

**MINISTRY OF LABOUR AND EMPLOYMENT**

**BACKGROUND MATERIAL FOR 9<sup>TH</sup> EDITOR'S  
CONFERENCE ON SOCIAL SECTOR ISSUES**

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**INTRODUCTION**

The main responsibility of the Ministry of Labour & Employment is to protect and safeguard the interests of workers in general and those who constitute the poor, deprived and disadvantaged sections of the society, in particular, with due regard to creating a healthy work environment for higher production and productivity and to develop and coordinate vocational skill training and employment services.

**NATIONAL COMMON MINIMUM PROGRAMME**

After assuming the office in June, 2004, the UPA Government has adopted the National Common Minimum Programme (NCMP). Serious efforts have been made by the Ministry to implement various provisions mandated in the National Common Minimum Programme (NCMP) relating to enhancement of the welfare and well-being of farmers, farm labour and workers particularly those in the unorganized sector, ensuring the fullest implementation of minimum wage laws for farm labour, striving for elimination of child labour, examination of labour laws that create an Inspector Raj and harmonization and streamlining of procedures etc. Some of the important initiatives taken in this regard are highlighted as below: -

## 1. Legislative Measures

- **The Payment of Wages Act, 1936** ensures that wages are paid on time and no unauthorized deductions are made. Earlier the Act was applicable to workers drawing wages upto Rs. 1,600/- per month. In November 2005, the wage ceiling was enhanced first to Rs. 6,500/- per month through an amendment of the Act. Subsequently the ceiling has been raised to Rs.10,000/- p.m. through a Notification with effect from 08.08.2007.
- **Under the Payment of Bonus Act, 1965**, workers are entitled to receive bonus. Earlier, the Act prescribed eligibility limit at Rs. 2,500/- and calculation ceiling at Rs. 3,500/- per month. Through an amendment notified on 13.12.2007, these limits were enhanced to Rs.3,500/- and Rs.10,000/- per month while making them retrospectively effective from 01.04.2006. Employees employed through contractors on building operations have also been made eligible for payment of bonus under the Act.
- **The Apprentices Act, 1961** was amended, inter alia, to provide for reservation for Other Backward Classes. The amendment was notified on 28.1.2008 making it effective w.e.f. 01.02.2008.
- **The Maternity Benefit Act, 1961** was amended to enhance the medical bonus from Rs.250/- to Rs.1000/- and also empowering the Central Government to increase it from time to time before every three years, by way of

notification in the Official Gazette, subject to maximum of Rs.20,000/-. The amendment was notified on 15.04.2008 making it effective from the same date.

- To provide social security to workers in the unorganized sector, **the Unorganized Workers' Social Security Act, 2008 has been enacted . The Act received the Presidential assent on 30.12.2008.** The salient features of the Act include formulation of welfare schemes for different sections of the unorganized sector workers on matters relating to: (a) life and disability cover, (b) health and maternity benefits, (c) old age protection, and (d) any other benefits that may be decided by the Central Government and constitution of a National Social Security Advisory Board at Central level and similar Boards at State level.
- **Bills to amend (i) the Payment of Gratuity Act, 1972** so that teachers in educational institutes benefit from it, **(ii) the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988** to expand its coverage and allow maintenance of registers and submission of returns through soft devices and **(iii) Section 66 of the Factories Act, 1948** so that women workers can be engaged during night shifts providing adequate safeguards for the safety, dignity, honour and transportation had been earlier introduced in the Parliament **(iv) the Plantation Labour Act, 1951** to change the definition of employer, family and

workers, adding a new chapter on safety bringing it in line with the provisions of Child Labour (Prohibition & Regulation) Act, 1986 was introduced in the Rajya Sabha on 21.10.2008, **(v) the Employees' State Insurance Act, 1948** to enable utilization of medical facilities of the Employees State Insurance Corporation for implementing the Rashtriya Swasthya Bima Yojana had been introduced in the Parliament for their consideration and passing.

- Amendments of certain other laws like **(a) The Workmen's Compensation Act, 1923**, inter alia, for replacing the term 'workman' by 'employee' to make the Act gender neutral, **(b) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959** to change the nomenclature of 'Employment Exchange' to 'Employment Guidance & Promotion Centre' to give primacy to employment promotion, vocational guidance and counseling, **(c) The Industrial Disputes Act, 1947** in respect of grievance redressal authority, appropriate Government, power to enforce decree by tribunals, salaries and allowance and other terms and service conditions of the Presiding Officers, relaxation of qualification of Presiding Officers, direct references of dispute etc. and **(d) The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service), 1979** to make it gender-neutral are under various stages of examination so as to bring them in line with the present economic scenario .

