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**STANDING COMMITTEE ON LABOUR
(2008-2009)**

FOURTEENTH LOK SABHA

MINISTRY OF LABOUR AND EMPLOYMENT

FUNCTIONING OF EMPLOYEES' PROVIDENT FUND ORGANISATION

THIRTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August 2008/Bhadrapada, 1930 (Saka)

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**STANDING COMMITTEE ON LABOUR
(2008-09)**

(FOURTEENTH LOK SABHA)

MINISTRY OF LABOUR AND EMPLOYMENT

FUNCTIONING OF EMPLOYEES' PROVIDENT FUND ORGANISATION

Presented to Lok Sabha on 21.10. 2008

Laid in Rajya Sabha on 21.10. 2008



**LOK SABHA SECRETARIAT
NEW DELHI**

August 2008/Bhadrapada, 1930 (Saka)

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Statement of Recommendations/Observations contained in the Report

**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR
(2008-2009)**

Shri Suravaram Sudhakar Reddy-CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Furkan Ansari
3. Shri Ramdas Bandu Athawale
4. Shri Subrata Bose
5. Shri Santasri Chatterjee
6. Shri Thawar Chand Gehlot
7. Shri Munawar Hasan
8. Smt. Sushila Kerketta
9. Shri Mohammad Tahir Khan
10. Shri Virendra Kumar
11. Shri Rajesh Kumar Manjhi
12. Shri Basangouda R. Patil
13. Shri Devidas Pingle
14. Shri Chandra Dev Prasad Rajbhar
15. Shri Mohan Rawale
16. Shri Dhan Singh Rawat
17. Shri Kamla Prasad Rawat
18. Smt. C. S. Sujatha
19. Shri Paras Nath Yadav
20. Vacant
21. Vacant

RAJYA SABHA

22. Chowdhary Mohammad Aslam
23. Shri Rudra Narayan Pany
24. Shri Narayan Singh Kesari
25. Shri K. Chandran Pillai
26. Shri Gandhi Azad
27. Smt. Renubala Pradhan
28. Shri Arjun Kumar Sengupta
29. Vacant
30. Vacant
31. Vacant

SECRETARIAT

1. Shri S.K. Sharma - Additional Secretary
2. Shri Brahm Dutt - Joint Secretary
3. Shri R.K. Bajaj - Director
4. Shri N.K. Pandey - Deputy Secretary
5. Ms. Mili George - Senior Executive Assistant

**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR
(2007-2008)**

Shri Suravaram Sudhakar Reddy-CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Furkan Ansari
3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Munawar Hasan
7. Smt. Sushila Kerketta
8. Shri Mohammad Tahir Khan
9. Shri Virendra Kumar
10. Shri Rajesh Kumar Manjhi
11. Shri Basangouda R. Patil
12. Shri Devidas Pingle
13. Shri Chandra Dev Prasad Rajbhar
14. Shri Mohan Rawale
15. Shri Dhan Singh Rawat
16. Shri Kamla Prasad Rawat
17. Smt. C. S. Sujatha
18. Shri Parasnath Yadav
- *19. Shri Ramdas Athawale
20. Vacant
21. Vacant

RAJYA SABHA

22. Chowdhary Mohammad Aslam
 23. Shri Rudra Narayan Pany
 24. Shri Narayan Singh Kesari
 25. Shri K. Chandran Pillai
 26. Shri Gandhi Azad
 - **27. Shri Arjun Kumar Sengupta
 - ****28. Smt. Renubala Pradhan
 - ***29. Vacant
 30. Vacant
 31. Vacant
-

- * Changed the nomination from Committee on Railways to Committee on Labour w.e.f. 21.08.2007.
- ** Nominated w.e.f. 14.09.2007.
- *** Vacancy caused due to retirement of Ms. Pramila Bohidar and Shri Dilip Ray from Rajya Sabha w.e.f. 02.04.2008.
- **** Nominated w.e.f. 21.05.2008

**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR
(2006-2007)**

Shri Suravaram Sudhakar Reddy - *Chairman*

MEMBERS

LOK SABHA

2. Shri Furkan Ansari
3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Munawar Hassan
- ****7. Dr. Satyanarayan Jatiya
8. Smt. Sushila Kerketta
9. Shri Mohammad Tahir Khan
10. Shri Virendra Kumar
11. Shri Rajesh Kumar Manjhi
12. Shri Basangouda R. Patil
13. Shri Devidas Pingle
14. Shri Chandradev Prasad Rajbhar
15. Shri Dhan Singh Rawat
16. Shri Kamla Prasad Rawat
17. Smt. C.S. Sujatha
- * 18. Shri Parasnath Yadav
- *** 19. Shri Mohan Rawale
20. Vacant
21. Vacant

RAJYA SABHA

22. Chowdhary Mohammad Aslam
23. Shri Rudra Narayan Pany
24. Shri Narayan Singh Kesari
25. Shri K. Chandran Pillai
26. Shri Gandhi Azad
27. Ms. Pramila Bohidar
28. Shri Dilip Ray
- ** 29. Shri Rahul Bajaj @
30. Vacant
31. Vacant

-
- * Nominated w.e.f. 31.08.2006
 - ** Nominated w.e.f. 01.09.2006
 - *** Nominated w.e.f. 22.02.2007
 - @ Nomination changed from Committee on Labour to Committee on Industry w.e.f. 08.03.2007.
 - **** Resigned from the Membership of the Committee on Labour vide Bulletin
Part-II dated 04.04.2007.

INTRODUCTION

I, the Chairman of the Standing Committee on Labour (2008-09), having been authorised by the Committee to submit the Report on their behalf, present this Thirtieth Report of the Ministry of Labour and Employment on 'Functioning of Employees' Provident Fund Organisation.

