

**Chapter 1**  
**Introduction**



# 1 Introduction

Government of India (GoI) enacted (August 1996) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service), Act, 1996 (BOCW Act), to regulate the employment and conditions of service of building and other construction workers, and to provide measures for their safety, health, welfare, and for other matters connected therewith or incidental thereto.

Under the BOCW Act, every State Government is to constitute a Building and Other Construction Workers' Welfare Board, to provide benefits to every building worker registered as a beneficiary. For this purpose, the Board is to constitute a Building and Other Construction Workers Welfare Fund, comprising of: (i) any grants and loans made to the Board by the Central Government (ii) all contributions made by the beneficiaries and (iii) all sums received by the Board, from such other sources, as may be decided by the Central Government. Every building worker, between the age of 18 and 60 years, who has been engaged in any building or other construction work<sup>2</sup>, for not less than ninety days, during the preceding twelve months, is eligible for registration as a beneficiary under the BOCW Act. The BOCW Act also applies to every establishment<sup>3</sup> which employs ten or more building workers. Every establishment is to be registered under the Act, within sixty days from the date of commencement of work.

GoI also enacted (August 1996) the Building and Other Construction Workers' Welfare Cess Act, 1996 (the Cess Act), which envisages levy and collection of a cess, for the purpose of the BOCW Act, at rates not exceeding two *per cent*, but not less than one *per cent* of the cost of construction, incurred by an employer. GoI notified (September 1996) levy of the cess at the rate of

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<sup>2</sup> Refers to the construction, alteration, repairs, maintenance or demolition, of or, in relation to, buildings, streets, roads, railways, tramways, airfields, irrigation, drainage, embankment and navigation works, flood control works (including storm water drainage works), generation, transmission and distribution of power, water works (including channels for distribution of water), oil and gas installations, electric lines, wireless, radio, television, telephone, telegraph and overseas communications, dams, canals, reservoirs, watercourses, tunnels, bridges, viaducts, aqueducts, pipelines, towers, cooling towers, transmission towers and such other work as may be specified in this behalf by the appropriate Government, by notification, but does not include any building or other construction work, to which the provisions of the Factories Act, 1948 or the Mines Act, 1952, apply.

<sup>3</sup> Refers to any establishment belonging to, or under the control of, Government, any body corporate or firm, an individual or association or other body of individuals, which or who employs building workers in any building or other construction work; and includes an establishment belonging to a contractor, but does not include an individual who employs such workers in any building or construction work, in relation to his own residence, the total cost of such construction not being more than rupees ten lakh.

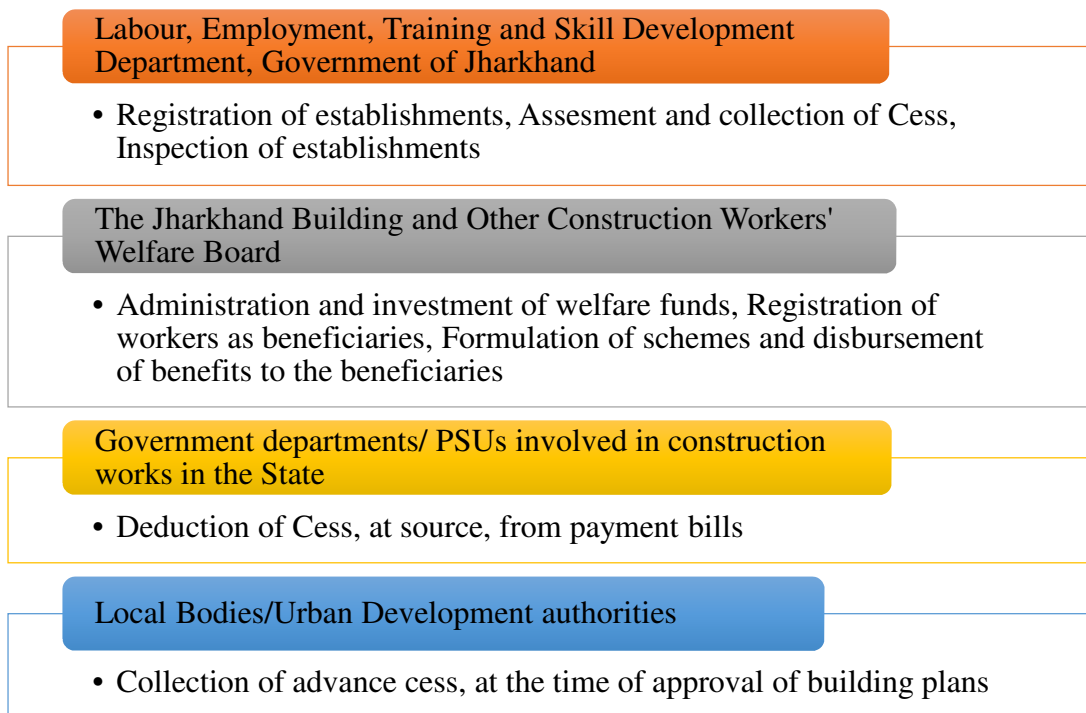
one *per cent* of the cost of construction. GoI also framed the Building and Other Construction Workers’ Welfare Cess Rules, 1998 (the Cess Rules), for implementation of the Cess Act.

