

**Proceedings of the Bengaluru Seminar  
On  
Securing Social Protection Floor  
Through  
Unemployment Insurance  
4<sup>th</sup> September 2017**

The Bengaluru seminar on securing social protection floor through unemployment insurance, the second such seminar after the first seminar held in Kolkata in May, 2017, was jointly organised by Social Security Association of India (SSAI) and Friedrich Ebert Stiftung (FES), Germany on 4<sup>th</sup> September, 2017 at Century Club, Bengaluru.

2.The day's program commenced with Dr. Mahendra Raju, National Coordinator, SSAI, proposing condolences on the sudden demise of Past President, Late G. Ramanand, and the entire house rose to their feet to offer two minutes silence, in memory of the departed soul.

3.Then Shri Kenny Ramanand, Jt. Secretary, SSAI - Karnataka Chapter welcomed the distinguished dignitaries, namely, Shri Jeba Kumar, Vice President, SSAI – KC, Shri B N Som, Secretary General, SSAI, Dr. L D Mishra, Retd. Secretary, GOI, Dr. Pravin Sinha, Sr. Advisor, FES, Germany, & Dri P D Shenoy, Retd Secretary, Labour and Employment, GOI, the senior trade union leaders, and distinguished dignitaries like. Shri

Bangera, Past President, Kanataka Chapter &....., Shri S. Iyer, Management Consultant, Shri Jaswant Singh, Insurance Consultant and other honoured guests for their kind presence.

4. Shri B N Som, in his welcome address highlighted the objective of the seminar and spoke about the contemporary development in social protection strategy for the employees in both organised & unorganised sectors. According to him, unemployment insurance ( UI ) would alleviate poverty & afford social protection which was their basic human right. Through this means of social protection, workers would have access to health care, education, housing, sanitation etc. He reiterated that the objective was to highlight how unemployment insurance could be a succour to workers and that the State and the employers both had the responsibility to provide such social protection. And with the advent of globalisation, it had become imperative to provide the much-needed means of social protection. Recapping the day's program schedule, he concluded his remarks by thanking Dr P D Shenoy for accepting the invite of the organisers of this Seminar to deliver the inaugural address & Dr. L D Mishra for agreeing to deliver the keynote address.

5. Dr. Pravin Sinha, on delivering the theme address, stated that hyper rapid transition & dynamism were witnessed globally & India was no

exception to it. Information technology had given boost to the economy which manufacturing could not achieve. As a fall-out of global financial crisis post year 2008, the developing countries including India, were exporting commodities & human resource. In the years 2012-13 with the slowdown and Indian economy plummeting, the country witnessed change in government & policy transformation with initiatives like 'Make in India', 'Skill India', 'Digital India', etc, etc. The implication of this economic transition paved way for policy regarding cost cuts. Since business was a combination of capital & labour, for manufacturing industries productivity became a major issue with the introduction of labour saving machines & devices and increased demand for skilled labour (the very reason for Skill India project ). Lifelong employment gave way to jobs which were linked to specific product or services. This led to costs cut , especially social cost by the new government policy impacting social aspect of employment. Today, no employer was looking at social issues of unemployment more so with endless number of youth facing the problem of unemployment. Unemployment insurance remains most debatable issue but regrettably not much is done in this area. At the ground level the basic source of livelihood was lost & cost cuts needed to be looked into seriously. Dr. Sinha in conclusion stated that keeping unemployment as a basic component of social protection, the challenge posed was how to convince the concerned ministry & under what circumstances the policy measures

were needed to be taken for introducing unemployment insurance as a means of social protection.

6. In his presidential address, Shri Jeba Kumar reflected upon the tough times industries went through during turbulence and the affect it had on the livelihood of the employees. He shared with the audience the experience from his previous organisation which went through the process of merger & acquisition which led to loss of employment, trauma, tough challenges for industry, leaders negotiating with trade union leaders and in the process innumerable lessons learnt from people & the government. Under such circumstances, he stressed upon the importance of protecting employee benefits and reskilling employees to current industry needs which would give fillip to long term sustainability and concluded his address by quoting example of Bhutan which measured its growth, development & sustainability through indices of Gross National Happiness (GNH).