2. The Committee (2006-07) and (2007-08) selected certain important aspects of functioning of the Employees' Provident Fund Organisation. As the examination of the subject remained inconclusive, the Committee (2008-09) again selected the same for the year 2008-09. The Committee took evidence of the representatives of the Ministry of Labour and Employment and EPFO on 16th January 2006, 19th July 2007 and 4th July 2008. The Committee also heard views of the representatives of the Regional Trade Unions of the National Capital Region on the subject on 25th July, 2007.

3. The Committee considered and adopted the Report at their sitting held on 27th August, 2008.

4. The Committee wish to express their thanks to the officers of the Ministry of Labour and Employment and the Employees' Provident Fund Organisation and non-official witnesses for placing before them the detailed written notes on the subject and furnishing the information as desired by the Committee in connection with the examination of the subject and tendering evidence before the Committee.

5. The Committee would also like to place on record their deep sense of appreciation of the commitment, dedication and valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;

August, 2008
Bhadrapada, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,
Chairman,
Standing Committee on Labour

REPORT**A EMPLOYEES' PROVIDENT FUNDS & MISCELLANEOUS PROVISIONS ACT, 1952**

1.1 The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 [Act 19 of 1952] is a welfare legislation enacted for the purpose of instituting a Provident Fund for employees working in factories and other establishments. The Act aims at providing social security and timely monetary assistance to industrial employees and their families when they are in distress and/or unable to meet family any social obligations and to protect them in old age, disablement, early death of the bread winner and in some other contingencies.

1.2 The sole objective behind the creation of Employees' Provident Fund Organisation is to administer the provisions of the Act and the three schemes framed thereunder with an objective to provide monetary benefits to the working class in Commercial and Industrial Establishments by way of accumulated provident fund and pension benefits at the time of retirement and Insurance Benefit to the family members of the covered employees in case of their death while in service.

1.3 Presently, the following three Schemes are in operation under the Act through the EPFO;

- (1) Employees' Provident Funds Scheme, 1952,
- (2) Employees' Deposit Linked Insurance Scheme, 1976 and
- (3) Employees' Pension Scheme, 1995.

1.4 The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is applicable to the whole country except the State of Jammu and Kashmir. The Act is applicable to factories and other classes of establishments engaged in specific industries and classes of establishments employing 20 or more persons. The Act, however, does not apply to cooperative societies employing less than 50 persons and working without the aid of power. The Act also does not apply to employees of the Central Government or State Government or local authority. The Central Government is empowered to apply the provisions of this Act to any establishment employing less than 20 persons after giving less than two months notice of its intent to do so by a notification in the official Gazette. Once the Act has been made applicable to any unit, it does not cease to

be applicable even if the number of employees falls below 20. An establishment/factory, which is not otherwise coverable under the Act, can be covered voluntarily with the mutual consent of the employers and the majority of the employees under Section 1 (4) of the Act. Thus membership of the fund is compulsory for employees drawing a pay not exceeding Rs.6,500 per month (at the time of joining). Every employee employed in or in connection with the work of a factory or establishment shall be entitled and required to become a member of the fund from the date of joining the factory or establishment. Employees drawing more than Rs.6,500/- per month at the time of joining may become members on a joint option of employer and employee. The Act is currently applicable to factories and other establishments engaged in about 186 specified industries, classes of establishments employing 20 or more persons (industries are specified in Schedule 1 of the Act). As on 31st March, 2007, there were 4,71,678 establishments and factories covered under the Act with membership of 444.04 lakh both in the exempted and unexempted sectors. During the evidence, the Committee were informed that the Government now propose to amend the criteria of number of persons for the purpose of coverage by lowering it to 10 from 20. Besides, certain new enterprises like companies providing Life Insurance, annuities etc., private airports and joint venture airports, electronic media companies in private sector and lodging houses, service apartments and condominiums have also been added to the list of industries for the purpose of coverage.

1.5 The Act aims at improving the social and economic conditions of the workers and also at promoting the welfare of the labour force contributing to the national productivity. The main functions of the Employees' Provident Fund Organization (EPFO) are as follows:-

1. To make the benefits available to all the eligible employees in all the covered establishments in the proper manner and at the proper time.
2. To secure from the employers, compliance with the statutory provisions and ensure prompt deposit of statutory dues and submission of returns.
3. To maintain the accounts of the three funds and of the subscribers upto date.
4. To grant advances to the subscribers from their credit in the E.P.F. for certain specific purposes in times of need.
5. To keep each subscriber informed about the amount at his credit in the Provident fund by furnishing to him every year a statement of Provident Fund accounts.
6. To settle accounts of the subscribers promptly in the event of death or on the cessation of membership.

1.6 During the course of evidence, on the question of coverage, the total corpus available with the organization and its investment, a representative of the Ministry of Labour and Employment stated as follows:-

“As on 31.03.2007, the Act is applicable to 4,71,000 establishments in which 4.44 crore members have been covered. As on 31.03.2008, the total investment at the face value of investments is Rs. 2,17,676 crore. That is the total corpus handled by this organization. Our investment in pure Central Government securities is about Rs. 44,900 crore which represents about 20.62 per cent of our total holdings, State Government securities is about Rs. 32,000 crore which is about 14.7 per cent of our total holdings and special deposit schemes of the Central Government is about Rs. 53,700 crore representing about 24.66 per cent of our total holdings, investment in public financial institutions is about Rs. 50,000 crore which is 23.07 per cent and the investment in Public Account of the Government is about Rs. 36,800 crore representing nearly 17 per cent of our total holdings.”

1.7 From the information made available to the Committee it has been observed that various suggestions have been received by the Ministry from various individuals/organizations for amending EPF & MP Act, 1952 with the objectives of providing additional benefits to the subscribers or enlarging the scope of schemes under the Act. A proposal for carrying out amendments to EPF & MP Act, 1952 was considered by the Central Board of Trustees in its meeting held on 9th July, 2002.

In regard to the follow-up action in the matter, the Ministry stated that the decision of the Government in this regard would be taken at an appropriate time.