## **2. Formulation of Important Policies**

- Steps have been taken regarding formulation of important policies, namely, the National Employment Policy (NEP), the National Skill Development Policy (NSDP) and National Policy on Safety, Health and Environment at Workplace (NPSHEW).
- The objective of the NEP is to provide a framework for achieving the goal of remunerative and decent employment for all men and women in the labour force along with special focus on the needs of women, SCs/STs and other marginalized groups as also the disabled.
- Keeping in view the requirement of a faster and more inclusive growth, the presence of large labour force and mismatch between demand and supply of skilled labour force, the NSDP aims at empowering all individuals through improved skills, knowledge and internationally recognized qualifications. It provides for a quantum leap in the capacity to train persons on an inclusive basis through institution based training as well as formal and informal apprenticeship/workplace learning, training for self-employment and entrepreneurial development and e-learning/distance learning.
- The NPSHEW seeks to provide general guidelines for all stakeholders such as Governments, inspection authorities, employers, research and development institutions, education institutions for developing a safety culture and ensuring safety, health and congenial environment at all workplaces. This is also in consonance with Article 39 (e) of the Constitution of India which requires the Government

to direct its policy towards securing the health and strength of all workers.

### **3. Unorganized Sector Workers**

- A Scheme called the “Rashtriya Swasthya Bima Yojana” (RSBY) to provide health cover to unorganized BPL workers became operational on April 1, 2008. Under the scheme, a Smart Card is being issued to each beneficiary covering a family of 5 persons and providing a health cover for hospitalization upto Rs.30,000/- per annum. So far 21 States and one Union Territory have initiated the process to implement the scheme. It is proposed to cover all the districts in participating States / Union Territories next year itself. Government has also recently approved inclusion of Maternity Benefit under the Scheme .
- The RSBY has also been extended to building and other construction workers with the stipulation that the premium for the scheme would be paid from the fund collected by State Governments under the Building and Other Construction Workers Act, 1996.
- Till 23.01.2009, 14 States, namely, Rajasthan, Haryana, Punjab, NCT of Delhi, Gujarat, Bihar, Himachal Pradesh, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh, Jharkhand, Uttarkhand and West Bengal have started issuing smart cards and 18,16,434 cards have been issued in these States taking the health insurance cover to 90,82,170 persons. Nagaland is the first State among North East States to initiate the process to implement the scheme followed by Tripura and Assam. The scheme is

likely to roll out in the other States of North East shortly. Most of the other States except Madhya Pradesh and Andhra Pradesh are in the process of implementation of the scheme.

- For grant of housing subsidy, the Government has revised the Integrated Housing Scheme for beedi workers etc. from time to time. To avail a subsidy of Rs.40,000/- per house, worker's contribution has been reduced to Rs.5,000/- only, to be paid after the house is sanctioned. Hence, under the Revised Integrated Housing Scheme (RIHS) 2007-08 for beedi workers etc., beedi workers including 'Ghar Khatta' workers who have been engaged in beedi industry for not less than one year or co-operative society of such workers in a group housing colony or State Government beneficiaries under the Economically Weaker Section (EWS) component are eligible. The central subsidy of Rs.40,000 per tenement per worker for construction of a house is released in to instalments, the first in advance after the certificate or receipt of the workers contribution of Rs.5000/- is deposited with the Welfare Commissioner and the second after the construction reaches roof level.
- Several other welfare schemes viz. health and medical care, scholarships for school/college going children (Rs.250/- per year for 1<sup>st</sup> Standard to Rs.8,000/- for BE/MBBS) etc. are being implemented for workers and their families.
- Government has enhanced the rate of Cess levied on manufactured beedis from Rs.2/- to Rs.4/- and again to Rs.5/- per thousand beedis w.e.f. 01.04.2006.

- There are above 2 crore construction workers in the country. To protect their interest, Government has enacted the Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996 and the Building and other Construction Workers Welfare Cess Act, 1996. Besides providing for good working conditions, these Acts also have provisions to collect a cess @ 1% on every construction activity costing more than Rs.10 lakh. The amount of cess so collected forms the corpus of the fund, out of which various welfare schemes viz. Group Insurance, Medical and Health Care, Scholarships, Pension, etc. are implemented for the construction workers.