7. Dr. L D Mishra began his keynote address quoting the Bhagwad Gita – ‘acquire right knowledge for right subject’. With regard to unemployment insurance (UI), he stated, the focus should be on its importance, SSAI’s obsession with UI, the prevailing scenario and what had been done till date. He elaborated on the concept of employment – employed,

unemployed & the under employed. According to him, today in India, one third of the population constituted the labour force of which 7% was unemployed which was a colossal waste of human resource & this could have serious consequences. The reasons for being jobless were downsizing, retrenchment, displacement, accidents, injuries, incapacitation, occupational health issues, etc. to name a few which could give rise to host of uncertainties, misery & sufferings. Other contributing factors were some Labour Acts, contract labour, lack of provision for re-employment, etc. Such abnormal situations could be effectively dealt with by introducing unemployment insurance wherein uncertainty would be replaced by certainty, instability by stability & insecurity by security. According to him, State should intervene to ease distress and deprivation by way of decent & dignified life. However, the entire process could get compounded because of non – payment of minimum wages, consumer price index (CPI), increasing prices, increased cost of living, disproportionate increase in wages, reduced earnings, reduction in purchasing power, uncertainty, instability & insecurity.

Further, ideally there should exist a protective cover to suit all. While computing unemployment insurance, several factors like, the number of retrenched, percentage of wage, duration, rate of contribution by employee, employer & government, who to be excluded, etc, etc. need to be considered. However, in India as of today, there is no consensus

among the tripartite – i.e. government, employers & employees, with respect to rate of UI. The existing government social security schemes were only for biological survival & they were not sustainable schemes. Dr. Mishra concluded his address stating that we were presently in a very difficult situation and UI needed to be considered from various perspectives with consensus from all stakeholders.

8. Dr P D Shenoy, in his inaugural address, posed the fundamental question of need for unemployment insurance. He remarked that in spite of growth, we were jobless and while growth was moving geometrically, employment was moving arithmetically. As a social security measure, our successive governments have initiated a number of employment guarantee schemes like, MGREGS, RGSKY, etc. He elucidated how the ESIC had the potential to extend further & simplify the enrolment process. Today, in India we had skill development & entrepreneurship for which employment generation was guaranteed. However, we were still lagging in job creation. Government should not be an employment creating agency but it should not fall short in filling up the critical positions, which happened often. Unfortunately, at times, even when people were employed, they did not possess required competency to perform the job. He also mentioned that the ease of doing business in India was very low it had led to lesser job creations and that income security was considered

more important than job security. In his concluding remarks he stressed on contemplating innovative means to create jobs & formally inaugurated the seminar.

9. The inaugural session was followed by four technical sessions and a panel discussion session on unemployment insurance.

### **TECHNICAL SESSION 1 :**

#### Unemployment Insurance Benefits – ESIC– GOI Intervention.

10. The session was presented by Shri J H Nayak, Additional Commissioner & Regional Director, ESIC, Karnataka and chaired by Shri S Suchindranath Aiyer, Management Consultant.

11. Sri Nayak in his presentation on ` Unemployment Allowance under Employees' State Insurance ( ESI ) Scheme ' referred to unemployment allowance as mentioned in Article 41 of the Constitution of India, ILO Convention and as under Rajiv Gandhi Shramik Kalyan Yojana ( RGSKY ). He further drew attention to the kinds of unemployment covered namely, retrenchment, closure & permanent invalidity. He also referred to the various eligibility criteria for availing unemployment allowance as per RGSKY. He also mentioned the basis on which the quantum of unemployment allowance was determined including amount paid towards

vocational skill upgradation, medical care for self & family members from ESI dispensaries /hospitals during the period of unemployment.

## **TECHNICAL SESSION 2 :**

### Unemployment Insurance Interventions : Private & Public Insurance Sectors Product : Past, Present and Future.

12. The presenter for this session was Shri Jaswanth Singh G, Insurance Domain Consultant & Adjunct Faculty for Insurance. The Chairman of the session was Dr. Mahendra Raju, National Coordinator, SSAI.

