

15TH SEMINAR ON CURRENT ISSUES IN RETIREMENT BENEFITS

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LABOUR CODE – INFLUENCE ON SOCIAL SECURITY,
EMPLOYERS AND ACTUARIES

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INFLUENCE ON SOCIAL SECURITY

LABOUR CODE SCOPE & DEFINITIONS

Core Principles

Universalize Coverage Integrate Benefits
Decentralize Administration

Entities

Self managed Self employed units
Engage domestic help
Establishments

Cut-offs

Wage Ceiling
Income Threshold

Vikas account

People

Worker Non-Worker
Employees Non-Employees
Formal Informal Foreign

Benefits



LABOUR CODE LIST OF SCHEMES

Name of Scheme	Benefits	When benefits shall be provided
Pension Scheme	Superannuation, Retirement and family pension	Superannuation, Retirement, Death
International worker's pension scheme	Superannuation, Retirement	Superannuation, Retirement
Medical Benefit	Payments for medical treatment	Medical treatment for member\family
Provident Fund scheme	Contributions invested	Any eventuality specified in scheme
Dependent's benefit scheme	Benefits to dependents of a scheme member	Death of member
Disablement benefit scheme	Benefits to scheme member on disablement	Accident in service or work life
Sickness benefit	Periodical cash payments to member	Sickness due which confinement
Maternity Benefit	Payments for maternity assistance	Sickness, confinement due to pregnancy

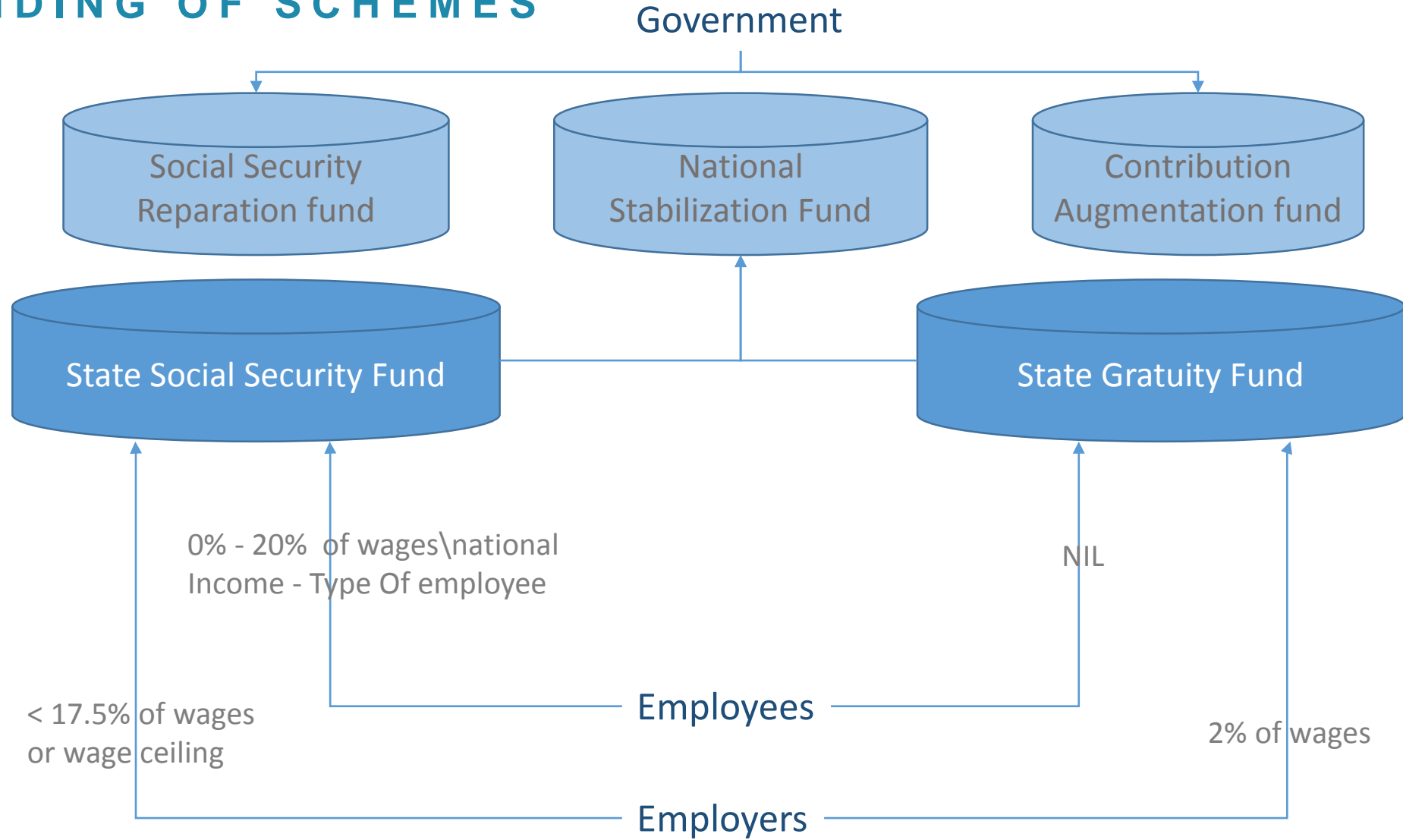
- Over & above this scheme Gratuity has to be provided and an unemployment benefits also will be formed.
- State Governments could also have own supplementary schemes.

