

UNIVERSAL
LIBRARY

OU_152599

UNIVERSAL
LIBRARY

OSMANIA UNIVERSITY LIBRARY

Call No. 368.42/K₃₃ Accession No. 22817

Author ~~Problems of~~ Keni, V.P.

Title ~~Problems of~~ Sickness Insurance

This book should be returned on or before the date
last marked below.

THE PROBLEM OF SICKNESS INSURANCE

WITH SPECIAL REFERENCE TO
CONDITIONS OF INDUSTRIAL
LABOUR IN INDIA

By

V. P. KENI, M. A.,

Assistant Commissioner of Labour, Labour Office, Bombay, & Conciliator under the Bombay Industrial Disputes Act, 1938 ; formerly Daxina Fellow, Deccan College, Poona ; acted as Secretary to the Rangnekar Board of Conciliation appointed in 1940 under the Bombay Industrial Disputes Act, 1938, to settle the dearness allowance dispute in the Bombay cotton textile industry ; Secretary to the Madgavkar Board of Conciliation appointed in 1940 under the Trade Disputes Act, 1929, to settle the dearness allowance dispute between the BEST Company & its employees ; Assistant Secretary to the Bombay Textile Labour Inquiry Committee ;
etc. etc.

NOTE

I want to make it quite clear that the views expressed in this book are entirely my own and that neither the Government of Bombay nor the Labour Office, Bombay, accept any responsibility for the same.

V. P. KENI.

Printed by M. N. KULKARNI, at the Karnatak Printing Press,
Chira Bazar, Bombay, and published by V. P. KENI,
at 9 Dumbell Road, Vile Parle, Bombay.

PREFACE

This book is written with a view to remove the misunderstanding which appears to exist at present in regard to the problem of sickness insurance for industrial workers in India and to provide a basis for discussion to both the employers' and the workers' interests in formulating a suitable sickness insurance scheme capable of gradual and automatic expansion with the increase in its own resources. The book attempts to do this, by filling in the important gaps in the tentative scheme* given in the final report of the Bombay Textile Labour Inquiry Committee and by evolving a general hypothetical formula for determining the contributions for full-fledged sickness insurance schemes for different industries at different centres so as to allow for the large variations in the wage levels of workers in the same industry at different centres and also of different industries in the same centre or in different centres.

The book was written in August 1941. Owing to the appointment by the Government of India of an Officer on Special Duty to work out a scheme of sickness insurance, it has become necessary to publish the book immediately as its publication is likely to facilitate the work of all persons

* For a summary of the scheme, please see Appendix I.

who are interested in this question. The following observations may, however, be made in regard to some of the important difficulties which have been raised in the recent discussions on this subject.

The absence of the relevant morbidity statistics cannot, and should not, be considered an insuperable difficulty in the way of the starting of sickness insurance schemes which are generally known to be very elastic. This difficulty has to be faced at the inception of almost every sickness insurance scheme and the usual method adopted to overcome the difficulty is to use whatever statistical data are locally available and also the experience of other countries in first framing a tentative scheme and then improving upon it as experience is gained. Even if statistical data regarding the incidence of sickness before the introduction of a sickness insurance scheme are available, they are generally only a very rough guide, because, according to the experience in other countries, such figures are, for obvious reasons, found to differ materially from the actual incidence of sickness under a sickness insurance scheme. We believe that the available morbidity statistics in India, though scanty, should be sufficient for purposes of the tentative scheme outlined in this book. For, as that scheme provides for the payment of only the medical benefit from its inception and the payment of cash benefits at reduced rates from the seventh to the 24th month as in the British Scheme, the necessary morbidity statistics could be collected from the very inception of the scheme and the full cash benefits payable under the scheme from the 25th month onwards could be satisfactorily adjusted at the end of the second year on the basis of the actual morbidity experience during the first two years. Thus, for instance, taking the present number of permanent cotton mill workers in Bombay City as 2,00,000, the income

and the expenditure of the sickness insurance fund for those workers during the first three years, according to the scheme outlined in this book, will be approximately as follows :—

Year	Income	Expenditure on		Adminis- trative expenses	Balance (including reserves)
		Medical benefits	Cash benefits		
	Rs.	Rs.	Rs.	Rs.	Rs.
1st year	25,17,000*	10,50,000	2,86,000	1,72,000	10,09,000
2nd year	25,17,000*	10,50,000	5,71,000	1,72,000	7,24,000
3rd year	25,17,000*	10,50,000	9,52,000	1,72,000	3,43,000

It will be seen from the figures in the above table that for about 2,00,000 cotton mill workers in Bombay City, the annual income of the sickness insurance fund would be about Rs. 25·17 lakhs while the estimated expenditure will come to only about Rs. 15 lakhs during the first year, Rs. 18 lakhs during the second year and about Rs. 21·74 lakhs from the third year onwards. Therefore apart from the inherent flexibility of the sickness insurance schemes the expected balances in the first two years and the provision for contingent reserves from the third year onwards should enable the sickness insurance funds not only to adjust the sickness benefits on the basis of the actual morbidity experience during the first two years but to provide for "additional benefits" from the available surplus, if any,

* Excluding about Rs. 57,000 (i.e. 1/45th of the total contribution) on account of the loss of contributions of sick persons etc. and lower rates for women.

and also to build up sufficient reserves for meeting contingent expenditure on account of epidemics etc.

This brings us to another important aspect of a sickness insurance scheme, namely, the test of its actuarial solvency. "Sickness insurance everywhere is financed on the assessment system. This is so even where sickness and pension insurance are co-ordinated within the same legislation, for the two branches are kept financially separate, sickness insurance being assigned a definite part of the total contribution; only in Great Britain, where health insurance provides incapacity benefits without limit of time, is the accumulation system used. It may indeed be said that the benefits of sickness insurance are designed in such a way as to render the use of the assessment system appropriate. The mutual-aid movement, from which compulsory sickness insurance is derived, was carried on by small local societies that could operate only on an empirical basis, providing benefits of limited duration and balancing their accounts from year to year. Modern sickness funds, of course, have more refined methods of keeping income and outgo in equilibrium. The number of days of sickness per member per year varies but little in a large fund. Even in a small fund of a few hundred members a reserve equal to one year's expenditure is in almost all countries judged to be ample. . . . Here the assessment system means hardly more than the periodical checking of a financial equilibrium which is inherently stable.*" The question of the general financial basis of the scheme has, however, been discussed at some length in a special section.

The vexed question of State contribution to such

* "Approaches to Social Security"—I. L. O. Studies and Reports, Series M, No. 18, 1942, pp. 76-77.

schemes has been discussed in the appropriate sections. Assuming, however, that there is no State contribution to the scheme and the administrative expenses also are borne by the sickness insurance funds and not by the State, the employers and the employees in the Bombay cotton mill industry, for instance, may not ordinarily have to contribute more than As. 12 and As. 6 respectively per head per month in accordance with the formula suggested in this book.

For the administration of the medical benefits, we have suggested the adoption of the panel system as in the British scheme. We have also suggested that the situation of the dispensaries and/or clinics under the Indian sickness insurance schemes will have to be suitably fixed in the working class localities as they have developed and cannot be left to be determined by the doctors according to their own choice. The following observations from the latest I. L. O. report on "Approaches to Social Security" are of interest in this connection :—

"The financial resources of compulsory sickness insurance are limited. . . . Therefore sickness insurance can hope to keep its medical service abreast of medical progress only by a continuous effort of rationalisation. . . . The group practice of medicine is not commending itself only to compulsory sickness insurance which, operating among workers with a low standard of living, must exercise the utmost economy : . . . Substantial advantages indeed are claimed for group practice. Modern methods of diagnosis and treatment require an extensive and costly equipment of which only a group of doctors practising at the same centre can economically avail themselves ; medical supplies, auxiliary staff, and overhead charges are likewise relatively cheaper for several doctors working together. The representation of different specialities within the group of physicians enables the diagnosis to

be settled and the treatment to be prescribed efficiently and without loss of time for doctor or patient. Group organisation enables doctors to maintain one another's morale and to afford one another opportunities for further study and for leisure.*"

Another point for consideration is regarding adjustments in the rates of benefits according to the rise or fall in the cost of living. Owing to the desirability of keeping the contribution rates as steady as possible over a reasonably long period, the usual sliding scale arrangements for compensating the beneficiaries for the rise in the cost of living do not appear to be suitable for sickness insurance schemes ; but this difficulty could be got over by increasing or decreasing both the contribution and the benefit rates by a suitable percentage so as to make approximate allowance for the average rise or fall in prices during certain periods as was done under the British scheme, for instance, in 1920 and 1942.

Such being the nature of the problem of sickness insurance for the industrial workers in this country, I would like to conclude this preface by reiterating the view expressed by Mr. C. H. Bristow, C.I.E., I.C.S., Adviser to His Excellency the Governor of Bombay, at the Third Conference of Labour Ministers held at New Delhi in January 1942, namely, that there is no reason why sickness insurance should not be introduced now when industry is flourishing and wages rising.

V. P. KENI.

* "Approaches to Social Security"—I. L. O. Studies and Reports, Series M, No. 18, 1942, pp. 48 and 50.

CONTENTS

CHAPTER	PAGE
I. INTRODUCTORY	1
II. THE PRINCIPLE AND SCOPE OF COMPULSORY SICK- NESS INSURANCE	11
III. BENEFITS	28
(i) Medical Benefit	40
(ii) Sickness Benefit	51
(iii) Additional Benefits	77
IV. FINANCIAL RESOURCES AND THEIR MANAGEMENT	80
(i) General Financial Basis	80
(ii) Reserves and Investments	96
(iii) Contributions	100
(iv) Boards of Management	120
V. GENERAL OBSERVATIONS AND CONCLUSIONS ..	123

GENERAL APPENDIX

APPENDIX.

I. SICKNESS INSURANCE SCHEME PROPOSED BY THE BOMBAY TEXTILE LABOUR INQUIRY COMMITTEE	133
II. INTERNATIONAL LABOUR CONFERENCE DRAFT CONVENTION (NO. 24) CONCERNING SICKNESS INSURANCE FOR WORKERS IN INDUSTRY AND COMMERCE AND DOMESTIC SERVANTS ..	140
III. INTERNATIONAL LABOUR CONFERENCE RECOM- MENDATION (NO. 29) CONCERNING THE GENERAL PRINCIPLES OF SICKNESS INSURANCE ..	148

IV. CONSPECTUS OF ACTS RELATING TO COMPULSORY SICKNESS, MATERNITY AND FUNERAL BENEFITS INSURANCE IN VARIOUS COUNTRIES COMPILED BY THE INTERNATIONAL LABOUR OFFICE IN 1936 FOR THE DEPARTMENTAL COMMITTEE OF ENQUIRY ON NATIONAL HEALTH INSURANCE IN THE UNION OF SOUTH AFRICA	156
V. MORBIDITY TABLES	178
VI. TABLE SHOWING THE AVERAGE NUMBER OF WEEKS OF SICKNESS BENEFITS PAYABLE TO A MEMBER IN GREAT BRITAIN WITHIN ONE YEAR	184

ACKNOWLEDGMENTS

My thanks are due to my cousin, Mr. B. N. Adarkar, Under-Secretary to the Government of India, Commerce Department, and Mr. V. L. Mehta, formerly Member of the Bombay Textile Labour Inquiry Committee, for going through the manuscript of this book and for making many valuable suggestions. I am also grateful to Professor G. S. Diwan, lecturer in Actuarial Science in the Sydenham College of Commerce and Economics, Bombay, for making some useful suggestions in improving the section on the "General Financial Basis." Lastly, I must thank the Manager of the Karnatak Printing Press for the care and expedition with which this book has been printed.

28th June, 1943.

V. P. KENI.

CHAPTER I

INTRODUCTORY

Sickness insurance is a social necessity the importance of which is now being increasingly recognised not only in India but in almost all the advanced countries in the world. This form of insurance is mainly intended to provide wage-earners during sickness with an insurance right to (1) free medical attendance and treatment including the supply of proper and sufficient medicines and certain medical appliances, (2) cash benefits for compensating them partially for the loss of their wages during periods of incapacity for work, and (3) additional benefits in the form of increased cash payments, special hospital or other treatment, funeral expenses, etc. payable out of surplus funds, if such funds are available for distribution after payment of the above-mentioned normal benefits. Maternity benefits also are often included in sickness insurance. In an insurance system of this type, it is the social objective and the principle of mutual aid for the alleviation of the financial and other difficulties of the economically weak workers, who are most exposed to risks such as sickness, invalidity, etc. that are stressed much more than the principle

of insurance in the commercial sense of the term. In particular, social insurance makes no distinctions between workers that might tend to influence their employment. Consequently, in determining the liability and contributions to sickness insurance both the health and the age of the insured person are considered to be immaterial and the chief criterion which is usually applied for admission to insurance is that the person to be insured should be in regular employment at the time of his entry into insurance. As the earning capacity of the majority of workers does not leave a sufficient margin to enable them to pay the full premium, a part of the premiums or contributions under this system of insurance is generally borne by other parties such as the employer or the State.

Sickness insurance is made compulsory in most of the countries in which it has been introduced with a view "to obviate* or make good any loss of the workers' productive efficiency" and also to protect the worker's family from possible hardships due to his non-entry into such insurance either because of his ignorance or improvidence or lack of foresight. Compulsory sickness insurance was first introduced in Germany in 1883, followed by Austria in 1888 and by Hungary in 1891. Great Britain, at the instance of Mr. Lloyd George, introduced its health insurance scheme in 1911 and Japan in 1922. According to statistics published by the International Labour Office during 1936, the forty-five compulsory sickness and maternity insurance schemes established in 31 countries, for which information

* See Appendix III re : International Labour Conference Recommendations (No. 29) concerning the general principles of sickness insurance.

was then available, covered about 90,000,000 persons.* A conspectus of the compulsory sickness, maternity and funeral benefits legislation in thirty-four countries, compiled by the International Labour Office in 1936 at the request of the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa, is reproduced in Appendix IV.

The question of instituting sickness insurance schemes in this country first came under the consideration of the Government of India in connection with the Draft Conventions and the recommendations concerning sickness insurance for workers in industry, commerce and agriculture adopted by the International Labour Conference at its Tenth Session in 1927. Although the Government of India then reached the conclusion that the introduction in India of any comprehensive scheme on the lines of the Conventions was not practicable in the existing conditions, they nevertheless recognised that the need of Indian workers for some such provision was in no way less than in other countries. The attention of the Indian public was again drawn to this problem at the time of the discussions regarding the Constitutional Reform. Though health insurance as well as invalid and old age pensions were first intended to be subjects of provincial legislation, the Joint Committee on Indian Constitutional Reforms (1933-34) proposed that the items should be placed in the "concurrent list" for purposes of legislation because "while it is necessary that the more industrialized provinces should be able to legislate on these subjects in the interests of the urban workers and should not have to wait for the concurrence of those which are predominantly

* "The International Labour Organisation and Social Insurance," I. L. O. studies and reports, series M, No. 12, 1936, p. 188.

rural, it is undesirable to exclude the possibility of all-India legislation which may well become necessary in order that there should be uniformity of treatment of the workers as between province and province and that industry in one province should not be burdened with obligations not imposed in another.”* The subject was also considered by the Royal Commission on Labour in India which stated : “The question of making provision for workers during sickness, even if it had not been previously raised by Government, would have been forced on us by what we found in every industrial centre. Of the great need of the workers for something of this kind there can be no doubt. By common consent the incidence of sickness is substantially higher than in Western countries ; the medical facilities are much less adequate, and the wages generally paid make it impossible for most workers to get through more than a very short period of illness without borrowing. Indeed, sickness is an important contributory cause of indebtedness, with all that debt entails under existing conditions ; for often, at his time of greatest need, the worker may find himself destitute of resources, unable to take proper measures to restore his health and in difficulties regarding even the means of subsistence. The situation calls for the exploration of all methods that may lead to the alleviation of the existing hardships.”† With this object, the Commission recommended the institution of preliminary enquiries with the aid of a small committee from the Central Legislature to be followed up by statistical enquiries with expert medi-

* Quoted in “Social Insurance Legislation and Statistics” by Benoy Kumar Sarkar, 1936, p. 8.

† Report of the Royal Commission on Labour in India, 1931, p. 265.

cal and actuarial assistance. The Commission also suggested consideration of the possibility of building on actual experience gained in the operation of small experimental schemes which could be operated on the basis of single establishments. The above recommendation and suggestions were carefully examined by the Government of India in consultation with the Provincial Governments and they came to the conclusion * that (1) the statistical enquiry would be too elaborate in character, besides being almost impossible to execute and that even if it could be carried out, it would yield unreliable results which would not be commensurate with the time, trouble and cost involved and (2) though the suggestion for building on actual experience of small schemes was a sounder method than a general statistical enquiry, almost no experience was available for the purpose. Thus although the Government of India found it very difficult to tackle the problem on the lines suggested by the Commission, they again tried to attack it by placing it before the first three conferences of Labour Ministers held at New Delhi in January 1940, January 1941 and January 1942 as, in their opinion, though the question was a difficult one it was of very great importance to the industrial worker and it was therefore necessary to solve it in a satisfactory manner.

It must be stated here, however, that although this problem is being discussed in India for nearly sixteen years, it has not so far received the sort of intensive scrutiny that is absolutely essential for a thorough and dispassionate consideration of its different aspects. No doubt some earnest attempts are now being made in this direction. Thus, out of the various provincial Labour Enquiry Committees which

* Indian Industries and Labour Bulletin No. 63, published by the Government of India in 1937, p. 128.

considered the question during the last few years, the Bombay Textile Labour Inquiry Committee has suggested at pages 321 to 331 of its final report a tentative compulsory and contributory sickness insurance scheme* for being brought into force in the cotton textile factories in Bombay and Ahmedabad in the first instance, while the Bihar Labour Enquiry Committee has requested the Bihar Government to institute an enquiry into the desirability and practicability of introducing a sickness insurance scheme by legislation. So far as is known, however, no attempt has yet been made to evolve any satisfactory general scheme with a view to tackling the question of sickness insurance on an all-India basis.

The main purpose of writing this book, therefore, is to discuss some of the essential features of the sickness insurance problem with special reference to conditions of industrial labour in India and to make a few suggestions regarding a scientific method of approach which would enable the problem to be tackled in a fair, just and equitable manner in the existing circumstances. Any sickness insurance scheme to be introduced in India will necessarily have to be framed on a reasonably satisfactory but provisional and flexible basis in the initial stages owing to the absence of sufficiently reliable morbidity statistics for the particular classes of wage-earners to be covered by the scheme. Such morbidity statistics† could, however, be collected from the

* For a summary of the scheme, see Appendix I.

† Cf. "At the inception of any social insurance scheme, there is nearly always a complete lack of statistics concerning the group which it is proposed to insure. Recourse is therefore had to observations made under other social insurance schemes in the same country or abroad, to the data derived from...the results of general or occupational censuses or special enquiries,

very inception of the scheme and as the cash benefits would be nil during the first six months and would be payable' at reduced rates from the 7th to the 24th month, as in the British scheme, the full amount of the cash benefits payable from the 25th month onwards could be satisfactorily adjusted at the end of the second year from the enforcement of the scheme in accordance with the actual morbidity experience during the first two years. The rates of cash benefit can subsequently be stabilised after gaining additional experience for a few years more without in any way affecting the solvency of the scheme. Further safety-valves and arrangements for a more or less equitable distribution of benefits under such schemes will be found in the provision usually made for the building up of sufficient reserves and for the distribution of surplus funds, if any, by the grant of "additional benefits." Even a change from a flat-rate basis of contributions and benefits to a basis in which the contributions and benefits are proportional to wages should not be difficult to achieve under such schemes after the necessary statistics have been collected for a sufficient number of years after the enforcement of the scheme. Moreover, it has been shown in the section dealing with the financial systems to be adopted for such schemes that, unlike other forms of insurance, which require laborious actuarial calculations, sickness insurance lends itself most easily to a very simple financial basis, namely, the annual budgetary basis

Once the scheme has been put into force, the insurance institution usually tries to make statistical returns, from which biometric tables can be compiled for the insured group itself, and these gradually take the place of the tables that served as a basis for the preparatory work."—From "Actuarial Technique and Financial Organisation of Social Insurance," I.L.O. Studies and Reports, series M, No. 17, 1940, p. 3.

and this makes its administration much easier than in the case of most other types of insurance.

That the question of sickness insurance is of more practical importance than that of holidays with pay and other items of social legislation and, as such, should be tackled first is the view expressed not only by the Bombay Textile Labour Inquiry Committee but also by the representatives* of the All-India Organisation of Industrial Employers and the Employers' Federation of India. The Hon'ble Member in charge of the Government of India Departments of Commerce and Labour, stated at the second conference of Labour Ministers held at New Delhi in January 1941 : " I have reason to believe that the employers themselves and to a certain extent the representatives of labour unions attach a great deal of importance to this particular subject." † It was also pointed out in the memorandum on sickness insurance prepared by the Government of India for the same conference that " the question is a complicated one and some time must elapse before the details of a scheme are finally settled " and that " it is not necessary to postpone consideration of the question till after the war." ‡ Accordingly, it was suggested at the conference that certain industries like textiles (including cotton, jute, wool, silk and other fabrics), cement, potteries, iron and steel, the mineral water industry and the hosiery and printing industries should be taken up for a preliminary actuarial examination with a view to evolving a suitable sickness insurance scheme after

* Proceedings of the Second Conference of Labour Ministers, published by the Government of India in 1941, page 20.

† Proceedings of the Second Conference of Labour Ministers, published by the Government of India in 1941, p. 7.

‡ *Ibid.*, p. 65.

such examination. The Bombay Textile Labour Inquiry Committee has already given a lead in this direction by recommending for the cotton textile workers in Bombay and Ahmedabad a compulsory and contributory sickness insurance scheme based on the modified "assessment" basis which is generally acknowledged to be the most suitable actuarial basis* for sickness insurance schemes. And it is with this same object of finding out a workable solution of this somewhat intricate problem that an attempt has been made in the following pages to evolve a general hypothetical formula which could serve as a basis for discussion in formulating full-fledged sickness insurance schemes for different industries in this country. The sickness insurance scheme outlined in this book is intended to suit the requirements of industrial labour in India, is very simple, sound and flexible in character and is based on principles which have received international recognition.

According to the hypothetical formula worked out in the section on "contributions" in Chapter IV, the total monthly contribution per insured person including the administrative expenses comes to.

$$\text{As. 3 [3 plus } (.136) \times w]$$

where 'w' is equivalent to the average daily wage in annas of the workers in a particular industry at a particular centre. One-fifteenth of this contribution is expected to cover administrative expenses excepting the cost of maintenance of dispensaries and/or clinics which is included in the expenditure on medical benefit. The remaining contribution is intended to be allotted to the different benefits, reserve fund, etc. in the following manner :

* See section on "General financial basis" in Chapter IV.

Medical Benefit : Medical attendance

(capitation fee) As. 4

Maintenance and establishment char-

ges of dispensaries and/or clinics A. 1 p. $2\frac{1}{2}$

Drugs and appliances A. 1 p. $9\frac{1}{2}$

Total As. 7

Cash Benefit : As. $\frac{7}{3}$ ($\cdot 136$) $\times w$, where ' w ' has the same meaning as explained above.

Reserve Fund : One-ninth of the total contribution.

Contingencies (including amounts to be distributed as maternity benefits, if any) : Balance of the contribution after distribution of the above-mentioned portions amongst the three previous items (i.e. up to a maximum of $\frac{2}{45}$ ths of the total contribution).

CHAPTER II

THE PRINCIPLE AND SCOPE OF COMPULSORY SICKNESS INSURANCE

The need for protecting workers against the economic ill-effects of sickness has not only been specifically mentioned in the preamble to Article 13 of the Versailles Peace Treaty, but the International Labour Conference also adopted a resolution at its sixth session in 1925 stating that "a system of labour regulation, if true to social justice, must secure the effective protection of the workers against risks endangering their livelihood or that of their families" and that "this protection can best be attained by means of a system of social insurance granting clearly-defined rights to the beneficiaries."* A worker cannot as a rule accumulate sufficient savings to enable him to tide over periods of sickness which usually involve both increase in expenditure and loss of income resulting from incapacity for work. The method which is most commonly adopted for meeting such contingencies, therefore, is that of insurance whereby payment of certain specified benefits is guaranteed to the worker during periods of incapacity in return for relatively small premiums regularly payable by him or on his behalf to the insurance fund. Insurance rates fixed on a commercial

* Quoted in "Report on Social Insurance" by Sir Frederick Stewart, Canberra, 1936, p. 1.

basis are generally considered prohibitive from the point of view of the paying capacity of an average wage-earner. And the object of sickness insurance legislation may be either to assist or to compel certain classes of persons to insure against the risk of illness. The voluntary social insurance movement has, however, failed to protect the workers adequately against the risk of illness as this type of insurance ordinarily attracts a comparatively large number of inferior lives and elderly persons whose morbidity rate is much above the average and thus requires a contribution greatly exceeding that required for compulsory insurance. Its "membership has remained at a low figure : after fifty years of effort, the friendly societies in many countries have only succeeded in bringing in a small proportion of the working class. Many workers fail to insure, some by improvidence and others through lack of means. In particular, those earning low wages do not join the societies ; forced as they are to apply the greater part or the whole of their earnings for the satisfaction of immediate needs, they are both less able to save and more frequently ill. Again, the number of societies is excessive : tiny societies abound. Their small membership endangers their financial soundness and renders them unsuitable for undertaking insurance against prolonged sickness or invalidity. Moreover, friendly societies always suffer from narrowness of means. The contributions which members are willing to pay are rather low, and, even if they are supplemented by public subsidies, they do not allow the provision of benefits adequate to cover the risk."* Consequently, a compulsory and contributory basis has now almost

* "Compulsory Sickness Insurance", I. L. O. Studies and Reports, series M, No. 6, 1927, pp. 9 and 10.

universally been recognised as the only practical method of solving the problem of sickness insurance and special emphasis has, therefore, been laid on the principle of compulsory insurance in the very first Article of the Draft Convention on sickness insurance adopted by the International Labour Conference at its Tenth Session in 1927.

As regards the scope of compulsory sickness insurance, reference may be made to Article 2 of the Draft Convention concerning sickness insurance for workers in industry and commerce and domestic servants adopted by the International Labour Conference which reads as follows :

“The compulsory sickness insurance system shall apply to manual and non-manual workers, including apprentices, employed by industrial undertakings and commercial undertakings, outworkers and domestic servants.

It shall, nevertheless, be open to any Member to make such exceptions in its national laws or regulations as it deems necessary in respect of :

(a) Temporary employment which lasts for less than a period to be determined by national laws or regulations, casual employment not for the purpose of the employer's trade or business, occasional employment and subsidiary employment ;

(b) Workers whose wages or income exceed an amount to be determined by national laws or regulations ;

(c) Workers who are not paid a money wage ;

(d) Out-workers whose conditions of work are not of a like nature to those of ordinary wage-earners ;

(e) Workers below or above age-limits to be determined by national laws or regulations ;

(f) Members of the employer's family.

It shall further be open to exempt from the compulsory sickness insurance system persons who in case of sickness

are entitled by virtue of any laws or regulations, or of a special scheme, to advantages at least equivalent on the whole to those provided for in this Convention....”*

The term “national insurance” which is generally adopted to describe the scope of such schemes is rather misleading as truly national sickness insurance schemes applicable to every member of the community are very rare. The large majority of such schemes are intended to cover wage-earners who perform their work under a contract of service and are mainly or wholly dependent on it for their means of livelihood; but they exclude agricultural and domestic workers except in a few cases on account of their seasonal employment, payment of a portion of their wages in kind and other similar reasons. It may also be mentioned here that several countries which wished to develop sickness insurance schemes† in the past by first starting them on an experimental basis began by restricting the scope of compulsory sickness insurance to workers in particular categories of undertakings or industries which appeared to be best suited to the introduction of such schemes and subsequently extended it to other categories of undertakings or industries.

The proportion of persons covered by compulsory sickness insurance to the total population varies very widely from country to country. The actual figures of the persons insured under compulsory sickness and maternity insurance

* “The International Labour Organisation and Social Insurance”, I. L. O. Studies and Reports, Series M, No. 12, pp. 133 and 134.

† For the principal stages in the development of compulsory social insurance legislation, see “The International Labour Organisation and Social Insurance”, I. L. O. Studies and Reports, Series M. No. 12, 1936, pp. 188 to 219.

given at pages 203 to 209 of "The International Labour Organisation and Social Insurance, 1936" show that the insured persons in different countries numbered from about 40,000 in Estonia in 1933 to about 23,500,000 in the U.S.S.R. in 1934 and the number of compulsorily insured persons in Japanese mines and factories regularly employing not less than five workers stood at about 2,667,000 in 1935. In Great Britain, the number of persons covered by compulsory health insurance during 1936 was approximately 19,000,000 while the total number of persons covered directly and indirectly, i.e. by including wives and children of the insured persons, was about 34,000,000* or approximately 75 per cent. of the total population.