13. Shri Jaswanth Singh began his presentation by defining the terms- insurance & unemployment insurance. According to him, the primary objective of unemployment insurance should be to provide temporary & partial income replacement to the insured persons who lose their jobs. He referred to historical development of different unemployment insurance & employment insurance schemes across the world with the oldest unemployment scheme implemented in Denmark in the year 1907 and the most recent in Vietnam in 2009. Most of these countries had made considerable changes to their UI scheme to respond to the changing needs of the economy & labour market challenges. He further underscored that the primary objective of UI was to achieve adequate protection against the risk of job loss. In India, private insurance company like, Bajaj Allianz, had experimented with unemployment insurance policy

in the year 2009, but the policy was discontinued as the business was not attractive. Currently, there was no private insurance company in India offering UI although companies like, Bharti AXA & ICICI Lombard had initiated plans in the past but they could not attract consumer sentiments as expected. However, presently even though UI in India was non-existent, something very similar existed known as 'job loss' cover which could be taken along with loans such as home loan. He further mentioned about challenges faced in building a standalone UI product and what could be covered under the improved product design. However, he revealed that Government of India did make an attempt to launch social insurance policy, called, Ashraya Bima Yojana in the year 2001 which was offered through public sector insurer. But unfortunately, as of today, this policy was ineffective due to varied reasons.

### **TECHNICAL SESSION 3 :**

#### Unemployment Insurance : Role of Government & Private Insurance Players in India.

13. The presenter for this session was Dr. M R Narayana, formerly, Prof. of Economics, Institute for Social and Economic Change, Bengaluru & the session chairman was Shri Shantha Kumar, General Secretary, INTUC, India.

14. While presenting the current status of unemployment insurance in India, Dr. Narayan revealed that as of today only one scheme was operational under unemployment insurance from the year 2005 i.e. Rajiv Gandhi Shramik Kalyan Yojana ( RGSKY ), a public sector scheme under the auspices of ESIC. He further elaborated on the performance indicators of RGSKY scheme and observed that the scheme was not serving the desired purpose due to very low prevalence rate of unemployment among the insured. Consequently, a full-scale study based on socio-economic factors of all the beneficiaries would be useful to develop a new design for the scheme. He further mentioned about policy issues in designing a new unemployment insurance, problem of defining workers, eligibility criteria, coverage issues, etc, etc.

15. Dr. Narayan stated that at present no other UI product was available from public or private sector insurance providers in India. Hence, he recommended UI as a social security measure to be considered by Indian planners. He concluded his presentation posing a question if part of pension wealth held by EPFO or a part of unspent welfare fund maintained by the Welfare Boards could be a new source of financing UI for its registered members.

#### **TECHNICAL SESSION 4 :**

Unemployment Insurance : International Experience.

17. This session was chaired by Shri. J R Bangera, past President, FKCCI & KASSIA & the resource person was Sri Jeba Kumar, Vice President, SSAI – KC. The presenter,

18. Dr. Mahendra Raju, National Coordinator, SSAI, gave an overview & comparative analysis of unemployment insurance under social protection floor programme prevailing across various countries of the world. Referring to ILO's Labour Conference held in June, 2012, he said that it had adopted one of the recommendations to provide for income security as one of the basic social security guaranteed to all in need & this could be provided through unemployment insurance as one of the means. He mentioned about 14 unemployment insurance schemes from across the world which were unique in themselves and were running this programme for their workers.. He observed that unemployment benefits often emerged following a shock or crisis - like the Great Depression ( 1930s ), World War II (1940s ), Asian Financial Crisis ( 1997 ) and Global Economic Crisis ( 2008 ). He highlighted, with graphic presentations the following aspects of UI:-

- , the unemployment trends,
- types of employees covered,
- qualifying eligibility conditions,
- level & duration of benefits,
- contribution rates,

- comparison between unemployment rate & cost

as implied in the schemes of these 14 countries.

19. He further elaborated to say that , all these schemes were equipped with employment service centres which offered job counselling & placement services as well as provided vocational training & skill development grants. These schemes were based on Active Labour Market Policies (ALMP ) with two distinct objectives & two separate funds. The unemployment benefit objective was funded by employers & employees whereas the objective of employment stabilisation / promotion programs was funded by the government & employers. To further elucidate on these two objectives, he talked of the Korean & Japan models.