1.8 The Committee observe that the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 has been in operation since its inception with some amendments here and there. With the sea change in the nature of establishments/industries coming under the Act for coverage, wages of the employees, overall industrial environment, employer-employee relations, favourable conditions for employers in the liberalised economic scenario vis-à-vis employees, the current provisions of the Act are finding it difficult to catch up with the growing requirements of the beneficiaries and industries as well. Resultantly, there has been sustained increase in the incidents of defaults in coverage, recovery of arrears, redressal of grievances, pendency of court cases and need for efficient administration of the various schemes under the Act. Even though several administrative measures have been taken to improve the working of the organization, more steps are needed to make it an efficient, decentralized, focused, good fund manager and diversified entity from time to time. The core areas which needs immediate attention are the coverage of establishments and total coverage of the beneficiaries of these establishments, timely realization of dues from the covered establishments, prompt payments of the dues to the beneficiaries and efficient fund management. This will not only minimize the legal wrangles but will also ease the functioning of the grievance redressal machinery thereby saving the valuable time and resources of the organization.

1.9 The Committee are distressed to note that the amendment in the Act has been pending since long and there has been no sincere efforts to bring it around. The proposal for carrying out amendments in EPF & MP Act, 1952 was considered by the CBT as back as July, 2002. The Ministry's view point that decision for amending the Act would be taken at an appropriate time is regretful. The delay on this count has only exacerbated the problems of beneficiaries and also of the organization. The ever growing inoperative account, mounting arrears for recovery, increasing number of defaulting establishments and swelling court cases under various sections of the Act and also under IPC are the testimony that urgent remedial measures are the need of the hour for the smooth functioning of the EPFO and satisfaction of its beneficiaries.

1.10 The Committee, therefore, strongly recommend that immediate necessary steps should be taken to have a comprehensive review of the EPF & MP Act, 1952 to effect necessary amendments in the Act. The amendments should inter-alia include the automatic coverage of establishments as and when it comes up, complete coverage of all the workers of the establishments, timely realization of EPF dues, stringent penal action for default by the establishments, accountability of the officers responsible for their act of omissions and commissions, modernizing and revamp of the system and functioning of the organization, including better fund management.

B ‘COMPLIANCE 2001 PROGRAMME’

1.11 Coverage of establishments under EPF Scheme is an ongoing process. Various strategies are adopted to maximize coverage. ‘Compliance 2001 Programme’ was chalked out with a view to give employer an opportunity to come forward voluntarily to provide coverage to the employees working his establishment. The devices being followed hitherto for ensuring compliance though not done, yet they were put into backburner giving precedence to the concept of voluntarily compliance. Various evaluations have been done as to the performance of the programme. Compliance Validation and Analysis Programme, 2006 was one such initiative to gauge the success of programme wherein 1% of the establishments in an area were selected on the random basis to ascertain the coverage.

1.12 The Committee pointed out that the Compliance Validation and Analysis Programme, 2006, revealed the non-enrollment of 1,84,343 workers from 3,492 establishments. Asked about the reasons for such large number, the Ministry stated that necessary action has been initiated for enrolment of the workers in accordance with the established procedures.

1.13 The Ministry further stated that under ‘Compliance 2001 Programme’ emphasis was given on voluntary compliance. However, special drives were conducted from time to time to detect evasion, under reporting, etc.

1.14 The Committee were further apprised that for enhancing compliance a proposal incorporating some strategic adjustments in the ‘Compliance 2001 Programme’ is under the consideration of the Central Board of Trustees, Employees’ Provident Fund.

1.15 The Ministry stated that the result of Compliance Validation and Analysis Programme 2006 has necessitated strategic changes in the method and procedure adopted in this programme and accordingly a proposal for strategic adjustments in the programme has been placed before the CBT. The Chairman, CBT has constituted a Sub-Committee to look into the issue. Asked to specify the constraints, which have led to the strategic adjustments in the programme, the Ministry submitted in a written reply as under:-

“The Standing Committee on Labour/the Consultative Committee has pointed out from time to time that in the absence of earmarking of geographical areas to Enforcement Officers the incidence of evasions/default has increased. Besides, results of the ‘Compliance Validation and Analysis Programme 2006’ have shown considerable evasion in covered establishments, necessitating a re-look into the Compliance 2001 Programme.....”

1.16 Asked by the Committee whether the strategic adjustments in the Compliance 2001 Programme have since been made by the Central Board of Trustees (CBT), the Ministry stated as under:-

“A Sub-Committee of Central Board of Trustees, EPF has been constituted to look into the matter of strategic adjustments in the Compliance 2001 Programme. The Sub-Committee has been given a time frame of three months to submit its report. Meeting of the Sub-Committee was held on 2.5.2008. However, as one of the members of the Sub-Committee could not find place in the reconstituted CBT a replacement is under consideration.”

1.17 The Committee were further apprised by the Ministry that 1% of establishments in each Regional Offices/Sub-Regional Offices were selected for random inspection under Compliance Validation and Analysis Programme 2006 to ascertain whether the provisions of the Act were being complied with. 3,492 establishments were inspected and an evasion of about 14% was found. This programme was not aimed at coverage of new establishments.

1.18 Enquired about the reasons for the above programme being made voluntary for the purpose of coverage particularly when evasion of 14% has been detected in 1% of the establishments selected randomly and when the concept of area specific enforcement officer has been done away with and why this programme is not aimed at converge of new establishments, the Ministry submitted as under:-

“It is submitted that voluntary coverage envisaged under the ‘Compliance 2001 Programme’ does not mean compliance at the discretion of the employer. Instead, basic purpose of this programme was to do away with the routine inspections by Enforcement Officers and to promote an environment in which complying employers could enjoy hassle free compliance and non-complying employers are put to scrutiny. It is pertinent to mention here that the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 applies with its own force and the establishments fulfilling conditions of applicability of the Act are required to come under purview of the Act suo-moto and comply with the provisions of the Act accordingly.