As regards the question of the application of the sickness insurance legislation to workers in this country, it would appear desirable to follow the example of Japan and to begin by making such legislation applicable to workers employed in registered factories and, if possible, also to those working in mines and on plantations. The average daily number of operatives employed in registered factories in India in 1939 was approximately 1,751,000,† out of whom about 489,000 persons were employed in the cotton textile industry and about 299,000 persons in the jute industry. Nearly 289,000 of the persons employed in registered factories were working in seasonal factories‡ and as such will probably have to be excluded at least in the initial stages from any sickness insurance schemes which may be started in India.

* "Report on Health and Pensions Insurance," by Sir Walter S. Kinnear, 1937, p. 16.

† "Statistics of Factories for 1939", published by the Government of India in 1941, p. 1.

‡ The distribution of the workers in seasonal factories was as follows :—

Similarly, the 132,000 workers in Government and Local Fund factories may have to be excluded as the facilities * usually granted to them during periods of sickness can be considered to be more advantageous than those which are likely to be given to the persons to be insured under a sickness insurance scheme. The number of factory workers who would be covered by such schemes should not, therefore, ordinarily exceed the 1,330,000 workers in perennial factories whose distribution in the different industries is as follows :—

Industry.	Average daily number of persons employed in 1939.			
Food, Drink and Tobacco factories	..	..	150,000	
Chemicals, Dyes etc.	..	..	2,000	
Gins and Presses	..	..	137,000	

	Total			289,000

* In Great Britain and Northern Ireland and the Irish Free State, "exclusion applies to persons employed by the State or by local or other public authorities, and to clerks or salaried officials in the service of companies established by statute, e.g., railway companies, who are entitled to rights in a statutory superannuation fund. Exclusion is contingent on the employer's obtaining from the competent Minister a certificate that the terms of employment are such as to secure provision in respect of sickness and also invalidity on the whole not less favourable than the corresponding benefits under the general scheme, which, it must be remembered, covers both these risks. It is not required that the benefits provided by the terms of employment should be precisely on the same lines as those of the general scheme, but it is necessary that their actuarial value should be at least equally great."—From "Compulsory Sickness Insurance", I. L. O. Studies & Reports, Series M, No. 6, 1927, p. 40.

Industry.	Approximate average daily number of workers employed in perennial factories (excluding Government and Local Fund factories) during 1939.
Textiles	817,000
Engineering	149,000
Minerals and Metals	55,000
Food, Drink and Tobacco	98,000
Chemicals, Dyes etc.	56,000
Paper and Printing	44,000
Wood, stone and glass	52,000
Gins and Presses	26,000
Skins and Hides	13,000
Miscellaneous	20,000
Total	1,330,000

But even out of these 1,330,000 workers in perennial factories, only workers in those industries, which lend themselves most easily to the introduction of such schemes, for instance, the cotton textile industry,* may have to be covered in the beginning in accordance with the principle of gradualness on which so much emphasis has been laid in the report of the Royal Commission on Labour in India.

There are thousands of small factories in India which are not subject to the control of the Indian Factories Act,

* At the first conference of Labour Ministers held at New Delhi in January 1940, Sir Gilbert Wiles, Adviser to the Governor of Bombay, stated that there was a case for compelling employers to contribute to sickness insurance schemes especially in cases where the industry received protection from the State—From Indian Industries and Labour Bulletin, No. 70, 1940, p. 60.

1934. No details are available regarding the number and the conditions of work and wages of persons employed in such factories. Such concerns may, therefore, have to be excluded from the scope of sickness insurance legislation at least for the time being. It may be mentioned in this connection that in introducing compulsory sickness and maternity insurance in Japan, the scheme was first applied to all mines and factories regularly employing not less than ten workers and was subsequently extended to factories regularly employing not less than five workers.

The observations made above regarding the workers in Government and Local Fund factories may be said to apply also to railway employees.

As regards the 300,000 persons employed in mines—where though the cash wages * are rather “too low”, the colliery workers are reported to be getting in addition some goods and services free of charge,† namely, housing, fuel, medical aid, education, water, maternity and sickness allowances and in some cases free kerosene—most of the larger collieries are understood to have provided hospital and medical facilities for the benefit of their workers, the schemes being financed ‡ entirely by the colliery companies ; but there are only meagre dispensary arrangements at many of the smaller collieries. Similarly in the case of plantations, i.e., estates maintained for the purpose of growing cinchona, rubber, coffee or tea, the average monthly cash earnings of the labourers are very low although most of

* Cf. Report of the Chief Inspector of Mines for 1939, p. 6.

† Report of the Bihar Labour Enquiry Committee, Volume I, 1940, pp. 118 and 197 to 202.

‡ Indian Industries and Labour Bulletin, No. 63, 1937, pp. 27 to 29.

them are also provided * with free housing, free medical treatment, maternity benefits, etc. Again, as stated at page 412 of the report of the Royal Commission on Labour in India, "on certain plantations the worker, when ill in hospital, is given free food, and a gratuity is paid to a relation acting as sickness attendant." There should not be any insuperable difficulties, therefore, in bringing the workers in mines and on plantations within the scope of a sickness insurance scheme especially as (1) colliery owners and planters employing a very large proportion of these two types of labour have already accepted† provision of medical facilities as an essential part of their expenditure and (2) unlike other important industries, the cash benefits which they will have to pay will be comparatively much smaller because of the prevailing low rates of wages.

The question of evolving suitable sickness insurance schemes for seamen‡ and for dock workers can only be considered after gaining some experience of the actual working of sickness insurance legislation in the case of permanent workers in perennial factories, as the movements of the former in home and foreign waters and on the high seas

* Annual Report on the Working of the Tea Districts Emigrant Labour Act (XXII of 1932) for the year ending the 30th September 1939, 1940, pp. 11 and 31.

† Indian Industries and Labour Bulletin, No. 63, published by the Government of India in 1937, pp. 28-29 and 34.

‡ "Seamen are in all countries protected in the first place by the provisions of maritime and commercial codes which impose upon shipowners the duty of caring for their crew when sick on board until they are cured or return to their country. In case of sickness which is prolonged beyond the period for which the shipowner is liable, sickness insurance becomes necessary"—From "Compulsory Sickness Insurance", I.L.O. Studies and Reports, Series M, No. 6, 1927, pp. 34-35.

and the temporary character of employment of the latter give rise to some additional difficulties from the standpoint of sickness insurance.

The exceptions commonly allowed in compulsory sickness insurance laws have been mentioned in Article 2 of the Draft Convention on Sickness Insurance quoted above and they become more or less self-explanatory if it is remembered that any compulsory sickness insurance scheme requires also a contributory basis and the employer is generally held responsible for the payment of both his own and also the worker's share of the insurance premium by deducting the latter from the worker's wages. Apart from these exceptions, it would also appear reasonable to treat all other casual employment including that for the purpose of the employer's trade or business as an additional exception at least in the initial stages of sickness insurance. This is all the more necessary even for a restricted sickness insurance scheme in this country because the necessary morbidity statistics will have to be collected from the very inception of a sickness insurance scheme and as such the scheme will have to be evolved on clear-cut lines by avoiding all unnecessary complications in the earlier stages.

It was with this same object that the Bombay Textile Labour Inquiry Committee suggested that the compulsory and contributory sickness insurance scheme recommended by it should cover only permanent workers. The Bihar Labour Enquiry Committee has also expressed a very similar view in paragraph 151 of its report and it further observes in the same paragraph : "It is, therefore, necessary to define with precision what we mean by a permanent worker. Where the work is of a permanent character and the worker has been employed on such a work in a temporary capacity for a continuous period of one year, he shall

be considered to be a permanent worker entitled to all these privileges. Allegations are often made that sometimes the worker is discharged before the completion of a year without any good reason merely to prevent him from qualifying for these privileges. To provide against this possibility we propose that breaks of service not exceeding 30 days in the year shall be disregarded.... It is hardly necessary to say that authorised absence from duty for whatever reason cannot be treated as break of service.”* Standing order No. 3 of the set of orders settled by the Industrial Court for operatives in cotton textile mills in Bombay defines a permanent operative as “one whose name has been entered in the Muster Roll and who has been given a permanent ticket and has completed a probationary period of two months in the same or another occupation in the mill.” The same standing order further defines (1) a “probationer” as “one who is provisionally employed to fill a permanent vacancy, and has not completed two months’ service in that post. If a permanent operative is employed as a probationer in a new post, he may, at any time during the probationary period of two months be reverted to his old permanent post;” (2) a “badli” as “one who is employed on the post of a permanent operative or probationer, who is temporarily absent”; and (3) a “temporary operative” as “one who is engaged for work which is of an essentially temporary character.” Again, according to yet another definition, or rather description, of permanent employees contained in the rules framed by an Indian jute mill, which is operating a scheme of sickness insurance for its workers, the term “permanent employees” comprises

* Report of the Bihar Labour Enquiry Committee, Volume I, 1940, p. 63.

all regular workers employed in the mill;* it does not include substitutes taken on when permanent employees are on leave or are absent through sickness or any other cause. Thus, although at present there is no agreed definition of a "permanent" worker applicable to all the different industries in this country, the suitability of the abovementioned standing order No. 3 of the set of orders settled by the Industrial Court, Bombay, would perhaps have to be considered with a view to applying it to all the concerns which may be covered by the sickness insurance legislation. This is absolutely essential as certain employers might otherwise try to evade their obligations under such legislation by not making the workers "permanent" in their establishments.

The workpeople employed in factories and other industrial establishments through contractors may not come within the category of "permanent" workers, even though they may be working in the same factory or industrial establishment over a series of years, for the simple reason that they are not employed by the management of the factory or industrial establishment but by the contractor † for each

* "Indian Industries and Labour Bulletin", No. 63, 1937, p. 39.

† The following extract from the Order of the Industrial Court, Bombay, on application No. 19 of 1940 is of interest in this connection :

"In the first instance these persons are employed not by the mills themselves, but by the contractors to whom a contract is given for doing particular work. After the contract is given, it is no concern of the mills as to how many people are employed and how much is paid to them by the contractors ... For the purpose of maintaining discipline and having uniformity in the industry it may have been necessary to frame standing orders with regard to persons employed by contractors, but that does

period of contract and as such they could be said to be "engaged for work which is of an essentially temporary character." If this view is correct, the question of extending sickness insurance to contract labour in factories and other industrial establishments would appear to bristle with difficulties and may therefore have to be postponed for the present. It may, however, be pointed out that the abolition of the contract system of engaging labour in cotton mills and also in mines has already been suggested by the Bombay and the Bihar Labour Enquiry Committees. And if the system of contract labour is abolished one of the direct consequences and advantages would be to enable the workers concerned to have the benefits of social insurance extended to them when such schemes are started in India.

Another important question requiring clarification is whether workers should be excluded because of (i) their being outside certain age limits or (ii) their wages or income exceeding a certain limit.

As regards the first point, it may be stated that many of the countries having compulsory sickness insurance schemes have not prescribed any minimum or maximum age limits for workers engaged in insurable employment either for entry into or for ceasing to belong to a sickness Insurance Fund, though a minimum limit is indirectly introduced by the legal provisions regarding the age for admission to employment. Under the British National Health Insurance Act, however, the lowest age of admission is 16 years and until 1st January, 1928, the sickness and disablement benefits were receivable until the pension age of 70. But since that

not, in our opinion, make the mills responsible for the ordinary remuneration paid to these people."—From the Bombay Labour Gazette for October 1940, pp. 151-152.

date, the age at which contributory old-age pensions are awarded to insured persons has been reduced to 65 for men and 60 for women in accordance with the provisions of the Widows' and Old Age Contributory Pensions Acts of 1925 and 1940 and the sickness and disablement benefits under the Health Insurance Scheme cease at the age of 65 in the case of men and at the age of 60 in the case of women. According to section 10 of the British Act, a person who, on attaining the pension age, is still insured under the Act, thereafter continues to be an insured person throughout his life, and continues to be entitled to statutory as well as additional medical and maternity benefits in spite of the contributions ceasing at the pension age, the cost of providing medical benefit to persons above the pension age being met out of the reserve suspense fund. Similarly, as young persons who enter employment below the age of sixteen are not technically insured persons, special provision has been made by the National Health Insurance (Juvenile Contributors and Young Persons) Act, 1937, to make them eligible for medical benefit and also to facilitate the provision of medical benefits to them; and the rates of contributions payable in respect of them have been fixed at two pence per week by the contributor and two pence per week by the contributor's employer. In the absence of any general system of contributory old-age pensions in this country and also because children are still being employed in factories* and other industrial establishments which are likely to be covered by sickness insurance legislation, it

* According to the figures given in the "Statistics of Factories for 1939" published by the Government of India in 1941, the average daily numbers of adolescents and children in perennial factories were 21,535 and 7,492 respectively during 1939.

would appear desirable not to fix any special age limits for purposes of such insurance. It may, however, be necessary to provide, on the lines of the British scheme, for the grant of (1) medical benefits at reduced rates of contribution to children i.e. persons over 12 and under 15 years and to adolescents i.e. persons between the ages of 15 and 17 who have not been certified as fit for employment as adults and (2) free medical benefits to insured persons who may retire from employment on account of old age so long as they continue to stay in the town where their factory or industrial establishment is situated.

Regarding the second point, it is common knowledge that the large majority of workers in the industrial establishments in this country are in receipt of low wages. The fixing of a fairly high limit with a view to excluding from the protection of sickness insurance workers getting wages in excess of that limit will, therefore, affect only a negligible proportion of the total labour force in the industrial establishments. Moreover, such a limit has to be fixed more or less in an arbitrary manner. For instance, it has been put down at Rs. 300 per month in the Workmen's Compensation Act, 1923, and at Rs. 200 per month in the Payment of Wages Act, 1936. It would, therefore, be best to cover all the permanent wage-earners, irrespective of their income, in the undertakings to which sickness insurance legislation may be applied.

Coming next to the question regarding the position of an insured person during periods of unemployment or when he goes out of insurable employment, it may be stated that different methods are followed in different countries with a view to enabling the insured to maintain his insurance if he so desires. In the present day conditions in India, it would appear reasonable to allow the insured, on his giving

proper intimation, within a month of his ceasing to be liable to compulsory insurance, of his intention to keep alive his privileges, either wholly or in part, to continue his insurance for the full benefits under the scheme if he is prepared to pay his own as well as his employer's share of the contribution ; or, in the alternative, to allow him to draw the medical benefit only, if he is prepared to continue to pay only his own share of the contribution. It would also have to be provided that an insured person who continues his insurance, wholly or in part, after his ceasing to be liable to compulsory insurance should be entitled, on his reabsorption in an insurable employment, to sickness benefits at rates to which he would have been entitled if he had continued throughout in compulsory sickness insurance. Moreover, it is only to be expected that an unemployed person would find it somewhat difficult to pay his contributions at regular intervals. Some reasonable concession would, therefore, have to be shown to him in the matter of payment of his contributions by allowing a suitable period of grace, for instance, upto six months for the payment of the first five contributions immediately after his ceasing to be liable to compulsory insurance and periods of grace upto one month for the payment of the sixth and subsequent contributions, if any, until he is either reabsorbed in insurable employment or chooses to discontinue his insurance. The system of allowing a free period of insurance to persons going out of insurance owing to unemployment or other reasons is no doubt in existence in a few countries. But it would be undesirable to adopt it blindly in India without having a clear idea regarding the financial burden that the adoption of the system is likely to place on the resources of the sickness insurance funds. Every conceivable precaution must be taken to safeguard the sickness insurance

funds right from the inception of the scheme—and more especially in its initial stages—and any step which is likely to make the scheme founder on the rock of unsound finance must necessarily be avoided even by allowing a temporary reduction in benefits if it is found necessary to do so for the purpose of ensuring its financial stability. In short, considerations in regard to the maintenance of the financial equilibrium of the sickness insurance fund must not be lost sight of both in first determining and also in extending the scope of any scheme of sickness insurance.

CHAPTER III

BENEFITS

Before actually discussing the nature of the benefits which are generally guaranteed under schemes of sickness insurance, it is necessary at the outset to refer briefly to the risks which are covered by such schemes. These are :

(1) Insured person's sickness, bodily or mental, necessitating (i) medical attendance and treatment and (ii) compensation for the loss of wages owing to incapacity for work ;

(2) Maternity under proper conditions ; and

(3) Funeral expenses in the event of the death of the insured person.

The conspectus of Acts relating to sickness, maternity and funeral benefits in various countries given in Appendix IV will show that many of the countries having compulsory sickness insurance schemes provide also for the grant of funeral benefits intended to cover wholly or in part the funeral expenses of the insured person and sometimes even of the members of his family who are dependent on him. Recommendation No. 6 of the international Recommendations concerning the general principles of sickness insurance states that "in countries where burial expenses are not,

customarily or by law, covered by some other insurance, sickness insurance institutions should, on the death of an insured person, pay a benefit in respect of the cost of decent burial ; they should also be empowered to pay such a benefit in respect of the burial expenses of the insured person's dependants." The British scheme, however, does not provide for the payment of funeral benefits as many people in Great Britain are in the habit of insuring themselves for amounts which are at least sufficient to cover their funeral expenses. In the words of the International Labour Office report on Compulsory Sickness Insurance, "Benefits of this kind yield no positive social advantage, their purpose is merely to relieve the persons on whom the cost of the funeral would otherwise fall." * In any case such benefits are of a subsidiary nature and may be considered for being granted as additional benefits after gaining sufficient experience of the actual working of the sickness insurance schemes.

As regards maternity benefits, it is essentially the mother's benefit and is administered in the interests of the mother and child. Maternity benefit legislation for women factory workers is already in force in Bombay, Sind, Madras, Orissa (districts transferred from Madras), Delhi, Ajmer-Merwara, the United Provinces, Bengal and Central Provinces and Berar, and similar legislation is under contemplation in Assam. The main features of the maternity benefit legislation at present in force or in contemplation in the different provinces are as follows † :

* "Compulsory Sickness Insurance," I.L.O. Studies and Reports, Series M, No. 6, 1927, p. 253.

† Proceedings of the Second Conference of Labour Ministers, Indian Industries and Labour Bulletin, No. 72, 1941, p. 59.

MATERNITY BENEFITS IN DIFFERENT PROVINCES

	Qualifying period in months.	Maximum period for maternity benefits in weeks.	Rate of maternity benefit.
Bombay } Sind }	9	8	8 annas a day or average daily wage, whichever is less.
Central Provinces and Berar	9	8	Do.
Ajmer-Merwara	12	6	Do.
Assam (Bill)	9	8	Do.
Madras	9	7	8 annas a day.
Delhi	9	8	Do.
United Provinces	6	8	8 annas a day or average daily wage, whichever is great- er.
Bengal	9	8	Do.

Note.—In the United Provinces, an additional bonus of Rs. 5 is paid if the services of a qualified midwife are availed of. The laws are generally applicable to perennial factories but it is proposed in Assam to apply them also to plantations.

The question of passing maternity benefit legislation for women factory workers in the remaining Provinces and for women employed in coal mines was placed by the Government of India before the Second Conference of Labour Ministers held at New Delhi in January 1941. The Conference was of opinion that legislation should be undertaken centrally with a view to ensuring maternity benefits for

women employed in coal mines and that the legislation should be on the same lines as existing legislation governing factory labour.

There should not be any very great difficulty in merging the maternity benefit legislation in the different Provinces in the sickness insurance legislation. The earlier this is done, the better would it be from the standpoint of employment of women workers in factories. Even after a period of over ten years since the passing of the Bombay Maternity Benefit Act, the Chief Inspector of Factories, Bombay, states† : “ 4,193 fewer women were employed in the cotton textile mills of Bombay and 1,366 fewer in the district of Ahmedabad. The numbers are affected by changes in technical employment and a reduction in the volume of employment, but social legislation in the shape of maternity benefits and compulsory creches have had some influence.” ‡ If and when maternity benefit legislation is merged in sickness insurance legislation, the women workers would be getting their maternity benefits from the Boards of Management of the sickness insurance funds and not directly from the

* For details regarding the Mines Maternity Benefit Act, 1941, and the maternity benefit legislation in the Punjab, see pp. 171-175 and pp. 369-370 of the October 1941 and December 1941 issues of the Labour Gazette.

† Annual Factory Report, Bombay Province, 1939, published in 1940, p. 8.

‡ Cf. the following observation on page 2 of “Statistics of Factories for 1939” published by the Government of India in 1941, namely, “The decline in the number of women workers is apparently due to the reluctance of employers to employ persons who are subjected to special provisions involving a certain amount of additional responsibilities in the shape of maternity benefit, compulsory creches etc. The decrease is also partly due to changes in technical employment.”

employers. This may have some healthy effect on their employment in factories. The inclusion of maternity benefits in the sickness insurance schemes would not also make any appreciable difference in the total contributions except in industries paying very low wages. As a matter of fact, according to the estimates* of income and expenditure of a sickness insurance scheme given in the final report of the Bombay Textile Labour Inquiry Committee, the total revenue which would be derived from the contributions of 1,50,000 workers in Bombay City at the rates of contribution suggested by it would amount approximately to Rs. 17,50,000 per annum, while the total annual expenditure on account of the sickness insurance benefits proposed by it would come to about Rs. 17,00,000. This leaves a clear balance of Rs. 50,000 per year out of the sickness insurance contributions even after providing Rs. 2,00,000 for the reserve fund. According to the figures of maternity benefits given on page 64 of the Annual Factory Report of the Bombay Province for 1939, this amount should ordinarily be sufficient for meeting all the claims for maternity benefits in Bombay City. There would, therefore, be hardly any necessity to make any change in the rates of contribution proposed by the Committee in its sickness insurance scheme even if the scheme were to cover not only the medical and cash benefits but also maternity benefits for women factory workers.

Referring to the gradual extension of the functions of compulsory social insurance, the International Labour Office report on "The International Labour Organisation and Social Insurance" states :—

"At first the principal aim of social insurance was to

* Report of the Bombay Textile Labour Inquiry Committee, Vol. II. pp. 328 and 330.

grant cash benefits as partial compensation for the injury suffered owing to a temporary or permanent loss or reduction of earning capacity.

Next, it became a primary aim, whenever this seemed possible, to cure the injured, sick or disabled worker, and to restore his earning capacity as completely as possible, so that the part played by curative medical assistance became more and more important.

Finally, and more recently, it has been realised that prevention is better than cure, and the aims of insurance have been directed more and more towards the organisation of the prevention of accidents, sickness and invalidity, in order to reduce the cost of cash benefits and improve the material and moral conditions of the community.

At the present time, therefore, compulsory social insurance has three functions : compensation, restoration, prevention.”*

Reference may also be made to the decisions of the International Labour Conference contained in Articles 3 and 4 of the Draft Convention and paragraphs 3 to 12 of the Recommendations on sickness insurance which are intended to indicate a number of general principles which practice has shown to be best calculated to promote a just, effective and appropriate organisation of sickness insurance. (See Appendix III). The pressing need of giving the insured persons both the medical and the cash benefits under such schemes has been emphasized in the sickness insurance legislation of almost all the important countries and in a number of authoritative books and

* “The International Labour Organisation and Social Insurance”, I. L. O. Studies and Reports, Series M, No. 12, 1936, p. 5

publications on this subject. But the following passage from the International Labour Office report on "Compulsory Sickness Insurance" puts the present conception of the purpose of such insurance in a nutshell :

"In its early days the main object of social insurance was to provide sick persons incapable of work with cash benefits which were intended to replace the wages lost as a result of sickness. The object may be said to have been to compensate rather than to provide curative treatment for the person stricken with illness. Gradually, however, this conception of the purpose of sickness insurance was replaced by another, rather more social in character, which laid great importance on the provision of medical treatment. Ultimately, the aim of social insurance became the rapid and complete cure of the sick and their return to work.

Benefits in kind granted with a view to hastening the recovery from illness are the most important advantages offered by sickness insurance to the individual and to the community The sick person ought to call in a doctor when his state of health so requires, and he must be in a position to be able to do so immediately illness affects him, as it is just as important for the community as for the sick person to have medical advice at the beginning of the illness. The sooner a doctor intervenes, the less are the sufferings of the patient and the smaller the loss to the community from his forced abstention from work. Therefore sickness insurance laws do not generally attach any conditions to the grant of medical benefit, and the insured person has the right to it from the moment he is insured and from the first day of illness."*

* "Compulsory sickness insurance", I. L. O. Studies and Reports, Series M, No. 6, 1927, page 277.

The urgency of making provision for medical attendance and the supply of free medicine and of certain medical appliances in any sickness insurance schemes which may be devised in this country should again be evident from the following information regarding the medical treatment received by workers during sickness collected by the Bombay Labour Office during 1930-31 in the course of a limited enquiry into the incidence of sickness among cotton mill operatives in Bombay City :—

MEDICAL TREATMENT RECEIVED BY WORKERS
DURING SICKNESS.*

Kind of treatment	MALES		FEMALES		Total No. of cases	Percentage to total
	Number of cases	Percentages	Number of cases	Percentages		
No treatment	870	18.80	347	34.77	1,217	21.63
Country medicines	1,848	39.92	401	40.18	2,249	39.97
Western medicines	1,536	33.18	195	19.54	1,731	30.76
Country and Western medicines	44	0.95	3	0.30	47	0.84
Patent medicines	294	6.35	46	4.61	340	6.04
Patent and Western medicines	7	0.15	...	...	7	0.12
Patent and country medicines	4	0.09	...	...	4	0.07
Patent, country and Western medicines	1	0.02	...	...	1	0.02
Other remedies including imperfectly specified	25	0.54	6	0.60	31	0.55
Total	4,629	100.00	998	100.00	5,627	100.00

* Labour Gazette for March 1933, page 521.

It is clear from the above table that no treatment of any kind was received by the worker in 22 per cent. of the cases, country medicines were used in 40 per cent. of the cases, patent medicines were taken in slightly over six per cent. cases while Western medicines were availed of in only about 31 per cent. cases. This is not surprising when it is remembered that with his present low level of earnings a worker simply cannot afford to pay the doctor's visit fees at the rate of about Rs. 2 to Rs. 3 per visit and medicine charges at the rate of about As. 6 to As. 8 per bottle of mixture and has, therefore, either to carry on as best as he can with the treatment that he can get with his very limited means or to neglect* his health or to go away to

* Cf. "Whatever the minimum price and fees the number of persons that fail to pay this minimum in India and are compelled to go without medicines and medical help when such are urgently required is appallingly large".—From "Social Insurance Legislation and Statistics" by Benoy Kumar Sarkar, 1936, p 116.

And also,

"In illness of very long duration, even the "helping hand" of the moneylender is withdrawn. Many cases remain untreated and the neglect and malnutrition during the period of illness form the foundation for unsound health, chronic ailments, physical incapacity and early death. We have also knowledge of a number of cases of workers who while they were suffering from fever or from some other trouble remained at work and their condition aggravated with fatal results. If they had something to fall back upon during such illness, they would not have exposed themselves to the risk of death."—Extract from the reply of the Textile Labour Association, Ahmedabad, reproduced in the *Indian Industries and Labour Bulletin*. No. 63, 1937, p. 95.

his native place with the hope of getting cured by the change of climate and treatment at the hands of his near relatives. Things are, however, gradually improving particularly in the larger industrial centres and even a cursory glance at the reports recently published by the Health Officers of Government, large municipalities, etc. will show that earnest efforts are already being made in several parts of the country to deal effectively with the serious types of diseases prevailing in the more congested industrial areas by a carefully devised combination of social and medical measures of both the preventive and the curative types. Thus, according to the information given at page 31 of the report of the Executive Health Officer of the Bombay Municipality for the year 1939, the medical work of the Public Health Department of the Municipality comprises, among other things, control and prevention of infectious diseases, including tubercular and venereal, vaccination against small-pox, anti-malarial measures, medical relief by means of free municipal hospitals and dispensaries, provision for confinements in municipal maternity homes, propaganda work in sanitation and hygiene during prevalence of epidemic and endemic diseases and visits of health visitors to different premises for giving aid to poor women during their confinement including the provision of necessities during this period. The same report also states : " It is interesting to note that out of 40,548 births (including 2,726 still-births) registered in the City in 1939, 31,526 or 77·7 per cent. took place in maternity homes. . . . The tendency of the people to avail themselves of the maternity institutions is steadily on the increase (p. 13)." In spite of these facilities, however, and also those provided by

Government and the employers, the worker's need* for sickness insurance remains much the same as before and we, therefore, proceed to discuss the nature and the probable cost of the different benefits which are usually guaranteed under sickness insurance schemes.