20. Dr. Raju concluded his presentation summarising lessons learnt from the comparative study. He was of the view that the temporary / seasonal workers, domestic workers, migrant workers, new entrants i.e. the youth, women, employees in SMEs & self-employed, should also be included under UI scheme. Besides, there should be certain flexibility to adjust parameters during crisis, reduced benefits or denial of benefits to those who quit jobs voluntarily.

21. Shri Jeba Kumar also opined that with regard to unemployment insurance there should be a holistic framework. Today in industries with mindless automation & artificial intelligence, it was impacting productivity

in particular & society in general. By year 2020, India has the potential to become a super power and if India's young population was not skilled, reskilled & re-employed, the problems of employment market were going to become more acute. There existed a need to incentivise the employees by providing vocational training while the working population was in the productive age and the funding needed to be linked to skilling to make them productive and also to link the scheme to all types of jobs.

22. At this juncture, Dr. Pravin Sinha shared the German experience about job market management, where post-World War II, there was a mismatch between skill & demand. With the men having gone to the war front, women were compelled to take up paid employment. In Germany, skill development was an integral part of the education system and there existed interface between educational institutions & industries. In the event of unemployment, there was no cut in the workforce but only wage cut & job sharing.

### **PANEL DISCUSSION :**

Unemployment Insurance : Opportunity for Government and Insurance Sector.

22. As the last part of the seminar, a panel discussion was held where representatives from various trade unions, subject experts, management consultants & other stakeholders were invited to present their views on

the advisability of introducing, as a policy, unemployment Insurance for all workers in our country with specific reference to the following f questions:-

- a) What should it include and what it should exclude ?
- b) What should be the liability criterion and what should be the employment and income limits for protection ?
- c) What should be the rate of contribution ?
- d) Who should contribute ?
- e) What should be the rate and duration of benefit ?
- f) Who should administer the benefit ?
- g) Would it be appropriate for just administration of the fund to entrust it to ESIC who was already implementing Rajiv Gandhi Shramik Kalyan Yojana and EPFO which has robust data of employers and employees and robust Information Technology platform ?

23. The panel discussion session was chaired by Shri B N Som, ,co-chaired by Dr. L D Mishra with Dr. Pravin Sinha as the resource person.

Opening the discussion Shri B N Som requested all the employers & employees to give their most considered view on the need for introduction of a mandatory UI scheme both for job losers and also for job seekers.

.He also called upon the panellists render their candid opinion on the basic issues listed above which have been framed by SSAI with the kind and generous contribution of Dr LD Mishra.

24. Dr. L D Mishra in his opening remarks underpinned that under National Renewal Fund, most parameters for grant of redundancy allowance had not been complied as a result of which the scheme became controversial and a non-starter. That mistake should not be repeated while proposing the unemployment insurance policy. He stated that presently the unemployment scenario in the unorganised & informal sector was grim. He was, therefore, of the view that Ulscheme should be a universal scheme to benefit both organised & unorganised sectors.

25. Dr. Pravin Sinha posed the basic question on the need for unemployment insurance and stated that most of the workforce faced the problem of survival in the event of job loss. To mitigate such problems a UI scheme could come to their rescue. He stressed on the need for inclusive approach while formulating policies with regard to UI, new labour laws, social security measures, and so on.

26. Sri Shantha Kumar, General Secretary, INTUC, India while speaking on the occasion mentioned about success & turmoil of unemployment insurance in other countries of the world. According to him, Indian laws were outdated, justice was delayed & the delivery system was very poor in all the departments including the labour department. Therefore, it was needed to learn from other countries which were successful in

implementing UI. With regard to the focussed questions, he underscored the vital need to include all the stakeholders i.e. government, employers, & employees for discussion while framing the scheme on the subject of UI.