While special coverage drives are launched from time to time to bring coverable establishments under purview of the Act, the Compliance Validation and Analysis Programme 2006 was launched with a view to assessing non-reporting, under-reporting, etc. in respect of covered establishments. On the basis of results obtained through this programme, the need for review of the Compliance 2001 programme was to be examined.”

1.19 On being asked about the details of proposal for strategic adjustments currently under examination of Central Board of Trustees (CBT), the Ministry in their post evidence reply stated:-

“The proposal for strategic adjustments in the Compliance 2001 Programme’, which inter-alia lays emphasis on Compliance Audit of all defaulting and non-complying units, was placed before the Central Board of Trustees, EPF in its 179th meeting held on 10.3.2007. The Board has recommended the formation of a Sub-Committee to look into the matter. Accordingly, Chairman, CBT, EPF has approved the constitution of a Sub-Committee and his approval was conveyed on 22.1.2008 by the Ministry of Labour and Employment.

The Joint Secretary (Social Security) has since been nominated as the Chairman of the Sub-Committee”.

1.20 The Committee note that the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is a welfare legislation enacted for the purpose of instituting a Provident Fund for employees working in factories and other establishments. The Act aims at providing social security and timely monetary assistance to industrial employees and their families when they are in distress and/or unable to meet any family social obligations and to protect them in old age, disablement, early death of the bread winner and in some other contingencies. The Committee are, however, dismayed to note that during the last over five decades, the EPFO has been able to cover only 4.71 lakh units with 4.44 crore membership which amounts to about 10% of the workforce employed in the non-Government sector. This figure includes the coverage from both exempted and unexempted sector. The coverage position is extremely meagre in spite of several initiatives taken by the Government to enhance it. 'Compliance 2001 Programme' was one such drive launched to maximize the coverage based on the concept of *suo moto* and voluntary action on the part of the employers/establishments to provide EPF coverage to its workers. However, the programme could not achieve the objectives fully. The Committee are inclined to infer that even the Government itself has been skeptic regarding its success, otherwise provisions like gathering of information through own sources or receipt of specific information on non-coverage of establishments might not have been kept alive. With a view to assessing non-reporting, under reporting and to assess efficacy of 'Compliance 2001' Programme, the Government launched 'Compliance Validation

and Analysis Programme 2006'. Scrutiny of 1% of the establishments selected on random basis in each Regional Office/Sub-Regional Office under this programme revealed that evasion in coverage is most prevalent among the establishments and it was as high as 14%. Based on the findings of 'Compliance Validation and Analysis Programme 2006', the Government has sought some strategic adjustments in the programme itself. For this purpose, a Sub-Committee has been constituted in January, 2008 to look into the related aspects. The Committee therefore, recommend that the strategic changes in the 'Compliance 2001 Programme' should be made in a time bound manner with a view to reduce the evasion of the eligible units to the minimum and to extend its coverage to the large manpower working in the private/unorganized sector. The Committee would await specific action taken by the Government in this regard.

C COVERAGE OF ESTABLISHMENTS

1.21 As per the information furnished by the Ministry of Labour and Employment, data pertaining to establishments covered and numbers enrolled under the EPF Act during the last three years, State-wise is as under:-

Sl.No.	Region	2004-05		2005-06		2006-07	
		Estt.	Members	Estt.	Members	Estt.	Members
1.	Andhra Pradesh	37877	3131879	40415	3196024	43591	3209773
2.	Bihar	3587	230706	3866	237447	4109	240362
3.	Chhattisgarh	4043	310156	4506	323079	4882	342634
4.	Delhi	28223	2214885	30235	2168599	32311	2145496
5.	Goa	1688	282141	2395	343911	2567	415992
6.	Gujarat	35890	3733338	38281	3711889	41182	3690847
7.	Haryana	17869	1575520	21713	2514523	23261	2728013
8.	Himachal Pradesh	3306	208939	4703	231857	5329	247200
9.	Jharkhand	6011	772282	6810	761680	7456	752165
10.	Karnataka	27184	3647366	28784	4106119	31031	4493707
11.	Kerala	13335	1208746	13961	1291173	15053	1325106
12.	Madhya Pradesh	11565	1442911	13268	1436072	13957	1499409
13.	Maharashtra	61687	7840246	66476	8000839	71896	8019669
14.	N.E.Region	4490	207559	4979	222026	5575	239180
15.	Orissa	7366	741090	8048	728062	8647	736696
16.	Punjab	21562	2596547	23988	2392381	25491	2679185
17.	Rajasthan	11364	1370521	12520	1442549	13998	1573859
18.	Tamil Nadu	49588	5123557	53787	5480701	56848	5805101
19.	Uttaranchal	2665	189798	2945	191440	3330	192787
20.	Uttar Pradesh	28689	1551852	30326	1634076	32134	1571613
21.	West Bengal	30842	2729135	32458	2638562	29030	2495716
TOTAL		408831	41109174	444464	42953009	471678	44404510

1.22 When asked about the efforts made by the EPFO to increase the coverage of non-covered establishments, the Ministry stated as under:-

“The Act applies with its own force. Hence, the establishments to which the Act applies are required to comply with the provisions of the Act *suo-moto*. Nonetheless many establishments are brought under purview of the Act on verification of information received from various quarters. Intelligence circles have been created in the offices to keep track of such establishments and bring them under the purview of the Act. Advertisements for educating the employers have also been issued in the past for this purpose.

Special drives have also been launched from time-to-time for this purpose, e.g. during a special drive launched during January 2005 to March 2005, 19,854 establishments were covered and 6,02,669 employees were enrolled as members of the Fund. Further, under the Compliance Validation and Analysis Programme, 2006, non-enrollment in respect of 1,84,343 workers from 3,492 establishments was also detected”.

