service	5.98	6.38	6.45	6.48	6.38	6.23
2.2 Normal retirement	0.77	1.13	1.35	1.59	1.85	1.08
2.3 Invalidity retirement	0.38	0.49	0.56	0.65	0.79	0.47
(3) Gratuity	0.44	0.61	0.79	0.99	0.84	0.60
(4) Withdrawal	2.38	1.46	0.96	0.54	0.08	1.62
TOTAL :	13.78	15.41	16.41	17.62	18.45	15.12

TABLE II

Monthly Contribution and Benefits at different ages in an average case

Entry Age	At Age	20 (Rs)	25 (Rs)	30 (Rs)	35 (Rs)	40 (Rs)
Contribution by employee (or employer)	20	6.50				
	25	9.92	6.50			
	30	10.04	8.92	7.17		
	35	11.33	10.33	8.00	7.17	
	40	11.92	11.33	8.83	8.00	6.25
	45	12.33	11.92	9.58	8.42	6.58
	50	12.75	12.33	10.00	8.83	7.00
	55	13.17	12.92	10.42	9.25	7.42
Normal retirement Pension to Member	60	70.00	68.03	47.81	35.47	22.48
		46.67	45.35	31.87	23.65	14.99
Pension to Family thereafter						
Invalidity retirement Pension to member	25	23.23	..	...	...
	35	32.73	29.08	22.75	...	
Pension to family thereafter (rate same as under Death in Service)	55	68.03	56.44	38.28	27.13	21.63
Death in Service. Pension to family	25	15.49	..		...
	35	21.82	19.39	15.17	...	
	45	30.31	23.35	18.49	16.42	12.83
	55	45.35	37.63	25.52	18.09	14.42
Gratuity	40	572	..			
	45	888	572		..	...
	50	918	888	480	...	...
	55	948	918	750	444	
	60	978	948	780	696	360
Withdrawals	25	605	37	..	..
	35	2510	1302	598	41	
	45	5708	3511	2243	1189	507
	49	6788	4347	2917	1683	898

ANNEXURE I

Actuarial Bases

The calculations cover two distinct fields, which are considered below separately in two parts:—

PART I

Pensionary Benefits

1. *Rate of interest*: A rate of compound interest of 3 per cent. per annum has been assumed. The present financial situation might suggest a slightly higher rate, but it would not be safe to assume such a higher rate for long range purposes.

2. *Mortality. (a) In service*—The nearest available Indian Experience is Census Life Tables 1951. Industrial workers have to undergo a heavy occupational strain. Mostly, there is no medical selection on recruitment, though due to the very nature of the work expected of them, generally speaking, they have to be able-bodied and physically strong. Further, those who break down in health either leave service or will under the Scheme get invalidity pension, if eligible. On balance, it was felt appropriate to adopt the mortality in service as shown by Census Life Tables 1951 reduced by two years. Mortality in service has an important role in the Scheme. It determines the number entitled to the costly survivorship pension on death in service, as also the number going up to retirement age.

(b) *Pensioners—(i) Normal*—It is generally taken that those serving a full working life are stronger and healthier than those left behind. But, in a compulsory scheme, there is no scope for self-selection in availing of the pensionary right. The mortality of normal retirement is, therefore, taken as shown by Census Life Table 1951 reduced by five years. The assumption of such a lighter mortality for pensionary benefits, of course, errs on the safe side. Note should also be taken that pensioners' mortality of manual working class will be significantly heavier than in other sections, as, e.g., clerical.

(ii) *Invalidity*. The Scheme provides that invalidity will

be medically certified and in view of the relatively high cost of this benefit, this should be of appropriate standards. Mortality rate of impaired lives will be particularly heavy, but as the most seriously deteriorated lives are removed by earlier death, the mortality rate of the survivors will be less heavy. The reverse selection would generally be more marked at the younger ages. The employer and the medical opinion are likely to be more lenient in permitting retirement on pension at, say, 55 than at age 35. A retirement at a young age means a heavy reduction in income; the employee also is likely to apply for voluntary retirement at a young age, only when the degree of disability is much higher. Thus, on the whole, mortality of invalidity pensioners should be heavier not only when compared with that of normal retirements but also with reference to the mortality of active members in service. The mortality has been taken to be the same as that of members in active service, which leaves a small margin on the safe side.

3. *Wage Scale.* There are well-defined sections of membership with their own wage characteristics. Unskilled workers and operatives covering machine workers, craftsmen and process workers, 'together' forming 90 per cent. of the total members generally have a fixed wage, which may be on time-rate, or, piece-rate basis. The rest comprising clerical, professional, technical, administrative and executive staff and other incidental services have time scales at different levels. The Scheme, being compulsory, with a rate of contribution not varying with occupation; needs a common wage scale for purposes of calculation. The scale adopted for entry age 20 is given below and the manner in which it has been arrived at is described in *Annexure II.*

<i>Age</i>	<i>Average monthly Wage.</i>
	Rs.
Below 25	90
25-29	115
30-34	130
35-39	140
40-44	145
45-49	150
50 and over	155

The wage scales adopted for other entry ages are given in *Annexure II*.

4 *Withdrawals*: The E.P.F. data, covering employees in the various industrial centres, who become members only after practically a year's service, show that as at present 7.3 per cent. of members withdraw due to resignation or dismissal. An analysis of the E.P.F. data for Delhi Centre for the period 1952-57 gives an idea of the present withdrawal rates by age, which are the ones required for present purposes. These withdrawals will be considerably reduced on the introduction of the pension scheme. Withdrawal rates in Table I are based on this assumption. The manner, in which they have been arrived at from the information furnished by the E.P.F. data, is described in *Annexure III*. It may be of interest to note here that according to the rates adopted entrants at age 20 will experience a withdrawal rate of 2.9 per cent. of membership set up by this block of entrants. This corresponds to 50 per cent. of new entrants at this age.

5. *Invalidity Retirements*. There are no Indian data to guide in the matter. The withdrawal rates adopted are based on the experience of Railway Service Pension Funds in the U.K. Accordingly, invalidity retirement rates have been adopted from that experience and are also given in Table I. The rates adopted for entry age 20 work out to 5.9 per cent. of new entrants at that age.

6. *Family Statistics*. Based on an analysis of the E.S.I. Scheme data, the following ages of children and wives to husbands in the various age groups have been adopted:

Age of husband	Wife	Age of Child		
		younger by years	First youngest	Second youngest
20-29	3	1	4	7
30-39	6	3	5	8
40-49	6	4	8	10
50-59	8	5	8	10
55-59	8	10	13	15

The number of children in the family of workers in the various age groups has been taken as follows:—

Age group	Percentage of workers having at death number of children below 18 at least			
	0	1	2	3 or more
20-29	15	85	65	10
30-39	10	90	80	60
40-49	5	95	85	55
50-54	5	95	75	40
55 and over	40	60	50	40

The manner in which these family statistics have been determined is discussed in *Annexure IV*. Widow's and children's benefits have been calculated by the 'Collective Method'.

7. *Proportion Contributing.* Taking into account the experience of E.S.I. Scheme at Delhi centre, it has been assumed that 30 per cent. of contributions will not be received in the first year of entry, 20 per cent. in the second year, 15 per cent. in the next 20 years and 10 per cent. in the remaining period of membership. The details of the information obtained from E.S.I. Scheme is given in *Annexure V*.

PART II

Health Benefits

1. *Sickness.* Under the present E.S.I. Scheme, sickness benefit is payable for not more than 56 days in any continuous period of 365 days. The average sickness experienced may be taken to conform to age 35. The expected number of sick weeks under such a scheme may be taken to be given by

$$\left(\frac{Z + - Z}{35 \quad 52 \quad 40} \right) \text{ 80/all}$$

On the basis of a standard sickness table of Manchester Unity, this expression has the value 7014 week i.e., five days.

The normal sickness benefit under the Scheme is for 13 weeks in any three half yearly contribution periods. The expected number of sick weeks for the benefit is given by

$$\left(\frac{Z + - Z}{35 \quad 6 \quad 40} \right) \text{ 45.5/all}$$

On the same basis this works out to less than 0.82 week.

Extended sickness benefit is admissible in case of prolonged

specified sickness, the incidence of which is not likely to exceed 20 per thousand employees, according to the E.S.I. experience. In respect of such cases, full benefit is payable for another 39 weeks in any three half-yearly contribution periods. The expression for the expected number of sick weeks for this benefit

$$\frac{13}{35} + \frac{13/13}{40} + \frac{26/52}{45} + \frac{2}{3} - \frac{65/\text{all}}{45}$$
 is (Z + Z + Z + - Z), this works out to less

than 1.41 weeks.

Combining .82 and 1.41 in the ratio of their incidence *viz.* : 49 : 1, we get the average as .832 or, say .85. Thus, the average days of illness under the Scheme may be expected to be 17/14 times that expected under the E.S.I. Scheme. The latter may be taken to be 10 days, as against 7.1 days experienced in 1957-58. Provision for 12 days of sickness per employee per annum is, therefore, adequate. The Interim Report of the Valuer on E.S.I. Scheme has recommended 12 days for the current benefits alone.