#### **4. Child Labour**

- In pursuance of government's commitment to eliminate child labour in hazardous areas, the National Child Labour Project (NCLP) Scheme has been extended to cover 250 districts. A major activity undertaken under the NCLP is the establishment of special schools to provide non-formal education, vocational training, supplementary nutrition, stipend, health care etc. to children withdrawn from employment. About 4.50 lakh children from special schools of NCLPs have been mainstreamed into the formal education system.
- In addition a \$40 million INDUS project (Indo-US joint project) on Child Labour has also been launched in 21 districts. The additional feature of the scheme includes vocational training of adolescents, strengthening public education in coordination with Education Department monitoring and tracking of child labour and providing viable income generation alternatives for their families etc.\

- Vide Notification issued on 10<sup>th</sup> July, 2006 employment of children working as domestic servants and in tea-shops and dhabas, etc. has been prohibited. under the Child Labour (Prohibition & Regulation) Act, 1986 with effect from 10<sup>th</sup> October, 2006.
- A campaign has been launched for creating public awareness through media and sensitizing the concerned officials and stakeholders through meetings, workshops and discussions etc. Cooperation of other Ministries has also been sought for rehabilitation of children withdrawn from work and their families.
- A Protocol on Prevention, Rescue, Repatriation and Rehabilitation of migrant and trafficked child labour has been developed by the Ministry. It lays down guidelines on actions to be taken by different departments of State Governments, Police, CWCs, NGOs and other stakeholders. PRIs have been identified as an important stakeholder and can play an effective role, especially in awareness generation, identification and monitoring of vulnerable groups and in building conducive environment for rehabilitation and reintegration of rescued children.
- Employment of child labour has been prohibited in following new occupation and processes w.e.f. 25.9.2008 under the Child Labour (Prohibition & Regulation) Act, 1986:-

**Occupation:**

- (i) Diving

## **Processes:**

- (i) Processes involving exposure to excessive heat (e.g. working near furnace) and cold;
- (ii) Mechanized fishing;
- (iii) Food Processing
- (iv) Beverage Industry;
- (v) Timber handling and loading;
- (vi) Mechanical Lumbering;
- (vii) Warehousing;
- (viii) Processes involving exposure to free silica such as slate, pencil industry, stone grinding, slate stone mining, stone quarries, agate industry.

## **5. Social Security**

### **Employees State Insurance Corporation (ESIC)**

- The ESIC has increased its network to 144 Hospitals, 42 Annexes and 1427 Dispensaries covering 3.30 crore beneficiaries. The ESIC has made plans to commission Model Hospitals in each State.
- Daily rate of cash allowance increased from Rs.45/- to Rs.123/- per day w.e.f. 01.01.2006 in respect of disabled insured persons undergoing training at vocational rehabilitation centre / institutes.
- Wage ceiling for coverage under the Employees' State Insurance Act, 1948 enhanced from Rs.7500/- p.m. to Rs.10,000/- p.m. w.e.f. 01.10.2006.
- The ceiling on medical expenditure enhanced from Rs.900 per IP family unit per annum to Rs.1,000/- per Insured Persons family unit per annum w.e.f. 01.04.2007

- The ESIC has launched a pilot project for providing Information Technology Enabled Services for disbursement of cash benefits and on-line registration of employers & employees on 11.10.2006.
- The Corporation has also launched a pilot project for computerization of medical care in ESI dispensaries and hospitals on 29.11.2006. The ESIC embarked upon a new initiative for having a standardized quality system for its services. On completion of all quality requirements, ISO 9001:2000 certificate has been awarded to ESIC Headquarters and some other offices as well as ESI Hospital, Basaidarapur and ESI Dispensary, Sarojini Nagar both in New Delhi.
- So far as social protection to the workers in the organized sector is concerned, it is primarily available to through a new scheme called “**Rajiv Gandhi Shramik Kalyan Yojana**” being implemented by the Employees State Insurance Corporation w.e.f. 01.04.2005 essentially as a social safety net, under which insured persons who lose their jobs due to retrenchment, closure of factories / establishments and permanent invalidity are eligible for a monthly unemployment allowance for a maximum period of six months alongwith the medical cover. An amount of about Rs.3.17 Crore was disbursed in 2149 cases upto 30.11.2008.

