

PRESS NOTE
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**NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANISED
SECTOR PREPARES TWO DRAFT BILLS FOR WORKERS IN THE
UNORGANISED SECTOR**

In line with the commitment made by the United Progressive Alliance (UPA) Government, in the National Common Minimum Programme, the National Commission for Enterprises in the Unorganised Sector was set up, under the Chairmanship of Dr. Arjun Sengupta, in September 2004 with the mandate to examine the problems of the unorganised sector (also referred to as informal sector) and suggest measures to overcome them. One of the Terms of Reference mandates the Commission

“to review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage”.

While the Commission was engaged in the exercise of formulating a comprehensive social security scheme for the unorganised sector workers, the Union Minister for Labour and Employment requested the Commission to examine the *Unorganised Sector Workers’ Bill, 2004* prepared by the Ministry of Labour and suggest a fresh draft, if necessary. In the meantime, the Prime Minister’s Office requested the Commission to comment on the draft of the *Unorganised Sector Workers’ Social Security Bill* prepared by the National Advisory Council. The Commission has completed the exercise of examining these two draft Bills.

Based on its interaction with different stakeholders, comments received on the 2004 draft, and the Draft Bill prepared by the NAC, the Commission has concluded that a single Bill may not be the best way to address the problems faced by the workers in the unorganised sector. The Commission has, therefore, recommended formulation of the following two Bills:

1. Unorganised Sector Workers Social Security Bill, 2005, and
2. Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005.

The rationale underlying this division is to ensure a smooth and effective implementation of the proposed legislation, in view of the fact that the objectives sought to be achieved through these two Bills are different in nature. It would, therefore, be advisable to handle them separately.

Draft Unorganised Sector Workers Social Security Bill 2005

The main features of this Draft Bill are the following:

1. It will cover all workers in the unorganised sector with a monthly income of Rs.5,000 and below. This will include self-employed workers (including small and marginal farmers), wage workers and home based workers. In addition, informal workers in the organised sector without any social security cover (such as Badli workers and casual workers) will also be covered. The number of workers eligible for this cover is estimated to be around 30 crores.
2. There will be a national minimum social security cover comprising (a) health insurance, (b) maternity benefits, (c) life insurance and (d) old-age pension for all eligible workers.
3. The national minimum social security cover creates an entitlement for all the registered workers in the country. It does not seek to replace the social security schemes which have been introduced for selected groups in a number of States
4. The national minimum social security cover will be a contributory one. Contributions to be made by workers, employers (wherever identifiable), and the Government shall be @ rupee one per day per worker (i.e. Rs.3 per workers per day or Rs.1,095 per year).
5. Wherever the employer-employee relationship does not exist as in the case of the self-employed or where employers cannot be identified, or collection is too difficult, the Central Government and the State Governments will pay the employer's contribution in the ratio of 3:1 respectively.
6. The contribution of the Government will be divided between the Central and the State Governments in the ratio of 3:1, respectively.
7. For workers belonging to BPL households, the contribution will be borne by the Central Government.

The Commission has worked out the financial implications of the proposed Social Security Scheme. When all the 30 crore workers are covered, the total available contribution will work out to Rs.32,850 crores of which the share of the Central Government will be Rs.17,548 crores and that of the State Governments Rs.5010 crores. This adds up to a total

of Rs.22,558 crores to be spent by the Central and State Governments. This is equivalent to 0.8 per cent of the GDP of the country in 2004-05. Taking into account administrative expenses, as well as expenses for capacity building and related activities, the upper boundary of the public outlay on the scheme will not exceed 1% of the GDP. Given the national priority and urgency of providing a bare minimum social security to the workers in the unorganised sector, who contribute around 45% of the national income, the Commission regards the financial implications as modest.

The estimates given above relate to the total cost of covering all the 30 crore eligible workers. In the view of the Commission, full coverage can be reached within a period of five years, as in the case of the National Employment Guarantee Scheme. This would mean coverage of 6 crore workers with a government contribution of Rs.4,512 crores in the first year and Rs.22,558 crores from the fifth year.

There is a large area of convergence between the Draft Social Security Bill circulated by the NAC and the Draft Bills of the Commission. The main differentiating feature is in the organisation of the implementation mechanism. The Commission has proposed the creation of a National Social Security Board, State Level Social Security Boards and Workers Facilitation Centres at the local level as decided by the State Boards. ***The State Board, consisting of representatives of all stakeholders at the state level, is the key implementing agency in the Draft Bill proposed by the Commission.*** It is a well-known fact that many States have a number of social security schemes for selected groups of workers in the unorganised sector with a range of benefits that vary from State to State. The Independence Day announcements made by the Chief Ministers of Tamil Nadu, Karnataka, Kerala and Himachal Pradesh go to show that social security for the working poor is being accorded a high priority. The Commission also has taken cognizance of the fact that some State Governments already have Workers' Welfare Boards for providing social security to selected groups of workers in the unorganised sector. ***The big challenge, as the Commission sees it, is to extend the social security coverage to all the States and all the groups of workers in the unorganised sector in the country as a whole.*** This Draft Bill is intended to meet this challenge.

Draft Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005.

The second Bill proposed by the Commission seeks to address the question of conditions of work for wage workers in the unorganised sector with a view to providing a basic minimum standard on hours of work, payment of minimum wages and adherence to Bonded Labour Abolition Act and Child Labour Prohibition & Regulation Act. It also recognises a set of minimum entitlement of the workers comprising (a) the right to organise (b) non discrimination in the payment of wages and conditions of work, (c) safety at the work place and (d) absence of sexual harassment.

In order to provide a machinery for resolution of disputes between wage workers and employers in the unorganised sector, the Draft Bill has proposed the creation of at least one Dispute Resolution Council in every district to be constituted by the State Governments. Before adjudicating on a matter, the Dispute Resolution Council, shall in the first instance, try to arrive at a conciliated settlement of disputes. The Council will have the powers of a Civil Court under the Code of Civil Procedure.

Conditions of work and related aspects are the main concerns of wageworkers. As for self-employed workers, the Draft Bill has proposed various measures for protection and promotion of livelihoods. These relate to the provision of credit, right to common property and natural resources, use of public space to engage in economic activities and promotion of associations of self employed workers.

To oversee the implementation of the provision of this Bill, a State Advisory Committee consisting of representatives of organisations of unorganised workers, ministries concerned and an appropriate number of experts has been proposed for every State.

These two Draft Bills, taken together, will go a long way in creating a much needed floor for providing a measure of social security as well as minimum acceptable standards with regard to conditions of work. In the view of the Commission, these two Draft Bills are complementary to the Bill on Employment Guarantee introduced in the Parliament a couple of days ago