The benefits conferred upon insured persons by section 32(1) of the British National Health Insurance Act, 1936, are :

- (a) Medical treatment and attendance (called "medical benefit") ;
- (b) Periodical payments while rendered incapable of

* "The Textile Labour Association, Ahmedabad, is emphatically of opinion that of all contingencies in the life of a worker, the occurrence of sickness is the most terrible and it is difficult to exaggerate the importance and the beneficent effect of a measure for making relief available during the period of sickness. Even for the well-to-do, with the best medical aid at their command and ample provision for themselves and their dependants, sickness is a painful ordeal. The employees in sheltered services, having the benefits of casual leave, privilege leave and sick leave, cannot face a lengthy sickness without being seriously upset by the fact that the extraordinary expenses mount up and the income remains the same. One can easily imagine the plight of the wage-earner who has ordinarily very little to lay by and is more often than not saddled with debt when he is laid up for any length of time, with the usual earnings stopped and unusual expenditure to provide for. When a patient is bed-ridden, he is usually in such a condition of helplessness that there must be another by the bed-side to look after him. In families of wage-earners where both husband and wife are occupied in remunerative work, the confinement of one leads to the withdrawal of both from work and therefore to a total loss of family income. In several respects, sickness has graver consequences for the worker than unemployment."—From the *Indian Industries and Labour Bulletin*, No. 63, 1937, pp. 94-95.

work by some specific disease or bodily or mental disablement of which notice has been given, commencing on the fourth day of the incapacity and continuing for a period not exceeding twenty-six weeks (called "sickness benefit");

- (c) In the case of the disease or disablement continuing after the termination of the period during which sickness benefit may continue, periodical payments during the continuance of the incapacity for work (called "disablement benefit");
- (d) A payment in the case of the confinement of the wife or, where the child is a posthumous child, of the widow of an insured person or of any other woman who is an insured person (called "maternity benefit");
- (e) In the case of persons entitled under the Act to any of the further benefits mentioned in the Third Schedule to the Act (called "additional benefits"), such of those benefits as those persons may be entitled to.

Sub-section (2) of the section provides that for the purposes of paragraph (b) above, a day on which the incapacitated person was prevented by the incapacity from doing any effective work shall be treated as a day of incapacity, but a Sunday shall not be so treated, unless the incapacitated person would but for the incapacity have worked on that day.

The sickness insurance scheme recommended by the Bombay Textile Labour Inquiry Committee includes medical benefit, sickness benefit and additional benefits but does not include disablement benefit or maternity benefit. As already stated, however, even maternity benefits for

women factory workers could be included in the Committee's scheme without making any appreciable increase in the rates of contribution suggested by the Committee. As it is, the scheme suggested by the Committee is very modest ; but, as the Committee itself has pointed out at page 325 of its report, the main feature of such schemes is that they are elastic and as experience is gathered and the funds grow in size, the benefits can be extended.

(i) *Medical Benefit.*

No sickness insurance scheme can be effective without the inclusion of medical benefit. "Pecuniary compensation which aims at shielding the patient from the most immediate material cares only subsists as a supplementary factor side by side with medical assistance."* Medical, pharmaceutical and surgical benefit is now given the first place in such schemes with a view to keeping in the forefront the main object of sickness insurance, namely, to restore the health and working capacity of the insured person. Under sections 32 and 226 of the British National Health Insurance Act, 1936, "medical benefit" is defined as "medical treatment and attendance" and includes the provision of proper and sufficient medicines (including certain prescribed chemical re-agents) and of the prescribed medical and surgical appliances, but does not include treatment or attendance in respect of a confinement. It is also laid down in the statutory regulations governing medical benefit that "the treatment which a practitioner is required to give to his patients comprises all proper and necessary medical services other than those involving the application

* Sickness Insurance, I.L.O. Studies and Reports, Series M, No. 4, 1925, p. 72.

of special skill and experience of a degree or kind which general practitioners as a class cannot reasonably be expected to possess.”* In any newly-started sickness insurance scheme, therefore, the medical benefit should ordinarily consist of :

- (a) free medical treatment of, and attendance on, the insured person by qualified medical practitioners† appointed under the scheme ;
- (b) free supply of proper and sufficient medicines and of prescribed appliances to the insured person ; and
- (c) issue of free medical certificates to the insured persons and maintenance and supply of the necessary records and reports by the medical practitioners.

* “The Law of National Health Insurance” by Henry Lesser, 1939, p. 691.

† These may include Allopathic, Ayurvedic and Unani registered practitioners. It may be mentioned in this connection that the Bombay Medical Practitioners’ Act, 1938, which is intended to regulate the qualifications and to provide for the registration of practitioners of Indian systems of medicine with a view to encourage the study and spread of such systems and to amend the law relating to medical practitioners in the Province of Bombay, has been enforced in all municipal, cantonment and notified areas in the Province on 4th November 1941 and will come into force in all other areas on 4th November 1944 ; and that since its enforcement no person other than (i) a practitioner registered under Part II of that Act or (ii) a medical practitioner registered under the Bombay Medical Act, 1912, or (iii) a person whose name is entered in the “list of persons in practice on the 10th March 1938,” is permitted to practise or hold himself out, whether directly or by implication, as practising for personal gain any system of medicine, surgery or midwifery, in this Province.

Attendance by specialists and surgeons, special hospital or dental treatment, etc. are not normally included in the medical benefit. But they are provided in the form of additional medical benefits if surplus funds are available for the distribution of such benefits during any particular year after meeting the claims under the ordinary medical benefit.

Medical benefit will have to be granted, if it is to be fully effective, even from the first day of each illness occurring after the payment of the first insurance contribution. It should not, therefore, be made conditional on any qualifying or waiting period and should be granted for at least the whole of the period or periods upto which the sickness (cash) benefit is granted in any particular year. Similarly, the insured person should not be disqualified for medical benefit even if his sickness benefit is suspended on the ground that his disease was caused by his own misconduct.

The extension of medical benefit to members of the families of insured persons, though desirable, is likely to involve a levy of a heavy contribution on the workers and also a large addition to the expenditure of the sickness insurance fund and to considerably widen the scope of such schemes from the very beginning. And hence dependants of the insured persons will have to be excluded from the schemes, as in other countries, at least in the initial stages.

Medical benefit is administered in England through what is known as the panel system. The following provisions of the British National Health Insurance Act, 1936, are of interest in this connection :

“ 35.—(1) Every insurance committee shall, for the purpose of administering medical benefit, make arrangements with medical practitioners in accordance with regulations.

(2) Subject to the provisions of this Part of this Act,

provision shall be made by regulations for the arrangements under this section being subject to the approval of the Minister and being such as to secure that insured persons shall, subject to the provisions of this Act, receive adequate medical treatment and attendance from the medical practitioners with whom arrangements are so made, and shall require the adoption by every insurance committee of such system as will secure—

(a) the preparation and publication of lists of medical practitioners who have agreed to attend and treat insured persons whose medical benefit is administered by the committee ;

(b) a right on the part of any medical practitioner who is desirous of being included in any such list as aforesaid of being so included ;

(c) a right on the part of any insured person of selecting, at such times as may be prescribed, from the appropriate list the medical practitioner by whom he wishes to be attended and treated, and, subject to the consent of the practitioner so selected, of being attended and treated by him ;

(d) the distribution among the several medical practitioners whose names are on the lists, so far as practicable under arrangements made by them, of the insured persons who after due notice have failed to make any selection, or who have been refused by the practitioner whom they have selected. . . .

37.—(1) If the Minister is satisfied after inquiry that the medical practitioners included in any list are not such as to secure an adequate medical service in any area, or part of an area, he may dispense with the necessity of the adoption of such system as aforesaid as respects that area or part, and authorise the committee to make such other

arrangements as he may approve, or may himself make such arrangements as he thinks fit.....”

The British Act thus allows the insured person the much-coveted right of choosing his doctor from the appropriate panel and the Bombay Textile Labour Inquiry Committee has recommended that the same principle should be adopted in this country.

The four principal methods of remunerating doctors under such schemes are :

- (1) the capitation system i.e. payment of a lump sum per each insured person on the doctor's list ;
- (2) the attendance system i.e. payment according to the number of standard units of medical attendance ;
- (3) a suitable combination of the above systems ;
and
- (4) the system of payment on a salary basis.

The capitation system is very convenient from the point of view of the sickness insurance fund as it enables the fund to know in advance the amount of its liabilities on account of the doctors' fees. It encourages competition amongst doctors for the building up of good panel practice ensures good treatment of the patients and attracts even eminent doctors who may not like to work under a system of payment on a salary basis. On the other hand, the system of remuneration per unit of medical attendance lends itself easily to abuse and makes it practically impossible to form any estimate in advance of the expenditure on doctors' remuneration, while the employment of doctors on a salary basis restricts very considerably the field of choice from the point of view of the insured persons.

Under the panel system in England, a doctor's remuneration now consists of a capitation fee of 9 shillings per

insured person per annum. He has, however, to provide his own consulting room, surgical equipment, trained dispenser, etc. Apart from the kind of treatment which general practitioners as a class are expected to give to their patients, the doctor has to issue free medical certificates for health insurance purposes, to keep proper records and to furnish the necessary reports in the prescribed manner. A doctor is not ordinarily allowed to have more than 2,500 insured persons on his list, but he can go in for private practice. If, however, two or more insurance practitioners carry on practice in partnership, the number on the list of any one of such practitioners is limited to 3,000 and the average of the numbers on the lists of both or all the partners to 2,500. Similarly, where an insurance practitioner or a partnership of insurance practitioners employs one or more permanent assistants, the additional number of insured persons for whose treatment the insured practitioner or practitioners may be responsible is not allowed to exceed 1,500 in respect of each such assistant. The average number of patients per panel doctor in England and Wales was, however, only 964 in 1937. The Bombay Textile Labour Inquiry Committee has suggested the adoption of the system of lump sum payment per insured person as in the British scheme and calculated the cost of medical attendance in its tentative scheme on the basis of Rs. 3 per insured person per annum. At this rate, a doctor could earn upto Rs. 625 per month from panel practice alone if he is allowed to take a maximum of 2,500 insured persons on his list as in the British scheme. And this would be in addition* to his

* These terms compare very favourably with the scales of pay of about Rs. 100 to Rs. 200 per month for the Medical Assistants and Lady Doctors in the dispensaries for outpatients

private practice. As the panel practitioners would be expected to observe a uniform standard of treatment, the capitation fee may be paid at a uniform rate of Rs. 3 per insured person per annum irrespective of the industrial importance of particular centres. Unlike in England, the panel practitioner in India will not have to spend anything out of his capitation fee on the maintenance of a dispensary for his panel practice, as the rent, salaries of the compounders, dressers, peons, etc. and other expenditure in connection with the dispensary will be borne by the sickness insurance funds. This deviation from the British practice is necessary in India because the situation of the dispensaries and/or clinics under the Indian sickness insurance schemes will have to be suitably fixed in the working class localities as they have developed and cannot be left to be determined by the doctor according to his own choice. The Bombay Textile Labour Inquiry Committee has made a special provision for this at As. 14.4 per insured person per annum. This total provision of about Rs. 3.9 per insured person per year on account of the doctor's remuneration and the cost of maintaining the dispensaries works out at about 35 per cent. of the combined annual contribution payable by the insured person and his employer (Rs. 11.25) under the Committee's scheme whilst the corresponding percentage of the capitation fee in the British scheme (i.e. 9 sh. out of

which are being run by the Bombay Municipality. They should not also be unattractive to doctors of the status of the Medical Officers appointed by the Bombay Municipality at its anti-tuberculosis and anti-venereal dispensaries in the scale of about Rs. 300 to Rs. 450 per month. Apart from the mere monetary considerations, however, good doctors should be attracted to panel practice because of the great opportunity which they would thus be getting of rendering valuable social service to the community.

a total of 39 sh.) comes to only about 23. Nor does it compare very unfavourably with the capitation fee of 6 sh.* often paid by the friendly societies in England. And if it is remembered that the British Health Insurance Scheme covers not only cases of sickness but also of invalidity and that the latter risk is not likely to be covered in India at least in the beginning, the above-mentioned provision made by the Committee would appear to be satisfactory.

In its tentative scheme, the Bombay Textile Labour Inquiry Committee has provided a sum of Rs. $1\frac{1}{3}$ per insured person per year for meeting the cost of medicines and medical appliances on the basis of the charges for drugs and appliances in Scotland (about 1s. 11½d.) in 1935. This is about two-thirds of the allowance made for drugs and appliances in England and Wales. As stated in the P.E.P. Report on the British Health Services, however, "the expenditure of £ 2,237,400 on drugs and appliances in 1935 for panel patients in England and Wales was, in the opinion of the Chief Medical Officer of the Ministry of Health, wasteful" and "the doctors through their central organisation are, in fact, co-operating with the Ministry in an endeavour to discover the factors which influence abnormal prescribing in certain areas."† Incidentally, it may be mentioned here that under any sickness insurance scheme, the doctors are generally allowed to follow their own methods of treatment and to prescribe all the drugs that are necessary for adequate treatment irrespective of their cost; but at the same time, they are always encouraged

* "P. E. P. Report on the British Health Services," 1937, p. 216.

† "P. E. P. Report on the British Health Services," 1937, pp. 148 and 216.

to be as economical as possible and not to use expensive preparations for purposes for which less costly medicines are likely to be equally effective.

The average weekly cost of medicines per indoor patient in the Maratha Tuberculosis Hospital, Bombay, during the nine years from 1931 to 1939 was as follows :—

Year				Average weekly cost of medicines per indoor patient.*		
				Rs.	a.	p.
1931	..	..	..	0	12	7
1932	..	..	..	0	11	6
1933	..	..	..	0	12	0
1934	..	..	..	0	10	6
1935	..	..	..	0	13	8½
1936	..	..	..	0	9	11
1937	..	..	..	0	10	11¾
1938	..	..	..	0	9	9¼
1939	..	..	..	0	10	4¼
Average weekly cost				0	11	3
Average daily cost				0	1	7

The provision of Rs. 1 1/3 should, on the above basis, be sufficient to cover the cost of medicine for an average period of about 13·5 † days per insured person per year.

* Figures taken from the annual reports of the Executive Health Officer of the Bombay Municipality.

† This provision would appear to be more than adequate when it is remembered that the highest annual morbidity rate at the usual retirement age of 55 years is 13·3 days according to the Austrian morbidity table (see Appendix V).

All the insured persons, however, do not fall ill every year. As a matter of fact, out of the 11,744 persons covered by the incidence of sickness enquiry conducted by the Bombay Labour Office during 1930-31, the total number of persons who were ill for three or more days during the period of the enquiry was 5,420 * or approximately 46 per cent. Making due allowance for illnesses of less than three days' duration, the above provision of Rs. $1\frac{1}{3}$ per insured person should be enough for meeting the cost of medicines for an average period of about 27 days † in a maximum benefit period of six months in a year for the 46 per cent. insured persons who may be ill for three days or more in succession during the year. Judged by the morbidity statistics for other countries as well as by the average duration of sickness of approximately ten days for such cases as were ascertained in the course of the 1930-31 Labour Office enquiry, this provision would appear to be ample even after making due allowance for the fluctuations in the prices of medicines. It may also be stated in this connection that it would be very economical from the point of view of the sickness insurance fund if the necessary drugs and appliances required for all the dispensaries were purchased at wholesale rates by the Provincial Boards of Management, whose constitution and functions have been described in Chapter IV, and supplied to the different dispensaries from time to time according to their requirements.

It will thus be evident that the average annual expenditure on medical benefit per insured person at any industrial

* Bombay Labour Gazette for March 1933, p. 520.

† These calculations have been made on the basis of Janse's and Toja's tables given in "Compulsory Sickness Insurance," I.L.O. Studies and Reports, Series M, No. 6, at pp. 446 and 448.

centre or area would be more or less constant* and equal to about Rs. 5-4-0 per annum or nearly seven annas per month distributed as follows :—

	Cost of medical benefit per insured person					
	per year			per month		
	Rs.	a.	p.	Rs.	a.	p.
Medical attendance (capitation fee)	3	0	0	0	4	0
Maintenance and establishment charges of dispensaries and/or clinics (rent, sala- ries of compounders, dressers, peons, etc.)	0	14	6	0	1	2½
Drugs and appliances	1	5	6	0	1	9½
	5	4	0	0	7	0

The amount provided for the expenditure on the maintenance and establishment charges of dispensaries in the above table is nearly 17 per cent. of the total expenditure on medical benefit. This higher percentage for the administration of medical benefit has to be allowed because of the necessity of keeping proper statistical records of the incidence of sickness among the insured persons side by

* The total maximum sum which is available for medical benefit under section 118(2) of the British National Health Insurance Act, 1936, is 13s. per insured person per annum and includes the capitation fee of 9s. for meeting the cost of treatment by doctors, 2s. 11d. on account of the cost of providing drugs and appliances, 6d. for insurance committee administration, 3d. for expenses of the Minister and the balance for meeting the expenditure on other miscellaneous items connected with the medical benefit.

side with the work of administering the medical benefit. In case, however, there is a surplus left in the amount allotted for medical benefit, it could of course be utilised in making specialist services, special hospital treatment, etc. available for the insured persons or in extending the maximum period of medical benefit from six months to one year.

(ii) *Sickness Benefit.*

Sickness benefit is mainly intended to compensate the insured person partially for the loss of wages sustained by him during periods in which he has to suspend his work owing to sickness. The insured person cannot, however, have any right to sickness benefit during sickness caused by his own wilful misconduct and the cash benefit may either be reduced or even refused during such illness. Again, unlike the medical benefit, the insured person has to comply with certain conditions before he becomes entitled to sickness benefit. The principal conditions for granting this cash benefit are :

- (1) the insured person must be unable to perform his regular work owing to sickness ;
- (2) the insured person must give notice to the sickness insurance institution of his incapacity for work attested by a medical certificate ;
- (3) the insured person must have completed a minimum (qualifying) period of membership of, and paid a certain number of contributions to, the sickness insurance fund ;
- (4) the insured person's incapacity for work must have lasted for a waiting period of certain (usually three) consecutive days ; and
- (5) the insured person must not, during his illness, leave the area or areas covered by the sickness insurance fund without valid reason.

The above conditions are mainly intended to prevent abuses and to ensure the financial stability of the sickness insurance fund. The question of insured persons who fail to give notice on or before the third day of the incapacity for work has been dealt with in section 47 of the British National Health Insurance Act, 1936, which reads as follows :—

“ 47-(1) Where an insured person who claims to be entitled to sickness or disablement benefit fails to give notice of the disease or disablement on or before the third day of the incapacity, benefit shall, subject as hereinafter provided, commence only on the day following the date on which the notice is given, or, if the disease or disablement is under the provisions of the next succeeding section deemed to be a continuation of a previous disease or disablement, on the day next but one before that date :

Provided that, if the society or committee administering the benefit are satisfied, or if in the case of a dispute it is decided in manner provided by this Act, that in the circumstances of the case the insured person had a reasonable excuse for not giving notice either before the date on which it was in fact given or before some earlier date, being a date more than three days after the commencement of the incapacity, he shall be entitled to benefit commencing on the fourth day of the incapacity, or, in the case of a disease or disablement which is deemed as aforesaid to be a continuation of a previous disease or disablement, commencing on the first day of the incapacity, so, however, that where the insured person only proves that he had a reasonable excuse for not giving notice before some date earlier than the date on which notice was in fact given, he shall not be entitled to benefit for the period commencing on the day

next after that earlier date and ending on the date of the notice.

(2) Notwithstanding anything in the preceding subsection, an insured person shall not be entitled to sickness or disablement benefit in respect of any week unless satisfactory evidence of his incapacity during that week is submitted within three months of the end of the week to his approved society or to the committee administering the benefit :

Provided that in calculating the said period of three months no account shall be taken of any period during which the society or committee are satisfied, or in the case of a dispute it is decided in manner provided by this Act, that in the circumstances of the case the insured person had a reasonable excuse for not submitting evidence.

(3) For the purposes of this section, notice or evidence sent by post shall be deemed to have been given or submitted on the day on which the letter containing the notice or evidence was posted."

Under sections 44 and 46 of the British National Health Insurance Act, 1936, an insured person is not entitled to any sickness benefit until twenty-six weeks have elapsed since his entry into insurance and twenty-six weekly contributions have been paid by or in respect of him ; he can claim sickness benefit at reduced rates until he has completed 104 weeks' insurance period and 104 weekly contributions have been paid by or in respect of him ; and he becomes entitled to sickness benefit at the full rate only after completing 104 weeks of insurance and the payment of 104 weekly contributions. Similar qualifying conditions have been suggested by the Bombay Textile Labour Inquiry Committee for its tentative scheme for cotton mill workers

in Bombay and Ahmedabad in the following table reproduced from page 328 of its final report :

Period	Daily cash benefit from the fourth day of incapacity	
	Men	Women
(a) During first six months after entering insurance	Nil.	Nil.
(b) After completing six months' insurance period and payment of six monthly contributions but before completing 24 months' insurance period	as. 6	as. 5
(c) After completing 24 months' insurance period and payment of 24 monthly contributions	as. 10	as. 8

This qualifying period is absolutely necessary for the sickness insurance schemes which may be launched in this country, for two very important reasons : These are, firstly, the necessity of collecting all the essential morbidity statistics for the insured persons side by side with the enforcement of the scheme with a view to adjusting the expenditure on sickness benefits in accordance with the actual morbidity experience ; and, secondly, the building up of a substantial reserve for the sickness insurance fund right from the start.

As already stated, the insured persons would be entitled to medical benefit consisting of free medical treatment and attendance and free medicines and appliances immediately after the payment of the first insurance contribution; but since no cash benefit would be payable to the insured during the first six months of insurance and the cash benefit payable from the seventh to the twenty-fourth month of insurance would be at reduced rates, there would be no special temptation to the insured persons to prolong the periods of their incapacity during the first two years of insurance and as such the morbidity statistics which would be collected during that period should ordinarily be sufficiently accurate for the purpose of ascertaining the average number of days of sickness per insured person per year. This actual rate of sickness could then be compared with the sickness rate originally assumed for calculating the sickness benefits and the full rates of the cash benefit could be adjusted provisionally on the basis of the experience of the first two years and thereafter more or less stabilised on the basis of additional morbidity statistics for a few years more. Full and continuous records* of the incidence of sickness among the insured persons will, of course, have to be maintained throughout both with a view to facilitating

* "The rates of sickness depend to a very large extent on efficient administration, and it has been assumed that a strict control will be exercised. It will be necessary to keep continuous records comparing the actual sickness claims with the expected sickness claims in each district, and to investigate the circumstances in any district where sickness is above the average."—Extract from the Memorandum of the Actuarial Advisers to the Union Government appended to the report of the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa, 1936, p. 142.

the investigation of the causes of fluctuations, if any, in the rates of sickness and making the necessary adjustments in the sickness benefits if it is found essential to do so because of any substantial changes in the morbidity rates. Incidentally, it may be mentioned here that such records may not be sufficiently reliable if the sickness insurance scheme were to be restricted only to the payment of cash benefits, as is sometimes suggested, without the provision of its essential counterpart in the form of medical benefits, especially as in the absence of competent medical treatment under the direct supervision of the sickness insurance funds, it may be difficult to properly adjust the rates of cash benefit and also to check the various claims which the contributors may put in by producing medical certificates of doubtful character even before their incapacity for work at a remunerative occupation has lasted for the essential waiting period. And this difficulty would be all the greater because there would be no basic rates of sickness available for the qualifying period as in a full-fledged scheme providing for both the medical and the sickness benefits.

As regards the amount which will accumulate into the reserve fund on account of the grant of reduced benefits during the first two years, it roughly works out at eleven-tenths of the total annual expenditure on sickness benefits at the full rate on the assumption that the cash benefit payable would be nil during the first six months after entry into insurance and at three-fifths of the full rate from the seventh to the twenty-fourth month of the insurance period.

The waiting period is the period reckoned from the beginning of the incapacity for work during which no cash benefit is paid to the insured person. Insurance institutions find it very difficult to deal with claims for short indisposi-

tions both from the administrative and also from the financial standpoint especially as the cost of administration and supervision of such claims is often prohibitive and out of all proportion to the services rendered to the insured person. The International Convention on Sickness Insurance, adopted in 1927, has left it open to the national laws and regulations to fix a waiting period of not more than three days. It would therefore be advisable to provide for a waiting period of three days for the grant of cash benefits in any sickness insurance legislation which may be enacted in India.

The main justification for the fifth, i.e., the residential condition is that the insurance institutions cannot be expected to set up proper administrative and supervisory machinery in places other than those where the insured persons reside in substantial numbers, that is, in places other than the towns of their employment or their suburbs. The Bombay Textile Labour Inquiry Committee has stated * in this connection that the cash benefits should ordinarily be payable to the workers in the towns in which they are employed, but that the Provincial Board of Management may allow the insured person, even if he temporarily leaves the town of his employment, to draw sickness benefits either at full or at reduced rates, provided he produces, in a manner to be prescribed, satisfactory evidence of his continued incapacity during the period for which the benefit is claimed.

According to Article 3 of the International Convention on Sickness Insurance, adopted in 1927, cash benefits may be withheld in the following cases :

* Report of the Bombay Textile Labour Inquiry Committee, Volume II, 1940, p. 326.

(a) Where in respect of the same illness the insured person receives compensation from another source to which he is entitled by law ; benefit shall only be wholly or partially withheld in so far as such compensation is equal to or less than the amount of the benefit provided under the sickness insurance legislation ;

(b) As long as the insured person does not by the fact of his incapacity suffer any loss of the normal product of his labour, or is maintained at the expense of the insurance funds or from public funds ; nevertheless, cash benefits shall only partially be withheld when the insured person, although thus personally maintained, has family responsibilities ;

(c) As long as the insured person while ill refuses, without valid reason, to comply with the doctor's orders, or the instructions relating to the conduct of insured persons while ill, or voluntarily and without authorisation removes himself from the supervision of the insurance institutions.

Thus, cash benefits may be withheld wholly or partially in India in cases where compensation for accidents or maternity benefits are provided for the insured persons under the Workmen's Compensation Act, 1923, or under the Maternity Benefit Acts passed in the various provinces by applying the above mentioned criteria. Similarly, the right of an insured person to sickness benefit should cease on his retirement from active service on account of old age. The following sections of the British National Health Insurance Act, 1936, are of interest in this connection :

" 49. A married woman or widow confined of a posthumous child shall not in any case be entitled to sickness benefit or disablement benefit for a period of four weeks after her confinement, and no other woman shall be entitled to sickness benefit or disablement benefit for the period afore-

said unless she is an insured person and suffering from disease or disablement not connected directly or indirectly with her confinement.

50. The right of an insured person to sickness benefit and disablement benefit shall cease on his attaining the age of sixty-five.*

51. (1) Where an insured person has received or recovered or is entitled to receive or recover, whether from his employer or any other person, any compensation or damages under the Workmen's Compensation Acts, or under any scheme certified thereunder, or under the Employers' Liability Act, 1880, or at common law, in respect of any injury or disease, the following provisions shall have effect :—

(a) No sickness benefit or disablement benefit shall be payable to the insured person in respect of that injury or disease in any case where any weekly sum or the weekly value of any lump sum paid or payable by way of compensation or damages is equal to or greater than the benefit otherwise payable to that person, unless and except so far as such weekly or lump sum is irrecoverable, and where any such weekly sum, or the weekly value of any such lump sum is less than the benefit in question, such part only of the benefit shall be payable as, together with the weekly sum or the weekly value of the lump sum, if and so far as such weekly or lump sum is recoverable, will be equal to the benefit ;”

The same Act makes the following provision in case of contributors who are inmates of hospitals etc :—

* This is the pension-age under the British Widows', Orphans' and Old Age Contributory Pensions Act, 1925. By the Old Age Pensions Act of 1940, the pension age has been reduced to 60 in the case of women.

“ 55. (1) No payment on account of sickness or disablement benefit in respect of any period when the insured person is an inmate of any workhouse, hospital (including mental hospital), asylum, convalescent home or infirmary, supported by any public authority or out of any public funds or by a charity or voluntary subscriptions, shall be made during any period when the insured person is such an inmate as aforesaid.

(2) During the period aforesaid, the sum which would but for the provisions of the preceding sub-section have been payable on account of any benefit to any person—

(a) if that person has any dependants, shall, after consultation wherever possible with that person, be paid or applied, in whole or in part at the discretion of the society or committee administering the benefit, to or for the advantage of those dependants, or such of them, and in such proportions, as the society or committee may determine, and

(b) so far as not applied under the preceding paragraph, or if that person has no dependants, and if in any case he so authorises, may at the discretion of the society or committee administering the benefit be applied towards defraying any expenses for which he may be or become liable otherwise than to the institution while he is such an inmate as aforesaid, and in so far as not so applied, be paid in whole or in part to the institution of which he is an inmate.