1.23 On being enquired about the special drives to enhance the coverage of establishments, a representative of the Ministry of Labour and Employment stated during evidence:-

“One such observation, Sir, which I would like to touch upon, which has been desired by the Committee from time to time is that special drives should be launched at regular intervals in order to cover more number of establishments and that the enforcement officers of the organization should be earmarked for specific areas. In view of this observation, a special drive has been launched. This was launched actually in the months of August and September, 2007 whereby a total number of 9,818 establishments were brought within the purview of the Act; 2,58,286 employees were enrolled as members of the Fund.”

1.24 The witness further added:-

“...with a view to broaden the coverage base, the Ministry has recently notified the following four additional classes of establishments to which the Act has been made newly applicable. These are – companies offering life insurance, annuities etc. other than the Life Corporation of India; second is private airports and joint venture airports; third is electronic media companies in private sector and fourth is lodging houses, service apartments and condominiums.”

1.25 Under Section 16 of the Act, certain establishments are exempted. When the Ministry was asked to explain the efforts made to educate the establishments about the benefits available keeping in view the interest of the workers working in such establishments, so that establishments are attracted to obtain voluntary coverage, they furnished in their written reply as under:-

“The following efforts are made to educate employers/employees about the benefits available under the Act and schemes framed thereunder:

1. Regular publicity is done through newspaper, magazines etc.
2. The EPFO website also provides details of all aspects of the Act and Schemes and benefits for employees.
3. Free literature in the form of informative pamphlets, brochures etc. are distributed from all the offices.
4. Regular meetings/seminars with the employers and employees representatives are conducted”.

1.26 The Committee are constrained to note that out of estimated more than 40 crore workforce in the private/unorganized sector in the country, the total membership of the EPFO as on 31 March 2006 is only 4.44 crore both in the exempted and unexempted sectors which is about 10 per cent of the total workforce in private sector. The Committee are not at all satisfied with this sorry state of affairs as far as coverage is concerned. With a view to bring many establishments under the purview of the Act, various steps like Compliance 2001 Programme, special drives, creation of intelligence circles etc., have been taken to achieve the target. With a view to enhance the coverage, the Government has decided to lower the ceiling from 20 to 10 workers to make the establishment eligible for coverage, and also adding some more establishments in new areas viz., companies offering life insurance, private airports and joint venture airports, electronic media companies and lodging houses, service apartments and condominiums to the list of establishments for the purpose of coverage. The Committee feel that these steps initiated by the Government are in the right direction and will help in broad basing the EPF Scheme.

1.27 Another area where the Committee would like the Government to concentrate is the establishments falling under Section 1 (4) of Act. The Committee find that Section 1 (4) of the Act is an enabling section for allowing employers who desires to extend statutory benefits attracted by such establishments. Lawfully establishments which are not coming under the notified industries and classes of establishments under Schedule-I of the Act are not required to extend statutory benefits to their workers. Organisation by itself do not have any legal ground to enforce coverage under Section 1 (4) of the Act in respect of establishments as well as employees unless both of them voluntarily subject themselves to the law. The Committee, therefore, recommend that with a view to protect the interest of workers who are beyond the ambit of coverage for want of consent, special awareness programmes be launched to educate the establishments about the benefits available so that the establishments are attracted to obtain voluntary coverage.

1.28 The Committee note that one of the provisions of the EPF & MP Act, 1952 provides that once a establishment is covered under the EPF Scheme, it continues even if number of employees drops below 20. However, from the State-wise information furnished by the Ministry, the Committee find that in West Bengal the number of establishments covered under the Scheme has come down from 32458 in 2005-06 to 29030 in 2006-07. The Committee would like the Government to examine this negative growth for taking necessary corrective measures.

D RECOVERY OF ARREARS

1.29 The following table shows the recovery of arrears from the establishments during the last three years:-

Recovery of Arrears (2004-05 to 2006-07)

(Amount in Crore)

Year	Total Work load	Recovery made	Balance as on 31 st March	% collection
2004-05	4045.86	1901.03	2144.82	46.99
2005-06	4488.62	1958.55	2530.07	44.53
2006-07	3843.80	1236.38	2607.47	32.16

1.30 Asked about the number of establishments which are not depositing the Provident Fund contribution in the office of the Provident Fund Commissioner though they are deducting the amount from the wages of their employees alongwith the action taken against such establishments, the Ministry stated as under:-

“Default by the employer including default in remittance of employees’ share is detected on the basis of the Computerized Compliance Tracking System (CCIS) and accordingly, action is taken to assess the amount and recovery thereof. However, no separate record in respect of default in remitting the employees’ share is maintained. On identification of default by an establishments, action for quantification of dues under section 7A and recovery thereof under Section 8 of the Act is taken”.

1.31 On being asked about the increasing arrears for recovery year after year, the Ministry replied as under:-

“On detection of default by the employer, action is taken for assessment of dues under Section 7 A and subsequent recovery thereof. Though a substantial part of old arrears is recovered, the amount of arrears outstanding also keeps on increasing on account of new default. Hence, outstanding dues keep on rising. As the procedure prescribed in the provisions of the Act calls for a series of steps to be taken for recovery of dues, it has some impact on timelines”.

1.32 The Committee were informed that the organization is facing difficulties in recovery of outstanding dues on account of the following reasons:-

- Stays granted by Courts/Tribunal.
- Establishments having gone into liquidation/closure/lock outs.
- Sanction of Installments by Courts/Higher authorities.
- Establishment in respect of which Rehabilitation Scheme had been sanctioned by the BIFR.

