

# **Chapter 1**

## **Introduction**



## Department of Labour

### Performance Audit on ‘Welfare of Building and Other Construction Workers’

## Chapter 1: Introduction

Construction workers constitute one of the largest categories of workers in the unorganized sector. With a view to providing safety, health and welfare measures to building and other construction workers (BOCW) through levy/collection of cess, the Government of India (GoI) enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 [BOCW (RE&CS) Act, 1996] and the Building and Other Construction Workers’ Welfare Cess Act (Cess Act), 1996 [BOCW Welfare Cess Act, 1996] and also framed the Building and Other Construction Workers Welfare Cess Rules (Cess Rules) in 1998. Government of NCT of Delhi notified (January 2002) the Delhi Building and Other Construction Workers Rules, 2002 (DBOCW Rules) and constituted Delhi Building and Other Construction Workers Welfare Board (Board) in September 2002 for providing various safety, health and welfare measures to BOC workers through various welfare schemes.

Section 3 of the Cess Act, 1996 provides for mandatory levy and collection of cess on the cost of construction and as per notification issued (September 1996) by GoI, cess shall be levied at one *per cent* of the cost of construction incurred by an employer which will be paid to the Board. As of March 2023, the Board had accumulated funds of ₹ 3579.05 crore from levy of cess, registration fee received from BOCW and interest earned thereon.

As per information furnished to the Audit, total 769 establishments<sup>1</sup> engaged in construction activities were registered with the Labour Department during the period 2019-20 to 2022-23, whereas the total number of construction workers registered with the Board till May 2023 stood at 12.90 lakh. As per Rule 266 (1) of BOCW Rules, 2022, every building worker in the age group of 18 to 60 years, who was not a member of any welfare fund established under any law and had completed a period of ninety days of service during the preceding twelve months as a construction worker in the State, could be registered as a beneficiary after paying the requisite fee<sup>2</sup>. Moreover, the workers need to renew their registration every year as benefits are available to only those BOC workers who are registered and renewed their

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<sup>1</sup> Establishment means any establishment belonging to, or under the control of, the Government, anybody, 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 ₹ 10 lakh.

<sup>2</sup> Registration fees of ₹ 5 and a subscription of ₹ 20 for a year

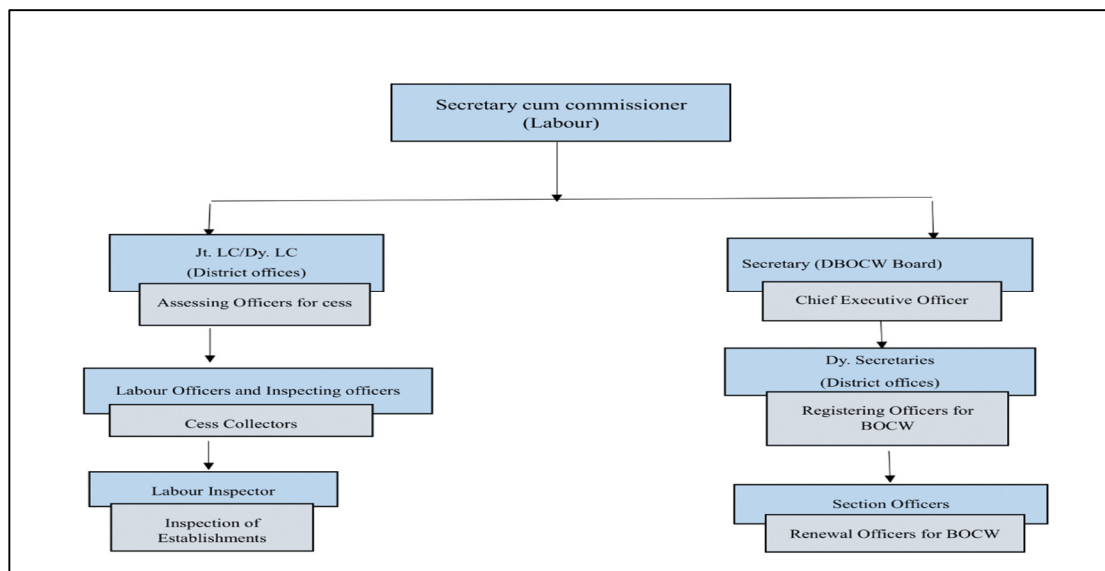
registration every year. The Board is responsible for implementing 17 schemes<sup>3</sup> for the welfare of the registered BOC workers.