(3) Any sum which but for the provisions of this section would have been payable to any person on account of sickness or disablement benefit shall, if and so far as it is not paid or applied during such a period as aforesaid in accordance with the foregoing provisions of this section, be paid in cash to that person after he has left the institution...

Provided that—

(i) if that person dies in the institution, the sum so payable shall be deemed to form part of his estate”

Coming next to the question of the period and the rate of cash benefit, it may be stated that the length of the period is usually fixed in such a way that a very large majority of the insured persons should be able to take advantage of the facilities almost throughout the periods of their temporary disablement. Thus, the maximum period during which sickness benefit is payable in Great Britain and a number of other countries is upto 26 weeks of incapacity reckoned from the first day of benefit. Periods of incapacitating illness which are not separated by a year are treated as continuous* with the result that sickness benefit is then payable from the *first* instead of from the *fourth* day of the second and subsequent periods of incapacity of more than three days' duration. As regards the rate of sickness benefit, it is usually fixed at approximately half the average daily wage of the insured persons either on the basis of a flat rate or a percentage of individual wages or a percentage of certain basic wages according to wage classes. The assessment of the cost of benefit according to the last two methods requires statistical data regarding the distribution of insured persons according to wages and mortality and morbidity rates for the insured persons which are not readily available in India at present. But such data are not absolutely necessary because of the low level of wages of the large majority of the workers in the different industries in this country. The various family budget enquiries conducted by the Bombay Labour Office and other agencies in India have shown that the workers in the

* Cf. British National Health Insurance Act, 1936, Sections 47 and 48.

lowest income groups are not always able to balance their budgets even when they are in receipt of their normal incomes, and, it is clear, therefore, that the system of granting benefits in proportion to individual wages or basic wages according to the system of wage classes would not give adequate protection to the lowest paid workers even though their need for such protection would obviously be much greater than that of their better paid confrères. Considerations like these appear to have weighed with the representatives of both the employers and the employees when they recently agreed to the grant of the dearness allowances to industrial workers on a flat rate basis in several important conciliation and arbitration proceedings in this country. The flat rate method would thus appear to be best suited for adoption in India with a view to achieving the main object of granting the cash benefit to the insured person, namely, to enable him to maintain his standard of living during periods of incapacity. But at the same time the rate of cash benefit should not be such as to lead to malingering. The daily rate of cash benefit for the workers in any particular industry should, therefore, be approximately equal to half the average daily wage for all the workers employed in that industry at the particular centre, and it should not ordinarily exceed 75 per cent. of the insured person's average daily wage especially if it is proposed to give the cash benefits not only in respect of each working day but also in respect of each Sunday and holiday. The flat rate method is very flexible from the point of view of adjusting the expenditure to the total resources of any sickness insurance scheme. And hence the Bombay Textile Labour Inquiry Committee also has recommended for its tentative scheme * cash benefits commencing

* Report of the Bombay Textile Labour Inquiry Committee, Vol. II, 1940, pp. 326 and 329.

from the fourth day of incapacity and continuing for a period or periods upto a maximum of six months in a year at a flat rate but not exceeding 75 per cent. of the insured person's average daily wage during the preceding quarter.

The Bombay Textile Labour Inquiry Committee has stated* that in the light of the experience of other countries, it would be adequate to make a provision for sickness benefits in the scheme on the basis of a sickness rate of nine days per annum. Before arriving at this figure, the Committee refers briefly to the results of a limited inquiry into the incidence of sickness conducted by the Bombay Labour Office, according to which the annual average duration of sickness works out at 4.6 days† per cotton mill worker in Bombay without making any allowance for the various limitations of the inquiry mentioned in the Labour Office report.‡ The Committee has also stated that the number of days of sickness for which benefit was paid in Japan during 1934 was, on an average, about six per insured person. Other interesting figures regarding actual incidence of sickness in the Burmah Oil Company, Ltd., Upper Burma, are available in the statement showing the nature and cost of the Company's scheme for the payment of sickness benefits published at pages 105 and 106 of the Indian Industries and Labour Bulletin on "Sickness Insurance", 1937. The scheme is non-contribu-

* Report of the Bombay Textile Labour Inquiry Committee, Vol. II, 1940, pp. 326 and 329.

† This inquiry covered all cases of sickness of three or more days' duration in three cotton mills in Bombay City during the period December 1930 to November 1931. For other limitations of the inquiry, see Bombay Labour Gazette for March 1933, pp. 517 to 526.

‡ Report of the Bombay Textile Labour Inquiry Committee, Volume II, 1940, p. 328.

tory and covers all Asiatic employees of the Company, numbering about 10,000, and getting wages and salaries ranging from Rs. 15 to Rs. 300 per month. The benefits granted under the scheme are both medical and financial, the latter benefit being in the form of sick leave with half pay for a period ordinarily not exceeding 90 days in any one year. The figures of the cost of the scheme during the two and half years ended June 1935 were as follows :

Year.	Number of persons covered.	Total wages of persons covered.			Benefits paid.		
		Rs.	a.	p.	Rs.	a.	p.
1933	10,051	51,75,070	10	0	31,783	10	4
1934	10,068	51,58,352	11	0	33,397	1	8
Six months ending 30th June 1935	9,739	24,93,669	7	0	17,676	4	1

The above figures show that the expenditure incurred by the Burmah Oil Company, Ltd., on cash benefits commencing from the first day of incapacity and continuing for periods upto 90 days in a year amounted to about 0.6 to 0.7 per cent. of the annual wage bill of its employees as against a provision in the Bombay Textile Labour Inquiry Committee's scheme of slightly over 1.2* per cent. of the annual wage bill

* The provision for cash benefits made in the general formula evolved at the end of this section also comes to slightly over 1.2 per cent. of the annual wage bill on the assumption that the total number of "working" days in a year is about 310.

for cash benefits commencing from the *fourth* day of incapacity and continuing for a period or periods upto a maximum of six months in a year.

It will be seen from the morbidity tables given in Appendix V that the annual morbidity rate of nine* days assumed by the Bombay Textile Labour Inquiry Committee corresponds in the case of men to ages 48, 49 or 50 in four out of the five tables and to age 39 in the fifth, i.e., the Austrian table, while in the case of women it corresponds to age 41 in the Austrian morbidity table for women. According to the Bombay Labour Office report† on an enquiry into working class family budgets in Bombay City collected during 1932-33, the large majority of the male earners in Bombay fall in the age groups between 25 and 45 and the female earners within the groups between 15 and 40. Assuming that the ages of the bulk of workers in other centres and industries are also within the same limits, the morbidity rates at the extreme ends of these limits and also at the usual retirement age of 55 will be found to be as follows :—

ANNUAL MORBIDITY RATE IN DAYS

A—Men.

Age.	Kinkolin's table.	Moser's table	Janse's table.	Austrian table.	English actuaries' table.
25	5.44	4.85	4.74	7.9	5.41
45	7.88	7.96	7.60	10.1	8.16
55	11.37	12.92	11.45	13.3	12.03

* Report of the Bombay Textile Labour Inquiry Committee, Vol. II, 1940, p. 329.

† P. 9.

ANNUAL MORBIDITY RATE IN DAYS

B—Women.

Age	Austrian table	
	Excluding confinements.	Including confinements.
16	6·7	7·1
40	8·8	10·3
55	12·1	—

The sickness rate for the workers to be covered by any sickness insurance scheme should ordinarily be somewhere between the morbidity rates for ages 25 and 45 and, therefore, the sickness rate of nine days per annum—which, incidentally, is equal to the arithmetic mean of the morbidity rates at these ages according to the Austrian table—assumed for workers of all ages by the Bombay Textile Labour Inquiry Committee for working out a tentative figure of the cost of a sickness insurance scheme can be considered as very reasonable, and neither too much on the side of an over-estimate or an under-estimate, especially if it is remembered that according to the experience in other countries the grant of full cash benefits under such schemes generally tends to increase the average number of days of ‘incapacity’* per in-

* “It must be clearly understood that the question is not that of the state of sickness considered from the pathological point of view, but of the state of sickness in so far as it constitutes a risk covered by insurance It is a well-known fact that the morbidity of a group of insured persons depends also on other than physiological factors, such as unemployment or the difference between normal wages and cash sickness benefit.”—From “Compulsory Sickness Insurance”, I.L.O. Studies and Reports, Series M, No. 6, 1927, p. 438.

sured person. It will also be clear that the maximum number of days for which provision for the adjustment * of cash benefits need be made at the highest morbidity rate in the above table should be less than 14. Assuming for the sake of argument that the rate of sickness were to exceed the 14-day limit—which seems highly improbable in the light of the available materials—it should still be possible to balance the income and expenditure of the sickness insurance fund either by slightly increasing the contribution or by reducing the cash benefits. The sickness rate actually assumed in this book for calculating the cost of a general scheme is, however, only nine days as an unduly high figure would result in increasing the burden on the industries out of all proportion to the importance of the guaranteed benefits and might also lead to wastage.

The rate of cash benefit taken by the Bombay Textile Labour Inquiry Committee for the purpose of calculating the tentative figure of the cost of its scheme is As. 10 per day, i.e., approximately half † the average daily wage of a cotton mill worker in Bombay City. The Committee has also suggested that if the actual sickness rate of the insured persons who would be covered by the scheme is found to be below the assumed rate of nine days per worker per year, the available surplus could be utilised either in in-

* See table on p. 70.

† As the provision for the payment of cash benefits made by the Committee is for all the days of incapacity (week-days as well as other) beginning from the fourth day, this rate would work out, on an average, at about 58 per cent. of the average wage in the case of the large majority of workers who are paid on the basis of "working" days only.

creasing the cash benefit upto As. 15 per day or 75 per cent.* of the insured person's average daily wage, whichever is lower, or in granting other additional benefits which may be provided for in the scheme. On the other hand, if the assumed sickness rate is exceeded it should be possible to adjust the expenditure on cash benefits either by reducing the rates of cash benefit or by slightly increasing the rates of contribution. Thus, it will be seen from the table on page 70 that on the basis of the provision made by the Committee, the daily rate of cash benefit for the cotton mill workers in Bombay City could be fixed, without any increase in the rates of contribution, at As. 15 for an actual sickness rate of six days or less, at As. $11\frac{1}{2}$ for a sickness rate of 8 days, at As. $8\frac{1}{2}$ for a sickness rate of 10 days, at As. 7 for a sickness rate of 12 days, at As. 6 for a sickness rate of 14 days and so on. Hence even in the extreme case of the sickness rate reaching the very high level of 14 days per insured person per year, the rate of sickness benefit would not be less than the rate which would be payable to the insured person between the seventh and the twenty-fourth month of insurance, namely, about three-tenths of the average daily wage. Moreover, unlike section 32(2) of the British National Health Insurance Act, 1936, the cash benefits provided for in the table on page 70 are for *all* the days of incapacity beginning from the fourth day, irrespective of whether they are working days or not, and

* As the provision for the payment of cash benefits made by the Committee is for all the days of incapacity (week-days as well as other) beginning from the fourth day, this rate would work out, on an average, at about 86.5 per cent. of the average wage in the case of the large majority of workers who are paid on the basis of "working" days only.

the grant of sickness benefits to the incapacitated workers even on Sundays and holidays falling within the period of their incapacity should indirectly enable those workers who are paid on the basis of "working" days only to draw the cash benefit roughly at about 58 per cent. instead of at 50 per cent. of their average wage.

The cost of sickness benefits calculated by the Bombay Textile Labour Inquiry Committee is only for the cotton mill workers in Bombay City. The average wages of cotton mill workers in Sholapur and in most other cotton mill centres excepting Ahmedabad are, however, known to be much lower than those of cotton mill workers in Bombay City. Similarly, the average daily wages of workers employed in industries like engineering and iron and steel are higher while those of workers employed in mines and on plantations are lower than the average wages of cotton mill workers. Hence, unlike the cost of the medical benefit, which has been calculated elsewhere at As. 7 per insured person per month irrespective of the insured person's place of employment the cost of the cash benefit will differ not only from centre to centre but also for different types of industrial establishments in the same centre. The average daily wages of workers in different classes of factories and industrial establishments at different centres vary from as low as about As. 4 to about Re. 1. As. 12. The following table has, therefore, been compiled with a view to showing (i) the approximate cost of cash benefits for an assumed sickness rate of 9 days per insured person per annum at rates of cash benefit varying from As. 2 to As. 20 per day and (ii) how the rates of cash benefit can be adjusted in case the actual sickness rate in a particular industry at a particular centre is found to be higher or lower than the assumed rate :—

Table showing the approximate cost of sickness benefits per 1000 insured persons for sickness rates of 6 to 14 days per insured person per annum at rates of sickness benefit ranging from As. 2 to As. 20 per day.

Rate of daily sickness benefit payable from the 4th day of incapacity.	Average annual number of days of sickness per worker								
	6 days	7 days	8 days	9 days	10 days	11 days	12 days	13 days	14 days
	Approximate number of days for which sickness benefit would be payable.								
	4615	5615	6615	7615	8615	9615	10615	11615	12615
	Approximate cost of sickness benefits according to different rates								
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As. 2	577	702	827	952	1077	1202	1327	1452	1577
As. 3	865	1053	1240	1428	1615	1803	1990	2178	2365
As. 4	1154	1404	1654	1904	2154	2404	2654	2904	3154
As. 5	1442	1755	2067	2380	2692	3005	3317	3630	3942
As. 6	1730	2106	2481	2856	3231	3606	3981	4356	4731
As. 7	2019	2457	2894	3332	3769	4207	4644	5082	5519
As. 8	2308	2808	3308	3808	4308	4808	5308	5808	6308
As. 9	2596	3158	3721	4283	4846	5408	5971	6533	7096
As. 10	2884	3509	4135	4759	5385	6009	6634	7259	7884
As. 11	3172	3860	4548	5235	5923	6610	7298	7985	8673
As. 12	3460	4211	4961	5711	6461	7211	7961	8711	9461
As. 13	3749	4562	5375	6187	7000	7812	8625	9437	...
As. 14	4038	4913	5788	6663	7538	8413	9288	...	...
As. 15	4327	5264	6201	7139	8077	9014	...	...	...
As. 16	4615	5615	6615	7615	8615	...	...	...	...
As. 17	4904	5966	7028	8091	9153	...	...	...	...
As. 18	5192	6317	7442	8567	...	...	...	...	...
As. 19	5480	6668	7855	9043	...	...	...	...	...
As. 20	5768	7019	8269	9519	...	...	...	...	...

Note.—Figures of approximate cost at intermediate rates of sickness benefits could be obtained by interpolation.

A brief explanation appears to be necessary regarding the method adopted in arriving at the figures in the above table. As already stated, 5420 out of the 11,744 workers i.e. about 461.5 out of every 1000 workers covered by the 1930-31 Bombay Labour Office enquiry into the incidence of sickness of cotton mill workers in Bombay City were ill for three or more days in succession. Sickness benefit is, however, ordinarily payable from the fourth day of incapacity. A small deduction of about 3 to 5 per cent. from the above figure would, therefore, have been necessary on this account if the results of the above-mentioned Labour Office enquiry were based on perfect data. But as they can be considered to be only approximately accurate owing to the various limitations of that enquiry, such a deduction would have appeared to be rather too meticulous. The total number of days for which the benefit would be payable at an annual sickness rate of 'r' days has, therefore, been taken equal to $(1000 \cdot r - 3 \times 461.5)$ days i.e. $(1000 \cdot r - 1385)$ days for every one thousand workers. The approximate cost of sickness benefits per 1000 insured persons was then arrived at by multiplying the total number of sick-benefit days as ascertained above by the different rates of sickness benefit ranging from As. 2 to As. 20.

Taking the case of the cotton textile mills in Bombay City, it will easily be seen from the above table that the approximate cost of the cash benefits at the rates* suggested by the Bombay Textile Labour Inquiry Committee will gradually increase as shown below and will then remain constant from the third year onwards.

* Report of the Bombay Textile Labour Inquiry Committee, Volume II, 1940, p. 328.

Period	Approximate cost of cash benefits per 1000 workers at an assumed sick- ness rate of nine days per worker per annum	
	Men	Women
	Rs.	Rs.
During first six months of insurance	Nil.	Nil.
From 7th to 12th month of insurance*	1428 (@ as. 6 per day)	1190 (@ as. 5 per day)
From 13th to 24th month of insurance	2856 (@ as. 6 per day)	2380 (@ as. 5 per day)
From 25th to 36th month of insurance	4759 (@ as. 10 per day)	3808 (@ as. 8 per day)

The figures given above are for a sick-benefit rate of As. 10 per male worker and of As. 8 per woman worker for a uniform sickness rate of nine days per annum. The sickness rate for women is, however, usually found to be greater † than that for men, and in making a provision for sickness benefits at a uniform rate of As. 10 for both men and women workers, the Bombay Textile Labour Inquiry Committee

* The figures shown against this item have been worked out on the assumption that the sickness rate during this period will be half the annual rate and that it will not be affected by seasonal fluctuations e.g. as in the monsoon.

† See table showing the average number of weeks of sickness benefits in Great Britain in Appendix VI.

has indirectly provided for a sickness rate of about $11\frac{1}{4}$ days in the case of women. Similar allowance will have to be made in other schemes also for meeting the extra cost on account of the higher morbidity rate among women workers. Supposing, however, that the actual sickness rate were found to be seven days for both men and women, it should be possible, according to the figures in the table on page 70, to increase the sickness benefit rate for men upto about As. $13\frac{1}{2}$ and that for women upto about As. $10\frac{1}{2}$ or upto 75 per cent. of the insured person's average daily wage, whichever is lower. On the other hand, if the actual sickness rate were found to be 11 days, the sick-benefit rates could be reduced without making any change in the contribution to As. $7\frac{1}{2}$ for men and to As. 6 for women. In short, the formula and the table on pages 70 and 71 should be useful in making the necessary adjustments in the sick-benefit rates of any sickness insurance schemes which may be introduced in this country so as to enable the sickness insurance funds to keep the expenditure on sickness benefits within the amounts which may have been set aside for that purpose.

It should also be evident from what has already been stated that the sickness benefit days corresponding to a sickness rate of 9 days work out at about 7.615 per worker per annum after making due allowance for the waiting period. The usual rate of sickness benefit should also be half the average daily wage of the workers in a particular industry at a particular centre. Generally speaking, therefore, the amount to be allotted for cash benefits should be $7.615 \times \frac{w}{2}$ per insured person per annum, 'w' being equal to the average daily wage of all the workers in a particular industry at a particular centre. The amount to be set aside for the purpose of granting cash benefits thus works out at slightly

over 1·2 per cent. of the annual wage bill on the assumption that the total number of working days in a year will be about 310.

The adjustment of the cash benefits during the first two years from the inception of such schemes will be very much facilitated because of the condition that no cash benefits will be payable during the first six months and they will be payable at reduced rates from the seventh to the twenty-fourth month of insurance. There will be further room for adjustment owing to the cash benefits for women being at lower rates than those for men because of women's lower wages and lower rates of contribution.

According to section 44 of the British National Health Insurance Act, 1936, the ordinary rate of sickness benefit * is, in the case of a man, 15 shillings a week, and in the case of a woman, 10 shillings a week during the subsistence of any marriage and 12 shillings a week at any other time, provided that until 104 weeks have elapsed since the entry of an insured person into insurance and 104 weekly contributions have been paid by or in respect of that person, the rate of sickness benefit to which that person shall be entitled shall be, in the case of a man, nine shillings a week, and in the case of a woman, seven shillings and six pence a week. This differentiation in the full rates of sickness benefits for "married women" and for "spinsters and widows" is justifiable in Great Britain because of the comparatively higher morbidity rates † for married women in that country. But as the number of women employed in

* For the changes in rates since January 1942, please see the table on p. 92.

† See table showing the average number of weeks of sickness benefits in Great Britain in Appendix VI.

factories in India is only about 13·7 per cent.* of the total number of factory workers, no such distinction between married and single women need be made in this country until sufficient morbidity statistics are actually collected in the course of the working of such schemes.

A word of caution appears to be necessary here regarding the administration of sickness benefits. As the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa has put it "The experience † of all health insurance schemes and of friendly and benefit societies is to the effect that when an individual is placed in such circumstances or when his sick-pay closely approximates to the amount drawn by him as wages when at work, it is necessary to take great precautions against malingering in order to protect the fund against heavy claims which would cripple it if stringent rules were not enacted to govern such cases... In every scheme it is essential to devise efficient means of controlling the administration of sick-pay. It is a recognised practice to insist on the production of a certificate from the member's doctor, but the issue of a certificate by an insurance practitioner is in itself an insufficient means of control. Unfortunately there is the ever-present difficulty that a doctor here and there is apt to issue certificates when the circumstances do not warrant it... In Great Britain where sick-pay is managed by what are known as Approved Societies, most of the larger societies employ sick visitors; the Scottish Board of Health have encouraged the custom of requiring sick visitors to pay their

* "Statistics of Factories" published by the Government of India in 1941, p. 2.

† Report of the Departmental Committee of Enquiry into National Health Insurance in the Union of South Africa, 1936, pp. 30-31.

visits at irregular intervals during the day as well as in the evening and to furnish written reports of visits on a form containing specific questions... In national health insurance schemes other means adopted are by arranging for visits to be paid by inspecting medical officers to such districts as show an excessive amount of sick-pay due to heavy claims by members too long on the sick list for the nature of the illness. Some societies have adopted the course of arranging for a sick member to be visited before the first payment of sick-pay is made. For the successful control and supervision of sick-pay, it has been found by friendly and other voluntary societies administering the benefit that close contact with the workers obtained by personal visits during periods of sickness is often useful in limiting the duration and frequency of the absences from work." Apart from this necessity of appointing sick visitors for the supervision of sick-pay, it would also seem necessary to allow the Provincial Boards of Management wide discretion in the matter of fixing in consultation with their Provincial Governments the rates of sickness benefits for the different centres and industries within a range varying from three-tenths to three-fourths of the average daily wage of the workers concerned after taking into account the actual morbidity experience of each sickness insurance fund so as to ensure the solvency of the funds. Sound finance is obviously the crux of the sickness insurance problem and the methods to be adopted in working out the details of any scheme of sickness insurance must, therefore, provide for all the safeguards which are found to be essential for ensuring the financial stability of the sickness insurance funds. The handling of the sickness insurance question on the lines outlined above should make it possible to keep the annual expenditure on both the medical and the cash

benefits under any such scheme within the amount of Rs. $\frac{7}{4}$ [3 plus $(\cdot 136)w$] per insured person, where 'w' represents the average daily wage in annas of the workers in the particular industry at the particular centre.

(iii) *Additional Benefits.*

A special feature of every sickness insurance scheme is that after making due provision for the reserve fund intended for meeting extraordinary expenditure during emergencies and epidemics, the whole of the remaining amount which accumulates into the sickness insurance fund by way of contributions etc. in any particular year is distributed amongst the insured persons as far as possible during the same year. This distribution takes the form of the ordinary medical and sickness benefits and, if there is a "distributable surplus" left after granting all the guaranteed minimum benefits, of "additional benefits." The Bombay Textile Labour Inquiry Committee has suggested that the additional benefits may include an increase in the cash benefits, or the provision of special hospital or other treatment, reduction or abolition of the "waiting period" or grant of funeral expenses. The list of additional benefits given in the third schedule to the British National Health Insurance Act, 1936, is as follows :—

1. An increase of sickness benefit and disablement benefit.
2. The payment of sickness benefit from the first day of incapacity.
3. An increase of maternity benefit.
4. Allowances to a member during convalescence from some disease or disablement.
5. Payments to or on behalf of members who are in want or distress.

6. Payments to members not allowed to attend work on account of infection.
7. Repayment of the whole or any part of contributions payable under the Act by members of the society or any class thereof.
8. The payment of the whole or any part of the cost of medical or surgical advice or treatment by any medical practitioner, not being advice or treatment within the scope of any other additional benefit or of medical benefit, under a special scheme approved by the Minister for the purpose.
9. The payment of the whole or any part of the cost of the provision of dental treatment.
10. Payments to hospitals in respect of the maintenance and treatment therein of members, and the payment of the whole or any part of the travelling expenses incurred by or in respect of members in travelling to and from hospitals.
11. The payment of the whole or any part of the cost of maintenance and treatment of members in convalescent homes, and the payment of the whole or any part of the travelling expenses incurred by or in respect of members in travelling to and from convalescent homes.
12. The provision of premises suitable for convalescent homes and the maintenance of such homes.
13. The payment of the whole or any part of the cost of medical and surgical appliances, other than dental and optical appliances and those provided as part of medical benefit.
14. The payment of the whole or any part of the cost of the provision of ophthalmic treatment (other

than as provided as part of medical benefit) and the whole or any part of the cost of optical appliances.

15. The payment of the whole or any part of the cost of the provision of nurses for members.
6. Payments to approved charitable institutions in respect of any treatment of members required for the prevention or cure of disease, not being treatment within the scope of any other additional benefit or of medical benefit.

Such other additional benefits, being of a character similar to that of any of those hereinbefore mentioned as may be prescribed.

It would appear necessary to give some measure of discretion to the Provincial Boards of Management regarding the manner in which the additional "treatment" benefits should be administered. But at the same time it would also appear desirable that the Provincial Governments should receive annual reports from the Boards regarding their general activities during each year and particularly regarding the distribution of additional benefits, both in the form of cash and treatment, and also regarding the general financial position of the sickness insurance funds at the end of each year.

CHAPTER IV

FINANCIAL RESOURCES AND THEIR MANAGEMENT

(i) *General Financial Basis.*

As already pointed out, it is the social objective and the principle of mutual aid that are stressed far more in any scheme of social insurance than the insurance method. Thus, in social insurance, "the insured is no longer a contracting party applying to be insured, a party with whom the clauses of the contract can be discussed and concerning whom enquiries must be made, in order to estimate the value of the risk : the whole body of persons insured has to be considered. While it may still be possible to take into account age, sex and occupation, there can be no question of investigating the health, family responsibilities, etc., of every individual case. Moreover, while the financial balancing of the insurance naturally requires that the total value of the obligations of all those insured (or of the obligations assumed by third parties on their behalf) should be equivalent to the total value of the obligations entered into by the insurer towards all of them, there is no longer any need of such equality in every individual case. On the

contrary, it will more often than not appear equitable to make one class of insured bear part of the charges introduced by another class, which is less well off or more exposed to the risk in question. This transfer of charges may be effected not only in any one generation but as between successive generations. It may be both just and expedient to carry forward to future generations, which will benefit by the improvements effected by social insurance, part of the costs arising out of the present generation. Thus, while social insurance is penalised in that it cannot select the risks or estimate them individually, it has far greater freedom of action than private insurance ; it has the advantage of a wide field and of time, and within the limits compatible with equity and especially with the insured person's idea of what is equitable, it can distribute the costs of the insurance as it thinks fit."* It is no wonder, therefore, that the inherent flexibility of such systems, which allows the expenditure under any such scheme to be adjusted to its total resources, has enabled almost every important country to retain and to develop compulsory and contributory types of social insurance schemes after once they were established.

The two general financial bases used in social insurance schemes are :

- (1) Actuarial basis, which is sub-divided into
 - (i) individual capitalisation system, and
 - (ii) collective capitalisation system ; and
- (2) Assessment or distribution of costs basis.

The individual capitalisation system is similar in principle to that adopted, for instance, in the case of life insurance. It rests on an individual conception of financial

* "General Problems of Social Insurance", I. L. O. Studies and Reports, Series M, No. 1, 1925, p. 79.

equilibrium. Its principal object is to calculate the contributions in such a way that the probable present values of the expectations (i.e., contributions to be collected and public subsidies, if any) and liabilities (i.e., cost of the benefits and the administrative expenses) of any particular scheme in respect of every individual worker who enters insurance should be equal. The calculation of the cost of the risk in a sickness insurance scheme in accordance with this method requires data regarding (1) rates of morbidity and mortality according to ages applicable to the insured persons; and (2) interest rate corresponding to the estimated probable yield on investments in future years. Information regarding the distribution of insured persons according to wages will also be required if it were proposed to pay the cash benefits under the scheme at a certain percentage of the insured person's wages or basic wages fixed in accordance with the system of wage classes instead of at a flat rate for all insured persons of the same sex. The contributions can then be calculated either according to annual costs, in which case they would go on increasing with age†, or, as in the case of the life insurance premia, at

* Cf. "With a financial system of this pattern, a number of operations calling for actuarial technique are required, chief among which are establishment of the benefits schedule, organisation of the technical accounting, calculation of the actuarial liability, valuation of the investments, calculation of the rates of yield, selection of the rate of interest serving as a basis for calculation (the actuarial rate), organisation of the statistical work and comparison of its results with the biometric tables adopted as a basis." From "Actuarial Technique and Financial Organisation of Social Insurance," I. L. O. Studies and Reports, Series M, No. 17, 1940, p. 27.