The adequacy of two days' margin, arising mainly on account of Extended Sickness Benefit, is also supported by the working of the E.S.I. Scheme in 1957-58. The Scheme gave Extended Sickness Benefit at half the benefit rate for another 18 weeks in case of tuberculosis. The E.S.I. Scheme shows the incidence of T.B. cases to be 12 per thousand employees; Of these 43 per cent. (or say 50 per cent.) qualified for the Extended Benefit, who drew the benefit for 80 days on the average. The period under the Scheme is 39 weeks at full benefit rate in any three half yearly benefit periods for a greater range of prolonged diseases, the incidence of which will be below 20 per thousand. Roughly speaking, this extension of the benefit period may result in individual cases remaining longer on the Fund. On the average, this period may be taken to be 120 days. In terms of days the Extended Benefit will cost $.02 \times .5 \times 120 = 1.2$ days' benefit.

It may be of interest to note the results of a special analysis of the E.S.I. experience during 1957-58 by individual centres, where the Scheme had stabilised. The variation from the all-centre average of 7.1 days was considerable. The average number of days was as low as 2.5 in centres in Punjab

and as high as 12.76 for Nagpur. The average was 10.5 for Hyderabad, 10.18 for Coimbatore, 9.92 for Indore, Gwalior, Ujjain and Ratlam, 7.5 for Madras, 7.26 for Kanpur, 7.0 for Delhi, 6.8 for Bombay and 6.7 for Howrah and Calcutta. While certain abnormal factors may partly account for these wide variations, the fact remains that some wide variations should be expected in future as well. Hence, the need for providing a safety margin.

2. *Maternity.* The E.S.I. Scheme shows that women form 6 per cent. of the total insured persons. However, Factories Act statistics for factories employing 10 persons or more and using power indicate that they are a little over 10 per cent. of the total number of persons employed. The difference is considerable and may be explained by the fact that E.S.I. Act applies only to factories employing 20 workers or more and, possibly, there is greater employment of women in smaller units. Even then, the difference is still significant. To be on the safe side, the percentage of women workers has, therefore, been taken in the calculations to be eight as against 12 indicated in the Interim Report. Of these, 50 per cent. are taken as married as shown by the study referred to in para 3 (iii) Part I of Appendix III.

A study in 'Birth Order Statistics of India' published by Shri S. P. Jain shows 194.9 births per 1000 married women in the general population. Considered with the proportion married, number of confinements per 100 women employees comes out to be 10, which has been adopted. The Interim Report has given a figure of 12.

The actual experience in 1957-58 showed only 5 confinements per 100 women employees. This may indicate fewer confinements among manual women workers. But there being no positive evidence, the rate for general population is safer to adopt. As the cost of this benefit is small, such adoption will not, in any case, make any material over-all difference.

3. *Disablement (Employment Injury).* (i) *Permanent*—The statistics of Workmen's Compensation Act show that the incidence of permanent disablement in factories in 1956 was 1.26 per thousand employees, but it was higher in the previous years. In 1953, it was 1.84 per thousand. Accordingly, the rate

of 2 per thousand has been adopted. The Interim Report also recommends rate of 2 per thousand for men and 1 per thousand for women. As already stated, women form a very small percentage of total insured persons, and in the absence of any definite data, it is hardly worth dealing with this small section separately. The rate for all insured persons, experienced under the E.S.I. Scheme during 1957-58 was 1.3 per thousand.

The statistics of percentage disability under the E.S.I. Scheme for 1957-58 show that in 41 per cent. of cases, the extent of disability was below 5 per cent., in 23 per cent it was between 5-10 per cent. and only in 7.6 per cent. was it between 11-15 per cent. The percentage tapers down sharply for the higher degrees of disability. The percentage was only .10 for total disability. This distribution of percentages leaves no doubt that the average disability need not be taken at more than 20 per cent. at the most. This has been adopted. The Interim Report takes it at 30 per cent. in respect of partial disablement cases only. But as the difference between partial and total disablement is only one of degree, there is little point in treating them separately. Both have, therefore, been included in arriving at the average disability of 20 per cent. adopted.

The cost of disability pension varies with the age at which disablement occurs. The average cost has been determined by taking a weighted average of the cost for different age groups as determined for survivorship pensions already dealt with in Part I. The weights adopted for the purpose have been obtained by the age distribution of 4026 disability cases under the E.S.I. Scheme that occurred so far. The distribution adopted is as follows:

	<i>Percentage</i>
Below 25	24.6
25-29	21.1
30-34	17.6
35-39	14.1
40-44	10.6
45-49	7.1
50-54	3.6
55 & Over	1.3
	100.0

(ii) *Temporary*: The statistics of the Workmen's Compensation Act over a number of years show that in factories the incidence has not been more than 20 per thousand. The statistics collected under the Factories Act give the rate of non-fatal accidents in units using power as about 40 per thousand. This covers all accidents which involved absence from work for 48 hours or more. Under the Scheme the waiting period is three days unless disability lasts for 28 days at least. Thus, the incidence of disablement has been taken at 40 per thousand. The E.S.I. Scheme data for the last three years shows an average of 32 per thousand, with an average number of benefit days of 20 per spell. To have a safety margin, this average may be taken to be 25 days. This gives $.04 \times 25 =$ One day's benefit per employee, which has been adopted. The Interim Report has recommended $1\frac{1}{2}$ days for men and $\frac{3}{4}$ day for women.

(iii) *Death*: Statistics of the Workmen's Compensation Act show that the incidence of compensated fatal accidents in factories was 0.18 per thousand in 1956. The statistics collected under the Factories Act show that the rate has never been more than 0.10 per thousand. On balance, it is felt adequate to take it at 0.15 per thousand. The E.S.I. experience over the last three years gives .056 per thousand and the Interim Report recommends 0.20 per thousand for men and 0.10 per thousand for women

The cost of family pension on death varies with the age and number of surviving dependants. The cost can be taken to be the same as in survivorship pensions, already discussed in Part I. The only further point relates to the averaging of the cost over the various ages of the dying insured persons. Here again, an average cost has been adopted, as in the case of disablement. The weights in this case have been obtained from the age distribution of 205 deaths from employment injury recorded under E.S.I. Scheme so far. The age distribution adopted is as follows:

	%
Below 25	11.4
25-29	19.6
30-34	17.2

35-39	14.9
40-44	12.6
45-49	10.3
50-54	8.1
Over 55	5.9

	100.0

4. *Proportion Contributing.* On the basis of the proportions given in para 7 Part I, it has been taken that 85 per cent. of contributions will actually be paid.

5. *Proportion Claiming.* For claiming benefits dealt with in this part, there will be some condition about the minimum number of contributions for becoming eligible to benefits. At present, it is two-thirds of the number of weekly contributions due during the contribution period subject to a minimum of 12. An analysis of the contribution record for the major industrial centres of Bombay, Madras, Calcutta, Delhi and Kanpur shows that 6.8 per cent. do not satisfy the condition of minimum 12 contributions. On this basis, it may be taken that not more than 95 per cent. of the insured persons qualify for the benefits. On the other hand, those who go out of insurable employment carry some of the cash benefits earned for sometime after exit. On balance, therefore, no adjustment need be made for proportion claiming benefits.

TABLE I

Showing Invalidity and Withdrawal Rates.

Age	Invalidity Rate	Withdrawal Rate for entry age.				
		20	25	30	35	40
200650	...	...	...	...
210600	...	...	...	...
220550	...	...	...	...
230500	...	...	...	...
240470	...	...	...	...

Withdrawal Rate for entry age.

Age	Invalidity					
	Rate	20	25	30	35	40
25	.00020	.0440	.055	..	..	..
26	.00020	.0410	.048	..	..	..
27	.00020	.0380	.042	..	..	..
28	.00020	.0350	.037	..	..	..
29	.00020	.0330	.033	..	..	..
30	.00035	.0310	.030	.045	..	..
31	.00055	.0290	.027	.037	..	..
32	.00075	.0270	.025	.031	..	..
33	.00095	.0250	.023	.026	..	..
34	.00120	.0230	.021	.022	..	..
35	.00140	.0210	.019	.019	.030	..
36	.00160	.0190	.017	.017	.023	..
37	.00190	.0170	.016	.016	.018	..
38	.00220	.0150	.015	.015	.015	..
39	.00240	.0140	.014	.014	.014	..
40	.00270	.0130	.013	.013	.013	.015
41	.00300	.0120	.012	.012	.012	.010
42	.00340	.0110	.011	.011	.011	.007
43	.00380	.0100	.010	.010	.010	.005
44	.00420	.0090	.009	.009	.009	.003
45	.00470	.0080	.008	.008	.008	.001
46	.00530	.0070	.007	.007	.007	.001
47	.00590	.0060	.006	.006	.006	.001
48	.00680	.0050	.005	.005	.005	.001
49	.00800	.0040	.004	.004	.004	.001
50	.00920	..	..	..	..	..
51	.01080	..	..	..	..	..
52	.01270	..	..	..	..	..
53	.01500	..	..	..	..	..
54	.01740	..	..	..	..	..
55	.02000	..	..	..	..	..
56	.02290	..	..	..	..	..
57	.02600	..	..	..	..	..
58	.02950	..	..	..	..	..
59	.03330	..	..	..	..	..