### **Employees’ Provident Fund Organisation (EPFO)**

- The Government of India through the Employees’ Provident Fund Organisation (EPFO), 1952 administers the Employees’ Provident Fund and Miscellaneous Provisions Act. As on 31<sup>st</sup> March, 2008, there were 5,32,702 establishments covered under the Act out of

which 2,695 were exempted establishments. The total membership in the Employees' Provident Fund was 449.19 lakh with membership in the Pension Fund being 405.86 lakh.

- The initiatives taken by the Corporation are Computerized Compliance Tracking System (CCTS) Business Process Reengineering (BPR) and allotment of Social Security Number (SSN).
- The Central Board of Trustees (CBT), Employees Provident Fund (EPF) mandated appointment of Multi-fund Managers for efficient management of the EPFO corpus. The new Fund Managers started functioning w.e.f. 01.10.2008.
- The Employees' Pension Scheme, 1995 (EPS) has been conceived as a Benefit Defined Social Insurance Scheme formulated following actuarial principles for ensuring long term financial sustenance. It is financed through contribution from the employers at the rate of 8.33 percent of the wages of employees and the Central Government also contributes 1.1/6% of the wages of the employees. Any increase in the amount of pensionary benefit depends on the financial position of Pension Fund. The quantum of pension to members of EPS, '95 is actuarially calculated in accordance with the provisions of the Scheme. To review the rates of contributions and quantum of the pension and other benefits, para. 32 of the Scheme provides for annual valuation of the Pension Fund. Last four valuations have shown an increasing deficit in the Scheme which stood at Rs. 22,021 crore as on 31.03.2004 as per 8<sup>th</sup> Valuation Report. In order to wipe out the actuarial deficit in the Pension Fund, Ministry has carried out the following amendments in the Scheme:

- Factors of Table 'B' and Table 'D' have been revised.
- Reduction factor in case of early pension under paragraph 12(7) has been changed from 3 to 4 per cent.
- Paragraph 12A which provides for option for commutation of pension and paragraph 13 which provides for 'Return of Capital' have been deleted.

Further, a Committee under the Chairmanship of Special Secretary (L&E) comprising of representatives of Employers and Employees has been constituted to review the entire Scheme

- The Employees' Provident Funds Scheme, 1952 and Employees' Pension Scheme, 1995 under Employees' Provident Funds & Miscellaneous Provisions Act, 1952 have been amended to cover international workers under the Act to enable the Government to enter into Social Security agreements with various countries with a view to seek exemption from Social Security contribution for Indian workers posted abroad by Indian companies to make them more competitive internationally. Now every international worker of an establishment to whom this Act applies, other than an excluded employee, shall be entitled and required to become a member of the Provident Fund. This Scheme has been given the effect from 1<sup>st</sup> October, 2008.
- In order to encourage employment of persons with disabilities, the Central Government will reimburse the employers' contribution to the employees provident fund and Employees State Insurance Corporation for the first three years in respect of physically challenged employees working in the organized sector and drawing monthly wage

upto Rs.25,000/-. Suitable amendments in the Employees State Insurance (Central) Rules, 1950 and schemes under Employees' Provident Fund and Miscellaneous Provisions Act, 1952 have been made w.e.f. 01.04.2008. The Employees State Insurance Corporation and Employees Provident Fund Organization as well as the Ministry of Social Justice and Empowerment have issued advertisement to ensure wider coverage of the beneficiaries . The State Chief Secretaries, Employers' and Employees' Representatives have also been approached to enlist as many beneficiaries as possible under the scheme. There is regular interaction between the Ministry of Social Justice and Empowerment and the Ministry of Labour & Employment to make the scheme a success.

## **6. Minimum Wages**

- Central Government has revised the national floor level minimum wage from Rs.66/- per day to Rs.80/- per day with effect from 01.09.2007. Besides, minimum rates of wages for workers employed in the scheduled employment "Employment of Sweeping and Cleaning excluding activities prohibited under the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993" in the Central sphere under the Minimum Wages Act, 1948 have been notified on 07.08.2008 at Rs.180/- Rs.150/- and Rs.120/- per day in respect of 'A', 'B' and 'C' Areas respectively. Minimum wages in respect of another scheduled employment, namely, "Employment of Watch and Ward" with and without arms in the Central sphere have been notified on 18.09.2008 at Rs.180/-, 150/- and 120/- per day for workers without arms and Rs.200/-, 170/- and 140/- per day for workers with arms in respect of area A, B and C respectively.