† Reference to the morbidity tables in Appendix V will show that the average annual morbidity rate in terms of days

uniform rates which at first exceed the annual value of the risk and later fall below it and are so adjusted that the excess in contributions in earlier years, when capitalised or accumulated with compound interest at the assumed rate, should be exactly sufficient to cover the deficiency in contributions at older ages. In the latter case, there is thus always an actuarial reserve for every insured person, which, at any given moment, is equal to the difference between the probable present value of the liabilities of the insurance scheme in respect of him (i.e., prospective benefits and the proportionate share of expenses of administration) and the probable present value of its expectations (i.e. contributions to be paid by or on behalf of the insured person and the proportionate share of public subsidies, if any). For obtaining the probable present value of the cost of cash benefits in the case of any particular person at a certain rate of benefit per day of sickness, one has simply to add the probable present values of the deferred capital sums corresponding to each year of insurance for all the ages in the selected morbidity table from his age of admission up to his probable age of retirement; and there should be no theoretical difficulty in doing so if the rates of interest, mortality and morbidity are properly selected, because in the case of a person entering insurance at age x , the deferred capital sum required to meet the obligation of the insurance fund towards that person during the n th year following his entry into insurance will be equivalent to the product of the annual morbidity rate in terms of days of sickness per insured person at age $(x \text{ plus } n)$ and the daily rate of cash benefit. The probable present value of the cost

of sickness per insured person usually increases with age at least in the case of persons aged about 25 years and over.

of the medical benefits also could be calculated in a similar manner. But while this is all true so far as the theoretical calculations are concerned, the rates of contributions in social insurance schemes have necessarily to be fixed independently of the insured persons' ages and, therefore, "social insurance contributions and benefits do not as a rule correspond to each other in the same way as premiums and annuities under individual life insurance or invalidity insurance policies. . . . It follows at once that the individual accounts pattern is not in itself sufficient for the financial system of a social insurance scheme."* This leads us to the second actuarial system which has got this advantage over the first that the contributions in it are the same for all members of the same sex irrespective of their age.

Under the system of collective capitalisation, all the insured persons or certain groups of persons have to pay the same average premium calculated in such a way that the probable present values of the expectations and liabilities for the whole group or for each of the particular groups considered should be equal. If applied to sickness insurance, this system practically becomes the same as that of distribution of costs†. For, as the group of persons contri-

* "Actuarial Technique and Financial Organisation of Social Insurance," I. L. O. Studies and Reports, Series M, No. 17, 1940, pp. 18 and 26.

† "Compulsory Sickness Insurance", I. L. O. Studies and Reports, Series M, No. 6, 1927, p. 436.

Cf. also : "The calculation of average premiums is combined, in the preparatory work undertaken before the introduction of the social insurance scheme, with a *preliminary valuation*, which consists, in fact, in comparing the probable present values of the financial resources and charges of the scheme. A separate valuation is made for each financially independent group, and includes :

buting to insurance in any given year is also the group which is entitled to the insurance benefits during that year, except during the initial qualifying period when a portion of the cash benefits are accumulated into a much-needed initial reserve, the average annual expenditure per insured person under this system should, in a normal case of a more or less fixed percentage distribution according to ages of the insured persons, be practically constant from year to year and therefore more or less equal in amount to the annual contribution calculated according to the second actuarial method. It may incidentally be mentioned that the annual contribution is usually not subjected to any frequent alterations owing to the desirability of enabling the different parties who contribute to a compulsory sickness insurance scheme to get a clear idea in advance regarding their obligations.

The calculation of the contributions according to the second actuarial method requires an assumption to be made about the average age-distribution of the entrants into the scheme. If this assumption is based on the age-distribution of the initial entrants i.e. entrants at the inception of the scheme, then the average contribution so obtained will be too high, because the average age of the *future* entrants must be lower than the average age of the initial entrants. On the other hand, if this assumption is based on the probable age-distribution of the future entrants, then the average contribution so obtained will be too low. So the assump-

On the assets side, the probable present values of contributions and of State subsidies :

On the liabilities side, the probable present values of benefits and of administrative expenses."—From "Actuarial Technique and Financial Organisation of Social Insurance," I. L. O. Studies and Reports, Series M, No. 17, 1940, p. 29.

tion about the age-distribution of the entrants will have to be based on a suitable combination of the separate age-distributions of the initial entrants and future entrants, the average contribution obtained on such an assumption being less than sufficient for the initial entrants and more than sufficient for future entrants. This method thus gives rise to a deficit in respect of initial entrants the capitalised value of which is called "initial liability". As regards this question of "initial liability" under the average premium system, the following observations in the International Labour Office report on the Actuarial Technique and Financial Organisation of Social Insurance, 1940, are of interest : "The actuarial* liability calculated for the initial membership could be covered at the outset only by a large initial endowment ; as a rule, the greater part, if not all, of this actuarial liability remains uncovered and constitutes the *initial liability*. The contingent of insured persons entering in any particular year normally comprises a large proportion of the younger generation, and the corresponding premium would therefore be lower than the general average premium. Consequently, for this contingent taken separately, the probable present value of expectation exceeds that of liabilities, and the operation of insurance begins not with a liability, as in the case of the initial membership, but with an asset. An insurance scheme at its outset may roughly be regarded as the amalgamation of (1) a scheme limited to the initial membership, and (2) a series of schemes limited respectively to the first, second, etc., annual contingents. Each of these schemes applies to a closed group. The first shows an initial liability, while each of the others begins with an asset, and financial equilibrium is established

* Pp. 30-31.

in such a way that the sum of the assets balances the initial liability.

"By definition, the general average premium is higher than the premium corresponding to the contingent entering insurance each year, but lower than that which should be applied to the initial membership if it were treated as a closed group. It immediately follows that the general average premium leads to a smaller accumulation of funds than in the case of the average premium calculated for the initial membership. In other words, the collective technical reserve is lower than the actuarial liability. This leads to a distinction between two different conceptions of the function of the funds accumulated as technical reserves. According to one conception, the object is to safeguard the theoretical possibility of liquidating all the operations undertaken by the insurance institutions: the probable present value of the liabilities may not exceed the probable present value of the expectations plus the total amount of the accumulated funds. It is admissible that from the inception of the scheme the payment of a surcharge on the premium should be required for the purpose of constituting a reserve equal to the actuarial liability. According to the other conception, on the contrary, it is considered that, owing to the permanence of social insurance and the compulsion to insure, there is no occasion to contemplate the liquidation of all the liabilities and expectations at a particular date. The accumulated funds ought never to reach the figure for

* To take this premium as the rate of contribution is implicitly to assume that the age distribution of the persons entering insurance each year is the same as that of the initial membership. In compulsory insurance it is certain that the age distribution of the annual contingents is more favourable than that of the initial membership.

the amount of the actuarial liability, but the income they produce is nevertheless sufficient to fulfil their function of maintaining financial equilibrium, in combination with the other fundamental factors of the scheme. Both these conceptions may be employed in the technique of social insurance....” The function of maintaining the financial equilibrium of sickness insurance schemes is fulfilled in the “assessment” or “distribution of costs” system by the provident reserve fund and other short-term reserves, which are discussed in the next section, and there is no necessity of making any separate provision for this type of technical reserve under that system.

Let us now consider the third financial system, namely, the “assessment”* or “distribution of costs” system. The general principle of this system is that the total contributions and subsidies received during each year should be sufficient to pay for the benefits to be granted and the expenses of administration during that year. As already stated, the contributions in sickness insurance schemes are usually kept unchanged over a series of years and, therefore, the average annual expenditure per insured person according to this system shows but little variation, if at all,

* Cf. “The annual estimates pattern, like the average premium pattern, rests on a collective conception of financial equilibrium. The total resources are made at least equal to the total charges either for each financial year or for a period comprising several consecutive years. If equality of the two totals is regularly achieved, the obvious result is equality in the probable present values that would have been established with the average premium pattern. In addition, it affords a guarantee that the scheme will at any time be able to meet its financial obligations.” —From “Actuarial Technique and Financial Organisation of Social Insurance,” I. L. O. Studies and Reports, Series M, No. 17, 1940, p. 32.

from year to year. The assessment basis is, however, usually modified by requiring the establishment of a provident reserve fund for meeting the possible increase in expenditure during epidemics or other emergencies. The provident reserve fund is quite different from the actuarial reserves under the system of individual capitalisation and is built up either out of surplus revenues or by a fixed deduction from the contributions.

It is clear from what has been stated above that in any scheme of sickness insurance (1) the average annual expenditure per insured person remains more or less constant from year to year, (2) the contributions collected from or on behalf of a group of insured persons in any particular year are mostly returned to the beneficiaries amongst them in the form of insurance benefits during the same year on their becoming entitled to the benefits after the necessary qualifying period, and (3) it is not necessary to provide for any long-term financial guarantees for the payment of benefits except by way of a provident reserve fund. For sickness insurance schemes, therefore, the assessment or distribution of costs basis is much more suitable and also simple in administration than the complicated and cumbersome actuarial or individual capitalisation basis which, incidentally, is most suited only to long-term financial operations, e.g., those relating to invalidity or old age pensions etc. The assessment basis, modified by the accumulation of a reserve fund, has, therefore, been adopted almost universally in connection with such schemes. So far as is known, Great Britain is the only country which has adopted, or rather retained in a modified form, the actuarial* basis partly because it was already

* The British system partakes of the characteristics of both the actuarial methods : of the first, inasmuch as the contribution

introduced there when sickness insurance was still voluntary and also because sickness and disablement insurance in that country covers cases of permanent sickness which are dealt with in other countries by the grant of invalidity pensions. Moreover, the British National Health Insurance Scheme is closely interlocked with the contributory pensions scheme in that country and the latter can best be worked out on an actuarial basis. In spite of this, however, the contribution under the British National Health Insurance Scheme has been fixed at a flat rate for all insured persons of the same sex irrespective of the age of entry into insurance and is estimated to be approximately equal to the cost of the benefits in the case of a person entering insurance at the age of 16 years. It was, therefore, necessary at the commencement of that scheme to provide for the redemption of the initial actuarial liability in respect of persons who became compulsorily insured at ages over 16 years by the creation of book credits called "reserve values." These "paper credits" are gradually being transformed into real values and liquidated with compound interest by converting them into cash through the operation of the Reserve Values (Apportionment) Account derived from small deductions from the weekly contributions. According to the original estimates, the reserve value credits were to be redeemed in about nineteen years, i.e., by about 1930. But a portion of the amount intended for the service of the reserve values was subsequently diverted for the purpose of creating other special funds and consequently, the probable date of redemption of the reserve values has been

actually charged is the same as that applicable to an entrant at age 16 calculated according to the individual capitalisation method: and, of the second, inasmuch as, like the average contribution, the contribution actually charged is the same for all members of the same sex, irrespective of their ages.

materially deferred. Similarly, the original rate of contribution under the British Act was fixed on a provisional basis and the following changes were made in the rates, firstly in 1920 owing to the need of increasing the benefits with a view to bringing them into line with the higher cost of living after the abnormal period from 1914 to 1918 and again in 1926 owing to the enforcement of the Widows', Orphans' and Old-age Contributory Pensions Act, 1925, which lightened the burden on the Health Insurance scheme by reducing the upper age limit under the scheme from 70 to 65* and resulted in a consequential reduction of the contributions. Due to the conditions created by the present world war, both the employer's and the worker's contributions have again been increased by 1d. a week while the rates of cash benefits have been increased by 3s. a week as from January 1942 :

Total weekly contribution under the British National Health Insurance Act, since —				
	1912	1920	1926	1942
	d.	d.	d.	d.
Men	7	10	9	11
Women	6	9	8½	10½

The next table shows the changes made in the normal

* The contributory Pensions Act of 1940 has further reduced the pension age for women to 60.

rates of cash benefit under the British scheme from time to time :

		Normal rates of cash benefit.											
		1912		1920		1933			1942				
		Men.	Women.	Men.	Women.	Men.	Widows & spinsters	Married women.	Men.	Widows & spinsters	Married women.		
		s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Weekly sick-	ness benefit	10-0	7-6	15-0	12-0	15-0	12-0	10-0	18-0	15-0	13-0		
Weekly disable-	ment benefit	5-0	5-0	7-6	7-6	7-6	6-0	5-0	10-6	9-0	8-0		
Maternity bene-	fit†	30-0	30-0	40-0	40-0	40-0	40-0	40-0	40-0	40-0	40-0		

It will thus be seen that adjustments‡ in the rates of contributions and benefits have sometimes to be made in

† Under the British Health Insurance Act, maternity benefit is granted on the confinement of the wife of an insured man or of a woman who is herself insured.

‡ Cf. "It is hardly necessary to point out that in no case has the mechanism described been an unchanging one, working in close conformity with a specified plan. On the contrary, there have been incessant modifications; it seems, in fact, that the reason why the financial organisation of social insurance must rest on a technical basis is not so much to prevent any alteration of the scheme as to facilitate the reforms and adjustments that are found to be necessary during its actual operation."—From "Actuarial Technique and Financial Organisation of Social Insurance," I. L. O. Studies and Reports, Series M, No. 17, 1940, p. 2.

such schemes owing to various causes irrespective of whether the rates are calculated on an actuarial or an assessment basis and that sickness insurance schemes, like other forms of insurance, must "buy experience" by proceeding very cautiously in the initial stages.

Reverting to the differentiation between the actuarial and the modified assessment systems, the actuarial system involves financial operations for successive years which are all linked up with one another and hence the financial equilibrium of the system from the point of view of balancing its total assets and liabilities could be ensured only by forming very accurate estimates in advance of the rates of interest, mortality and morbidity over a series of years as the adoption of a different basis of valuation might otherwise change a surplus into a deficit or vice versa. The actuarial basis does not possess the sort of flexibility to be found in the assessment or distribution of costs basis and the rigidity, uncertainties and long-term financial commitments of the actuarial system make it necessary to have periodical actuarial valuations for the purpose of ascertaining how the actual experience tallies with the original estimates and whether the accrued liability at any time is covered by the insurance fund. Again, "instead of using the considerations based on real societies which are necessary in the system of distribution, the technique of individual capitalisation substitutes the consideration of imaginary societies in each of which the units are similarly exposed to the risk. This is why the system is by far the best suited to private insurance, which cannot make precise estimates of the size and composition of its clientele and must propose rates of insurance drawn up on commercial bases . . . individual capitalisation is unsuitable for the forms of insurance in which the cash benefit varies with wages . . . and this financial system is appro-

priate only where the benefit is a contractual sum fixed uniformly for the whole life of the insured person.”* In the modified assessment or distribution of costs basis, on the other hand, each year constitutes a more or less self-contained unit so far as sickness insurance is concerned and all that is required for ensuring the financial stability of the system is to see that the insurance fund is able to balance its budget for each year after providing for the necessary provident reserve fund.

Before closing this brief discussion on the basic financial systems, it is necessary to draw attention to the following extracts regarding the essential qualities and complexities of such systems from the International Labour Office report on Actuarial Technique and Financial Organisation of Social Insurance, 1940 : “From the purely technical point of view the following may be deemed to be essential qualities of the financial system : easy and reliable control of the financial situation and its evolution ; simple financial organisation ; low cost of the administrative operations involved by its working . . . it is often possible and therefore expedient to calculate a lower or higher limit for the desired result by a rough approximation, calling only for a small number of hypotheses. From this point of view the best financial system is not that which is based on the most successful estimates but that which is sufficiently flexible to allow the financial organisation to be adjusted, without upsetting its structure, to any transformation of economic and social conditions.”† It may also be mentioned in this connection that a very important safeguard introduced in

* “Compulsory Sickness Insurance,” I.L.O. Studies and Reports, Series M, No. 6, 1927, p. 461.

† Pp. 34 and 36.

the British Unemployment Act, 1934, was the establishment of a statutory committee‡ to watch over the finances of

‡ The composition and the functions of the Committee are briefly described in the following passage :

“ Important functions in connection with the financial administration of the scheme are performed by the Unemployment Insurance Statutory Committee, which exists to give advice and assistance to the Minister. The Committee, which is appointed by the Minister, consists of a chairman and not less than four nor more than six other members, of whom at least one must be a woman. One of the members is appointed after consultation with organisations representative of employers, one after consultation with organisations representative of workers, and one after consultation with the Minister of Labour for Northern Ireland. A member of the House of Commons cannot be a member of the Committee. The expenses of the Committee, including salaries and allowances, are paid out of moneys provided by Parliament.

Immediately after the close of each calendar year the Statutory Committee must examine the finances of the insurance scheme, and within two months must make a report to the Minister on the financial condition of the Unemployment Fund. The Committee is also required to report at any other time if it considers that the Fund is, or is likely to become, and is likely to continue to be, insufficient to discharge its liabilities, and may report on the financial condition of the Fund at such other time as it thinks fit. If the report of the Committee at any time indicates that there is either an existing or prospective deficiency, or that there is and is likely to continue to be a greater surplus than is required for working purposes, the report must contain such recommendations for amendment of the Acts as will in the opinion of the Committee have the effect of restoring the balance of income and expenditure. The report of the Committee must give an estimate of the effect, on the financial condition of the Fund, of any amendments it recommends.”—From “Unemployment Insurance and Assistance in Britain” by Percy Cohen, 1938, p. 146.

the Unemployment Insurance Fund and to make recommendations to the Minister of Labour concerning changes in rates of contributions and benefits, the use of surplus funds etc. The adoption of the assessment or distribution of costs system under the direction and control of Provincial Boards of Management, whose functions would be similar to those of the British Unemployment Insurance Statutory Committee, is, therefore, suggested in connection with the sickness insurance schemes for this country as such mechanism should be a good guarantee for ensuring the financial equilibrium of the schemes.

(ii) *Reserves and Investments.*

We have already seen that the assessment or distribution of costs basis is most suitable for working out the premiums of any sickness insurance scheme and that the basis is modified to its advantage by the accumulation of reserve funds. It has also been stated that the main objects of building up the provident reserve fund are (i) to reduce or nullify the effects of the small fluctuations in the annual expenditure of the sickness insurance funds and (ii) to make suitable provision for meeting extraordinary expenditure during epidemics and other emergencies. The formation of such reserves naturally involves some loading of the premium with this object. The proportion of the total contribution usually set aside for this purpose varies from about 5 to 10 per cent. in different countries and the Bombay Textile Labour Inquiry Committee has stated that it is essential to make a provision of at least 11 * per cent.

* The Committee has suggested that 12½ per cent. of the actual expenditure excluding reserves or approximately 11 per cent. of the total contributions should be put into the provident reserve

in India on this account. The minimum reserve fund which is considered necessary for preserving the financial equilibrium of any sickness insurance fund is that equal in amount to the average annual expenditure while the maximum amount to which the provident reserves are generally permitted to be accumulated is twice or thrice the average annual expenditure of the sickness insurance funds. Too large a reserve fund cannot be justified as the reserves are built up by the sacrifices of the persons who insure during the earlier years and those who enter insurance after the necessary reserve fund has been accumulated either receive increased benefits for the same contribution or the same benefits at a lower rate of contribution.

The reserve funds are usually made up as follows :—

- (1) By regular deductions from the contribution at a certain percentage as determined by the rules ;
- (2) By surpluses of annual revenue, if any ;
- (3) By fines imposed on members by the Boards of Management of the insurance funds and the interest payable by employers whose contributions are in arrears ; and
- (4) By grants, donations etc. not allocated for a specified purpose.

Assuming that it were possible to set aside regularly for the reserve fund an amount equal to one-ninth of the total annual contribution and to invest the same at an average annual rate of three per cent., the reserve fund will reach the usual statutory minimum in about 8 years ; it will be equivalent to twice the amount of annual expenditure in about 14 years and to thrice the annual expenditure in

fund regularly every year (see p. 330 of the Committee's report, Vol. II, 1940).

about 19 years. These calculations do not take into account the initial reserves which will accumulate during the qualifying period or those which may be derived from any other resources of the type mentioned above. But at the same time the result presupposes that it would be possible to allocate regularly one-ninth of the contribution to the reserve fund without making any deductions on account of extra expenditure due to epidemics or other emergencies and to invest it at an average annual rate of three per cent. It would perhaps be most convenient to convert the former amounts into short-term reserves and the latter into a long-term reserve fund, the accumulations in the short-term reserves being intended to be utilised to counteract the smaller fluctuations in expenditure from year to year and those in the long-term reserve fund being intended to be utilised to counteract the larger fluctuations during periods of epidemics etc. After the long-term reserve fund has reached its maximum, the 11 per cent. contribution intended for being set aside for the reserve fund and the interest on the accumulated amount of the reserves will be available either for being spent on additional benefits or for effecting a reduction in the rates of contribution. On the assumption that the investments of the reserves will bear an average annual interest of 3 per cent., this reduction in contribution will be about 16 or 19 per cent. according as to whether the total amount in the long-term reserve fund is twice or thrice the amount of the average annual expenditure. On the other hand, if it is decided to utilise this amount * for

* In the case of the 1,50,000 cotton mill workers in Bombay City for whom figures have been worked out in the report of the Bombay Textile Labour Inquiry Committee, the amount which would thus become available for being spent on additional

granting additional benefits, it may be possible to provide for the grant of (1) free medical benefit to insured persons after they retire from active service on account of old age as is being done in Great Britain, (2) statutory funeral benefits as in most other countries and (3) some of the more expensive but essential benefits already mentioned in the section on "additional benefits."

As regards the investment of the sickness insurance funds, the working capital of the funds and the short-term reserves would necessarily have to be kept as liquid as possible while a substantial portion of the provident reserve funds could be invested in Government and Trust securities and also in other forms of medium and long-term investments preferably in accordance with the general principles* laid down at a meeting of international experts in December 1938. The selection of investments is a responsible and difficult task and the presence of the representatives of both the employers and the insured persons is almost always considered necessary at the time of taking decisions concerning such investments or at least in drawing up advance investment schemes for certain specified periods. It is also considered necessary that the sickness insurance funds should publish regularly information regarding the total amount of the funds invested at the end of each year and also about the distribution of the funds among different types of investments.

benefits would be approximately Rs. 3,00,000 per year from the fifteenth year or about Rs. 3,50,000 per year from the twentieth year according as to whether the maximum amount which will be accumulated in the reserve fund is twice or thrice the amount of the average annual expenditure.

* For details see the I. L. O. report on the Investment of the Funds of Social Insurance Institutions, 1939.

(iii) *Contributions.*

Unlike the risk of industrial accidents, which is essentially a trade risk, and whose cost has, therefore, necessarily to be borne by the employer alone, the risk of sickness and maternity presents a somewhat complicated problem from the standpoint of raising the resources required for meeting the expenditure on the essential benefits—both in cash and in kind—which have to be granted to the insured persons during the periods of their enforced idleness. The question was carefully considered by the International Labour Conference at its tenth session in 1927 and the decision of the Conference as embodied in Article 7 of the Draft Convention (No. 24) concerning sickness insurance for workers in industry and commerce was to the effect that “the insured persons and their employers shall share in providing the financial resources of the sickness insurance system.” Similarly, paragraph 15 of the Conference Recommendation (No. 29), which is intended to indicate the general principles which practice has shown to be best calculated to promote a just, effective and appropriate organisation of sickness insurance, reads as follows: “The financial resources for the insurance scheme should be provided by contributions from the insured persons and contributions from employers. The provision thus jointly made can be supplemented to advantage by contributions from public funds, especially for the purpose of improving the health of the people.” Commenting on the above principle in paragraph 189 of its report, the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa states: “This principle is recognised in all countries where compulsory health insurance schemes have been adopted, but it is not acted on in all. One law pro-

vides for the cost being borne wholly by insured persons and one by the employers alone ; there are eleven laws governing the raising of funds to defray the cost of benefits under the health insurance schemes in various countries which make no provision for a state contribution ; in all other laws the cost is borne in varying proportions by the State and the employed person or by the State, the employed person and the employer.

“ Provision is made for a contribution from the State in the health insurance laws of the following countries :—

Argentine, Bulgaria, Chile, Denmark, France, Irish Free State, Italy, Japan, Latvia, Lithuania, Norway, Roumania, Great Britain.

“ In the proposals for a national health insurance scheme put forward by a committee appointed recently by the New Zealand Government, it is proposed that the State should contribute to the cost of providing the benefits either by way of subsidies to meet deficiencies or at a flat rate per insured person or by way of a proportion of the contributions ; provision for a State contribution is also made in the insurance schemes to be put into effect in Alberta and British Columbia.”*

The conspectus of Acts relating to sickness, maternity and funeral benefits in various countries given in Appendix IV will show that the principle of joint contributions by the insured persons and their employers to sickness insurance funds has now been adopted in most countries. The principle of employer's liability for the payment of compensation to a workman for personal injury caused by accident

* Report of the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa, 1936, p. 43.

arising out of and in the course of his employment and also for the payment of maternity benefits has already been recognised in this country in the Workmen's Compensation and the Maternity Benefit Acts, while, a conference of representatives of Indian industrial interests held on 8th September 1940 under the joint auspices of the Employers' Federation of India and the All-India Organization of Industrial Employers generally approved the principle of sickness insurance subject to the condition that the State, employers and labour should contribute to the cost. Several important workers' organisations in this country are also understood to have generally accepted the principle of compulsory contributions to sickness insurance funds. This is as it should be, because, apart from financial considerations, the contributory principle inculcates thrift and insurance habit among the insured persons, increases their self-respect and gives them a right to benefits and to representation on the Boards of Management of the sickness insurance funds.

As regards Government contributions, it has already been pointed out that when the International Labour Conference considered the question in 1927, it recognised the utility and the expediency of a State contribution but decided not to impose any obligation on the States to make a financial contribution to the sickness insurance funds. The International Labour Office report on Compulsory Sickness Insurance states in this connection : " The State's contribution varies widely both in character and amount. It may take the form of a fraction of the total contribution, a subsidy for each person insured, a share in the total cost of all benefits, or frequently of certain benefits only, maternity and nursing benefits, or benefits in the nature of family allowances. The fact is that the basis for the sharing of cost is the result of a complex of conditions which varies from

country to country, and even in the same country at different periods : the level of wages in relation to the cost of living (i.e. the ability of insured persons to contribute), the prosperity of production (i.e. the ability of undertakings to bear social charges), the state of the public finances (i.e. the possibility of obtaining from the taxpayer money to subsidise insurance), the power of trade unions of employers and workers, the composition, tendencies, and attitude on social questions of Governments and parliamentary majorities.”* State contribution to sickness insurance funds is still a controversial topic and in a number of countries, almost the whole of the cost of sickness insurance has to be borne by the employers and the insured persons.

So far as India is concerned, it is necessary to examine this question of State contributions very carefully, particularly because of the extreme importance attached to this aspect of the problem by both employers and workers. It has been argued† that any contributions to such schemes from the Provincial Governments would be unfair, and the Legislature and the public are likely to object on the ground that much of the Provincial revenues are obtained from the agriculturists and little, if any, from the industrial workers who alone would benefit from the scheme. While there is apparently considerable force in this argument, it may be pointed out, on the other hand, that in the peculiar circumstances of this country, the line of distinction between agricultural and industrial classes is by no means so clear as

* “Compulsory Sickness Insurance”, I. L. O. Studies and Reports, Series M, No. 6, 1927, p. 22.