NOTE: The invalidity for first five years of entry does not enter in the calculations, as no invalidity benefit is payable under the Scheme.

ANNEXURE II

WAGE SCALE

Wage Scale is at once the most important and yet the most difficult element in a pension scheme. In the present context, the problem of determining an appropriate wage scale for making calculations for the Scheme is made more complex not only due to the existence of well defined sections of membership mentioned in para 3 of *Annexure I Part I* but also due to variations on account of unit, locality and industry differentials. Workers are widely scattered in the various industrial centres, which have different wage levels; within a centre, there are marked wage differences between industries and between units in the same industry. To add to the complexity, the required basic data on wages are not available. To collect them, an extensive survey like a Wage Census is necessary, which in the present context is out of the question. Hence, reliance has to be placed on the guidance that can be had by piecing together the material available from different sources. In this direction, the records of E.P.F. for the Delhi Centre furnished important information on wage by age. The nature of the data is described in *Annexure II*. Further, the publication—*Industrial Awards in India*—gives in Appendices I & II basic minimum wages and dearness allowances fixed by Adjudicators, Industrial Tribunals, etc., for workers in important industries in the different centres. Subsequent information is given in the *Indian Labour Gazette* under quarterly wage revisions. The *Indian Labour Year Book* and the *Indian Labour Gazette* contain information collected under Payment of Wages Act and in the surveys of specific industries. The E.S.I. Scheme also had records of age and wage in respect of cases of permanent disability benefit occurring throughout India. These also were analysed to give corroborative evidence. All these sources were studied and further information on incremental scales was col-

lected by a personal visit to the important local factories in Delhi.

Then, we have the results of two important surveys on occupational pattern in manufacturing industries, which throw useful light on the structure of factory employment. One is the all-India sample survey by the Planning Commission and the Indian Statistical Institute conducted through the agency of Sample Survey of Manufacturing Industries in 1956. The second survey relates to 30th December, 1955 and was repeated in 31st December, 1956. It was conducted by the Director General, Resettlement and Employment, in Delhi Employment Market. Both surveys show that 90 per cent. of factory employees fall in the group of unskilled and operatives, the last term covering machine and plant operators and other craftsmen, such as, carpenters, blacksmiths etc. The remaining 10 per cent of the employees come under the groups of professional and technical staff, administrative and executive staff, and clerical, transport and communication and other service staff.

After a study of all this material, one feels on firmer ground in coming to a decision on wages of the unskilled group but a little less so on the case of operatives, where heterogeneity in occupation and wages is very great. In these two groups, fixed ages are the rule and incremental scale an exception. The position is different in the case of the remaining 10 per cent. section, which mainly comprises employees having varying incremental time scales; the saving grace, however, lies in the smallness of the group. In the situation, one cannot do better than assume dominant wage scales for various identifiable groups in the section. These assumptions can at best be based on the impression left on the mind after going through the available material, collection of fresh data being out of the question. A usual safeguard against going wrong and landing a long-range scheme like the pension fund in difficulties is to provide that the basic assumptions will be reviewed after a period of say, five years, when the necessary statistics will be thrown up by the actual working of the Scheme.

2. After a due consideration of the available material, the following average wages by age groups for the five identifiable groups of workers, which have a distinct wage basis, were

arrived at. The average wages for all workers entering at age 20, as adopted for calculations for the Scheme, are given in the column headed 'Adopted'. These are arrived at mainly by rounding off the exact average figures.

Age group	Unskill- ed	Opera- tives	Cleri- cal staff	Officers		All Worker average.		
				Junior	Senior	Exact	Ado- pted	E.P.F. Data
% of wor- kers in the grade.	(40.8)	(50.5)	(5.6)	(2.3)	(0.8)			
Below 25	75	90	120	215	...	88	90	67
25-29	82	120	155	255	325	111	115	91
30-34	87	140	180	310	390	127	130	108
35-39	87	150	225	360	480	136	140	122
40-44	87	160	280	370	500	139	145	130
45-49	90	160	330	370	500	149	150	124
50-59	90	160	370	370	500	151	155	137

The averages shown by the E.P.F. data for Delhi Centre are also shown side by side. The E.P.F. data give an average wage of Rs. 92 as against Rs. 101 shown by the Payment of Wages Act data for 1956. It will be seen that in each age group the proposed scale is usually Rs. 15-26 above the E.P.F. average. Thus, the adopted scale contains sufficient margin for future increases. Further, it, like the E.P.F. averages, shows rapid increases in the earlier years and a stable level in the later years. This conforms to the Workmen's Scale, which has been aptly described primarily with reference to the U.K. as follows:

"Among manual workers.... the average wage tends to reach a figure equal to the full adult wage at quite a young age, say 25, after a series of fairly rapid increases. There would be little variation thereafter and the only increases in earnings, which would normally occur would arise upon promotions, would be relatively infrequent and would have only a small effect upon the scale of average salaries. The curve representing the salary scale in such a case would thus rise rapidly for a few years, but after age 25 or thereabouts, would be almost level. Such a scale may be referred to as a workmen's scale."

A wage scale for the purposes of the Scheme will more appropriately be in terms of average wage according to age rather than as a time scale. The statistical basis for the wage scale adopted for the five groups of workers is discussed in Part II.

3. Workers join employment at ages well spread out in the age span 20-30. Entrants at age 25 will pass through the same, incremental stages and reach the same maximum, although they will enjoy it for the last five years only. In the case of entry age 20, it has been taken that senior officers will enter at age 25, and, hence, while entrants at age 20 do not have any senior officers against age 'Below 25', entrants at age 25 will include the prescribed quota of senior officers age 25. This small difference does not affect the emergent scale materially, because of the low percentage of senior officers. It will, therefore, be reasonable to adopt the same wage scale for entrants at age 25 with the difference that the figures in the scale will read against the next age group, the group 50-59 being split up into 50-54 and 50-59. The following table shows the wage scale adopted for other entry ages

Entry Age

Age Group	Entry Age							
	25	30			35			40
	Un- skilled	Skill- ed	Com- bined	Un- skilled	Skill- ed	Com- bined	Un- skilled	
25-29	90	60	40	75	25		100	
30-34	115	75	90	90				
35-39	130	82	120	110	75	90	90	
40-44	140	87	140	110	82	120	100	75
45-49	145	87	150	115	87	140	105	82
50-54	150	90	150	120	87	150	110	87
55-59	155	90	160	125	90	160	115	90

Column headed 'Combined' shows the scale adopted for the entry age. It is assumed that officers' class does not join at ages 30 and over and that the proportion of unskilled increases as the entry age increases. At age 30, unskilled from 60 per cent. at age 35, 75 per cent and at 40, cent per cent of the total entrants.

In every case wage by single ages was determined by interpolation.

PART II

4. *Occupational Distribution.* The results of two important surveys on occupational pattern mentioned in para. 1 may first be considered. The Sample Survey of Manufacturing Industries covered 4361 units out of a total of about 26,000 units of both types, using power and not using power. Units employing large number of workers were fully enumerated. The results may be taken to reflect the condition in the manufacturing sector fairly faithfully. The inclusion of factories not using power is a slightly disturbing factor for present purposes, but since employment in this sector is only about 9 per cent. of that in the sector using power, this is not of much significance. The point may, however, be borne in mind. The Delhi Market Survey covered the whole of public sector and about 50 per cent. of the units in private sector. Figures for manufacturing industries are available separately. The results of the two surveys in respect of manufacturing industries are as follows :

Occupational Group	Percentage of total according to :		
	SSMI	Delhi Market Survey	
		(31.12.56)*	(31.12.55)**
		Private Sector	Public Sector
1. Unskilled	47.14	40.4	18.0
2. Operatives	42.77	50.3	60.3
3. Professional & Technical	2.24	1.7	2.9
4. Administrative & Executive	1.39	1.4	1.4
5. (a) Clerical	4.54	5.6	15.1
(b) Sales	0.04		
6. Transport & Communication	0.64	0.4	1.1
7. Service Staff	1.24	0.2	1.2
	100.00	100.0	100.0

* covered 67,007 persons. ** covered 123,979 persons.

The percentages in the two surveys are consistent enough to provide a basis for calculations for the Scheme after suitable.

“Engineering”, usually forms a high wage section. In this group Transport and Transport Equipment had an average wage of Rs. 1560 in 1956 followed by the Basic Metal Industry with an average of Rs. 1488. The average wage was also high in Rubber and Rubber Products, being Rs. 1502. The average in the Textiles was considerably lower, being Rs. 1245. The average wage was low in Paper and Paper Products (Rs. 1036), Leather and Leather Products (Rs. 756) and Chemical and Chemical Products (Rs. 981).

