

Social Security Code to Come in Three Phases

Labour ministry to go ahead with launch of a nationwide mandatory social security scheme while putting on hold other debatable proposals

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New Delhi: The labour ministry has decided to implement the much-awaited social security code in phases after fears emerged that some of the controversial proposals in the comprehensive draft legislation could delay the entire reform process.

The proposal includes vesting all powers of EPFO and ESIC in state social security boards while converting the two central organisations into fund managers, which the ministry feels, could ignite controversy.

Instead, the ministry will now go ahead with the launch of a nationwide mandatory social security scheme while putting on hold the other debatable proposals, a senior government official told **ET**.

According to the official, who spoke on the condition of anonymity, the idea is to unveil the social security scheme before general elections next year. The social security scheme envisaged by the government will provide social security cover to 50 crore workers against 10 crore now.

The labour ministry has called for the first tripartite stakeholder consultation on the code on social security on Tuesday on a revised draft which largely focusses on the social security scheme to be drafted by the Centre.

Labour ministry has proposed a comprehensive social security system to provide retirement, health, old-age, disability, unemployment and maternity benefits to 50 crore workers in the country, in yet another populist measure ahead of the general elections next year.

Cherry Picking

Labour ministry gives up on big bang reforms

Selective approach

It will pick up issues selectively before elections

Contentious proposals will not be taken up immediately

EPFO reform on the back burner

Social security

Ambitious social security reform top of agenda

50 crore people to be covered under the plan

Labour ministry will build consensus & push it before election

The beneficiaries would be classified into four tiers. The first tier would comprise of destitute and people below poverty line who cannot contribute for their security and hence the cost of which will be entirely borne by the government under tax-based schemes while workers in the unorganised sector, who have some contributory power but cannot be self-sufficient, may be covered under the subsidised schemes in the second tier.

The third tier will include those who – either by themselves or jointly with their employers – can make adequate contribution to the schemes so as to be self-sufficient. The fourth tier will comprise comparatively affluent people who can make their own provisions for meeting contingencies or risks as they rise.

The plan is to implement the scheme in

three phases over a 10 year period when the government hopes to make it universal. The scheme will be implemented in four tiers with government wholly financing the cost from the taxes collected for people below the poverty line.

The first phase would see all workers getting the bare minimum, which includes health security and retirement benefits, unemployment benefits would be added in the second phase while in the third phase could have other welfare measures.

Trade unions have welcomed the decision to go step by step on the scheme. “We have been insisting that government introduce the scheme first and incorporate other structural and procedural changes later as we go forward,” Vrijesh Upadhyaya, general secretary of the Bhartiya Mazdoor Sangh, said.