27. Smt. Mangalamba Rao, National Vice President, Bharatiya Mazdoor Sangh (BMS ), another panellist, referred to some of the social security measures like ESI Scheme, Employees' Compensation Act, etc. which benefitted a small percentage of the workforce. In such a scenario, she stated that it was the duty & responsibility of the government & of the employers to take care of the employees especially in event of their job loss. She called upon the authorities to follow the policies practised in ancient India where the king was responsible to provide social security for his subjects during all eventualities. The problem presently, according to her, was more grave & profound with respect to the unorganised sector. She also suggested extension of ESIC benefits to all employees to resolve the issue of unemployment & referred to the Gujarat model where the unemployment issue was dealt effectively during the time of natural disaster. She concluded by requesting SSAI to come out with unemployment insurance policy / scheme which would cover all employees.

28. Shri V J K Nair, Vice President, CITU, Karnataka, held that while SSAI was concerned about UI, it should do well to analyse reasons for unemployment and find out means to overcome problems arising out of industrial development. In spite of industries making profits, employees were denied social security benefits. He further suggested that profits of the establishments should be utilised for re-skilling those who were denied work or were not having employment. As per him, the ultimate objective should be to protect the constitutional rights of the workers.

29. Shri N P Samy, General Secretary, National Centre for Labour, India in his presentation submitted that unemployment insurance / income security should be part and parcel of a comprehensive security package of every employee in the country. He was of the opinion that income security should come from productive employment. Though employment was a basic need in the country, the question arises as to how to generate & sustain employment in the face of increased automation, urbanisation, and increased supply of educated and trained youth, . He suggested schemes like, ESIC should be extended to all employees and ESIC should have aggressive marketing strategies to meet the demand and play vital role in providing comprehensive social security which alone could assure income security.

30. The next speaker was Dr K B Achilles, President, SSAI – KC, a distinguished management celebrity and a scholar of international repute. He spoke about the golden triangle of innovation, investment & entrepreneurship. He explained how the combination of all three was important for employment generation issue. He explained that large industries were outsourcing their various functions giving way to small industries & SMEs with a series of layers of systems & sub-systems. Employment were increasingly giving way to non-employment by way of lay-offs & retrenchment and that those were going to increase in the days to come. Additionally, he stated that there was mismatch between education system and the pattern of technology being adopted by the industries. That was resulting in most educated people becoming unemployable. With the advent of aspirational economy, where speed was the mantra, and life style changes were commonplace phenomena, employees had the propensity to get into whirlpool of commitments & unmanageable issues when they lose jobs. Thus as social thinkers, he concluded to say that with chintana (thinking ) & manthana ( reflection ), there was need to deliberate seriously on the issue of UI.

31. Shri J R Bangera, past President, FKCCI & KASSIA remarked that today in India unemployment had become an issue of concern because today's graduates were not employable. We should link skilling with

employment for which different domains needed to be created. For India, as an emerging economy, to propose right things at right time & with right objective, was very vital. He described Credit Guarantee Scheme as a success story. He further added that the need was to create different funds & different legislations with emphasis on skilling, re-skilling & retraining. ESIC & EPFO would take care of the organised sectors but would they be able to take the load of UI ? Hence, we need think out of the box, unconventionally – something novel, something innovative & something unique.

32. Dr. M R Narayana, formerly Prof. of Economics, Institute of Social and Economic Change, Bengaluru suggested that insurance fund should be operated at the national & administrative level and any unemployment insurance scheme should have a national character and the objective of employment fund should be to use as a transitional cost. He also proposed to make UI a recoverable loan and if publicly funded, it should be evaluated & be sustainable in event of any reforms. He also recommended that UI should be a social & financial liability for the exchequer.

33. Shri S Suchindranath Aiyer, Management Consultant, submitted that social security measures for both organised & unorganised sectors should

be based on Frederick Herzberg's motivation – hygiene theory where there should be universal subsistence level for all thereby they would get motivated to excel. He recommended withdrawing all types of subsidies, all inequalities & to ensure equality of opportunity for all.