For arriving at an all-India wage scale, an idea of the variations described here is necessary.

(ii). *Basic Wage* : In so far as workers comprising unskilled, piece-rated operatives and a great majority of time-rated operatives are concerned, incremental time scale is an exception, This group gets a fixed wage. The pattern in cotton mills, which, as already shown, dominate factory employment, is set by the Bombay and Ahmedabad Awards. They lay down fixed wages. Next in importance come jute mills, if the heterogeneous engineering group is passed over for the present. In the jute industry, there is no incremental scale and similar is the position in very many other industries. The cotton mill scales are very often looked upon as guiding lights for fixing wages in other industries. As regards promotions, there is very little mobility between the groups of unskilled and the operatives. The workers, while generally remaining in their group, may get a small *ad hoc* increment in wages, either as a result of promotion to a slightly better paid job or as a reward from the employer or due to increased skill and proficiency resulting from continued handling of the same job. A notable exception in this matter is the heterogeneous engineering industry. In this industry, in most of the bigger units, the workers get an incremental scale. In one important Award, the following scales were fixed :

Unskilled	30- $\frac{1}{2}$ -35
Semi-skilled	Gr. II. 35-150
	Gr. I. 50-260
Skilled	Gr. III. 60-4-100
	Gr. II. 100-5-150
	Gr. I. 150-6-210-8-250.

In the public sector, which accounts for nearly 1/8th of total factory employment, incremental scale is being increasingly adopted. A typical example is as follows :

Unskilled	Gr. II. 30- $\frac{1}{2}$ -35
	Gr. I. 35-1-50
Operatives	Gr. III. 50-2-60-3-75
	Gr. II. 75-5-100-8-140-10-160.
	Gr. I. 160-10-330 (really a junior technical supervisory staff as the next grade is that of Asst. Engineers).

In the units in the private sector, where there is an incremental scale, any number of variations in the scale may be expected. One common feature of incremental scales for workmen, however, is that they have a narrow bridge.

As regards the remaining occupational groups 3-7 mentioned in para. 4, which together account for 10 per cent. of the total employment, there are distinct incremental scales based on length of service for each group. The scales are varied, but these occupational groups are small and too much accuracy in the incremental scale need not be aimed at. There are fairly well recognisable modal scales, which can well serve the purpose of calculation. So long as any reasonable scale is adopted, the final result will not materially differ.

(iii). *Dearness Allowance* : This element in wage has no long range stability, as it is liable to fluctuations according to the price levels. In the Textile Mills during 1954-57, while dearness allowance in West Bengal remained at Rs. 30 p.m., it increased from Rs. 50 to Rs. 55 in Kanpur, from Rs. 45 to Rs. 54 in Madras, from Rs. 41 to Rs. 54 in Nagpur, from Rs. 52 to Rs. 56 in Indore, from Rs. 69 to Rs. 74 in Ahmedabad and from Rs. 65 to Rs. 79 in Bombay. The Bombay Mill-owners' scale of dearness allowance, linked as it is to cost of living, very often acts as a determinant of dearness allowance in many other industries. In those industries, dearness allowance is usually a percentage of the Bombay figure.

Here again, there is a difference in respect of unskilled and operatives groups and the rest, which is linked to the situation regarding basic wage. In a few instances, dearness allowance

may be given as a percentage of basic wage, but, by and large dearness allowance for all unskilled and operatives is a flat amount. It may be mentioned separately or included in the consolidated wage and there is no uniformity. For other occupational groups, and the operatives group, where there is an incremental scale, it may be prescribed by grade or basic wage slabs. For instance, in a unit in the public sector, unskilled gets Rs. 45 p.m. as dearness allowance, operatives Grade III Rs. 45, Grade II Rs. 55, Grade I Rs. 65. In another important unit, dearness allowance is Rs. 28 upto Rs. 50 basic wage, Rs. 33 for basic wage between Rs. 50-70, and so on, increasing by Rs. 5 for the different wage slabs of varying width and going to a maximum of Rs. 78 for the range of salaries under consideration. In the Engineering Industry Award in Bombay, dearness allowance was fixed at Rs. 25 for basic wage upto Rs. 50, Rs. 35 for basic wage between Rs. 51-100, Rs. 40 for Rs. 101-150, Rs. 45 for Rs. 151-200, Rs. 50 for 201-250, Rs. 60 for Rs. 251-300, and Rs. 70 for Rs. 301-500. The same rates were awarded for the Engineering Industry in West Bengal.

The final effect of the incidence of the dearness allowance system described above is to tone down the wage differentials by occupation, particularly in the unskilled and operatives groups. In the lowest paid categories, dearness allowance is usually more than the basic wage, in others it is very substantial. Hence, it is more to the point to think in terms of consolidated wages, in so far as these two occupational groups are concerned. The narrow incremental bridge, wherever it exists, loses much of its significance. In the other groups, it disturbs the incremental scale, since dearness allowance, which is quite substantial, remains the same over a wider range of pay than the incremental bridges. So, for these groups, it would be appropriate to take note of the incidence of dearness allowance as a separate item.

6. *Workmen's Wage Scale.* After considering the available information regarding wages and dearness allowance by grades and occupations, and the distribution of workers between them, and taking note of chances of promotion, the next step is to fix the average salary for each attained age. For this purpose, the actual data on present wage by age may be a good guide, if the age distribution of workers, and the conditions of wage

increment, and promotions were fairly stable. In our present stage of development, however, this is not so. The approach therefore, has to be to make an estimate of expected wages, which may reflect, with reasonable accuracy, future progress in the industry as a whole. It is possible that the actual experience of the individual age groups may show fairly wide fluctuations

The problem of wage scale for the industry has, thus, to be conceived of in terms of workers falling in various grades, each receiving a distinct wage, which may or may not relate to age and/or length of service in the grade. In the case of unskilled and operatives, it is, generally, not related to age or length of service. Some promotions, but not frequent, may occur according to vacancies arising or efficiency attained. The industry, taken as a whole, works out to fairly stable ratios of the number of workers in related wage groups determined by the nature of employment and economic and other forces. This underlying structure of the industry tends to produce at successive age groups a certain pattern of occupational classification and corresponding average wages. That generates a pattern of average wages by age which may not be a pronounced or a wide one. It is well illustrated practically by the E P F data on average wage by age group given below

Age	Average wage for wage slab.					
	Below 70	70-99	100-179	70-179	180 & above	All Wages
Below 25	52	80	122	96	234	67
25-29	55	83	131	109	264	91
30-34	55	82	131	110	271	108
35-39	55	81	133	111	265	122
40-44	56	82	133	116	267	130
45-49	50	81	138	112	278	124
above 50	53	83	136	117	296	137
All ages	53	81	130	107	270	92
	3,137	1,221	1,305	2,526	484	6,147
No. of workers	51%	19.9%	21.2%	41.1%	7.9%	100%

There is absence of any evidence of time scale in the wage groups below 70, 70-99 and 100-179 except for an appreciable increase in changing from age group "Below 25" to 25-29. The average wage by age in the two component wage slabs, under the impact of percentage of workers in each, generates some sort of a wage scale, which is in evidence in the composite wage slab 70-179. The wage slab "180 and above" shows a distinct evidence of an incremental time-scale. In the final result, average wages in the various wage slabs under the impact of the respective percentage of workers in each, give rise to a distinct wage scale shown under the column "all wages." It conforms to the features of Workmen's Scale described in para 2.

7. *Wage Scales Adopted.* (i) *Unskilled Group* : For this group, basic wage of Rs. 26-30 per month is widely prevalent at present in most of the industries; in West Bengal, it is as low as Rs. 20.15. The element of dearness allowance, however, shows a large variation between industries and localities. In Delhi, a consolidated wage of Rs. 52.50 p.m. is the prescribed minimum for certain industries. There is a large volume of employment on Rs. 45 p.m. in many other industries. A study of the wages of the unskilled worker given in the *Indian Labour Gazette* and the Awards shows that the consolidated wage goes above Rs. 65 per month only in a few localities. In a large majority of industries and localities, it is well below. In the Delhi Cloth Mills with the level of dearness allowance at say, Rs. 55, the wage of an unskilled worker comes to Rs. 80 or so. In Cotton Textiles at Bombay, Ahmedabad, Sholapur, Kanpur and Delhi it is above Rs. 108. In the public sector, it is Rs. 75 to 80. These figures do not include cash payments by way of house rent, compensatory allowance and the like granted by Government, but these elements do not take the average very much high. The low wage pockets are more numerous in the industry taken as a whole. The average wage of Rs. 65 per month will appear to be a safe figure for an unskilled worker in the manufacturing industry. This is further supported by the wage distributions shown by the E.P.F. and E.S.I. data. They are given below :