1.33 During the course of evidence when asked about the various measures taken for the recovery of arrears, a representative of the Ministry submitted before the Committee as under:-

“ As on 31.03.2007, the total arrears of the organization are about Rs. 2,607 crore. Of this, the Provident Fund arrears are about 22 per cent, the pension arrears about 21 per cent, the exempt establishments in default about 30 per cent and damages levied about 27 per cent. These arrears are recovered by means of recovery actions. We attach the property of the employers and their bank accounts. We have also the powers to appoint our own receivers and put them in civil prison and also file prosecution. We have the power also to take actions under sections 406 and 409 of Indian Penal Code in respect of default in depositing employees' share which has been deducted but not remitted. We have informed all our field formations to be very strict in recovery of arrears and to ensure that all efforts are taken, but there are certain difficulties in recovery of arrears in case the establishment goes into liquidation or if there is a litigation and establishment tends to take a stay and so on.”

1.34 The Committee note with concern that the arrears due for recovery are continuously mounting year after year against the defaulting establishments. The recovery position for the last three years has been Rs.1,901.03 crore in 2004-05, Rs.1,958.55 crore in 2005-06 and Rs.1,236.38 crore in 2006-07. Thus, it may be seen that there is substantial decrease in recovery of arrears during the year 2006-07. Consequently, the arrears due for recovery during the corresponding period have increased to Rs. 2,144.82 crore, Rs.2,530.07 crore and Rs. 2,607.47 crore respectively. The reasons for non-realisation of arrears have been adduced on account of stays granted by courts/tribunals, establishments having gone into liquidation/closure/lock-outs, sanction of instalments by courts/higher authorities and establishments in respect of which Rehabilitation Scheme had been sanctioned by BIFR. The Committee feel that EPFO should strengthen its grievance redressal machinery so that more cases are resolved so as establishments do not approach courts too often. Similarly, legal unit of the organization should have constant coordination with courts/tribunals/BIFR, etc. to save time in settlement of cases.

1.35 The Committee while examining Demands for Grants for the year 2007-08 had recommended in their 20th Report that the Government should gear up the machinery to recover the outstanding dues by taking appropriate action including filing of caveat in the court, convincing BIFR to make provisions for payment of arrears of EPFO, realization of dues from the process of liquidation of the establishments, etc. The Committee, reiterate this recommendation and urge upon the Government to take all possible steps to recover the outstanding dues at the earliest. The action taken in this regard may be intimated to the Committee within a time span of three months.

E DEFAULTING ESTABLISHMENTS

1.36 The number of defaulting establishments (unexempted sector) as on 31st March, 2005, 2006 and 2007 was 40608, 76476 and 72554 respectively. This includes, the establishments, which have defaulted in remittance of employees' share of contribution.

1.37 When asked about the reasons for failure of Employees' Provident Fund Organisation to curb the increasing number of defaulting establishments in the country alongwith the appropriate and effective strategy to encourage the establishments to eschew from defaults, the Ministry replied:

“The employer is required to comply with the provisions of the Act suo-moto, which includes timely remittance of dues. However, inspite of various deterrents provided in the Act (i.e. penalties under Section 14 of the Act, etc.) certain establishments still tend to default. With a view to establish an employer friendly system and to promote voluntary compliance, the concept of Area-specific enforcement was done away with, under the `Compliance 2001 Programme'. Notwithstanding this, the tendency of default has still continued. Therefore, certain strategic adjustments have been envisaged in compliance programme in order to discourage default. The changes, inter-alia, lay emphasis on Compliance Audit of all defaulting and non-complying units”.

1.38 Default by the employer including default in remittance of employees' share is detected on the basis of the Computerized Compliance Tracking System (CCTS). On detection of default by an establishment, action is taken under section 7 A of the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 for assessment of contribution due. The recovery of dues is effected in accordance with provisions of the Act. This includes - attachments of bank accounts, movable/immovable property, arrest of defaulters, etc. When asked to state the number of cases where legal action has been initiated under Section 7 A, 14 B and 406/409 of IPC by the Employees' Provident Fund Organisation against the defaulting establishments during the last three years and the efforts made to get the cases disposed off quickly, the Ministry in their written reply furnished as under:-

“The details of actions initiated against defaulters including legal action are given below:-

Sl.No.	Actions Taken	2004-05	2005-06	2006-07
1.	No. of cases initiated under section 7A of the Act	37,127	31,144	28,222
2.	No. of complaints filed under section 406/409 of IPC	684	457	649

The number of 14 B cases initiated/disposed of is not compiled, however, during the year 2006-07 a total workload of levy of damages was to the tune of Rs.578.46 crore.

In order to get the court cases expedited, prayers are made to the courts from time-to-time for expeditious disposal of the cases in the interest of workers. Standing Counsels are sensitized to get the cases expedited. Besides, Head Office monitors these cases regularly”.

1.39 In reply to a specific query of the Committee, the Ministry stated that there is no system of blacklisting of defaulting establishments.

1.40 The Ministry when asked as to why establishments are not blacklisted despite repeated defaults and the various methods in place to conduct periodical scrutiny of such establishments and the manner in which such organizations are made to pay for their defaults, the Ministry in their written reply stated as under:-

“There exists no provision for blacklisting of establishments under the Act. Regular watch of habitual defaulting establishments is aimed at taking of necessary action for assessment and recovery of dues, as well as appropriate penal action against them.

Since Para 14 of the Act already provides for a series of actions against defaulters, blacklisting of such establishments is not considered necessary particularly in view of the fact that no commercial relationship exists between the Employees’ Provident Fund Organisation and the establishments.

Compliance of covered establishments is regularly monitored through computer software namely, ‘Computerized Compliance Tracking System’

(CCTS) and a special watch is kept on the establishments, which default habitually. Appropriate actions under sections 14 of the Act and 406/409 of IPC are also taken in respect of such establishments.

Recovery of outstanding dues is affected in accordance with the provisions of the Act, which include attachment of bank accounts, movable/improvable properties, arrest of defaulters, etc.”.