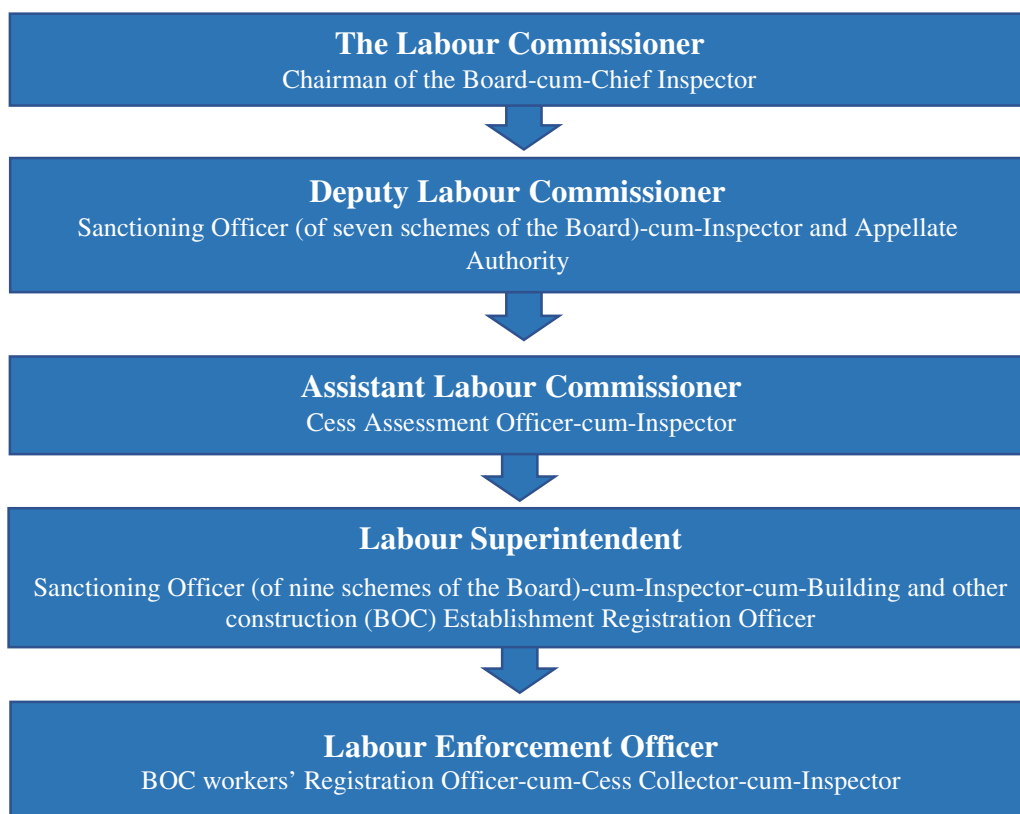
The Government of Jharkhand (GoJ) notified (August 2007) the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Jharkhand Rules, 2006 (the Jharkhand Rules) and constituted (July 2008) the Jharkhand Building and Other Construction Workers’ Welfare Board (the Board). The Board has a Jharkhand Building and Other Construction Workers’ Welfare Fund. It is chaired by the Labour Commissioner and comprises of 16 other members, nominated by: (i) the Central Government (one) (ii) the State Government (five) (iii) representatives of workers (five) and (iv) representatives of employers (five).

### 1.1 Organisational structure

The Labour, Employment, Training and Skill Development Department (the Department), GoJ, facilitates the Board in the implementation of the BOCW Act, the Cess Act and the Rules framed thereunder. Cess is collected by various offices of the Central/State Government, Local Bodies, PSUs and Autonomous Bodies *etc.* located in the State. Details of responsibilities, of the Board/Government/PSUs, and functions assigned to different authorities of the Department, are shown in **Charts 1** and **2**, respectively.