E.P.F.				E.S.I.			
	No. of Workers	Per cent	Average Wage Rs.		No. of Workers	Per cent.	
1. Below 49	736	12.0	40	Below 52	417	10.7	
2. 50-59	1,521	24.7	55				
3. 60-69	880	14.3	62				
4. 70-79	569	9.3	74	52-78	816	21.1	
5. 80-89	351	5.7	83				
6. 90-99	301	4.9	93	78-104			
7. 100-129	694	11.3	111		1,311	33.9	
8. 130-179	611	9.9	150	104-156	993	25.6	
9. 180 & above	484	7.9	270	156 & above	330	8.7	
	6,147	100.0	92		3,873	100.0	

E.S.I. data relate to cases of serious employment injury, which entailed the grant of permanent disability benefit to the worker. In such cases, an individual record is maintained, which shows the age at the time of accident, and the daily rate of full benefit; to which the percentage of disability is applied to determine the amount of benefit payable. The full rate of benefit is fixed according to the wage slabs, in which the actual earnings of the worker fall. The wage slabs are fairly close. Hence, the record can be used to obtain indirectly the wage distribution by the age of workers. It may, however, be noted that the plant and the machine operatives are, generally speaking, more liable to accidents than the unskilled or the supervisory type. The E.S.I. data have, thus, a bias, which gives substantially higher representation to machine and plant operatives. If allowance is made for this fact, the two distributions agree fairly well with each other. E.P.F. data bring out an average wage of Rs. 92, whereas E.S.I. data show the average at Rs. 100. Provident Fund data show 36.7 per cent. of employees getting below Rs. 60. The proportion for unskilled labour adopted in para. 4 is 40.4 per cent. and to reach this percentage, the wage limit of Rs. 65 will be covered. E.S.I. data show that 31.8 per cent. get below Rs. 78 per month and to make up the unskilled proportion of 40 per cent. the wage

limit will go upto Rs 85 per month or so, but this has to be discounted for the bias for operatives.

The present pressure by the workers for rise in wages is likely to grant some increase to the unskilled group. In the near future, there are few chances of the price level coming down. It is, therefore, considered that for purposes of calculation, the wage scale for unskilled workers, generated in accordance with the explanations given in para. 6 above, may be taken to start at Rs. 75 per month for age 20, and to rise by the retiral age of 60 by 20 per cent, to Rs 90 per month as follows :

	Proposed	Provident Fund Data
	Rs.	Rs.
Age below 25	75	52
25-29	82	55
30-44	87	55
45-60	90	51

For the sake of comparison, the actual average wage for workers getting below Rs. 70, which is the range for unskilled workers according to E.P.F. data, is also shown. The wage scale may become more pronounced due to future developments in regard to wages following the initiative taken by the public sector in granting an incremental scale to unskilled workers.

(ii) *Operatives* : This group may be taken to start at the upper wage limit of unskilled worker. The wage may increase rapidly in the earlier years reaching nearer the stable level in five to 10 years. Then, a small fraction may get promotion as foremen and overseers in due course. According to the E.P.F. data employees getting over Rs. 180 form 8 per cent. This percentage suggests that the wage group of over Rs. 180 pertains mainly to professional, technical, administrative, executive and such of clerical staff, as cross the limit of Rs. 180 consolidated pay, since all these together approximately form 8 per cent, according to the occupational distribution given in para. 4. Thus, by a process of elimination, the operatives would seem to fall in the wage slab 65-180. It may be recognised that

this group covers all shades of skilled and semi-skilled workers, who get wages, which may be fixed at various points in this wage slab. The average wage of this group in Delhi Cloth Mills and Swatantra Bharat Mills is about Rs. 125. In Delhi Cloth Mills (Chemicals) it is Rs. 110 per month against an average of about Rs. 85 per month for unskilled workers. In Ayodhya Textile Mills, it is about Rs. 80 against an average of Rs. 65 for unskilled workers. In the silk section of Swatantra Bharat Mills the average is about Rs. 115. In Delhi Cloth Mills, a piece-rated worker gets nearly Rs. 130. Unfortunately, unlike the case of unskilled group, information on the average wages of the group is not available extensively for localities and industries. But the above figures, even though, relating to a few isolated instances, taken with the range for the wages of the group and the marked differentials by locality and industry, help to suggest, for calculation purposes, an average wage scale generated in accordance with the explanation given in para. 6. This average scale may be taken as follows:

	Proposed	E P F. Data
	Rs.	Rs.
Below 25	90	96
25-29	120	109
30-34	140	110
35-44	150	113
45-55	160	115

The figures under E.P.F. data show the actual average for workers getting Rs. 70-179, the range for the group.

(iii) *Clerical Staff*: The Delhi Cloth Mills has a basic wage scale of Rs. 55-5-90-6-120-8-160-10-210-15-300 for clerical staff. In the Central Government a Lower Division Clerk gets Rs. 60-8-81-E.B. 4-125-5-130, an Upper Division Clerk Rs. 80-5-120-8-200-210-220 and an Assistant Rs. 160-10-300-15-450. All the three grades are combined in one of the Delhi Cloth Mills grade. In the industry, there are sharp rises in time scale, since the clerical staff there has a greater responsibility for independent handling of important matters. A simplified form of the Delhi Cloth Mills grade that may be adopted for calculation seems to be Rs. 55-5-90-6-120-8-160-10-300.

(iv) *Professional and Technical group* : This group may be taken to have two grades Rs. 150-10-300 and Rs. 250-10-300-15-360-20-500.* The ratio of posts in junior and senior grades may be taken as 7 : 3.

(v) *Administrative and Executive group*. As in (iv) above except that the ratio of posts in junior and senior scales may be taken as 8 : 2.

For categories (iii)-(v) above dearness allowance may be taken at the present Government rate of Rs. 55 for basic pay slab 51-100. Rs. 60 for 101-150, Rs. 65 for 151-200 and Rs. 70 for 201-500. On the above bases, the salary scales of clerical staff, junior and senior officers in the various age groups work out as follows :

	<i>Clerical Staff</i>	<i>Officers' Jr. Scale</i>	<i>Officers Sr. Scale</i>	<i>E.P.F. Data</i>
	Rs.	Rs.	Rs.	Rs.
Below 25	120	215		234
25-29	155	255	325	264
30-34	180	310	390	271
35-39	225	360	480	265
40-44	280	370	500*	267
45-49	330	370	500*	278
50 & over	370	370	500*	296

* Since the Scheme is limited to the ceiling of Rs. 500 wage. For the sake of comparison, the average salary for employees getting Rs. 180 and over, the range of pay for this class according to E.P.F. data, is also shown.

(vi) *Transport and Communication staff* : This group consists mainly of drivers and cleaners. Drivers get slightly more than an unskilled worker. One Award gave drivers Rs. 70 consolidated. In another, a basic wage of Rs. 40-3-70 plus dearness allowance was given. Cleaners fall in the group of unskilled workers. Considering their scale, the drivers may be included in the group of operatives and the cleaners in the group of unskilled workers. The group may be split up into operatives and unskilled workers in the ratio of fifty-fifty.

(vii) *'Other Services'* : This category consists mainly of watchmen, peons, sweepers, etc. In this group, only watchmen

and peons may have distinctly better scale than the common scale of unskilled workers, but the rest of the group may be identified with the latter. In one award the watchmen got Rs. 30-2-50 plus dearness allowance. In another, Rs. 40 basic with Rs. 40 dearness allowance. In a third, their wage was fixed at Rs. 22 basic with Rs. 26 dearness allowance. Peons get the grade of Rs. 30-1-35 with dearness allowance at Rs. 50 in the Central Government. These specific scales for watchmen and peons suggest that for calculation purposes, the group as a whole may be assigned to the unskilled group.

The wage scales adopted for the five categories of workers are reproduced in para. 2 above.