† Proceedings of the Second Conference of Labour Ministers, Indian Industries and Labour Bulletin, No. 72, 1941, p. 64.

it is in other countries, that in many cases an industrial worker is also a part-time agriculturist and in spite of his migration to the cities, he is bound by inseparable ties with his agriculturist brethren in the villages owing to the existence of the joint family system. Indeed, to say that the benefit of a sickness insurance scheme would accrue only to industrial workers is to overlook the fact that the effects of sickness among industrial workers are rarely confined to the industrial workers themselves but are mostly felt by the agriculturists also. To the extent to which industrial workers remit a part of their wages for the maintenance of their dependants in the villages, sickness among industrial workers means a loss of income to the villagers as well. When the industrial worker is a member of an agriculturist joint family, as in most cases he is, the agriculturists have in effect to pay for his sickness, partly by way of maintaining his dependants during such time as he is unable to earn and partly by way of defraying the cost of his treatment, especially when prolonged sickness forces him to retire to his village. It is possible to argue, therefore, that a financial provision against sickness among industrial workers is of direct interest to the agriculturists also, even apart from any interest they may have on wider grounds such as the usefulness of such schemes in preventing the spread of disease from one class of population to another. Moreover, the argument that there should be no transference of resources from the agricultural to the industrial population or *vice versa* can hardly be accepted as a valid principle of public policy, because, pushed to its logical conclusion, it would prevent a Provincial Government from applying any part of its revenues to such objects as the development of industries or welfare work among industrial workers. The case against State contributions, however, does not rest merely

on these grounds. It has been urged* that as the various Governments were already providing medical benefits and as such medical benefits were provided on a good scale particularly in urban areas where most of the factories were located, there was no justification to call upon the Provincial or State Governments to contribute further for the benefit of only one section of the working population. The position is summed up by saying that before the Provincial Governments enter into any large financial commitments in regard to sickness insurance schemes, they should be satisfied about the exact implications of such schemes from the standpoint of the fair and equitable distribution of the Provincial revenues among the different important sections of the population and the possibility of keeping the total provincial expenditure including the expenditure on sickness insurance schemes well within the total provincial revenues. It would appear, however, that this objection to State contribution is more or less completely met when it is pointed out that only a part, if any, of the amount contributed by the State to a sickness insurance scheme can be regarded as additional to its existing expenditure on medical services. To the extent to which the insured persons who were formerly taking advantage of the free medical services provided by the State cease to do so because of the medical benefits they receive under the insurance scheme, there is a clear saving in the State expenditure on medical services and the State is only asked to utilise this saving in making a contribution to the scheme. In case the Provincial Governments do not wish to incur any additional

* Proceedings of the Second Conference of Labour Ministers, Indian Industries and Labour Bulletin, No. 72, 1941, pp. 71-72.

expenditure in this respect, the amount of their contribution can always be fixed in such a way as not to exceed their estimated saving, due to the operation of the sickness insurance scheme, in their expenditure on free medical services. In that event, the questions, referred to above, as to whether the scheme involves an unjustifiable transference of resources from one class of population to another or whether it is likely to impose an unduly heavy burden on provincial finances, would not arise at all. Nor is this merely a case of spending money on medical benefits for the poor in one way rather than another, because there are certain distinct advantages when the State expenditure on medical relief for industrial workers takes the form of a contribution to a sickness insurance scheme instead of its existing form. In the latter case, the only relief that the worker can get is what the State, with its limited resources can provide ; but in the former case when State expenditure takes the form of a contribution to a sickness insurance scheme, the resources provided by the State are supplemented by what the worker and his employer are induced to provide as a result of the lead given by the State, the worker thereby receiving more liberal medical aid than he would have otherwise received and also cash benefits intended to serve as partial compensation for the loss of his wages during the period of illness. State contributions have also an additional advantage in sweetening the pill of compulsion by making the employers feel that the State is not merely imposing obligations on them but is also assuming obligations itself. In the absence of any provision for State contributions, a compulsory sickness insurance scheme might easily be construed as a shrewd device on the part of the State to pass on to the shoulders of employers a part of its own responsibility for providing free medical relief.

Moreover, when the State agrees to pay a part of the cost, the workers have an additional assurance that the State, in the interests of the general taxpayer, will naturally exercise a detailed supervision over the working of the scheme and will scrupulously check all abuses of the sickness insurance funds. It will be difficult for the workers to have any such feeling of confidence with regard to the management of the scheme if the State has no financial interest in it.

In its tentative sickness insurance scheme for cotton mill workers in Bombay and Ahmedabad, the Bombay Textile Labour Inquiry Committee has suggested a State contribution to the sickness insurance fund at a flat rate of one anna per insured person per month i.e. at a rate of about $6\frac{1}{2}$ per cent. of the total monthly contribution. The total monthly contributions to the sickness insurance funds may, however, differ very widely from industry to industry or from centre to centre because of the wide variations in the average daily wages of workers in the different industries and at different centres. If it is proposed, therefore, that in the case of a general sickness insurance scheme of an all-India character, the State contribution should be either at the rate of one anna per insured person per month or at $8\frac{1}{3}$ per cent. of the total contribution, whichever is less, the expenditure which the Provincial Governments will have to incur on account of such contributions is not likely to be unduly burdensome in the present state of industrial development in this country.

As already stated, a substantial portion of the financial resources of the sickness insurance schemes is usually derived from contributions which are regularly collected from the insured persons and their employers. The rates of these contributions are fixed independently of the insured persons' ages as, otherwise, the higher rates for older persons might

prejudicially affect their employment. Sometimes, the rates are also fixed independently of the occupation. The rates are, however, ordinarily kept unchanged over a series of years so as to enable the employers and the insured persons to have a clear idea in advance with regard to their liabilities in the matter.

As in the case of the grant of sickness benefits, there are three methods of fixing sickness insurance contributions, namely, (1) at a flat rate for all insured persons of the same sex fixed independently of wages, (2) as a percentage of each insured person's individual wages and (3) as a percentage of basic wages fixed according to the system of wage classes. The last two methods presuppose the existence of up-to-date statistical information regarding the distribution of the insured persons according to wages, which is not readily available in India, and, as already pointed out, they would not be advantageous from the point of view of benefits to the insured persons falling in the lowest wage categories as the latter would also have to be given in the same manner as would be adopted for the collection of contributions. The system of flat rate contribution not only simplifies the administration of sickness insurance but indirectly results in the grant of comparatively greater benefits to the lowest paid workers during periods of incapacity than what they would be entitled to under a system of contributions and benefits proportional to individual wages or to basic wages according to the system of wage classes.

We have already seen that there is no decisive rational rule for apportioning the contribution between the employer, the insured person and the State. It is, however, generally recognised that in the case of workers getting low wages, the employer should pay a larger share of the contribution than the insured person and that in the case of the lowest paid

workers whose wages are found to be below a certain level, the whole of the contribution should be paid by the employer. Thus, the employer alone pays the contribution in Estonia and Latvia for persons whose money-wage is less than two-thirds of the average wage of an unskilled worker and in Japan for persons who earn less than 55* sen a day. According to the second schedule of the British National Health Insurance Act, 1936, the rates of contributions in respect of employed contributors are as follows :

PART I

Rates of contributions in respect of employed contributors.

In the case of men, 9d. a week (11d. a week since 1942),

In the case of women, 8½d. a week (10½d. a week since 1942).

Contributions of Employers and Employed Contributors.

In ordinary cases.

To be paid by the employer 4½d. a week. (5½d. a week since 1942),

To be paid by the contributor, for men 4½d. a week, (5½d. a week since 1942),

To be paid by the contributor, for women 4d. a week (5d. a week since 1942).

In the case of Low-wage Earners.

In the case of employed contributors of either sex, of the age of eighteen or upwards, whose remuneration does not include the provision of board and lodging by their em-

* "Compulsory sickness Insurance," I.L.O. Studies and Reports, Series M, No. 6, 1927, p. 426.

ployer, and the rate of whose remuneration does not exceed 4s. a working day, the rates of contribution are as follows :—

(1) Where the rate of remuneration does not exceed 3s. a working day—

To be paid by the employer, for men 9d. a week, (11d. a week from 1942).

To be paid by the employer, for women 8½d. a week, (10½d. a week from 1942).

(2) Where the rate of remuneration exceeds 3s. ; but does not exceed 4s. a working day.

To be paid by the employer, 5½d. a week, (6½d. a week since 1942),

To be paid by the contributor for men 3½d. a week, (4½d. a week since 1942),

To be paid by the contributor for women, 3d. a week, (4d. a week since 1942).

PART II

Power to apply provisions as to low-wage earners to special cases.

Where it appears to the Minister that the persons employed by any employer or group of employers in any class or classes of work are in general in receipt of a rate of remuneration which, although liable to fluctuation, is normally within either of the limits of remuneration referred to in Part I above, the Minister may by special order declare that all the persons employed by that employer or group of employers in that class or those classes of work shall, for the purposes of the Act, but subject to any exceptions contained in the order, be treated as if they were constantly in receipt of the normal rate of remuneration,

notwithstanding that those persons or any of them may in any week in fact receive a higher or lower rate of remuneration.

It will thus be seen that in the case of low-wage earners in Great Britain whose rate of remuneration does not exceed 3s. per working day, the total contribution is paid by the employer alone while in those cases where the rate exceeds 3s. but does not exceed 4s. per working day, the weekly rate of contribution upto the end of 1941 was 3½d. for men and 3d. for women, the employer's share being 5½d. in both cases (i.e. 61 per cent. of the total contribution for men and 65 per cent. for women). Similarly, the following monthly contributions * have been suggested by the Bombay Textile Labour Inquiry Committee for its tentative sickness insurance scheme for Bombay and Ahmedabad, subject to the condition that the rate of contribution of the insured person should in no case exceed five per cent. of his or her average monthly wages during the preceding quarter :—

Insured worker	Monthly contribution payable by			Total
	Employer	Worker	Government	
Male	As. 10	As. 5	Anna 1	Re. 1
Female	As. 10	As. 4	Anna 1	As. 15

Expressed in terms of percentages, the proportionate

* Report of the Bombay Textile Labour Inquiry Committee, Vol. II, 1940, p. 327.

shares of the total contribution of the three parties work out as follows :—

Percentage share of the total contribution of :	Insured person	
	Male	Female
(1) Employer	62½	66 2/3
(2) Worker	31¼	26 2/3
(3) Government *	6¼	6 2/3

Because of the present low level of wages of the workers in this country and also because of the absence of the insurance habit amongst them, the worker's contribution to the sickness insurance schemes may not be greater than that suggested in the report of the Bombay Textile Labour Inquiry Committee. The suggestion that the worker's contribution to such schemes should be half the amount to be contributed by the employer has also been made in a Bill on the subject which has been prepared in the Punjab.† Sir Gilbert Wiles, Ex-Adviser to the Governor of Bombay, stated at the first Conference of Labour Ministers held at New Delhi in January 1940 that the worker's contribution to such schemes should in any case be small † because of their extremely low level of wages. In fact, such consideration is already being shown to workers getting very low wages in a few industrial establishments in this country.

* The total Government expenditure on the sickness insurance schemes will be somewhat higher if, according to the Committee's suggestion, Government also bear the administrative expenses of the schemes.

† Proceedings of the First Conference of Labour Ministers, 1940, pp. 59 and 60.

Thus, in the Indian Copper Corporation, Ltd., Gatsila, workers earning less than six annas per day are not made to contribute but are nevertheless given the benefit of the compulsory and contributory sickness scheme * which was established by the company in July 1924, while the Assam Oil Company, Ltd., Digboi, and various collieries * have non-contributory sickness benefit schemes which are financed entirely by the employers. The minimum level of wages below which the worker's contribution also should be borne by the employer may, however, have to be determined separately, if at all, for each of the different centres and industries after taking into account the wage position in particular industries at particular centres. It is interesting to note in this connection that the Bombay Textile Labour Inquiry Committee has not suggested any such minimum limit either for Bombay or for Ahmedabad.

The Provincial Governments cannot be expected to incur any substantial expenditure on sickness insurance schemes for the reasons given in the earlier part of this section. In Japan, the State subsidy to the sickness insurance fund is at the rate of 10 per cent. of the expenditure subject to a maximum of two yen per insured person per year. In Great Britain, the State contribution, which takes the form of one-seventh of the cost of benefits and administration in the case of men and one-fifth in the case of women employees, amounted to approximately 17 per cent. of the total expenditure in 1934. This higher percentage is, however, partly due to the inclusion† in the British Health

* For details of the schemes, see Indian Industries and Labour Bulletin, No. 63, 1937, pp. 19, 29 and 47-50.

† Cf. "The British Health Insurance Act also covers invalidity, which presumably accounts very largely for the State

Insurance scheme of cases of invalidity which are ordinarily dealt with in other countries by the grant of pensions to which the States have to make a substantial contribution (see International Invalidity Conventions, Article 10, paragraph 4). As any sickness insurance scheme will necessarily have to be started in this country on a modest scale and as such will have to exclude all cases of disability of more than six months' duration at least in the beginning, the only contribution that the Provincial Governments could reasonably be expected to make to the sickness insurance schemes, if and when they are started, would be by way of a subsidy either (i) at the rate of ten per cent. of the expenditure as in Japan or (ii) in the form of a monthly contribution † per insured person plus the administrative expenses of the scheme as suggested by the Bombay Textile Labour Inquiry Committee in its tentative scheme for Bombay and Ahmedabad.

It has already been shown that it should not be difficult to adjust the annual expenditure on medical and cash benefits under any sickness insurance schemes which may be evolved in this country within the amount of

subsidy."

And again,

"In England, however, invalidity is regarded as a prolonged disease, and the pensions are paid by institutions authorised to insure against sickness." From "General Problems of Social Insurance," I.L.O. Studies and Reports, Series M, No. 1, 1925, pp. 73 and 97.

† We have already suggested that the Committee's suggestion should be modified in the case of a general scheme of an all-India character by proposing that, apart from the administrative expenses, the State contribution should be either at the rate of one anna per insured person per month or at $8\frac{1}{3}$ per cent. of the total contribution, whichever is less.

Rs. $7/4$ [3 plus $(\cdot 136) w$] per insured person per year, where ' w ' is equivalent to the average daily wage in annas of the workers in a particular industry at a particular centre. This amount includes the cost of both the medical and the cash benefits and also part of the expenses of administering the medical benefit, e.g., cost of maintenance of dispensaries and/or clinics, while the other expenses in connection with the administration of the scheme will, it is assumed, be borne by the Provincial Governments as suggested by the Bombay Textile Labour Inquiry Committee. In addition to the expenditure on the medical and cash benefits; the Committee has also made a provision in its scheme at the rate of (1) one-ninth of the contribution for male workers for the provident reserve fund, (2) one-thirty-sixth of the contribution for male workers for possible reduction in the total amount of the contributions on account of the lower rates for women and the loss of contributions of sick persons for the pay-periods in which they are not able to earn anything owing to incapacity for work and (3) one-thirty-sixth of the contribution for male workers by way of extra margin, which, as we have suggested elsewhere, could be utilised for meeting the expenditure on maternity benefits in case it is decided to merge the maternity benefit legislation in sickness insurance legislation as in other countries. This extra provision would appear to be both necessary and reasonable in a sickness insurance scheme. And hence if c were to denote the total monthly contribution in a particular industry at a particular centre, including the State contribution, if any, but excluding the State subsidy for the expenses of administration,

$$c = \text{As. } 7/3 \text{ [} 3 \text{ plus } (\cdot 136)w \text{]} \text{ plus } c/9 \text{ plus } c/36 \\ \text{plus } c/36 \text{ i.e. } c = \text{As. } 14/5 \text{ [} 3 \text{ plus } (\cdot 136)w \text{]} \text{ where}$$

' w ' is equivalent to the average daily wage in annas of the workers in the particular industry at the particular centre.

It is, however, necessary to give some idea regarding the probable expenditure on account of the administrative expenses and also about the total monthly contribution including the expenses of administration. We have already stated that part of the expenses of administering the medical benefit, i.e., cost of maintenance of dispensaries and/or clinics, has been included in the expenditure on medical benefit. It would, therefore, be reasonable to assume that the other expenses of administration including the expenditure in connection with the Boards of Management and their sub-committees, the salaries and allowances of medical inspectors and sick visitors, arrangements for the payments of sickness benefits etc. would be covered by about 7 per cent. or about one-fourteenth of the total contribution. Thus, if C were to denote the total monthly contribution per insured person including the administrative expenses,

$$C = \text{As. } 3 [3 \text{ plus } (.136)w],$$

the monthly amount of administrative expenses per insured person being,

$$C/15 = \text{As. } 1/5 [3 \text{ plus } (.136)w],$$

where ' w ' is equivalent to the average daily wage in annas of the workers in a particular industry at a particular centre.

Having thus arrived at the figure of total monthly contribution, either inclusive or exclusive of the administrative expenses, the shares of the employer and the employee could be worked out by first deducting the State contribution from it and then dividing the remainder in the proportion of 2 : 1. Thus, in a hypothetical case of a State subsidy

of one anna per insured person per month plus the administrative expenses, particular categories of industrial undertakings paying an average daily wage of As. 20 and As. 12 respectively per worker will have to pay about six and eight days' wages respectively per each insured person per year by way of their own share of the contribution.

It should also be obvious from what has been stated above that, after providing for the administrative expenses, the contributions received could be set apart in more or less separate accounts for each of the different purposes as follows :—

- | | | |
|--|-------|--|
| 1. Medical Benefit | .. . | As. 7 per insured person per month. |
| 2. Cash Benefit | | As. $\frac{7}{3} (0.136) \times w$ per insured person per month. |
| 3. Reserve Fund | | One-ninth of the total contribution per insured person per month. |
| 4. Contingencies (including amounts to be distributed as maternity benefits, if any) | | Balance of the contribution after distribution of the above-mentioned portions amongst the three previous items, i.e., upto a maximum of $\frac{2}{45}$ ths of the total contribution. |

The rate of contribution for granting medical benefit to adolescents and children working in factories and other industrial establishments which may be covered by the sickness insurance legislation, may be fixed uniformly at As. 4 per month, of which As. $2\frac{1}{2}$ may be paid by the employer, As. $1\frac{1}{4}$ by the adolescent or child and the remaining quarter of an anna by Government.

The two common methods of collecting contributions are those of stamped cards and wage lists. The British National Health Insurance Act, 1936, provides for the use

of stamped cards ; and the chief advantage of the system is that it enables even illiterate insured persons to check easily the regular payment of their contributions by the employer. According to the method of wage lists, the employer must supply the sickness insurance fund at the beginning of each month with details regarding (1) the average daily number of men, women and children employed by him, (2) the men, women and child workers covered by the sickness insurance scheme, (3) wages paid to each employee and (4) total amount of the monthly wage bill. Whichever method is followed for collecting the contributions, it is necessary to provide that the insured worker's share of the contribution should be deducted from his wages by the employer on the first pay day in each month ; that the employer's share should not be deducted from the worker's wages, any agreement to the contrary being treated as null and void ; and that the employers should be responsible for the payment into the sickness insurance fund of their own as well as the workers' share of the total contributions of all the insured persons employed in their factories and other industrial establishments which may be covered by such legislation. Reference may be made in this connection to the following sections of the British National Health Insurance Act, 1936 :

" 18. In the case of an employed contributor, the employer shall, in the first instance, pay both the contribution payable by himself (in this Act referred to as "the employer's contribution"), and also on behalf of the employed contributor the contribution payable by the contributor, and shall be entitled in accordance with and subject to the provisions of this Act to recover from the contributor by deduction from his wages or otherwise the amount of the contribution so paid by him on behalf of the contributor."

“24.-(1) A weekly contribution shall be payable for each week during the whole or any part of which an employed contributor has been employed :

Provided that . . . where no services have been rendered by a contributor during any week and the contributor has been rendered incapable of work by reason of some specific disease or bodily or mental disablement for the whole or any part of that week, the employer shall not be liable to pay any contribution either on his own behalf or on behalf of the contributor in respect of that week.

(2) Where one weekly contribution has been paid in respect of the contributor for any week, no further contribution shall be payable in respect of him for the same week.

(3) Where the contributor is employed by more than one employer in any week, the employer who first employs him in that week or such other employer or employers as may be prescribed shall be deemed to be the employer for the purposes of the provisions of this Act relating to the payment of contributions.

25.-(1) Where an employed contributor receives any wages or other pecuniary remuneration from the employer, the amount of any contribution paid . . . by the employer on behalf of the contributor shall, notwithstanding the provisions of any Act or any contract to the contrary, be recoverable by means of deductions from the wages or other remuneration of the contributor, and not otherwise :

Provided that no such deduction may be made from any wages or remuneration other than such as are paid in respect of the period or part of the period in respect of which the contribution is payable, or in excess of the sum

which represents the amount of the contributions for the period, if that period is longer than a week, in respect of which the wages or other remuneration are paid.

(2) Notwithstanding any contract to the contrary, the employer shall not be entitled to deduct the employer's contribution from the wages of the contributor or otherwise to recover it from him.

(3) Any sum deducted by an employer from wages or other remuneration under this Act shall be deemed to have been entrusted to him for the purpose of paying the contribution in respect of which it was deducted.

27. Regulations may provide—

(a) that in any cases or classes of cases where contributors work under the general control and management of some person other than their immediate employer, such as the owner, agent or manager of a mine or quarry, or the occupier of a factory or workshop, that person shall, for the purposes of the provisions of this Act relating to the payment of contributions, be treated as the employer, and may provide for allowing him to deduct the amount of any contributions, other than employer's contributions, which he may become liable to pay from any sums payable by him to the immediate employer, and for enabling the immediate employer to recover from the contributors the like sums and in the like manner as if he were liable to pay the contributions ; . . . ”

(iv) *Boards of Management.*

Every sound scheme of sickness insurance must rest on the principle of equilibrium between its revenues and its expenditure. Proper financial and actuarial supervision is, therefore, necessary for forming an accurate idea of the

working of the schemes at different centres and for ensuring their financial stability. This supervision would be facilitated if all the sickness insurance schemes in all the industrial establishments which would be covered by the sickness insurance legislation in each Province are operated by and put under the control of a central Board * of Management consisting of representatives of Government, local bodies, employers' and workers' interests and of the medical profession. The administration of such schemes may be on a territorial basis and all persons liable to sickness insurance in any particular local area may have to be compelled to join the territorial fund for that area. The Provincial Boards of Management may also have to be allowed to appoint sub-committees, if necessary, for the different local areas † for the efficient administration of the schemes in those areas. The Boards will have to be autonomous for all practical purposes ; but they should work under the general supervision and direction of the Superintendent of Insurance under the Government of India who may be entrusted with the work of supervising and co-ordinating their activities throughout the country.

It will also be necessary to arrange for the supervision of undertakings with a view to ensuring that the contributions of all the workers who will be covered by sickness insurance legislation are regularly paid into the sickness

* The Bombay Textile Labour Inquiry Committee has suggested that the expenditure in connection with the Board and its establishment should be borne by the Provincial Government (see Report of the Committee, Vol. II, 1940, p. 325).

† As far as possible the grouping of the local areas will have to be done in such a manner as to give each group a membership of at least 10,000 persons with a view to ensuring the financial stability of the sickness insurance funds.

insurance funds by their employers. This work can be carried out by the factory inspectors or by special insurance inspectors, if it is found necessary to appoint such inspectors. Contraventions in the matter of payment of contributions will have to be made an offence, as in other countries, punishable with fine.

CHAPTER V

GENERAL OBSERVATIONS AND CONCLUSIONS

The introduction of sickness insurance is a great reform intended to alleviate the sufferings of the poorer sections of the community by guaranteeing certain benefits during periods of sickness. Sickness is admittedly a painful and trying ordeal particularly for people of small means and the urgent necessity of making some provision for the grant of certain minimum medical and cash benefits to industrial workers in India at the time of their illness cannot be over-emphasized. The main object of giving the cash benefit is to enable the worker to maintain himself and his family during his enforced idleness through sickness. But the mere grant of cash benefits does not relieve the worker of his anxiety of getting proper medical attendance and treatment in spite of the existing facilities because he cannot afford to pay the heavy medical charges at the rate of about Rs. 2 to Rs. 3 per doctor's visit and As. 6 to As. 8 per bottle of mixture in addition to meeting the other incidental expenses which one has necessarily to incur at the time of illness. It cannot be denied that at present a worker has to

manage many a time without calling in a doctor even in cases of serious illness and to remain content with whatever inadequate treatment he can get* with his meagre resources and sometimes he has to neglect his health by taking no treatment at all of any kind. This unsatisfactory condition will have to be remedied under any schemes of sickness insurance which may be evolved in this country and it will be essential therefore to provide for both the medical and sickness benefits in such schemes. The necessity for providing for both medical benefit and cash benefit in sickness insurance schemes has been stressed by the Bombay Textile Labour Inquiry Committee and also by the Textile Labour Association, Ahmedabad, which has considerable experience of running a hospital and a dispensary for the benefit of the workers in Ahmedabad. This approach towards tackling the problem of sickness insurance is also in consonance with the trend of the recent international thought on this subject.

It is, however, urged by some persons that the problem to be tackled in India is not so much the lack of medical facilities as one of enabling the worker to maintain himself and his dependants during periods when he is unable to earn a living because of sickness and hence the idea of having only a sickness benefit fund should be appropriate for this purpose. But even if this view were taken to be cor-

* According to the Bombay Labour Office report on the 1932-33 enquiry into working class family budgets in Bombay City, published in 1935, the average monthly expenditure on medical fees and medicines was As. 3 p. 1 for all families and Rs. 1-8-0 for the families spending, the latter numbering only 13 per cent. of the total families. See also the Bombay Labour Gazette for March 1933, p. 521.

rect, it should be clear that a sickness benefit scheme without the provision of its necessary counterpart in the form of medical benefit would not provide the essential safeguards for its efficient administration. The proper supervision and control of a purely sickness benefit scheme may involve disproportionately large management expenses as, in the absence of competent medical treatment under the direct supervision of the sickness insurance funds, contributors may put in claims by producing medical certificates of doubtful character even before their incapacity for work at a remunerative occupation has lasted for the essential waiting period of certain (usually three) consecutive days. And thus a sickness benefit scheme will not necessarily be less expensive and may be much more extravagant—than a full-fledged scheme providing for both the medical and sickness benefits and may also prove very unsafe from the point of view of the solvency* of the sickness insurance funds.

The views of the employers in India on the question of sickness insurance are contained in the following resolution adopted in September 1940 at a joint conference of the Employers' Federation of India and the All-India Organisation of Industrial Employers which are the most representative organisations of industrial employers in India :

“ This conference generally approves the principle of sickness insurance provided that—

* Cf. “ We have included sick-pay in our scheme but owing to the difficulties of administration we realise that it may not be possible to include this benefit at the inception of the scheme without risk to the solvency of the fund.”—From the Report of the Departmental Committee of Enquiry on National Health Insurance in the Union of South Africa, 1936, p. 50.

- (a) the State, employers and labour contribute to the cost ;
- (b) legislation is on an All-India basis ;
- (c) legislation is made applicable to all important industries and government undertakings, both Central and Provincial ; and
- (d) similar legislation is concurrently enacted in all Indian States."

A majority of the workers' organisations also are willing to accept† generally the principle of compulsory contribution by workers although they strongly feel that owing to the prevailing low wages and the absence of any minimum wage legislation in this country, the worker's share of the contribution should be nominal, the main cost of the scheme being shared between the employers and Government. It would thus appear that the principle of compulsory contribution to sickness insurance schemes is generally acceptable to both the employers and the employees ; but that in fixing the contributions careful consideration would have to be given to the ability to pay of the employers, the employees and the State so that none of the three parties to the contributions should feel the participation in the scheme too burdensome.

Any sickness insurance schemes for wage-earners, which may be evolved in this country, will obviously involve disbursements of large sums of money and the schemes must, therefore, be based on a sound financial system. The merits and demerits of the actuarial and the assessment

† Proceedings of the Second Conference of Labour Ministers, Indian Industries and Labour Bulletin, No. 72, 1941, p. 64.

systems* have, therefore, been discussed in a special section and it has been shown that the assessment or distribution of costs system, as modified by the establishment of a provident reserve fund, is best suited for such schemes. The methods suggested for the grant of benefits under the scheme outlined in this book are also sufficiently flexible to allow the annual expenditure of the sickness insurance fund to be adjusted to its total resources.

Another important question requiring consideration is whether the sickness insurance schemes, which may be evolved in this country, should cover the whole industrial field from the start or whether they should be applied only to particular types of well organised industrial undertakings in the first instance. It may be pointed out in this connection that many countries which introduced social insurance schemes in the past started by instituting compulsory schemes in large industrial undertakings which were found to be best suited for the introduction of social legislation. Therefore the best course to follow in starting such schemes in this country would be to make a similar beginning on a modest scale by first applying the social insurance legis-

* "The financial working of these two systems indicates that the system of distribution of costs is specially suited for the forms of insurance in which the annual average expenditure per insured person remains more or less constant, and the groups of persons contributing to and benefiting by the insurance coincide from the outset and during the whole course of operations.... Capitalisation being a "long-term" financial operation, the soundness of the whole system, unlike that of distribution, will be compromised by marked or repeated changes in the rates of interest, mortality or morbidity.... Further the system of capitalisation lacks flexibility compared with that of distribution."—From *Compulsory Sickness Insurance*, I. L. O. Studies and Reports, Series M, No. 6, 1927, pp. 434 and 466.

lation to particular kinds of factories or industrial establishments most suited for the introduction of such legislation, as for instance, the cotton textile factories, and then gradually extending it to other types of factories or industrial establishments as experience is gained. But even in that case, it will of course be necessary to bring the scheme into effect simultaneously in all industrial establishments falling within the same category throughout the country as far as possible so as not to affect the competitive power of the particular industry or industries within the country. An important criterion in determining such industry or industries would be whether a particular industry *as a whole* can bear the extra cost involved in the introduction of such schemes.

As has already been stated, the morbidity statistics which will be collected during the first two-yearly qualifying period before the insured persons become entitled to full cash benefits should ordinarily be sufficiently accurate for the purpose of ascertaining the average number of days of sickness per insured person per year. This actual rate of sickness could then be compared with the sickness rate of nine days which has been assumed for calculating the sickness benefits and the rates of cash benefits could be adjusted provisionally on the basis of the experience of the first two years and thereafter more or less stabilised on the basis of additional morbidity statistics of a few years more. Reference to the morbidity tables and other available morbidity statistics shows that the assumption of a sickness rate of nine days per insured person per annum for workers of all ages can be considered as reasonably satisfactory. The table on page 70 of this book shows the approximate cost of cash benefits for an assumed sickness rate of nine days at different rates of sickness benefit and also how

the rates of cash benefit can be adjusted in case the actual sickness rate is found to be higher or lower than the assumed rate.