### **1.1 Organisational set up**

At the government level, Labour Department, headed by Commissioner (Labour) is responsible for registration of establishment, collection and assessment of 'Labour Welfare Cess (the cess)' and inspection of establishments. At the district level, Deputy Labour Commissioners have been notified as Assessing Officers and Labour Officers and Inspecting Officers have been notified as Cess Collectors. Similarly, Assistant Labour Commissioners have been appointed as Registering Officers for registration of establishments.

The Delhi Building and Other Construction Workers Welfare Board (Board), functions under the administrative charge of the Labour Department, is chaired by the Labour Minister as ex-officio Chairman and is responsible for administration and investment of funds, registration of workers as beneficiaries, formulation of schemes and ultimate disbursement of benefits to the beneficiaries. The Board functions under the Secretary and is assisted by Deputy Secretaries and Section Officers in its functions. Deputy Secretaries and Section Officers have been appointed as registering and renewal officers respectively for registration of construction workers. An organizational chart of the Department is given in **Chart 1.1**.

**Chart 1.1: Organisational Chart**



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<sup>3</sup> (1) Maternity benefit (2) Pension benefit (3) Advance for purchase or construction of house (4) Disability pension (5) Loan for purchase of work related tools (6) Grant for the purchase of work related tools (7) Payment for funeral assistance (8) Death benefit (9) Medical assistance (10) Financial assistance for education (11) Financial assistance for marriage (12) Family pension (13) Imparting vocational training & Construction of academy for skill development (14) Financial assistance for travel pass (DTC) (15) Insurance Policy (16) Financial assistance for miscarriage and (17) Ex-gratia in case of permanent disability.

Office of Labour Commissioner, GNCTD issued an order on 16 August 2005 directing all Government Departments, Public Undertakings and other Government Bodies to remit one *per cent* of the amount of cost of construction approved as per the tender notification from the bills as 'Labour Cess' at the time of making payment to the contractors. Besides, Delhi BOCW Rules, 2002, as amended from time to time, provide for collection of one time registration fee of ₹ 5 and annual membership fee of ₹ 20 from registered workers.

An audit report on the Functioning of Delhi Building and Other Construction Workers Welfare Board was included in the Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 2019 (Report 1 of 2021). Most of the shortcomings pointed out in the earlier CAG Report ended March 2019 still persist as it would be seen in the subsequent paras incorporated in this report.

## 1.2 Audit Objective

The primary objectives of the performance audit were to assess:

- Whether there was an effective system for registration of establishments and beneficiaries;
- Whether assessment and collection of cess was efficient;
- Whether administration of the cess fund was effective and was as per the provisions of relevant Act and Rules.
- Whether cess fund was utilized exclusively for implementation of various welfare schemes and as per rules/act.

## 1.3 Audit Criteria

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

- Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act 1996;
- Delhi Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2002;
- Building and Other Construction Workers' Cess Act 1996 and Cess Rules, 1998;
- Resolutions passed in the Board meetings from time to time; and
- Orders and guidelines issued by Government of India and Government of National Capital Territory of Delhi (GNCTD).

## 1.4 Audit Scope and Methodology

The audit of welfare of 'Building and Other Construction Workers' under Government of National Capital Territory of Delhi (GNCTD) covering financial years 2019-20 to 2022-23, was conducted between April 2023 and November 2023 through test check of records in the offices of the Labour Department, Delhi;

Building and Other Construction Workers Welfare Board (the Board) and Directorate of Industrial Safety and Health.

A detailed audit was conducted in two districts out of nine districts viz South District having the highest cess collection and North West District having the highest registered workers. Fifteen *per cent* of registered establishments and Assessment Orders were selected from the two selected districts (South and North West Districts) for detailed audit. Thirteen divisions of five departments being major cess deductor departments<sup>4</sup> were selected using Simple Random Sampling Without Replacement. Ten welfare schemes based on the quantum of financial assistance were selected (top 5, 3 with medium and 2 with negligible financial assistance), along with 150 beneficiaries from each district were selected in this performance audit using the method of 'SRSWOR'.

Audit methodology involved scrutiny of records, document analysis, audit queries and beneficiary survey of selected beneficiaries for end-user satisfaction. Besides, data received from the Board was also analysed.

An Entry Conference was held on 28 April 2023 with the officials of the Board wherein audit objectives, audit criteria, audit scope and methodology were discussed in detail. An exit conference was also held on completion of audit with the stakeholders on 27 February 2025 to discuss the audit findings. Replies received from the Government have been suitably incorporated in the Report.

## **1.5 Acknowledgement**

Audit acknowledges the cooperation of the departments concerned and its field functionaries for assisting in the smooth conduct of the audit.

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<sup>4</sup> Public Works Department, Irrigation & Flood Control Department, Delhi Tourism & Transportation Development Corporation, Delhi Jal Board and Delhi Urban Shelter Improvement Board.