*Statement Showing Important Industries and
Their Main Location.*

Statistics of factories for 1956 show the following important industries with their location. The figures in brackets indicate employment (in thousands) in the industry in 1956:

1. Edible Oil including hydrogenated oil (52)* —Bombay (19) & U.P. (7)
2. Tea factories (90) —Assam (55), West Bengal (27)
3. Cotton Mills (760) —Bombay (476), M.P. (43), Madras (103), U.P. (57), West Bengal (41), Delhi (16).
4. Jute Mills (273) —West Bengal (254)
5. Silk Mills (48) —West Bengal (36), Punjab (7)
6. Woollen Mills (14) —Bombay (4), Punjab (4), U.P. (3), West Bengal (1)
7. Paper (21)* —West Bengal (10), Orissa (3)
8. Letter Press and Lithographic Printing & Book Binding (75)* —Bombay (26), Madras (13), West Bengal (10), U.P. (9).
9. Tanneries & Leather Finishing (15) —Madras (8), U.P. (3)
10. Rubber Footwear (12) —West Bengal (12)

- | | |
|---|---|
| 11. Fine & Pharmaceutical
Chemical | (17)* —Bombay (6), West Bengal
(6) |
| 12. Matches | (21)* —Madras (14) |
| 13. Glass & Glass Products | (30) —Bombay (7), U.P. (12), West
Bengal (7) |
| 14. Pottery, China &
Earthen-ware | (13) —Bombay (3), West Bengal
(5), M.P. (3) |
| 15. Cement | (10)* —Bihar (5), Bombay (3) |
| 16. Mica Factories | (13) —Bihar (12), Andhra (1) |
| 17. Iron and Steel | (48) —Bihar (23), West Bengal
(23) |
| 18. Rolling & Rough Casting
Metal Industries | (39)* —Bihar (8), West Bengal (18) |
| 19. Metal Containers &
Steel Trunks | (26)* —Bombay (9), West Bengal
(7) |
| 20. Textile Machinery &
Accessories | (14)* —Bombay (7) |
| 21. General & Jobbing
Engineering | (63)* —West Bengal (19), Bombay
(15) |
| 22. Ship Building & Re-
pairing. | (32) —Bombay (12), West Bengal
(14), Andhra (4) |
| 23. Railways Workshops | (117) —Bihar (13), Bombay (30),
Madras (20), U.P. (21) &
West Bengal (23) |
| 24. Repair of Motor
Vehicles | (48) —Andhra (23), Bombay (14),
Madras (14) |
| 25. Electricity, Light &
Power | (24)* —Bombay (5), West Bengal
(5) |

* Industries marked with an asterisk occur in a fairly good concentration in other States as well.

These together account for 1894 thousand workers in a total factory employment of 2882 thousand.

Besides the above, there are Sugar (96), Ginning and Baling (105), Rice (66), Bidi (71), Bricks and Tiles (16) and Ordnance (61) industries together accounting for 415 thousand workers. As in the E.S.I. Scheme, they are not likely to be covered under the Scheme.

ANNEXURE 3

Withdrawals

The E.P.F. has valuable data on withdrawals and wage by age of workers. The Fund keeps a record of the identity of the worker joining the Fund, date of appointment, and the date, age and wage at joining. Where the worker goes out of the Fund, information regarding the date and cause of exit are also maintained. To obtain information about withdrawals and wage by age of workers, the E.P.F. records for Delhi centre were specially analysed. Since these records are created in connection with the Pension Fund, which involves contribution by employer and the employee, it can safely be presumed that the record of wage is very reliable. Further, the current withdrawal experience of workers attached to the industries covered is properly reflected by these records, since casual workers are weeded out by the condition that workers can join the Fund only practically after a year of service. Only genuine withdrawals are recorded as such, since a withdrawal entry is made, only if the worker keeps out of insurable employment for six months at least.

2. To appreciate the significance of the data, a few facts about the Scheme may now be given. The E.P.F. scheme started in November 1952, covering six industries. Therefore, the scope was extended on different dates during the period 31st July 1956 to 30th November 1957. The Fund for Delhi Centre finally covered two units in cement, 56 units in electrical, mechanical and general engineering products, two units in Iron and Steel, three in Textile, two in Edible Oils and Fats, 12 in Printing, one in Refractories, one in Tiles, four in Heavy and Fine Chemicals, one in Oxygen, Acetylene and Carbon-dioxide gases industries and eight in news-paper establishments. In July 1957, the wage limit for the membership of the Fund was raised from Rs. 300 to 500 per month. Thus in the years 1953-55, the membership increased mainly due to first entrants in the industries, which had been initially covered. After

1956, quite a large number of old entrants joined the Fund, as more industries were covered. All the workers, who were on the Fund of Delhi centre at any time during the period 1st January 1953 to 31st December 1957 were included in the analysis. Naturally, exempted units were not included.

The total number of workers, whose records thus became available, was 7386. Of these, 111 were women. There were only six exits due to withdrawals during the period and 105 women were on the Fund on 31 December 1957. The remaining 7275 were male workers, of whom 515 were discharged by the employer, 517 withdrew on their own and 24 died. The number of male workers on the Fund as on 31st December 1957 was 6219. Of these, only 1664 were first entrants in employment since the Fund started. Thus, the membership included a good proportion of workers having longer period of service. On the other hand, the Fund started in November 1952 and is still young. The workers have yet to realise fully the value of keeping their contributions in the Fund. The tendency to withdraw their money early along with a portion of employer's contribution, which to them is easy money, is in evidence. There is an opinion that the present waiting period between the date of entering employment and of joining the E.P.F. encourages a tendency in the employers to discharge workers from service before they become eligible for membership, in order to save employers' contribution. Such a consideration may work mainly with the unskilled workers, for an employer does have a greater value for experienced skilled and semi-skilled workers. Further, the better organised units get exemption. On balance, it may be taken that experience reflected by the present data is a good guide for the present condition in the industry at large. It has, of course, to be suitably modified keeping in view the possibility of further stabilisation, as the Scheme progresses and labour legislation becomes more effective.

3. The average wage per worker, according to the data, came to Rs. 92/-, whereas the payment of Wages Act, which so far covered employees getting Rs. 200 per month, show that the average wage in Delhi during the period 1952-56 was Rs. 113. The all-India average according to the Payment of Wages Act during this period was 95/-. The records of 3837 disability

benefit cases under the E.S.I. Scheme gave an average of Rs. 100/- per month for all-India. According to the Payment of Wages Act data, the average for perennial factories for 1956 was Rs. 122 per month for Delhi, Rs. 118 for Bombay and Rs. 101 for all-India. It would thus appear that the average given by the E.P.F. data is on the lower side. This seems to be so because of the exemptions from the Scheme, which by virtue of the condition for granting such exemption, extends mostly to the more advanced employers, who have a similar scheme of their own. The information furnished by the employers of the exempted factories for the month of April 1958 regarding their total wage bill and the number of subscribers to their Fund on the last date showed that the average wage in the case of Ayodhya Textile Mills was Rs. 96/-, Bombay Textile Mills Rs. 93/-, Delhi Cloth Mills Rs. 108, Delhi Cloth Mills Chemicals Rs. 112/- and Ganesh Flour Mills Rs. 100/-. These figures confirm the general conclusion that the better paying employers are under-represented in the present E.P.F. data. The analysis of the data on wage by age is discussed in *Annexure II*.

4. The data for the Delhi centre showed the following withdrawal by ages, the number exposed to risk having been determined by the 'Policy Year' method :

<i>Age at entry in the Fund</i>	<i>Withdrawal Rate %</i>
Upto 22	4.08
23-27	8.64
28-32	7.86
33-37	7.39
38-42	6.32
43-47	6.88
48-52	6.97
Overall	6.98

The above figures show only a small decline with age, in the withdrawal rate ignoring, for the present, the subnormal rate for ages below 22, which is not easy to understand. The rate does not show the sharp decline as the age increases, which is usually associated with withdrawals. The data were further analysed, taking into account only the first entrants in factory employment. The following withdrawal rates by year of service were obtained :

Age at entry in the Fund	Withdrawal Rate Per cent		
	1st year	2nd year	3rd year
Upto 22	8	13.8	10.1
23-27	10	10.9	11.6
28-32	7	9.4	4.2*
33-37	7.1	15.6*	5.3*
Over 38	7.1	6	4.5*
All ages	8.3	11.9	8.8

* Based on only about 50 workers or so.

The first year in the above table roughly corresponds to the second year of employment, because of the condition of waiting period in the E.P.F. Scheme. The withdrawals in the third year of employment are rather heavier than those in the second year. In the fourth year they continue to be quite heavy at least upto the age 27. The withdrawal rates become small after fourth year of employment. Here again, the rate upto age 22 is lower than that in the age group 23-27 in the second and the fourth year of employment. The above features are rather peculiar and contrary to the prevalent notions about established industries. They may perhaps be due to the fact that in the country, industrial population taken as a whole, is still in a state of immaturity. It is affected largely by the urge of the workers to return to their native place after they have been in a factory employment for sometime. Perhaps things may improve when the withdrawal benefit gets considerably reduced and the provident fund is replaced by a pension scheme. Most of the well organised units have built up a stable labour force and their withdrawals are very low. This tendency may spread further with the increasing tempo of labour legislation directed to ameliorate the workers' condition and further advancement of their rights. In view of these developments, it is presumed that the withdrawal experience of the Scheme will follow the usual course of heavy withdrawals in the earlier years dropping down sharply, after a few years, to lower levels. As against the present withdrawal rate of 7 per cent, nearly half of which is contributed by employers' discharge of workers, it may be assumed that the experience will stabilise at a much lower level, particularly due to marked reduction in discharges by employers.