1.41 The Ministry was asked to state the details of the defaulting establishments, though covered, yet indulging in the evasion of membership alongwith the details of the action taken against such establishments. The Ministry in their written reply stated as follows:-

“The data in the desired format is not maintained by EPFO. However, wherever evasion in membership is noticed, the establishment is directed to enroll the employees from the date of eligibility. In case the establishment does not comply with the instructions, the action is taken by EPFO under Section 7 A for assessment of dues.”

1.42 During the course of evidence, a representative of the Ministry assuring to take action against defaulting establishments stated:-

“At the end, I would like to thank you for listening to my introductory remarks. I would also like to assure the hon. Members of the Committee that we will continue to endeavour and to attempt to strengthen the organizational machinery as also take the appropriate decisions whether they are required to be taken at the level of the Government or the CBT to deliver effective service to members and have a close scrutiny of the defaulting establishments.”

1.43 The Committee note that the number of defaulting establishments during the last three years i.e., 2005, 2006 and 2007 was 40608, 76476 and 72554 respectively. EPFO, as an organization to handle this menace has been found wanting in solving this problem. The absence of proper format in the organization to maintain the information regarding evasion or under statement of EPF membership in an establishment is a glaring lacuna pointing towards the shortsightedness of the organization in dealing with the problem. Lack of any deterrent action against the defaulting establishments only emboldens them to indulge in the act of omissions with impunity. Even Though major and habitual defaulters are kept under periodical and regular scrutiny, EPFO has no system of blacklisting of defaulting establishments. On detection of a default, action is taken under Section 7A of the Act for assessment of the due contribution. Thereafter, a very protracted and cumbersome legal process is taken recourse to. All these actions to discourage defaults have failed to yield the desired results. The Committee, therefore, desire that a fresh look to have a comprehensive view about the phenomena of default among the establishments (both exempted and unexempted sectors) is essential. The Committee feel that the default, whether intentional or otherwise, deprives the workers of their legal and rightful claims and unlawfully benefit the organizations indulging in this malpractice. With a view to eradicate this malady, the Committee recommend that EPFO should take strong administrative and judicial measures; even by making appropriate changes in the relevant Act and Rules, if required.

F. INOPERATIVE ACCOUNT

1.44 The Committee note that a large amount of unclaimed Deposit i.e. Rs.1,624.69 crore is laying with EPFO as on 31.3.2007. When asked to state the reasons for it, the Ministry stated as under:

“The amount lying in the Inoperative Deposit Account as on 31.3.2007 was Rs.1,624.69 crore. The main reasons for amounts accumulating in the Inoperative Account are:-

- It is a safe investment option and as such not withdrawn by members even after superannuation.
- Multiple Accounts of a single subscriber due to non-transfer of Provident Fund amount on change of job.
- Tax exemption and immunity from attachment.”

1.45 As regards steps taken to disburse the dues to its rightful claimants, the Ministry informed:

“The efforts made to liquidate the amount lying in the Unclaimed Deposit Account include:-

- Special drive to settle these accounts to the rightful claimants or to transfer the amount to the present accounts of the members.
- Advertisements in newspapers informing the members about the special drive to settle the accounts of those members who have not contributed to their PF accounts for more than 3 years.
- Deputing Enforcement Officers to the establishments having more number of such accounts to give a list of such accounts to the employers and to get the addresses of such members as per employers’ records. Individual members may be addressed on the basis of addresses so obtained.
- Besides, EPFO under the ‘Re-inventing EPF India’ project has initiated allotment of nationally Unique Social Security Number to the members, which will eliminate incidences of multiple accounts and the need to transfer accounts, etc.”

1.46 When asked about the number of cases settled out of Unclaimed Deposit Account and the total amount disbursed out of unclaimed Deposit Account, the Ministry informed as under:

“The information regarding number of cases settled out of the Unclaimed Deposit Account is not maintained separately. However, the total amount disbursed out of the Unclaimed Deposit Account during the last three years is as follows:-

Year	Amount (Rupees in crore)
2004-2005	86.60
2005-2006	71.08
2006-2007	77.47

1.47 On the issue of mounting amounts in the Inoperative Account, a representative of the Employees Provident Fund Organisation during the course of evidence, stated:-

“.....There is another growing tendency which we notice and causes concern is inoperative account, which was formerly called as UCD Account. This is unfortunately growing. That also shows a huge labour mobility. People tend to change job from one establishment to another, but they do not tend to transfer the amount in their account to their new account or tend to leave it as such. In the year 2006-07, the inoperative account is of the order of Rs. 1,624 crore. In view of its growing nature, we have advised RPFCs to stay in touch with the recognized State labour unions and Central trade unions to advise their constituents to apply for the money and take it. We also intend to take to lot of publicity awareness campaign in this matter”.

1.48 When asked whether the Government has drawn up any scheme for the utilization of this unclaimed money, the Ministry stated as follows:-

“As per existing scheme provisions, the amount lying under Unclaimed Deposit Account cannot be utilised for any other purpose except for paying to the rightful claimants”.

1.49 The Committee note with concern that as on 31st March, 2007 an amount of Rs.1,624.69 crore has been lying with the Employees' Provident Fund Organisation (EPFO) in the Inoperative Account. The Committee have been informed that as per existing scheme provisions, the amount lying under Inoperative Account cannot be utilized for any other purpose except for paying to the rightful claimants. The Committee find that the total amount disbursed out of the Inoperative Account during the last three years has been Rs.86.60 crore in 2004-2005, Rs.71.08 crore in 2005-06 and Rs.77.47 crore in 2006-07. The Committee feel that since not large number of claimants are coming forward to settle their claims, a large amount of fund has been blocked which could be used elsewhere for better purposes. The Committee, therefore, recommend that some percentage of the funds should be invested to earn better returns which may be utilized for the promotion of welfare measures of workers. The Committee further recommend that adequate publicity should be given in newspapers in all major languages to make subscribers aware about the unclaimed deposits with EPFO and existing facility to carry forward the account in new/changed employment. The Committee also desire that the number of cases settled out of the Inoperative Account should also be maintained along with the amount disbursed. Besides, establishments covered under the scheme may be asked to have specific column in the service book format of their employees about the existing EPF number, if any, in their previous employment.