## 7. Vocational Training

- Vocational Training with a view to creating a world-class skilled labour force is being given maximum importance. India has the advantage of a predominantly young population vis-à-vis the rest of the world. There will be increasing opportunities of work being outsourced to India as well as for our workforce to work abroad, if we are able to retain the competitive edge. To help the youth build their career, the Directorate General of Employment and Training (DGE&T) of the Ministry of Labour and Employment has evolved various training programmes. Training courses are offered through a network of Industrial Training Institutes (ITIs) and Industrial Training Centres (ITCs) located all over the country. The courses have been designed to impart the basic skills and knowledge in trades so as to prepare the trainees for employment as semi-skilled and skilled workers in the world of work or to go for self-employment. The duration of the training varies from trade to trade from six months to three years. Students with academic qualification ranging from 8<sup>th</sup> pass to 12<sup>th</sup> pass seek admission in these courses.
- Government has embarked on the strategic objective of modernizing the ITIs and improving the quality of training in State Government run ITIs, with involvement of stake holders. Action has been initiated for upgradation of 100 ITIs from domestic resources and 400 ITIs through World Bank assistance so as to create “Centres of Excellence (COE)” for producing multi-skilled workforce of world standard. The highlights of the scheme are introduction of multi-skilling courses during the first year, followed by advanced and specialized modular courses in the second year by adopting industry wise cluster approach, multi

entry and multi exit provisions and Public Private-Partnership (PPP) in the form of Institute Management Committee (IMC) to ensure greater and active involvement of industry in all aspects of training.

- In the budget speech 2007-08, it has been announced that 1396 ITIs would be upgraded into Centres of Excellence in specific trade and skills under public-private Partnership at the rate of 300 ITIs per year. Under the proposed scheme, the State Government as the owner of the ITI, will continue to regulate admissions and fees, the new management will be given academic and financial autonomy, and the Central Government will provide financial assistance by way of seed money. During 2007-08 funds were released for 300 ITIs . During this year so far funds have been released for 227 ITIs
- Ministry of Labour & Employment has developed demand driven short-term training courses based on Modular Employable Skills (MES) framework for skill development for the school drop-outs and existing workers especially in the informal sector in close consultation with industry, micro enterprises in the informal sector, State Governments, experts and academia. This is essential considering their educational, social and economical background and is of strategic importance.
- A centrally sponsored scheme for upgrading the 37 existing ITIs in the State of Jammu and Kashmir and for setting up of new Women ITI at Jammu has been taken up. A similar scheme for the North Eastern states including Sikkim for establishing 22 new ITIs and upgrading 35 existing ITIs is under implementation.

- DGE&T in association with Confederation of Indian Industry (CII) organized 'CII Skills Summit' as well as World Skills (India) Competition at Bangalore during January, 2007. This competition was held to encourage the workers in India to benchmark their skills to International Standards.
- Employment Exchanges are being upgraded on a mission mode under e-governance project.
- Steps are also being taken to establish 1500 new ITIs and 5000 Skill Development Centres in PPP mode. Skill Development Initiative (SDI) for school dropouts and existing workers was launched in 2007-08 in 340 modules. During 2008-09, it is proposed to train 2 lakh persons.

## **8. Others**

- The Wage Boards, one for the Working Journalists and another for Non-Journalists Newspaper Employees, have recommended interim hike of 30% in wages, which have been notified.
- Year 2008 is being observed as the "Year of Industrial Safety and Health".
- The New Series of Consumer Price Index Number for Industrial Workers (CPI-IW) (Revised Base 2001=100) has been made operational w.e.f January,2006.

- The 'Working Group to suggest ways of moving forward in important labour matters' constituted under the chairpersonship of Secretary (L&E) by the PMO submitted its Report on 15.5.2008. The Report covers four broad areas, namely, (a) Creation of jobs, (b) Making available adequate social security facilities to workers, (c) Laying down a framework for effective implementation of labour laws and (d) Ensuring proper working conditions for workers in industrial establishments. Recommendations of the Working Group are broadly consensual. The Report has been circulated.

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