The total monthly contribution to the sickness insurance fund per each insured person in any particular industry at a particular centre has been calculated at approximately

$$\text{As. } \frac{14}{5} \left[3 \text{ plus } (.136) w \right]$$

where w = average daily wage in annas of the workers in the particular industry at the particular centre. This should ordinarily be quite sufficient to cover all the expenses excepting the administrative expenses of the sickness insurance fund in connection with the grant of medical benefit and sickness benefit from the fourth day of incapacity at the rate of about half the average daily wage for all the workers in a particular industry at a particular centre. It has, however, been suggested that the Provincial Boards of Management may have to be allowed wide discretion in the matter of fixing in consultation with their Provincial Governments the rates of sickness benefits within a range varying from three-tenths to three-fourths of the average daily wage of the workers in particular industries at particular centres after taking into account the actual morbidity experience of each sickness insurance fund so as to ensure the solvency of the funds.

The Bombay Textile Labour Inquiry Committee has recommended in its tentative sickness insurance scheme for cotton mill workers in Bombay and Ahmedabad that the State contribution to the scheme should be at a flat rate of one anna per insured person per year and we have suggested that this should be modified in the case of a general

scheme of an All-India character by proposing that it should be either at the rate of one anna per insured person per month or at $8\frac{1}{3}$ per cent. of the total contribution, whichever is less. Whatever the amount of the State contribution, the shares of the employer and the employee could be worked out by first deducting the State contribution from the above-mentioned total monthly contribution and then dividing the remainder in the proportion of 2 : 1. It must, however, be mentioned in this connection that the general view of the Second Conference of Labour Ministers, held at New Delhi in January 1941, was that as the various Governments in this country were already providing medical benefits and as such medical benefits were provided on a good scale particularly in urban areas where most of the factories were located, there was no justification to call upon the Provincial or State Governments to contribute further for the benefit of only one section of the working population. But as already stated in the section on "contributions," this objection to State contribution is more or less completely met when it is pointed out that only a part, if any, of the amount contributed by the State to a sickness insurance scheme can be regarded as additional to its existing expenditure on medical services. To the extent to which the insured persons who were formerly taking advantage of the free medical services provided by the State cease to do so because of the medical benefits they receive under the insurance scheme, there is a clear saving in the State expenditure on medical services and the State can utilize this saving in making a contribution to the scheme.

The rate of contribution given above has been arrived at on the assumption that the administrative expenses of the scheme, apart from those already provided for therein, will be borne by Government. The Conference has not,

however, expressed any opinion as to whether the administrative expenses of the scheme should be paid by Government or whether these also should be borne by the employers and the employees. It is, therefore, necessary to give some rough idea about the probable expenditure on account of the administrative expenses and also about the total monthly contribution including the expenses of administration. We have already stated that part of the expenses of administering the medical benefit, e.g., cost of maintenance of dispensaries and/or clinics, has been included in the expenditure on medical benefit. It would, therefore, be reasonable to assume that the other expenses of administration including the expenditure in connection with the Boards of Management and their sub-committees, the salaries and allowances of medical inspectors and sick visitors, arrangements for the payments of sickness benefits etc. would be covered by about 7 per cent. or about one-fourteenth of the total contribution. Thus if c were to denote the total monthly contribution per insured person including the administrative expenses,

$c = \text{As. } 3 [3 \text{ plus } (.136)w]$ where w is equivalent to the average daily wage in annas of the workers in the particular industry at the particular centre, the monthly amount of administrative expenses per insured person being

$$c/_{15} = \text{As. } 1/5 [3 \text{ plus } (.136) w].$$

Thus, if the entire cost of the sickness insurance schemes including the expenses of administration were to be borne by the employers and the employees and the contributions were payable in the proportion of 2 : 1, the employer's share of the monthly contribution would be As. 2 [3 plus (.136) w] while the employee's share of the monthly contribution

would be As. $[3 \text{ plus } (\cdot 136) w]$, w having the same meaning as explained above.

The above formulæ, with some slight modifications, if necessary, should be useful in providing the basis for the formulation of suitable full-fledged sickness insurance schemes for the different industries in this country, especially as there is already a gratifying consensus of opinion in regard to the broad principles to be adopted in working out the details of such schemes.

Finally, it may be stated that it is possible to suggest several alternative methods other than those adopted in working out the details of the scheme outlined in the preceding pages. An attempt has, however, been made to select both the methods and also the numerical values of the basic data required for the solution of this problem as judiciously as possible so as to make them properly fit in with the present-day conditions in India. It is hoped that this brief discussion would suggest ways and means of getting over most of the difficulties raised in connection with the solution of this somewhat complicated problem and would help in the formulation of sound and stable sickness insurance schemes at least for some of the highly protected and better-organised industries in this country.

GENERAL APPENDIX

APPENDIX I.

SICKNESS INSURANCE SCHEME PROPOSED BY THE BOMBAY TEXTILE LABOUR INQUIRY COMMITTEE.

The Committee has first expressed the opinion that sickness insurance should claim priority over other social benefits and that a satisfactory way of dealing with the problem would be to start a tentative sickness insurance scheme on a modest scale. The Committee further states that many countries, which wished to introduce social insurance schemes in the past, began by starting special compulsory insurance schemes for miners, seamen, railwaymen and workers in large industrial undertakings that appeared to lend themselves most easily to the introduction of social legislation, and that the Bombay Province can well make a beginning in the direction with the cotton textile industry. In instituting measures of this kind, the Committee advocates the adoption of the above method which has proved successful in other countries especially as it is found to be practically impossible to collect any reliable morbidity statistics for framing scientific sickness insurance schemes for the Province. It emphasizes that the main feature of such schemes is that they are elastic and that as experience is gathered and the funds grow in size the benefits may be

extended. Even in countries in which such schemes have been in existence over a fairly long period it has been found necessary to make changes from time to time in the scope and character of the benefits so as to enable the greatest possible advantage to be given to the insured consistent with the solvency of the funds. Thus, in addition to the medical and cash benefits which are generally offered under sickness insurance schemes, they also provide for what are known as "additional benefits" which usually take the form of either an increase in the cash benefit or the provision of special hospital or other treatment, reduction or abolition of the "waiting period", or grant of funeral expenses. The Committee has stated that any sickness insurance scheme to be introduced in the Province must be on a contributory and compulsory basis, that the scheme should be very simple in character at least in its initial stages, that both the contributions and the cash benefits payable under it should be fixed on a flat rate basis as in the British Health Insurance Scheme and that the scheme should be restricted to permanent workers in cotton textile factories and should be introduced first in Bombay and Ahmedabad. It has also suggested that the scheme should be put under the control of a Central Board of Management consisting of representatives of Government, local bodies, employers' and workers' interests and of the medical profession and that the expenditure in connection with the Board and its establishment should be borne by the Provincial Government. The Committee has recommended the following benefits under the scheme :

(i) Medical benefit consisting of free medical treatment and attendance and free medicines and appliances. The insured persons should be entitled to medical benefit immediately after the payment of the first insurance

contribution and they should also receive free medical certificates for health insurance purposes from the doctors appointed under the scheme.

(ii) Cash benefit commencing from the fourth day of incapacity and continuing for a period or periods upto a maximum of six months in a year at a flat rate but not exceeding 75 per cent. of the insured person's average daily wage during the preceding quarter.

(iii) Additional benefits as may be decided upon by the Central Board of Management from time to time according to the availability of surplus funds.

The Committee further states that the cash benefits should ordinarily be payable to the workers in the towns in which they are employed but not in cases where compensation for accidents or maternity benefits are provided for the insured persons under the Workmen's Compensation Act, 1923, or the Bombay Maternity Benefit Act, 1929. The Central Board of Management may, however, allow the insured person, even if he temporarily leaves the town of his employment, to draw sickness benefits either at full or at reduced rates, provided he produces, in a manner to be prescribed, satisfactory evidence of his continued incapacity during the period for which the benefit is claimed.

The Committee states that the principle of joint contributions by the employers and the employees to social insurance funds is being increasingly adopted in most countries and that in certain countries the State also contributes a share to social insurance funds in varying proportions either for meeting the cost of the benefits or for administrative expenses. Though there is no uniformity in the apportionment of the contributions between the employer, the worker and the State, it is now generally

recognized that, in the case of workers whose wages are low, the employer's share should be larger than that of the workers. The Committee recommends that a compulsory and contributory sickness insurance scheme in which the employers, the workers and the State will all contribute should be started, on the lines suggested by it, in Bombay and Ahmedabad in the first instance and extended subsequently to the other cotton textile centres in the Province. The insured workers' share of the contributions should be deducted from their wages by the employers who should be held responsible for the payment into the sickness insurance fund of the total contributions of all the insured workers employed in their factories.

The approximate calculations of such a scheme as given by the Committee on a tentative basis with a view to illustrating the manner in which a scheme of sickness insurance can be worked out in accordance with the general principles formulated by it are as follows :

The monthly contributions payable by the employers, the employees and Government have been proposed at the following rates, subject to the condition that the rate of contribution of the insured person shall in no case exceed five per cent. of his or her average monthly wages during the preceding quarter :

Insured worker	Monthly contribution payable by			Total
	Employer	Worker	Government	
Male	As. 10	As. 5	Anna 1	Re. 1
Female	As. 10	As. 4	Anna 1	As. 15

The cash benefits suggested by the Committee are at the following rates :

Period	Daily cash benefit from the <i>fourth</i> day of incapacity	
	Men	Women
(a) During first six months after entering insurance	Nil.	Nil
(b) After completing six months' insurance period and payment of six monthly contributions but before completing 24 months' insurance period	As. 6	As. 5
(c) After completing 24 months' insurance period and payment of 24 monthly contributions	As. 10	As. 8

The Committee has calculated that on the basis of an average daily number of 1,50,000 persons permanently employed in the cotton textile mills in Bombay City, the contributions from employers, workers and the State in respect of both men and women workers would yield a total annual revenue of approximately Rs. 17,80,000. It is, however, unusual to insist on the payment of contributions by sick persons during the period of their incapacity for work ; and, making due allowance for the loss in contributions on this account, the total revenue derived from the contributions at the rates suggested by the Committee would amount approximately to Rs. 17,50,000 per annum.

From the statistical material considered by the Com-

mittee, it has come to the conclusion that it would be adequate to make a provision for sickness benefits in the scheme at the maximum daily rate of ten annas per insured person, i.e. at about half the average daily wage of a cotton mill worker in Bombay City, on the basis of a sickness rate of nine days per annum. As the object of a cash benefit is to give to the worker some assistance against loss in wages during the period of incapacity, the Committee considers that the full rate of sickness benefit to be given to a sick worker should be about 50 per cent. of the average wage. It has calculated that the cost on account of cash benefits at the full rate of annas ten per insured person for each day of illness for 1,50,000 workers in Bombay City would come to about Rs. 7,15,000 for all cases of sickness of three or more days' duration on the basis of an average of nine days of sickness per insured person. This, however, is an overestimate as the cash benefits will be lower for women and will be graded, as in the British scheme, according to the length of time that a worker has been contributing to the fund. The Committee has suggested that in case of the assumed sickness rate being exceeded it should be possible for the Central Board of Management to adjust the expenditure on sickness benefits either by slightly increasing the rates of contribution or by reducing the cash benefits. On the other hand, if the actual sickness rate is found to be below the assumed rate of nine days per worker per year, the Board could utilise the surplus either in increasing the sickness benefit rates upto As. 15 or 75 per cent. of the insured person's average daily wage, whichever is lower, or in granting other additional benefits as already provided for in the scheme. The Committee has also stated that the grant of a cash benefit should not lead to malingering; and sick benefits do not, therefore, ordinarily exceed

three-fourths of the amount of the daily wages drawn by a worker.

As regards medical benefit, the Committee recommends the establishment of the panel system as in England so that each insured person will have the right of choosing his own doctor from the panel. It has calculated the cost of free medical attendance on the basis of Rs. 3 per annum for each insured person and this would cover all medical and surgical attendance at the homes of the insured when necessary, the issue of free medical certificates for health insurance purposes and the maintenance of proper statistical records. The total annual cost for free medical attendance would, therefore, amount to Rs. 4,50,000. The Committee has put the cost on account of medicines and appliances at about Rs. 2,00,000 per annum for 1,50,000 insured persons by assuming the same charges per head as in Scotland in 1935 and it has estimated the cost of the maintenance of dispensaries in respect of rent, salaries of chemists and compounders, etc., at about Rs. 1,35,000. Thus, according to the estimates given by the Committee, the total cost of medical benefit would come to approximately Rs. 7,85,000 and the total expenditure on both cash and medical benefits would work out roughly at Rs. 15,00,000. Allowing for a reserve fund of Rs. 2,00,000 for meeting extra expenses during epidemics etc., the total expenditure on account of sickness insurance has been calculated by the Committee at about Rs. 17,00,000 per annum for 1,50,000 insured workers in Bombay City.

The Committee states that on the basis of the above calculations, the employers in Bombay and Ahmedabad will have to contribute about six days' wages for each insured person per year while the worker's contribution will be about three days' earning of an average worker.

APPENDIX II.

INTERNATIONAL LABOUR CONFERENCE DRAFT CONVENTION (No. 24) CONCERNING SICKNESS INSURANCE FOR WORKERS IN INDUSTRY AND COMMERCE AND DOMESTIC SERVANTS

The General Conference of the International Labour Organisation of the League of Nations,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Tenth Session on 25 May, 1927, and

Having decided upon the adoption of certain proposals with regard to sickness insurance for workers in industry and commerce and domestic servants, which is included in the first item of the Agenda of the Session, and

Having determined that these proposals shall take the form of a draft international convention,

adopts, this fifteenth day of June of the year one thousand nine hundred and twenty-seven, the following Draft Convention for ratification by the Members of the International Labour Organisation, in accordance with the provisions of Part XIII of the Treaty of Versailles and of the corresponding Parts of the other Treaties of Peace :

Article 1.

Each Member of the International Labour Organisation which ratifies this Convention undertakes to set up a system of compulsory sickness insurance which shall be based on provisions at least equivalent to those contained in this Convention.

Article 2.

The compulsory sickness insurance system shall apply to manual and non-manual workers, including apprentices, employed by industrial undertakings and commercial undertakings, out-workers and domestic servants.

It shall, nevertheless, be open to any Member to make such exceptions in its national laws or regulations as it deems necessary in respect of :

(a) Temporary employment which lasts for less than a period to be determined by national laws or regulations, casual employment not for the purpose of the employer's trade or business, occasional employment and subsidiary employment ;

(b) Workers whose wages or income exceed an amount to be determined by national laws or regulations ;

(c) Workers who are not paid a money wage ;

(d) Out-workers whose conditions of work are not of a like nature to those of ordinary wage-earners ;

(e) Workers below or above age-limits to be determined by national laws or regulations ;

(f) Members of the employer's family.

It shall further be open to exempt from the compulsory sickness insurance system persons who in case of sickness are entitled by virtue of any laws or regulations, or of a

special scheme, to advantages at least equivalent on the whole to those provided for in this Convention.

This Convention shall not apply to seamen and sea fishermen for whose insurance against sickness provision may be made by a decision of a later Session of the Conference.

Article 3.

An insured person who is rendered incapable of work by reason of the abnormal state of his bodily or mental health shall be entitled to a cash benefit for at least the first twenty-six weeks of incapacity from and including the first day for which benefit is payable.

The payment of this benefit may be made conditional on the insured person having first complied with a qualifying period and, on the expiry of the same, with a waiting period of not more than three days.

Cash benefit may be withheld in the following cases :

(a) Where in respect of the same illness the insured person receives compensation from another source to which he is entitled by law ; benefit shall only be wholly or partially withheld in so far as such compensation is equal to or less than the amount of the benefit provided by the present Article ;

(b) As long as the insured person does not by the fact of his incapacity suffer any loss of the normal product of his labour, or is maintained at the expense of the insurance funds or from public funds ; nevertheless, cash benefits shall only partially be withheld when the insured person, although thus personally maintained, has family responsibilities ;

(c) As long as the insured person while ill refuses,

without valid reason, to comply with the doctor's orders, or the instructions relating to the conduct of insured persons while ill, or voluntarily and without authorisation removes himself from the supervision of the insurance institutions.

Cash benefit may be reduced or refused in the case of sickness caused by the insured person's wilful misconduct.

Article 4.

The insured person shall be entitled free of charge, as from the commencement of his illness and at least until the period prescribed for the grant of sickness benefit expires, to medical treatment by a fully qualified medical man and to the supply of proper and sufficient medicines and appliances.

Nevertheless, the insured person may be required to pay such part of the cost of medical benefit as may be prescribed by national laws or regulations.

Medical benefit may be withheld as long as the insured person refuses, without valid reason, to comply with the doctor's orders or the instructions relating to the conduct of insured persons while ill, or neglects to make use of the facilities placed at his disposal by the insurance institution.

Article 5.

National laws or regulations may authorise or prescribe the grant of medical benefit to members of an insured person's family living in his household and dependent upon him, and shall determine the conditions under which such benefit shall be administered.

Article 6.

Sickness insurance shall be administered by self-governing institutions which shall be under the administra-

tive and financial supervision of the competent public authority and shall not be carried on with a view of profit. Institutions founded by private initiative must be specially approved by the competent public authority.

The insured persons shall participate in the management of the self-governing insurance institutions on such conditions as may be prescribed by national laws or regulations.

The administration of sickness insurance may, nevertheless, be undertaken directly by the State where and as long as its administration is rendered difficult or impossible or inappropriate by reason of national conditions, and particularly by the insufficient development of the employers' and workers' organisations.

Article 7.

The insured persons and their employers shall share in providing the financial resources of the sickness insurance system.

It is open to national laws or regulations to decide as to a financial contribution by the competent public authority.

Article 8.

This Convention does not in any respect affect the obligations arising out of the Convention concerning the employment of women before and after childbirth, adopted by the International Labour Conference at its First Session.

Article 9.

A right of appeal shall be granted to the insured person in case of dispute concerning his right to benefit.

Article 10.

It shall be open to States which comprise large and very thinly populated areas not to apply the Convention in districts where, by reason of the small density and wide dispersion of the population and the inadequacy of the means of communication, the organisation of sickness insurance, in accordance with this Convention, is impossible.

The States which intend to avail themselves of the exception provided by this Article shall give notice of their intention when communicating their formal ratification to the Secretary-General of the League of Nations. They shall inform the International Labour Office as to what districts they apply the exception and indicate their reasons therefor.

In Europe it shall be open only to Finland to avail itself of the exception contained in this Article.

Article 11.

The formal ratifications of this Convention under the conditions set forth in Part XIII of the Treaty of Versailles and in the corresponding Parts of the other Treaties of Peace shall be communicated to the Secretary-General of the League of Nations for registration.

Article 12.

This convention shall come into force ninety days after the date on which the ratifications of two Members of the International Labour Organisation have been registered by the Secretary-General.

It shall be binding only upon those members whose ratifications have been registered with the Secretariat.

Thereafter, the Convention shall come into force for any Member ninety days after the date on which its ratification has been registered with the Secretariat.

Article 13.

As soon as the ratifications of two Members of the International Labour Organisation have been registered with the Secretariat, the Secretary-General of the League of Nations shall so notify all the Members of the International Labour Organisation. He shall likewise notify them of the registration of ratifications which may be communicated subsequently by other Members of the Organisation.

Article 14.

Subject to the provisions of Article 12, each Member which ratifies this Convention agrees to bring the provisions of Articles 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 into operation not later than 1 January 1929, and to take such action as may be necessary to make these provisions effective.

Article 15.

Each Member of the International Labour Organisation which ratifies this Convention engages to apply it to its colonies, possessions and protectorates, in accordance with the provisions of Article 421 of the Treaty of Versailles and of the corresponding Articles of the other treaties of Peace.

Article 16.

A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act

communicated to the Secretary-General of the League of Nations for registration. Such denunciation shall not take effect until one year after the date on which it is registered with the Secretariat.

Article 17.

At least once in ten years, the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall consider the desirability of placing on the Agenda of the Conference the question of its revision or modification.

Article 18.

The French and English texts of this Convention shall both be authentic.

APPENDIX III

INTERNATIONAL LABOUR CONFERENCE RECOMMENDATION (No. 29) CONCERNING THE GENERAL PRINCIPLES OF SICKNESS INSURANCE.

The General Conference of the International Labour Organisation of the League of Nations,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Tenth Session on 25 May 1927, and

Having decided upon the adoption of certain proposals with regard to the principles of sickness insurance, the first item on the Agenda of the Session, and

Having determined that these proposals should take the form of recommendation,

adopts, this fifteenth day of June of the year one thousand nine hundred and twenty-seven, the following Recommendation, to be submitted to the Members of the International Labour Organisation for consideration with a view to effect being given to it by national legislation or otherwise, in accordance with the provisions of Part XIII of the Treaty of Versailles and of the corresponding Parts of the other Treaties of Peace :

Whereas the maintenance of a healthy and vigorous labour supply is of capital importance not only for the workers themselves, but also for communities which desire to develop their productive capacity ; and

Whereas this development is only attainable by constantly and systematically applying provident measures to obviate or make good any loss of the workers' productive efficiency ; and

Whereas the best provident measure for these purposes is to establish a system of social insurance which confers clearly defined rights on the persons to whom it applies ;

Therefore the General Conference of the International Labour Organisation,

Having adopted Draft Conventions concerning, of the one part, sickness insurance for workers in industry and commerce and domestic servants, and, of the other part, sickness insurance for agricultural workers, drafts which lay down minimum conditions which must be complied with from the beginning by every system of sickness insurance, and

Considering that, in order to put the experience already gained at the disposal of the Members with a view to assisting them in the institution or completion of their sickness insurance services, it is desirable to indicate a number of the general principles which practice shows to be the best calculated to promote a just, effective and appropriate organisation of sickness insurance,

Recommends that each Member should take the following principles and rules into consideration :

I. Scope of Application.

1. Sickness insurance should include within its scope,

without discrimination as to age or sex, every person who performs work by way of his occupation and under a contract of service or apprenticeship.

2. If, however, it is considered desirable to fix age-limits by reason of the fact that workers above or below such limits are already protected by law or otherwise, such limits should not apply to young persons who cannot normally be considered as dependent upon their family or to workers who have not reached the old-age pension age ; and

If exceptions are made in respect of workers whose earnings or income exceed a specified amount, such exceptions should only apply to workers whose earnings or income are such that they may reasonably be expected to make their own provision for sickness.

II. Benefits.

A.—Cash Benefits.

3. In order to secure that an insured person who is rendered incapable of work by sickness may recover his health as early as possible, the cash benefit representing compensation for lost wages should be adequate.

For this purpose the statutory scale of benefit should ordinarily be fixed in relation to the normal wage which is taken into account for the purposes of compulsory insurance, and should be a substantial proportion of such wage, regard being had to family responsibilities ; but in countries where the workers have adequate facilities, of which they are accustomed to take advantage to procure for themselves additional benefit by other means, a uniform scale of benefit may be appropriate.

4. The statutory benefit should be paid for at least

the first twenty-six weeks of incapacity as from and including the first day for which benefit is payable ; nevertheless, the period for which benefit is payable should be increased to one year in cases of serious and chronic illness and for insured persons who will not receive any invalidity benefit on the expiry of their right to sickness benefit.

5. An insurance institution which can show that it is in a sound financial position should be authorised :

(a) To increase the statutory scale of benefit up to specified amounts either for all insured persons or for certain groups of the same, in particular insured persons with family responsibilities ;

(b) To prolong the statutory period during which benefit is payable.

6. In countries where burial expenses are not, customarily or by law, covered by some other insurance, sickness insurance institutions should, on the death of an insured person, pay a benefit in respect of the cost of decent burial ; they should also be empowered to pay such a benefit in respect of the burial expenses of the insured person's dependents.

B.—Benefits in Kind.

7. Treatment by a fully qualified doctor and the supply of proper and sufficient medicines and appliances should be granted to an insured person from the beginning of his illness and for so long as the state of his health requires it ; the insured person should be entitled to these benefits free of charge from the beginning of his illness and at least until the expiry of the period prescribed for the grant of sickness benefit.

8. In addition to treatment by a fully qualified doctor

and the supply of proper and sufficient medicines and appliances, there should be available for the insured person, as and when local and financial conditions admit, facilities for specialist services, as well as dental treatment, and for treatment in hospital, where his family circumstances necessitate it or his illness requires a mode of treatment which can only be given in hospital.

9. While an insured person is maintained in hospital, the insurance institution should pay to his dependents the whole or a part of the sickness benefit which would have been payable to him had he not been so maintained.

10. With a view to ensuring good conditions for the maintenance in health of the insured person and his family, members of the insured person's family living in his home and dependent upon him should be furnished with medical benefit, as and when it may be possible and practicable to do so.

11. Insurance institutions should be empowered to avail themselves, on equitable conditions, of the services of such doctors as they need.

In urban centres, and within specified geographical limits, an insured person should be entitled to choose a doctor from among those at the disposal of the insurance institution, unless this would involve considerable extra expense to the institution.

C.—*Sickness Prevention.*

12. As most diseases can be prevented, an alert policy of prevention is calculated to avert loss of productive efficiency, to render available for other purposes the financial resources which are absorbed by avoidable illness, and to promote the material, intellectual and moral well-being of the community.

Sickness insurance should assist in inculcating the practice of the rules of hygiene among the workers. It should give preventive treatment and grant the same to as large a number of individuals as possible as soon as the premonitory symptoms of disease appear. It should be capable of contributing towards the prevention of the spread of disease and the improvement of the national health, in pursuance of a general policy co-ordinating all the various activities towards these ends.

III. Organisation of Insurance.

13. Insurance institutions should be administered, under the supervision of the competent public authority in accordance with the principles of self-government, and shall not be carried on for profit. The insured persons being those who are the most directly interested in the working of the insurance scheme should, through elected representatives, have an important part in the management of the insurance system.

14. A good organisation of medical benefit and, in particular, the efficient provision and utilisation of medical equipment embodying the results of scientific progress can be most easily secured—except in certain special circumstances—by concentrating action on a territorial basis.

IV. Financial Resources.

15. The financial resources for the insurance scheme should be provided by contributions from the insured persons and contributions from employers. The provision thus jointly made can be supplemented to advantage by contributions from public funds, especially for the purpose of improving the health of the people.

With a view to securing the stability of the insurance system, reserve funds, appropriate to the peculiar circumstances of the system, should be constituted.

V. Settlement of Disputes.

16. With a view to their being settled rapidly and inexpensively, disputes as to benefits between insured persons and insurance institutions should be referred to special tribunals the members of which include judges or assessors who are specially cognisant of the purposes of insurance and the needs of insured persons.

VI. Exception for Sparsely Populated Territories.

17. States which, by reason of the small density of their population or of the inadequacy of the means of communication, cannot organise sickness insurance in certain parts of their territory should :

(a) Establish in such parts of their territory a sanitary service adequate to the local conditions ;

(b) Examine periodically whether the conditions required for the introduction of compulsory sickness insurance in the parts of their territory previously excepted from the compulsory scheme are fulfilled.

VII. Seamen and Sea Fishermen.

18. This Recommendation shall not apply to seamen and sea fishermen.

APPENDIX IV

APPENDIX

CONSPECTUS OF ACTS RELATING TO COMPULSORY SICKNESS, COUNTRIES COMPILED BY THE INTERNATIONAL LABOUR ENQUIRY ON NATIONAL HEALTH INSURANCE

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Argentine.	1934 National Pension Fund.	All women employed in industrial and commercial undertakings.
Austria.	1888 District funds. Establishment funds. Guild funds. Association funds. Agricultural sick funds. All under State supervision.	All wage-earners and salaried employees including agricultural and home-workers, without restrictions as to amount of income.
Bulgaria.	1924 Social insurance office. Local factory inspection departments.	All wage-earners and salaried employees in public and private undertakings, without regard to sex, nature of employment, or rate of remuneration.