34. Shri Jaswanth Singh G, Insurance Domain Consultant & Adjunct

Faculty of Insurance advocated the following :

- Both Central & State insurance departments should initiate unemployment insurance schemes.
- The insurance regulatory body, IRDAI, should step in to formulate the UI scheme.
- Employment exchange should streamline the process and monitor the UI scheme.
- Mechanism & pricing of UI should be formulated in an unbiased manner.
- Claims handling & grievance handling mechanisms should be in place.
- UI scheme should be a standalone policy and not an add-on cover with other general insurance products.
- Trade unions' support was essential in creating awareness about UI scheme.
- Government should contribute to the UI scheme.
- IRDAI can integrate UI scheme under social insurance obligation.

35. Dr. L D Mishra as co-chairman responding to the focussed questions made the following suggestions :

- Unemployment insurance scheme should be squarely the responsibility of the State
- UI should have universal application where all types of employments & employees would be covered
- Scheme should be applicable when a person would lose
- There should be structural absorption in event of mergers & acquisitions
- UI to be payable only in event of contingencies and not for voluntary retirement, retrenchment, termination, seasonal unemployment, lay-offs, etc

- All persons unemployed should be assessed
- UI should not only have economic consideration but also have humanitarian consideration
- UI scheme should be applicable to all States and introduced in a gradual manner on a pilot basis
- ESIC could be an ideal agency to implement the UI scheme

36. Dr. Pravin Sinha intervening in the discussion held that none of the governments knew about what existed then & what existed now. If something was wrong and it persisted, then someone was benefitting out of it. Unfortunately, in spite of knowing what prevailed, situation had not changed. Speaking in favour of unemployment insurance, he said there should be clarity as to what should be included & what to be excluded in the scheme and whether it would be workable or not. There were problems at every level and thus there was need to think afresh as certain things were mendable whereas others were not. Today, all laws were for the formal sectors but the need was to think from the perspective of the informal sector too. He concluded by mooting that if we thought afresh following the discussions at Kolkata, the present seminar & other sessions on UI and incorporate the learnings from these sessions, we could present a workable & acceptable UI scheme for the policy makers.

40. The chairman, Sri B N Som, giving his concluding remarks to the panel discussion and the day's seminar declared that SSAI would present the

resolutions arrived at from various deliberations on the subject to the Central government for its effective implementation & invited the trade union representatives and other stakeholders to submit additional contributions & inputs, if any, to SSAI to help and assist it do the needful in the matter in days to follow and as soon as possible.

41. the proceedings of the seminar was summed up at the end by Dr Pravin Sinha. He said that The day's deliberation focused around promoting establishment of Social Protection Floor [SPF] through Unemployment Insurance. The seminar had presence of representatives of social partners supported by resource base of the SSAI. The widening inequalities with majority of the population concentrated in the poorer sections of society was at the centre of discourse. Leading the debate, Dr. L. D. Mishra and Dr. P. D. Shenoy highlighted the issue of jobless growth and non-effective coverage of the workers in the informal sector under the prevailing social schemes. in the absence of any social protection, the workers were forced to accept most exploitative conditions of employment since wages so received were the only source of livelihood for the majority. Incidentally, ILO through Convention 102 had sought to extend social security by the national government to check raise to the bottom. India, like many other members of the ILO, had not yet ratified this Convention resulting in the same being good in paper only. Many of the Laws and Schemes introduced by the Central and State government, although good in paper, were facing difficulties at the implementation at the implementation level resulting in desired benefits not reaching the target groups. The ILO recommendation 202 adopted in 2012 was another instrument stressing need for establishing SPF at the national level. Accordingly the following resolutions were made:-

(a) The proposed SPF to be implemented as human right calling for universal protection of four types,namely,

- (i) essential health care for all;
- (ii) income security for children;
- (iii) assistance to unemployed, under employed and to poor; and
- (iv) income security to elderly and disabled

(b) It was further resolved that the existing Schemes under ESIC, Unorganised Workers Social Security Act, 2008; etc. be simplified and amended to include all workers.

(c) Unemployment Insurance for workers be introduced as recommended by the Second National Labour Commission

(d) that insurance schemes of various ministries be linked to draw maximum benefits for the targeted population.

(e) It was also resolved that SSAI to examine the feasibility of incorporating provisions of SPF in the proposed Labour Code on Social Security as well.

42. The seminar ended with a vote of thanks proposed by by Smt. Kathyayani, Jt. Secretary, SSAI – KC.

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