

In social security rejig, govt may merge 15 laws for 'labour code'

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NEW DELHI: The Narendra Modi government is working to radically overhaul India's social security system for workers, from pensions to healthcare, by combining 15 current laws into a so-called single "labour code", in a move that seeks to help both employers and employees, although labour unions have

already expressed scepticism about the plan.

According to the draft of the 'Labour Code on Social Security, 2018, version 2.1', a copy of which has been seen by Hindustan Times, a key feature of the social security code is that all provisions related to social security, such as the Employees' Provident Fund and Miscellaneous Provisions Act and the Employees' State Insurance Corporation Act,

will be bundled into a single social security code and codified into law.

Legislations which will be replaced by the Act include the Maternity Benefit Act and the Unorganised Sector Social Security Act. Since labour is part of the Constitution's concurrent list, whereby states and the Centre have joint jurisdiction, the consent of states will be needed.

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Labour code

This reform is part of a larger plan to rationalise 44 Central Labour Acts by using their relevant portions to frame four labour codes — the Code on Wages, Code on Safety and Working Conditions, Code on Industrial Relations and the Code on Social Security.

Companies have often cited the complexity of these laws as something that doesn't make it easy to do business and have also claimed that while originally designed to protect workers, the laws actually end up doing the opposite. While the Code on Wages Bill 2017 was introduced in Lok Sabha in August 2017 and referred to the Standing Committee on Labour, the code on social security is currently undergoing pre-legislative consultations.

The draft code on social security recommends "a functional integration" or merging of the EPFO, the state-run retirement fund manager, and the ESIC, which offers health security to organised sector workers, into one system.

The code on social security provides for a three-tier administrative structure, with representations from government, workers and employers.

At the federal level, the code proposes a national social security council headed by the prime minister for overall regulation. In states, a state board of social security will implement all social security schemes. The aim is to gradually universalise social security. Currently, only 17% of the total workforce is covered by social security benefits.

"About 60% of the workforce will pay for their social security. For the remaining 40% who can't fully pay, social security will be funded by taxpayers' money," a government official said on condition of anonymity.

Under the code's provisions, companies with over 100 employees can run their own provident funds, as they can do now.

While provident fund and health benefits will be completely decentralized through the state boards, the investment functions of the EPFO will continue to be run centrally so that there are economies of scale on investments, the official said.

The government has been discussing its plan with unions which aren't convinced the changes are necessary.

"During the consultations, we have opposed the plan to dismantle the EPFO and ESI as these are unique organizations," said Prabhakar Banasure, who is on the EPFO's board and a member of the Bharatiya Mazdoor Sangh, affiliated to Rashtriya Swayamsevak Sangh.

The INTUC, another trade union, has said that it would want further clarifications on the code. "Whether they merge the EPFO and ESIC or not, what is impor-

tant is how the workers' money shall be protected. We will ask for clarifications during forthcoming consultations," said Ashok Singh, the INTUC's national vice-president.

"Instead of combining all legislations at one stroke, what could have been done is to have separate legislations for agricultural labourers and the self-employed. The architecture being conceived is very complex and extremely over-bureaucratized. Let's not forget, labour boards in Tamil Nadu, Maharashtra and Kerala are very efficient and well-functioning," said Prof. KR Syam Sundar of the Jamshedpur-based Xaviers Labour Research Institute.

According to Sundar, the road ahead is daunting because of huge overhead costs and procedural requirements and unless managed well, the dilution of the existing system could create more problems than it may solve. On the opposition of labour unions, the considered view is that the ESIC and EPFO have stood the test of time and have a well spread network, although there is a lot of undone work, Sundar added.

The labour ministry will soon begin tripartite consultations – involving the government, unions and employers – after which the code will be converted into a bill to be introduced in Parliament.