5. Information regarding membership of the Fund, number of entrants and exits by cause, e.g., discharge by employer, resignation by the worker, death for each of the five years of existence of the Fund was also collected from 27 most important industrial centres in the country. It covered over 2.8 lakh workers spread all over India. Its analysis showed that the exit rate from all causes was 7.6 per cent. of the membership; withdrawals due to discharge by employer and resignation by workers was 7.3 per cent. These leave out first year withdrawals. Discharge by employer accounted for 48 per cent. of total exits as against 43 per cent. exits due to resignation and 5 per cent. due to death. These percentages for the individual centres varied considerably. For instance, the rate of exit varied between 0.30 to 0.21

6. The data discussed in the preceding paragraphs seem to establish that the present rate of withdrawal is about 7 per cent. of membership; that, in the rate, there is very little variation with age and that withdrawals are heavier in the first four years of entry, after which decline starts. As discussed in paragraph 4 it is to be expected that the Scheme will be effective in stabilising labour and bringing the withdrawal experience more and more in conformity with the general trend recorded elsewhere. It is proper to adopt withdrawal rates based on such anticipations, as unduly heavy withdrawals, which may not be experienced, lead to an under-estimation of liabilities of a pension fund. There is no Indian table of withdrawal rates which can serve as a guide. In the circumstances, one cannot be better than to rely on an appropriate table pertaining to foreign countries. A study of the available material suggested that, for purposes of calculation, the rates may be adopted from the tables constructed from the Funds of the Great Railway Service in U.K. Among others, this was taken into account by the Departmental Committee on Superannuation Funds of Railway Companies. The withdrawal rates and invalidity rates for entry age 20 so determined are given in Table I Appendix I. The withdrawal rates for other entry ages shown in this Table were fixed keeping in view the fact that withdrawals are affected not so much by the age of the person as by the length of service.

7. As an evidence of the suitability of the rates of withdrawal, invalidity and death adopted, the ultimate composition of a fund experiencing such rates and supported by 10,000 new entrants at age 20 may be considered. Such a Fund will experience 3,004 deaths, 4,984 withdrawals, 591 invalidity retirements and 1,420 normal retirements giving the corresponding rates per 100 members to be 1.73, 2.87, 0.34, 0.82 respectively. This gives a total labour turnover rate of 5.76, which may be contrasted with the present rate of 7.6, of which 7.3 is due to withdrawals. The assumed labour turnover rate is somewhat below the present one, but the striking difference lies in its distribution between deaths and withdrawals. It is only natural that when withdrawals are reduced, more deaths will be recorded by the Fund.

The following table shows the percentage of workers in the various periods of length of service in such a Fund and the various well-stabilised industries. The figures for industries have been taken from the results of surveys given in the *Indian Labour Gazette*. The last column shows the figures for several industries combined, covering most of the important ones but not all.

Under 1 yr	5.8	6.1	6.0	5.6	5	8.7	6.0
1-5	23.1	32.2	8.2	11.5	29	11.9	28.0
6-10	17.5	30.2	39.5	25.1	10	32.6	32.6
Over 10	53.5	31.5	46.3	54.5	56	46.8	33.4
	100.0	100.0	100.0	100.0	100	100.0	100.0

There are all shades of staff stability. Cotton Textiles represent a fairly stabilised industry, while the others given above are the highly stabilised ones. On the other extreme is glass, for instance. In the industry 36 per cent. of workers have under one year of service and only 8 per cent. have over 10 years of service. The above figures show that percentages relating to the Fund are within practical limits. It may, however, be borne in mind that, actually, new entrants will join at ages later than 20 and withdrawals in the industry as a whole will take a long time to come down to the level assumed. At present, deaths shown by the E.P.F. data are subnormally low, the death rate being only 0.43 per cent. Persons in indifferent health get out as withdrawals, but as these go down, deaths will go up.

ANNEXURE 4

Family Statistics

In the E.S.I. Scheme, dependants' benefit to widow and children becomes payable on the death of an insured person due to employment injury. Accordingly, on such death a card is prepared, which *inter alia* shows the ages of the insured person, the widow and the surviving children. The experience is limited, as only 205 cases are on record so far. However, the material was analysed to serve as a broad guide in determining the figures to be assumed for purposes of calculation.

It was found that in 22 cases neither a widow nor any child was left surviving and in eight cases only children survived, there being no widow. These figures indicate that in a very high proportion of cases widows and children are left as survivors. It is erring on the safe side, if the small fraction of cases not leaving surviving claimants, is ignored. Accordingly, it has been assumed that in every death case there will be a surviving widow and children as discussed below.

The data show that 25 per cent. of workers leave no child on death. Childlessness is a known feature of Indian fertility pattern. 1931 census results showed 6 per cent. of marriages, which had lasted 15 years or more, as sterile. This percentage is 11 for marriages, which had lasted 10-14 years, 16 for 5-9 years, 30 for 0-4 years. Workers can get involved in accidents at all durations of marriage and hence 25 per cent. of childless cases is not entirely out. An analysis of the data gave the following percentages of workers in the various age groups having no child, at least one child, at least two children and three or more children, the children in all cases being below age 18.

Age group	Percentage of workers having at death number of children below 18 at least			
	0	1	2	3 or more
20-29	26	74	50	8
30-39	16	84	76	15
40-49	27	73	61	11
50 & over	42	58	45	29

The differences in the ages of wives and husbands and ages of children in the various age groups of husbands were as follows :

Age of husband	Wife younger by Years	Age of child		
		1st youngest	2nd youngest	3rd youngest
20-29	3.1	1.3	4.6	7.6
30-39	6.2	2.8	5.5	8.0
40-49	5.9	4.5	8.0	9.9
50 & over	12.2	5.0	8.2	10.1

On the basis of the above, the figures given in para 6 relating to Family Statistics in Part I Annexure III were adopted. The appropriateness of these figures may be seen from the results obtained elsewhere. National Sample Survey in its study on 'Couple Fertility' shows an average difference of 7.1 years in the age of wife and husband in the urban areas in India. This average in the case of England was 2.7. According to the National Sample Survey results, the interval between first and second birth is 2.8 and between second and third birth it is 2.7. Data concerning London Fire Brigade gave the following comparable figures.

Age of husband	Wife younger by Years
27	1.8
32	2.8
37	3.3
42	3.9
47	5.2

ANNEXURE 5

Proportion Contributing :

The contributory record available on about 7,500 contribution cards pertaining to one set having contribution period July, 1957-January, 1958 from the Delhi Regional Office, was analysed to determine the proportion contributing in each year after entry. The contribution card bears the weekly stamps in respect of the employees' weekly contributions paid but there is no information about the year of entry. The only way was to fix it with reference to the insurance number allotted during the successive half yearly contribution periods. The following figures show the number of cards falling in each half-yearly periods starting from July, 1957-January, 1958 and counting backwards and the number of contributions paid during July, 1957 to January, 1958

<i>Half-yearly period (counting backward)</i>	<i>No of IPs</i>	<i>No. of Cont. paid</i>	<i>Average (3)/(2)</i>	<i>%</i>
(1)	(2)	(3)	(4)	(5)
1st (July, 1957-Jan, 1958)	2841	42110	14.8	57
2nd (Jan., 1957-July, 1957)	1182	23655	20.0	71
3rd (July, 1956-Jan., 1957)	1284	27661	21.5	81
4th (Jan., 1956-July, 1956)	872	19646	22.5	87
5th (July, 1955-Jan, 1956)	741	17258	23.3	90
6th (Jan., 1955-July, 1955)	452	10556	23.4	90

Col. (5) shows the percentage of the average to the possible number of 26 contributions. The percentage reached a high level for entrants prior to second half-yearly period.

Entrants in the first and second half-yearly periods ran their first year in the contribution period under consideration, those in the third and fourth their second year and those in the fifth and sixth their third year.

There is a sharp difference in the percentage shown by the entrants in the two periods, evidently because the entrants in

the first period do not get a chance of contributing for the whole six monthly period, while those of the second period do. The latter may, therefore, be taken to reflect safely the percentage of contributions which entrants will make during the first year of entry, as it is not unsound to presume that under stable conditions the contribution performance during a period of six months, more or less, reflects the performance during a whole year. It may be emphasized that in the present context, we are concerned with the contribution performance of members who stay on in the Scheme during the year, excluding those who opt out during the year. The defaults in contribution arise for various factors, these being (a) full weeks of excusals on sickness, disability and maternity (b) no liability to pay when not earning wages as e.g. being on unauthorised leave, strike or lock out. For the same reason, the contribution performance of the fourth period entrants may be taken to reflect the percentage contributing in the second year of their stay and that of sixth period entrants in the third year of their stay. On this evidence it is safe to assume that 70 per cent of contributions will be paid during the first year, 80 per cent the second year and 85 per cent during the next 20 years followed by 90 per cent during the remaining period of their membership. The percentages appear to be reasonable and erring on the side of safety considering the magnitude of the defaults that can arise due to the exigencies enumerated.