IV

MATERNITY AND FUNERAL BENEFITS INSURANCE IN VARIOUS OFFICE IN 1936 FOR THE DEPARTMENTAL COMMITTEE OF IN THE UNION OF SOUTH AFRICA

<i>Sources of Income.</i>	<i>Benefits.</i>
Employees : 1 day's wages per 3 months. Employers contribute a sum equal to that of their employees. State subsidy equal to the contribution of employees.	(a) Free attendance by a doctor or midwife. (b) Daily allowance equal to actual wages (maximum 200 pesos) during the legal rest period (30 days before and 45 days after confinement).
Contribution of 6·25 per cent. of wages, shared equally by employer and insured.	(a) Medical attendance, medicine and therapeutical appliances for at least 52 weeks. (b) Sick pay, 62 to 86 per cent. of average daily earnings for 52 weeks at least. (c) Maternity benefit, sick pay for 6 weeks before and 6 weeks after confinement. (d) Nursing benefit, half sick pay for 12 weeks. (e) Funeral benefit, 50 times the average daily earnings. Insured's dependants are entitled to (a), (c), (d), (e).
Contributions of insured range from 1·50 to 4 levas per week. Same contributions from employers and State.	(a) Medical attendance, medicine and hospital treatment. (b) Sick pay, from 12 to 30 levas per day if home treatment, and 8 to 22 levas per day if hospital treatment, on the condition that the insured person has paid contributions for 8 weeks.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Chile.	1924 Central insurance fund with local agencies.	Every person under the age of 65 who has no other in- come than his wages and whose wages do not exceed 8,000 pesos a year. Independent artisans and shopkeepers, under the same con- ditions.
Czechoslovakia— (a) Workers and em- salaried ployees.	1888 District sick funds. Establishment sick funds. Guild sick funds.	Practically all wage- earners.
(b) Miners.	1922 Central benefit so- ciety. District benefit so- cieties under super- vision of mining authorities.	All persons employed in the mining in- dustry.

<i>Sources of Income.</i>	<i>Benefits.</i>
Contributions of 6 per cent. of wages, 2 per cent. paid by insured, 3 per cent. by employer, and 1 per cent. by State (invalidity and old-age pensions also are financed by these contributions).	(c) Maternity benefit, medical and midwifery attendance and sick pay for 6 weeks before and 6 weeks after confinement. (d) Funeral benefit; 50 times the daily basic wage.
Contributions of employees graded according to their wages. Employer contributes an equal amount to his employees.	(a) Medical attendance, medicine and hospital treatment for 26 weeks. (b) Sick pay, 100 per cent. of wages for first week, 50 per cent. for second week, and 25 per cent. thereafter until recovery. (c) Maternity benefit 50 per cent. of wages for 2 weeks before and after confinement, and nursing benefit of 25 per cent. of wages for not more than 8 months. (d) Funeral benefit, 300 pesos. (a) Medical attendance, medicine and therapeutical appliances. (b) Sick pay 66 $\frac{2}{3}$ per cent. of earnings for 52 weeks. (c) Maternity benefit, sick pay for 6 weeks before and 6 weeks after confinement. (d) Nursing benefit, half sick pay for 12 weeks. (e) Funeral benefit, 30 times average daily earnings minimum 150 krone.
Contributions of employees and employers in equal amounts, fixed according to anticipated expenditure.	Benefits similar to those provided for general workers.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Denmark— Alien seasonal workers.	Special sick funds.	Alien seasonal wor- kers.
Estonia.	1912 Trade funds and joint funds managed by representatives of insured persons.	Industrial workers in undertakings em- ploying at least 5 persons.
France— (a) Persons em- ployed in in- dustry and commerce and domestic ser- vice.	1928 Departmental funds established by the public authorities. Funds established by mutual benefit so- cieties, trade unions or groups of insured persons. Approved employers' provident funds.	All employed persons under the age of 60 whose earnings do not exceed 15,000 francs a year (18,000 francs in towns with more than 200,000 in- habitants.) This wage limit is raised by 2,000 francs for each de- pendent child up to an inclusive maximum of 25,000 francs a year.
(b) Agricultural workers.	1928 Agricultural sections of departmental	All employed persons and share farmers in agriculture and forestry under the

<i>Sources of income.</i>	<i>Benefits.</i>
Contributions payable wholly by employers. State subsidy, 1 krone per insured person per annum.	Medical attendance, medicine and hospital treatment up to 6 months.
Contributions of workers : 1 to 2 per cent. of wages. Contributions of employers : 1 to 2 per cent. of wages. Employer pays cost of medical attendance and medicines.	(a) Medical attendance and medicine. (b) Sick pay, one-half to two-thirds of daily wage for 26 weeks. (c) Maternity benefit from half to full wages for 2 weeks before and 4 weeks after confinement. (d) Dependants, benefit optional. (e) Funeral benefit : 20 to 30 times the daily wage.
4 per cent. of the basic wage shared equally by insured persons and employers. Maximum basic wage, 36 francs a day. State subsidy covering the cost of central administration.	(a) Repayment of medical and pharmaceutical expenses for 6 months. (b) Sick pay, 50 per cent. of basic wage for 6 months. (c) Maternity benefit : repayment of medical and pharmaceutical expenses, and 50 per cent. of basic wage for 12 weeks. (d) Nursing benefit for 9 months. (e) Lump sum benefit at death, one-fifth of basic yearly wage. (f) Dependants, medical benefit.
Contribution not exceeding 10 francs a month shared equally between insured persons	Benefits fixed by rules of insurance funds. The benefits must include the right to the repayment of medical and

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
	funds established by the public authorities. Approved mutual benefit societies having an exclusively agricultural membership. Agricultural insurance funds assimilated to mutual benefit societies.	age of 60 whose earnings do not exceed 15,000 francs a year. This wage limit is raised by 2,000 francs for each dependent child up to an inclusive maximum of 25,000 francs a year.
(c) Miners.	1894 Mutual benefit societies as established by employers.	All workers and salaried employees on mines.
France—(contd.) (c) Miners (contd.)		
Germany	1883 Local sick funds. Rural sick funds. Establishment funds. Guild funds. Miners' sick funds. Substitute funds. All under supervision of the Imperial Insurance Bureau.	All Workmen, journey-men, apprentices and servants without regard to amount of income. Officials, clerks, teachers, tutors, homeworkers, crews of ships etc., with incomes not exceeding 3,600 marks per annum.

<i>Sources of income.</i>	<i>Benefits.</i>
and employers. Supplement of 8 francs per insured person per month paid by the State.	pharmaceutical expenses and the right to a fixed rate of daily sick pay.
Contributions of 3.50 to 3.80 per cent. of wages equally shared by insured persons and employers.	Benefits fixed by societies which may also grant relief to members' families in cash and kind. At least 5 per cent of expenditure on sick pay must be paid into the old-age insurance fund in respect of each member of such fund.
The contribution may temporarily be fixed at as high as 4 per cent. of wages.	
Contributions, not exceeding $7\frac{1}{2}$ per cent. of the basic wage of each class of workers, payable two-thirds by insured persons and one-third by employers. In guild funds the contribution may be equally shared. In miners' funds three-	(a) Medical attendance, medicine, spectacles, trusses, etc. (b) Sick pay, one-half basic wage for 26 weeks. (c) Hospital treatment with half sick pay. (d) Maternity benefit, medical attendance and sick pay for 10 weeks and a lump sum of 10 marks. (e) Nursing benefit, half sick pay for 12 weeks.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Holland	1913 Occupational funds and funds estab- lished by labour councils.	All workers whose annual wages do not exceed 3,000 florins.
Hungary	1891 National Workmen's Insurance funds. District Workmen's Insurance fund. Establishment sick funds. Special funds for public transport undertakings.	All workers in indus- tries and trade, including domestic servants and home- workers, except non-manual wor- kers earning over 3,600 pengo per annum.
Irish Free State	1923 National Health In- surance Society.	All employed persons of both sexes, over 16 years of age, excepting those em- ployed otherwise than by manual labour with incomes of over £ 250 per annum.

<i>Sources of Income.</i>	<i>Benefits.</i>
fifths of the contribution is paid by the insured and two-fifths by the employer.	(f) Funeral benefit, an amount equivalent to 20 times the daily basic wage. (g) Dependants receive medical attendance and, at option of fund, maternity benefit.
Contributions, payable in equal proportions by employers and employees.	(a) Sick pay, 80 per cent. of basic daily wage subject to a maximum basic wage of 8 florins, for a period not exceeding 6 months, excluding Sundays. (b) Maternity benefit for 6 weeks before and 6 weeks after confinement similar to sick pay.
Contributions of 5.14 per cent of wage according to wage class payable in equal proportions by employers and employees.	(a) Medical attendance, medicine, baths and therapeutical appliances for 52 weeks. (b) Sick pay, 50 per cent. of basic wage for 52 weeks. (c) Maternity benefit, midwife and sick pay for 6 weeks before and 6 weeks after confinement. (d) Funeral benefit, 30 times the daily basic wage. (e) Dependants, the same with the exception of sick pay and funeral benefit.
Employee, male, 4d.; female 3d. per week. Employer, 4d. per week. State pays two-ninths of the cost of insurance.	(a) Sick pay, 15s. per week for males, 12s. for females, for 26 weeks. (b) Disablement benefit, 7s. 6d. per week after expiration of sick pay. (c) Maternity benefit, £4 for insured woman, £2 for wife of insured man.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Italy	1910 National Social Insurance Fund. Maternity Branch, administered by a board of eleven persons.	All women between the ages of 15 and 50 years employed in commerce and industry.
	1927 National Social Insurance Fund. Tuberculosis Branch.	Workmen, learners, apprentices, persons in public offices and in liberal professions, domestic servants and similar persons in private service, between the ages of 15 and 65 years. Employees with monthly incomes exceeding 800 lire are exempt.
	1930 Sickness Insurance for Industrial Workers. Joint Sickness Insurance Funds.	All workers who are compulsory members of the fund in virtue of clauses contained in the collective agreements by which they are covered.
	1929 Sickness Insurance for Commercial Employees. National Sickness In-	All commercial employees between the ages of 15 and 60 years.

<i>Sources of Income.</i>	<i>Benefits.</i>
Employee, 3 lire per annum. Employer, 4 lire per annum. State subsidy, 18 lire for each case of confinement.	Maternity benefit, 300 lire.
Employee : 1 lire a fortnight if their daily wage does not exceed 8 lire ; 2 lire a fortnight if their daily wage exceeds 8 lire. Employers, same amount as employees.	(a) Admittance to homes and institutions for treatment. (b) Home treatment (medical attendance). (c) Daily benefit for dependants at the rate of 4 lire during the treatment.
Contributions borne equally by employees and employers. The rate is fixed in the collective agreements.	Model rules provide for benefits in kind and cash.
Contributions of employees to cover the cost of compensation to the insured person for loss of salary ; employers' and employees' contri-	(a) Repayment of medical and pharmaceutical expenses up to a maximum of 1,250 lire a month. (b) Daily allowance for a maximum of 180 days equal to the amount of the daily remuneration.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
	Insurance Funds for Commercial Em- ployees.	
Japan	1922 Health Insurance So- cieties. Persons not insured in these are insured directly by the State.	All persons working in industrial, min- ing or transport undertakings em- ploying 5 or more persons. Administrative emplo- yees with annual incomes over 1,200 yen are exempt from insurance.
Latvia	1912 Special sick funds. Joint sick funds.	All workers in priva- te, communal and State undertakings who receive remun- eration except agri- cultural workers.
Lithuania	1926 District sick funds.	All wage-earners in industry, commerce and domestic ser- vice.

<i>Sources of Income.</i>	<i>Benefits.</i>
contributions to cover the cost of benefits in kind. The rate is fixed by the governing body of the Fund.	
Employees, up to 3 per cent. of daily remuneration. Employers, same amount as employees. State, 10 per cent. of the expenditure, maximum 2 yen yearly per insured person.	(a) Medical or hospital treatment for 180 days. (b) Sick pay, 60 per cent. of daily wage for 180 days. (c) Maternity benefit, 20 yen and sick pay. (d) Funeral benefit, 30 times the daily wage, minimum 30 yen.
Employee, from 1 to 2 per cent. of wages. Employer and State pay the same amount as employee, and the employer also pays the cost of medical attendance (2 per cent. of wages).	(a) Medical attendance for 26 weeks. (b) Sick pay, from 60 per cent. to 90 per cent. of wages for 26 weeks. (c) Maternity benefit, full wages for 4 weeks before and 8 weeks after confinement. (d) Optional nursing benefit, one-fourth wages for 8 months. (e) Funeral benefit, 30 to 50 times daily wage. (f) Dependants, similar benefits optional.
Contributions payable in equal proportions by employers and employees; total monthly contribution varying between 5.40 and 21.60	(a) Medical attendance and medicine for 26 weeks (b) Sick pay from 50 to 100 per cent. of wages for 26 weeks if the worker has been insured for 6 months.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Luxemburg	1901 Establishment funds and district funds, under supervision of the State.	All employed persons excepting agricul- tural workers, do- mestic servants and non-manual work- ers earning more than 10,000 francs a year.
Norway	1909 Royal insurance insti- tution. Local fund in each municipality or town. Establishment funds. Private funds.	All workers in public and private service over 15 years of age, and other per- sons with incomes under 4,500 kr. per annum. Employees classified according to income.

<i>Sources of Income.</i>	<i>Benefits.</i>
litas according to wage classes. Cost of maternity benefits borne by State.	(c) Maternity benefit equal to sick pay for 2 weeks before and 6 weeks after confinement, if the woman has been insured for 6 months; also a lump sum of 50 litas. (d) Nursing benefit: 80 per cent. of sick pay for 13 weeks. (e) Funeral benefit: 20 to 30 per cent. of daily wage. (f) Dependants receive medical attendance, medicine and maternity benefit and funeral benefit.
Contributions, normally up to 4.5 per cent. of wages, but may be raised to 6.75 per cent. payable one-third by employers, and two-thirds by employees.	(a) Medical attendance and medicine for 26 weeks. (b) Sick pay, one-half average wage for 26 weeks. (c) Hospital treatment with half sick pay. (d) Maternity benefit, sick pay for 12 weeks, medical attendance. (e) Nursing benefit, half sick pay for 12 weeks. (f) Funeral benefit, one-fifteenth of annual earnings.
Contributions fixed by local fund. Compulsorily insured person pays six-tenths, employer one-tenth, municipality one-tenth, and State two-tenths. Voluntary insurer pays seven-tenths, municipality one-tenth and State two-tenths.	(a) Medical attendance, surgical appliances and hospital treatment. (b) Sick pay from 0.80 kr. to 4 kr. per day, maximum 26 weeks per annum. (c) Maternity benefit: nursing care and allowance at same rate as sick pay for 2 weeks before and 6 weeks after confinement. (d) Funeral benefit up to 75 kr. (e) Member's wife, maternity benefit, midwife and 30 kr.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Poland	1920 District sick funds.	All workers of both sexes, including domestic servants and homeworkers. Employees classified according to wages. Agricultural workers not included.
Portugal	1933 Funds established by corporations in virtue of collective agreements.	All members of trade unions covered by agreements.
Rumania	1912 Territorial insurance funds.	All employed persons whose earnings do not exceed 6,000 lei per month and persons of small means working on their own account.

<i>Sources of Income.</i>	<i>Benefits.</i>
Contributions, 5 per cent. of wage not exceeding 174 zloty per week. Contributions payable in equal proportions by employer and employee.	(a) Medical attendance, medicine, dressings, for 26 weeks. (b) Sick pay, 50 per cent. of basic wage for 26 weeks. (c) Maternity benefit, medical attendance and midwife, and full basic wage for 8 weeks. (d) Nursing benefit for 12 weeks. (e) Funeral benefit, 3 times basic weekly wage. (f) Dependants, medical attendance for 13 weeks, maternity and nursing benefits.
Contributions of employers and employees, fixed by agreements.	According to terms of agreements.
Weekly contribution varying from 8 to 18 lei according to basic wage payable in equal proportions by employer and employee. State subsidy fixed at 40 million lei for 1935.	(a) Medical attendance and medicines for the insured person and his dependants. (b) Sick pay, 50 per cent. of basic wage (maximum 120 lei per day) for 26 weeks. (c) Maternity benefit: medical attendance and medicines for the insured woman or wife of insured person. Insured woman also receives sick pay for 6 weeks before and 6 weeks after confinement, together with a nursing benefit. (d) Funeral benefit, 2,000 to 5,000 lei according to wage class.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
United Kingdom	1911 Ministry of Health (England, and Wales). Department of Health (Scotland). Ministry of Labour (Northern Ireland). County Insurance committees. Approved societies. Deposit contributors	All employed persons, of both sexes, over 16 years of age, excepting those em- ployed otherwise than by way of manual labour with incomes over £250 per annum.
U.S.S.R.	1922 Administered by Cen- tral Trade Union Council and 163 affiliated trade uni- on federations and their local branches.	All employed persons.

*Sources of Income.**Benefits.*

Employee, man, 4½d.,
woman, 4d. per week;
employer, 4½d.

Where wages do not
exceed 4s. per day
employer pays a larger
proportion, and where
they do not exceed 3s.
employer pays the
whole.

State pays one-seventh
of the cost of benefits
in the case of men and
one-fifth in the case
of women.

(a) Medical attendance and medicine.

(b) Sick pay, 15s. per week for men, 12s. for unmarried women, 10s. for married women, for 26 weeks.

(c) Disablement benefit at half sick pay, after expiration of sick pay.

(d) Maternity benefit, £4 for insured women, £2 for wife of insured man.

Employer pays all contributions, which are fixed by orders of the Council of People's Commissaries according to the degree of risk incurred in each occupation.

(a) Medical and hospital treatment and medicine.

(b) Sick pay, from two-thirds to 100 per cent. of wage according to kind of work, trade union status and qualifying period of employment.

(c) Maternity benefit, sick pay, for 56 days before and 56 days after confinement for manual workers and 42 days before and 42 days after confinement for intellectual workers.

(d) Nursing benefit of 45 roubles.

(e) Layette allowance of 32 roubles.

(f) Funeral benefit, 40 roubles (20 roubles on death of child) for funeral in towns and 20 roubles (10 roubles on death of child) for funeral in the country.

<i>Country.</i>	<i>Date of Original Act and Method of Organization.</i>	<i>Scope of System.</i>
Yugoslavia	1922 Central Workers' insurance institution. Local Workers' insurance institutions. Workers' insurance funds for transport undertakings. Miners' mutual benefit societies.	All persons who perform physical or mental work for remuneration, including home-workers and seamen. Agricultural workers not yet included.

<i>Sources of Income.</i>	<i>Benefits.</i>
Contributions not exceeding 7 per cent. of the basic daily wage. Employer and employee each pays one-half of the contributions.	(a) Medical attendance, medicine, baths, etc. for 26 weeks. (b) Sick pay, two-thirds basic wage for 26 weeks. (c) Maternity benefit, medical attendance and mid-wife and three-quarters basic wage for 6 weeks before and 6 weeks after confinement. (d) Nursing benefit, half basic wage for 20 weeks. (e) Child endowment, 14 times basic wage. (f) Funeral benefit, 30 times basic wage. (g) Dependants, medical attendance, maternity and nursing benefits.

APPENDIX V

MORBIDITY TABLES*

All Occupations.

A—MEN.

Annual Morbidity Rate in Days.

Age	Kinkolin's table	Moser's table	Janse's table	Austrian table	English actuaries' table
16	6.32	6.87	—	7.6	6.57
17	6.16	6.65	—	7.8	6.44
18	6.02	6.36	—	7.9	6.21
19	5.89	5.90	—	8.2	5.94
20	5.78	5.39	4.50	8.4	5.70
21	5.68	5.12	4.55	8.3	5.52
22	5.60	4.96	4.60	8.0	5.41
23	5.53	4.88	4.64	7.7	5.38
24	5.47	4.84	4.69	7.8	5.38
25	5.44	4.85	4.74	7.9	5.41
26	5.42	4.88	4.84	7.8	5.43
27	5.41	4.98	4.93	7.8	5.45
28	5.42	5.11	5.00	7.8	5.51
29	5.44	5.25	5.08	7.8	5.58
30	5.48	5.41	5.16	7.9	5.66
31	5.53	5.61	5.26	8.0	5.75
32	5.60	5.83	5.39	8.1	5.86
33	5.68	6.05	5.50	8.3	5.96
34	5.78	6.27	5.70	8.4	6.07
35	5.90	6.48	5.91	8.5	6.20

* "Compulsory Sickness Insurance," International Labour Office, Studies and Reports, Series M, No. 6, 1927, pp. 440-443.

Annual Morbidity Rate in Days.—Contd.

Age	Kinkolin's table	Moser's table	Janse's table	Austrian table	English actuaries' table
36	6.03	6.67	6.11	8.7	6.34
37	6.17	6.84	6.29	8.8	6.50
38	6.33	6.99	6.45	8.9	6.69
39	6.51	7.12	6.64	9.0	6.88
40	6.70	7.24	6.84	9.2	7.08
41	6.90	7.36	6.95	9.3	7.30
42	7.12	7.49	7.10	9.4	7.51
43	7.36	7.63	7.29	9.6	7.73
44	7.61	7.78	7.45	9.8	7.94
45	7.88	7.96	7.60	10.1	8.16
46	8.16	8.18	7.75	10.3	8.41
47	8.45	8.46	7.95	10.6	8.71
48	8.76	8.82	8.22	10.9	9.03
49	9.09	9.27	8.47	11.2	9.38
50	9.43	9.82	8.70	11.5	9.77
51	9.79	10.41	9.15	11.9	10.14
52	10.16	11.02	9.60	12.2	10.55
53	10.55	11.65	10.10	12.5	10.98
54	10.95	12.28	10.77	12.9	11.47
55	11.37	12.92	11.45	13.3	12.03
56	11.80	13.56	12.20	13.7	12.59
57	12.25	14.20	12.90	14.2	13.21
58	12.72	14.84	13.67	14.8	13.85
59	13.19	15.48	14.46	15.5	14.52
60	13.69	16.12	15.34	16.2	15.25
61	14.20	16.76	16.20	16.9	16.04
62	14.72	17.40	17.00	17.7	16.86
63	15.26	18.04	17.70	18.5	17.70
64	15.81	18.68	18.48	19.0	18.55
65	16.38	19.32	19.26	19.8	19.38
66	16.97	19.96	19.95	20.6	20.26
67	17.57	20.61	20.74	21.2	21.14
68	18.18	21.26	21.80	21.9	21.99
69	18.81	21.92	23.50	22.6	22.72
70	19.46	22.59	25.80	23.2	

NOTES

Kinkolin's table (*Les Societes de secours mutuels de la Suisse en 1880*, Berne, 1886) is based on the experience of 919 Swiss insurance funds operating in 1880. Benefit was payable from the beginning of the sickness for a maximum period of eighteen months (one-third of the funds insured both men and women; the remainder only men).

Moser's table (*Report to the Third International Congress of Actuaries*, Paris, 1900) is based on the experience of the Bernese Cantonal Sickness Insurance Fund during a period of some years. Benefit was granted for not more than one year. The insured persons were selected. The number of days of sickness observed was 359,341, the approximate membership of the institution was 11,000.

Janse's table (*Report to the Third International Congress of Actuaries*, Paris, 1900) is based on the observations made from 1888 to 1897 by the Amsterdam General Sickness Fund.

The Austrian table (*Krankheits-und Sterblichkeitsverhältnisse bei den Krankenkassen in den Jahren** 1896-1910, Vienna, 1913) together with that of the English actuaries, is the most interesting from the point of view of compulsory social insurance. It is based on the observations made from 1906 to 1910 for the Austrian compulsory insurance funds,

* In spite of variations in the waiting period and the maximum period of benefit as between the funds, the Austrian actuaries considered that the differences did not appreciably affect the final result and that the morbidity rates of the table might be taken to refer to a maximum benefit period of 20 weeks and a waiting period of 3 days.

covering an annual 'average membership of two million insured persons and a total of about ninety-five million days of sickness.

The English actuaries' table (*Report for 1912-1913 on the Administration in England of the National Insurance Act*, Part I, p. 583) is a variant of the table constructed by Watson on the basis of the experience of the "Independent Order of Oddfellows Manchester Unity" Friendly Society from 1893-1897. In the cases to which the figures here reproduced relate the maximum benefit period was six months. The first three days of sickness are excluded. (For the modifications introduced in Watson's table compare the study on the technical principles of the financial system of insurance in Great Britain in the I. L. O. report on "Compulsory Sickness Insurance, 1927." Watson's table (*An Account of an Investigation of the Sickness and Mortality Experience of the I. O. O. F. Manchester Unity during the Five Years 1893-1897*, Manchester, 1903, pp. 211 and 213) covered nearly three million years "exposed to the risk", and nearly twenty-four million days of benefit, with a maximum benefit period of 26 weeks and no waiting period. It should be observed that these tables were based on a six-day week, one-sixth of the weekly benefit being paid for each working day. There is no similar experience relating to women.

Considering the diversity of the groups and the different definitions of the observed phenomenon, these tables are on the whole in remarkable agreement. It will be observed that, except in Janse's table, the morbidity rate reaches a minimum at about 25 years.

B. WOMEN

*Annual Morbidity Rate in Days according to the
Austrian Table.*

Age	Excluding confinements	Including confinements	Age	Excluding confinements	Including confinements
16	6.7	7.1	46	10.0	10.3
17	6.8	7.5	47	10.2	10.4
18	7.0	8.3	48	10.5	10.6
19	7.2	9.1	49	10.8	...
20	7.4	10.0	50	11.0	...
21	7.6	10.8	51	11.3	...
22	7.8	11.4	52	11.5	...
23	8.0	11.9	53	11.7	...
24	8.1	12.1	54	11.9	...
25	8.2	12.3	55	12.1	...
26	8.2	12.4	56	12.2	...
27	8.2	12.5	57	12.4	...
28	8.4	12.4	58	12.6	...
29	8.4	12.3	59	12.9	...
30	8.4	12.1	60	13.2	...
31	8.5	12.0	61	13.6	...
32	8.5	11.9	62	14.1	...
33	8.6	11.7	63	14.6	...
34	8.6	11.5	64	15.1	...
35	8.7	11.4	65	15.7	...
36	8.7	11.2	66	16.2	...
37	8.7	11.1	67	16.7	...
38	8.7	10.8	68	17.2	...
39	8.8	10.5	69	17.7	...
40	8.8	10.3	70	18.1	...
41	8.9	10.1			
42	9.1	10.0			
43	9.3	10.0			
44	9.5	10.0			
45	9.8	10.1			

NOTES

The Austrian table (*op. cit.*) is, so far as is known, the only table which is based on a sufficiently wide experience to make reproduction worth while. The period of observation is the same as that for the table of male morbidity. It covers an average annual membership of 650,000 insured women and nineteen million days of sickness, which figure includes about six million days for 218,070 confinements.

According to Moser (*Report to the Third International Congress of Actuaries*, Paris, 1900), the experience of the Bernese Cantonal Fund showed that on an average the number of days of sickness for women was 37 per cent. above that for men.

APPENDIX VI

TABLE* SHOWING THE AVERAGE NUMBER OF WEEKS OF
SICKNESS BENEFITS PAYABLE TO A MEMBER IN
GREAT BRITAIN WITHIN ONE YEAR.

Age	Sickness		
	Men	Spinsters and widows.	Married women.
16	·84	·80	3·20
17	·81	·82	3·19
18	·76	·84	3·18
19	·71	·85	3·16
20	·67	·86	3·14
21	·64	·87	3·11
22	·63	·87	3·07
23	·62	·87	3·01
24	·61	·87	2·91
25	·61	·86	2·77
26	·61	·86	2·62
27	·61	·85	2·48
28	·61	·84	2·36
29	·62	·83	2·26
30	·63	·82	2·18
31	·64	·81	2·11
32	·65	·80	2·05
33	·67	·80	2·00
34	·68	·80	1·96
35	·70	·81	1·93
36	·72	·82	1·90
37	·74	·83	1·87
38	·77	·85	1·85
39	·80	·87	1·83
40	·83	·89	1·82

* "The Law of National Health Insurance" by Henry Lesser, 1939, pp. 1043-1044.

TABLE SHOWING THE AVERAGE NUMBER OF WEEKS OF
SICKNESS BENEFITS PAYABLE TO A MEMBER IN
GREAT BRITAIN WITHIN ONE YEAR.

Age	Sickness		
	Men	Spinsters and widows.	Married women.
41	·86	·92	1·81
42	·89	·95	1·81
43	·92	·98	1·80
44	·95	1·01	1·80
45	·99	1·04	1·80
46	1·03	1·07	1·80
47	1·08	1·10	1·81
48	1·13	1·14	1·82
49	1·18	1·17	1·83
50	1·23	1·21	1·85
51	1·28	1·24	1·85
52	1·34	1·28	1·88
53	1·39	1·32	1·90
54	1·45	1·37	1·93
55	1·52	1·42	1·96
56	1·59	1·47	1·99
57	1·67	1·52	2·02
58	1·76	1·58	2·06
59	1·84	1·64	2·10
60	1·93	1·71	2·15
61	2·03	1·79	2·21
62	2·14	1·88	2·28
63	2·24	1·99	2·37
64	2·35	2·12	2·48

The above are "central rates," i.e., the ratios of the total number of weeks of sickness benefit payable during the year of age following the exact age given in the table to the number of persons alive in the middle of that year of age.