OVERVIEW

LABOUR CODE FUNDING OF SCHEMES

EMPLOYER

ACTUARIES



INFLUENCE ON EMPLOYERS

LABOUR CODE CONSIDERATIONS FOR EMPLOYERS

- **Filing Return** - Employers, Contractors to provide details of employees to State Board.
- **Administration charges** – to be paid by Employer over & above contribution.
- **Social Security Benefit** – contributions to be paid by employer to State funds.
- **Gratuity Benefit** – continue to be provisioned in line with The Payment of Gratuity Act, 1972.
 - Funding - Radical shift, creation of State Gratuity Fund, from 2% of wages contribution of wages.
 - Compulsory funding – to avoid last moment burden.
 - Withdrawal – application to Commissioner to get the funds released.
 - Responsibility of payment – continues to be with employer & hence the potential liability.
- **Cess** – there is a provision to levy cess on employers (up to 2% on turnover).
- **Interest** – Penalty interest up to 12% p.a. on delayed payments.

LABOUR CODE ALTERNATE COVERAGE MECHANISMS

- Employers may apply for self managed Provident fund & Gratuity schemes.
- Conditions for approval of such schemes:
 - Benefits from scheme at par with State schemes
 - At least 100 employees and no violation of code in last 5 years.
- Requirements to operate alternate coverage mechanism:
 - Establish Board of Trustees
 - Maintain detailed records of transactions, & file returns with Commissioner.
- Employee changing jobs from an employer which has alternate coverage mechanism to an employer which has not, can transfer accumulated PF funds to Government scheme.

LABOUR CODE OPPORTUNITIES FOR CERTAIN ESTABLISHMENTS

Intermediate agencies

- For management & administration of such humongous scheme a PPP model has been recommended.
- Government to license different agencies, giving opportunities:

Type of Intermediate Agencies	Purpose
Fund manager agency	Management of accumulations in different funds
Point of presence agency	Receiving contributions & transmitting them to Trustee bank
Service delivery agency	Providing any service to scheme member
Benefit disbursement agency	Paying out benefits to scheme member
Record keeping agency	Receiving instructions from scheme members & transmitting to board and fund manager
Facilitation agency	Augment registration process, dissemination of information to stakeholders, increase public awareness and outreach.

INFLUENCE ON ACTUARIES

LABOUR CODE

WHAT'S IN THERE FOR ACTUARIES

- The new code has proposed to bring tectonic shift in Social Security system.
- Practicing Actuaries sees opportunities arising from two avenues:
 - Existing work areas – increased advisory on Gratuity, Exempt Provident Fund.
Definition of “Wages” is clear and all encompassing (with some small exceptions). Impact on liabilities?
 - New work areas – advisors of State Social Security organizations
- There are opportunities for Institute and its Advisory committees as experts to:
 - Indulge into dialogues with the Government & its concerned departments to ensure we get a proper role
 - Play a key in laying out framework for appointment of Actuaries, regular valuations
 - Refine Actuarial Practice Standard (e.g. APS 20) to align with this code
- Increase public awareness on significance of Actuarial work and play a key role in a system that is likely to impact 500 million people.

LABOUR CODE NEW WORK AREAS

- **Para 104** - recommends valuations of its assets and liabilities at an interval of three years.
 - Opportunity to ensure only Actuaries do such valuations.
- **Third Schedule – Item 9** – recommends to State Boards to conduct Scheme fund actuarially valued.
 - Contribution & Benefit rates will also be dependent on these valuations.
 - Actuarial reports will be included in Annual reports of the State Board.
- Opportunities for advisory on Contribution Augmentation fund, National Stabilization fund etc.
- Once the code is in effect, it is possible for Centre and State to review:
 - Level of Benefits
 - Contribution level

Actuaries can provide more appropriate advice considering future risks, different methodologies, level of cross subsidies & heterogeneity in population.

LABOUR CODE CLOSING REMARKS

- Labour code discussed here is still a draft version and we hope the code will be evolved further adding finer details for successful implementation.
- Future debates & discussion on this topic in future meets, will continue to keep our focus on this one of the most important reform for our country.
- A copy of draft code dated 28th March 2018.



Adobe Acrobat
Document

- A copy of presentation on Social Security code from Ministry of Labour & Employment of India



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