APPENDIX IV

INCIDENCE OF WAGE SUPPLEMENTS, PARTICULARLY IN RESPECT OF MEASURES OF SOCIAL SECURITY IN CERTAIN SELECTED INDUSTRIES IN SOME COUNTRIES IN EUROPE

The *International Labour Review*, Vol. LXXVI, No. 6, December 1957 contains an article under the heading "Wages and Related Elements of Labour Costs in European Industry, 1955—A Preliminary Report". The article gives, for selected European countries, figures of wages and other items of labour cost based on returns from 8,000 establishments in the following industries: cotton textiles, leather footwear, radio electronics, machine tools, ship-building, steel, coal mining and state railways. The coverage was generally high with more than 50 per cent. of the workers being covered by the data for most industries and countries. The samples tended to overrepresent larger establishments, which may have led to some, but not serious, upward bias in the indicated levels of wages and other labour costs. The detailed figures and findings are available in the article. The following is a brief summary:

Table 1 given below shows the percentage ratio of non-wage elements to the total of all comparable elements of labour cost in 1955 in the various industries in the different countries.

The elements of labour cost included are comparable from country to country and exclude the residual item 'other payments related to labour costs', such as costs for recruitment and training, and tax on wages, as in France. The excluded items generally formed only 0.2 to 0.3 per cent. of the total labour cost except in France, where they came to 5.3 per cent. The non-wage elements as taken here cover bonuses, payments in kind, time paid for but not worked excepting holidays, obligatory and non-obligatory social security contributions, direct benefits and subsidies. These non-wage items are sometimes

TABLE I

COUNTRY	INDUSTRY								
	Cotton Textiles	Leather Footwear	Radio Electronics	Machine Tools	Ship Building	Steel Industry	Coal mining	Railways (State)	Average (Manufacturing Industries only)
Yugoslavia	48.2	48.9	...	49.7	48.1	37.2	47.5	48.1	46
Italy	43.4	42.5	43.0	40.6	42.0	39.7	49.0	...	42
Austria	30.5	27.8	33.0	33.4	27.4	34.8	38.2	60.3	31
Greece	31.4	..	...	27.5	...	...	26.5	26.0	30
France	29.8	26.4	28.3	28.1	29.4	33.4	41.4	49.0	29
Turkey	34.3	...	...	23.1	29.5	...	39.7	...	29
Germany (Fed. Rep.)	23.1	23.0	28.7	26.5	23.8	31.2	39.8	...	2
Belgium	21.0	20.5	21.2	22.1	24.6	23.7	27.4	49.6	12
United Kingdom	12.6	12.2	...	10.3	8.9	9.5	16.4	11.2	11

termed as 'social charges', 'wage supplements' or 'fringe benefits'. To indicate the scope of the terms direct benefits and subsidies, it may be stated that direct benefits include sums paid by the employer to the worker or his beneficiaries or to a reserve fund for payments in case of birth, marriage, death, dependency, termination of employment, employment injury and, in some countries, certain other contingencies. The term subsidies includes net payments by the employer (excluding capital expenditure but including depreciation) for facilities providing workers or their families with medical and health care, canteens, restaurants, and other food services, building funds, company housing, other housing, credit unions and other financial aid services, creches, vacation homes, other family services, educational, cultural and recreational services and in some countries certain other facilities. The other elements, which have been included in all comparable elements of labour cost taken in the study, are basic wage for time worked and premium payments for overtime, late shift and holiday work. The last column in the Table shows the unweighted average of percentage for all the manufacturing industries covered here.

These figures clearly bring out the significance of the wage supplements. In Yugoslavia, in most of the covered industries they were equal in total to approximately half and in Italy they generally exceeded 40 per cent of the total comparable elements of labour cost. Ratios in the vicinity of 30 per cent, predominated in Austria, France, Greece and Turkey. Most of the industries in Federal Republic of Germany had a percentage between 20-30. The same is true of Belgium, though the range was at a somewhat lower level. Wage supplements accounted for the smallest proportion in U.K., where, except for coal mining (16.1 per cent.) the ratio ranged from 8.9 to 12.6 per cent.

2 Table 2 below shows the percentage composition of the cost items in the comparable labour cost in the manufacturing industries covered, the percentage shown here being the unweighted average of industry percentage.

By and large, obligatory social security contributions were the most important single non-wage element of labour cost. Among participating countries, the only exceptions to this

TABLE II

Elements of Labour Cost	Austria	Belgium	France	Germany Fed. Rep.	Greece	Italy	Turkey	United Kingdom	Yugo- slavia
1 Basic Wage	66.7	77.9	67.8	72.4	69.2	57.0	60.1	89.3	50.6
2 Premium pay for overtime, late shift & holiday work	2.2	N.A.	2.8	1.6	1.4	1.0	11.0	N.A.	3.0
3 Bonuses & Gratuities	2.7	0.6	1.2	2.2	8.1	5.7	4.2	0.4	5.6
4 Payments in kind	0.7	0.1	1.1	0.3	0.2	1.3	5.8	0.1	0.5
5 Hours paid for but not worked	9.3	6.4	6.4	6.4	4.0	6.5	8.5	5.7	5.9
6 Obligatory social security con- tributions	13.9	14.2	20.1	9.8	15.2	25.4	5.7	2.7	25.6
7 Non-obligatory social security con- tributions	0.5	0.1	4.5	4.5	0.4	0.1	..	0.8	...
8 Direct benefits	2.3	0.4	0.4	1.2	1.1	2.0	4.3	0.2	
9. Subsidies	1.7	0.3	1.6	1.6	0.4	1.0	0.4	0.8	8.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
10. Ratio of items 7-9 to items 1-2	24.2	18.9	29.6	20.9	23.7	47.4	14.1	4.1	47.8

financed by employer's contribution and therefore fall outside the scope of the statistics reported.

On the whole, however, average differences in labour costs per hour from country to country were less marked than average differences in hourly earnings. In the cotton textile industry, for example, the average deviation from the mean of hourly earnings was 29 per cent., but the average deviation from the mean of labour costs was only 20 per cent. In the machine tool industry the percentage dropped from 31 to 24.

Finally, the ranking of the different countries with respect to labour cost per hour differs appreciably from the ranking in terms of average hourly earnings alone. The following rankings are based on simple average of manufacturing industries covered.

<i>Ranked on basis of Hourly Earnings</i>		<i>Ranked on Basis of Labour cost Per hour</i>	
1. United Kingdom	5. Turkey	1. France	5. Italy
2. Belgium	6. Italy	2. Belgium	6. Turkey
3. France	7. Austria	3. United Kingdom	7. Austria
4. Fed. Rep. of Germany	8. Greece	4. Fed. Rep. of Germany	8. Yugoslavia
	9. Yugoslavia		9. Greece

4. The article gives for the various countries detailed figures of wages and related elements of labour cost in 1955 for each of the industries covered. Among the industries covered wage supplements were generally greatest in state railways and coal mines. The ratios in the six manufacturing industries showed considerable consistency within each country. This fact suggests the appropriateness of an average of the ratios for manufacturing industries as a simplified means of judging inter-country differences. While differences among manufacturing industries covered were not marked, wage supplements were generally lowest in cotton textile and leather footwear industries. The data for cotton textile, which is of major interest in India, are reproduced in Table 4 below.

TABLE IV
WAGES AND RELATED ELEMENTS OF LABOUR COST, 1955.
 (Cotton textile industry: wage earners)

Elements	Austria	Belgium	France	Germany (F.R.)	Greece	Italy	Turkey	U.K.	Yugoslavia
1. Sum of wages & selected costs (items 2-10)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Basic wage for time worked	66.9		68.9	75.4	68.2	56.3	65.0		5.09
3. Premium pay for overtime, late shift & holiday work	2.6	79.1	1.3	1.5	0.5	0.3	0.7	87.4	1.0
4. Bonuses & Gratuities	0.8	0.1	0.8	2.2	8.5	5.8	3.1	0.6	5.8
5. Payments in kind	1.0	0.1	0.1	..	0.3	0.6	7.5	0.3	0.8
6. Hours paid for but not worked	9.4	6.3	4.5	6.5	5.0	7.1	10.4	5.9	6.1
7. Obligatory social security contributions	15.3	13.8	21.0	9.5	14.7	27.1	7.1	3.3	26.7
8. Non-obligatory social security contributions	0.4		0.9	2.8	0.8	...	0.0	0.6	0.0
9. Direct benefits	2.1	0.1	0.1	0.5	1.4	1.9	5.1	0.4	...
10. Subsidies	1.6	0.6	2.4	1.7	0.7	1.0	1.1	1.6	8.8
11. Sum of items 3-10	33.1	N.A.	31.1	24.6	31.8	43.7	35.0	N.A.	49.1
12. Other payments related to labour cost	0.6	0.1	4.3	0.5	0.8	...	0.4	0.5	0.3
Hourly wages in units of National currency									
13. Average hourly earnings	Shillings 6.23	France 19.88	Francs 142.62	Marks 1.41	Drachmas 5.69	Liras 161.28	Pounds 0.79	Shillings 3.26	Dinars 47.94
14. Basic wage per hour	5.97	N.A.	138.61	1.35	5.06	147.12	0.75	N.A.	42.86
15. Basic wage plus selected elements of labour cost (items 2-10) per hour worked	8.92	25.10	201.12	1.79	7.42	261.46	1.15	3.71	84.24