**Chart 1: Responsibilities of the Board/Government/PSUs**



**Chart 2: Functions assigned to the authorities of the Department**

## 1.2 Audit Objectives

The Performance Audit was undertaken to assess whether:

- (i) the Rules notified by GoJ, under the Act, were consistent with the spirit of the Act.
- (ii) there was an effective system, in place for registration of establishments and beneficiaries.
- (iii) cess assessment, collection and transfer of collected cess to the Welfare Fund, had been carried out in an efficient manner.
- (iv) GoJ had prescribed appropriate health and safety norms and had been able to ensure an environment of compliance, to these norms, by Employers.
- (v) GoJ had implemented a transparent and effective system of inspections, to check evasion of Labour cess and ensure compliance to health and safety norms, by Employers.
- (vi) the administration and utilisation of funds, on the implementation of welfare schemes, by the Board, had been efficient and effective and as per the Act and Rules framed by GoJ.

## 1.3 Audit Criteria

Criteria against which the audit findings were benchmarked have been derived from the following sources:

- (i) The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996;
- (ii) The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service), Jharkhand Rules, 2006;
- (iii) The Building and Other Construction Workers' Cess Act, 1996, and The Building and Other Construction Workers' Cess Rules, 1998;
- (iv) Jharkhand Financial Rules;
- (v) Resolutions passed by the Board; and
- (vi) Jharkhand *Rajya Sewa Dene Ki* Guarantee Act, 2011  
(Jharkhand State Guarantee to Service Act, 2011)

#### 1.4 Scope of Audit and methodology

The Performance Audit was conducted through an examination of records of the Labour Commissioner-cum-Chairman of the Board, at the State level, covering the period from FY 2017-18 to FY 2021-22. Four<sup>4</sup>, out of the 24 districts in the State, were selected for examination of records of the field units. Two districts (Bokaro and Dhanbad) were selected on the basis of amount of disbursement for welfare schemes, while the remaining two districts (Ranchi and East Singhbhum) were selected on the basis of amount of collection of cess. Additionally, 10<sup>5</sup>, out of 22 welfare schemes were selected, for analysing their implementation, based on high, moderate and low amount of disbursement, involved in these schemes. From the selected schemes, 400 registered beneficiaries<sup>6</sup> were selected randomly, for analysing their eligibility and timely disbursements of benefits. Records of the Executive Engineers, Road/ Building Construction Divisions (BCDs); Municipal Commissioners/ Vice Chairmen of Urban Local Bodies; the Deputy Labour Commissioner and the Labour Superintendents of the selected districts, were examined, to evaluate the collection of cess and implementation of the Act. Audit also visited 24 establishments<sup>7</sup>, along with the officials of the Department, to assess the facilities regarding security, health and other welfare measures, available for workers at the construction sites therein. Audit evidence was gathered through photographs, issue of audit questionnaires and audit memos.

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<sup>4</sup> Bokaro, Dhanbad, East Singhbhum and Ranchi.

<sup>5</sup> **Highest disbursement:** (1) Meritorious children scholarship (2) Maternity benefits (3) Labour Tool Kit assistance (4) Death/Funeral assistance (5) Labour Safety Kit assistance, **Moderate disbursement:** (6) Bicycle assistance (7) *Aam Admi Bima Yojana/ Pradhan Mantri Jeevan Suraksha Bima Yojana/ Pradhan Mantri Jeevan Jyoti Bima Yojana* (8) Family Pension and **Lowest disbursement:** (9) Disability Pension and (10) Orphan Pension Scheme.

<sup>6</sup> From each of the four selected districts, 10 beneficiaries each, for each of the 10 selected schemes.

<sup>7</sup> Construction sites/ establishments were selected from information obtained from Building Construction Divisions and Urban Local Bodies.

An Entry Conference was held on 18 August 2022, with the Secretary of the Board, wherein the objectives, criteria, scope and methodology, of the Performance Audit, were discussed.

An Exit Conference was also held on 13 September 2023, with the Secretary of the Department and Labour Commissioner-cum-Chairman (LC-cum-Chairman) of the Board, wherein audit observations pertaining to the period from FY 2017-18 to FY 2021-22, were discussed. The Secretary assured that remedial action would be taken to improve the delivery of welfare, security and health services to the construction workers as well as assessment and collection of cess. The replies of the Department have been incorporated in the Report.

### **1.5 Structure of the Report**

This Report has been structured on the basis of the overall functions of the Board. The audit findings under the themes have been reported in seven chapters, as follows:

- Chapter 2: Planning and Control
- Chapter 3: Budget and Management of Funds
- Chapter 4: Registration of Establishments and Workers
- Chapter 5: Implementation of Welfare Schemes
- Chapter 6: Impact Assessment; and
- Chapter 7: Collection and deposit of Cess