G. NATIONAL SOCIAL SECURITY NUMBER (NSSN)

1.50 **Employees' Provident Fund Organisation** has launched a major project called "**Re-Inventing EPF India**" to provide world class service to all its clients. As part of this project a unique identity number called **Social Security Number (SSN)** is allotted to every Provident Fund subscriber. It is the first step towards providing world class service to all Provident Fund subscribers. Social Security Number is a **unique 14 digit identification number**. Subscriber's information is collected in prescribed SSN forms along with photograph of the member. The SSN forms are supplied by Provident Fund Office, free of cost.

1.51 **Social Security Number** is compulsory for every Provident Fund subscriber in the new system for providing all kind of services. Provident Fund Office is distributing the number by setting up camp in establishments or nearby area for data collection.

1.52 When the Ministry was asked to give in detail the progress made regarding allotment of National Social Security Number (NSSN) to subscribers in the country, State-wise during the last three years and how many subscribers are yet to be allotted NSSN, State-wise and by when NSSN is likely to be allotted to all the eligible subscribers. The Ministry replied as under:-

"The Government has renamed the unique identity number as Social Security Number (SSN) . The details of SSN allotted so far is given below:-

Sl.No.	Office	SSN Allotted
1.	Delhi	282296
2.	Haryana	140713
3.	Himachal Pradesh	23040
4.	Punjab	140880
5.	Uttaranchal	18158
6.	Uttar Pradesh	15336
7.	Andhra Pradesh	781318
8.	Karnataka	387538
9.	Kerala	88362
10.	Tamil Nadu	297201
11.	Bihar	38658
12.	Jharkhand	37518
13.	North-Eastern Region	7565
14.	Orissa	70705
15.	West Bengal	302779
16.	Chaattisgarh	0

17.	Goa	44380
18.	Gujarat	121252
19.	Madhya Pradesh	129656
20.	Maharashtra	252796
21.	Rajasthan	168040
	TOTAL	3,348.191

The exact number and date cannot be ascertained as the process of allotment of SSN is continuous in nature as the employable persons will continuously join the employment stream and they are to be enumerated as and when they join. The process of allotment of SSN is also linked to Business Process Re-engineering (BPR) Project which is being implemented with the help of NIC at present”.

1.53 The Committee find that the process of allotment of National Social Security Number (NSSN) has been undertaken with a view to provide a unique identity to each employed person so that social security benefits as stipulated under the statutes are ensured to him/her despite switching over of jobs by the concerned employee. This will also smoothen the functioning of EPFO as the organization will have the definite identity of the person in settling the claims irrespective of change in the employment. However, the Committee are pained to note that the pace of allotment of NSSN is tardy. Out of 4.44 crore enrolled workforce in the country, only 33, 48, 191 workers have been issued NSSN till March 2008. In the States like UP, Bihar and in North Eastern Region, NSSN has been issued to 15336, 38658 and 7565 subscribers respectively. In the State of Chattisgarh, not even one person has been covered under the drive. The figures amply demonstrate the seriousness which the organization is attaching to such an important task. The process of allotment is linked to Business Process Re-engineering (BPR) and is being implemented with the cooperation of NIC. NIC has its network throughout the country and the allotment of NSSN to the less than 1 % of the identified workforce in the country defies all logic except highlighting the callous attitude of the Government in implementing such a significant measure for the welfare of workers. Although the process of allotment of NSSN is continuous in nature as employable persons keep joining the employment, still there is a huge backlog of employed workforce who are yet to be covered under this umbrella. Hence the Committee vehemently urge upon the Government to

expedite the process clearing backlog of allotment of NSSN so as to complete it within a period of two years.

H. GRIVEANCES REDRESSAL MACHINERY (GRM)

1.54 Redressal of grievances is an important aspect of the functioning of any organization. The pendency of grievances indicate its success or failure. It is practically impossible that any institution may be grievance free, yet some effective mechanism should be there for timely solution of the problems of the workers. The situation with regard to service organization become more serious if the Grievance Redressal Machinery is not appropriate and responsive. EPFO is one such organization which caters to the needs of thousands of millions of subscribers. Complaints are likely in such a huge organization. Therefore, the existence of an effective Grievance Redressal Machinery is also essential in such a place.

1.55 The Committee asked the representative of the Ministry about the existence of such a mechanism in EPFO and the usual nature of the grievances of the subscribers. In response, the representative of the Ministry replied that there are mainly two sources of grievances, primarily from members and on secondary basis from the employers. The main nature of grievances is as under:

- Claims not settled.
- Accounts Slips not issued.
- Members not enrolled.
- Delay in transfer of accounts;
- Delay in release of pension/ dispute on quantum calculation.
- Delay in issue of Schemes Certificate.
- Return/Rejection of claims.

1.56 On the query of Committee regarding structure of GRM, it was replied that the Headquarter Office and all the field offices across the country are equipped with full-fledged facilitation centers, public relation officers and supporting staff. The organization in tune with its objectives lays considerable importance to the redressal of grievance of the members of the fund. The Public Relation Officers at the Reception Counters are available on all working days of the week to handle the grievances of the visiting members. The initiative have resulted in ensuring prompt services given by the field officers to the members, which in turn has reduced the number of grievances.

1.57 On being asked about the status of the pendency of grievances and their redressal, it has been informed that the details of grievances received and redressed during the last three years are as follows:-

	2004-05	2005-06	2006-07
Grievances pending at the beginning of the year	2389	5171	2964
Received during the year	48412	38982	44685
Total	50801	44153	47649
Disposed off during the year	45630	41189	44937
Balance at the end of the year	5171	2964	2712
Percentage of Disposal	89.82%	93.29%	94.31%

1.58 When the Committee enquired about the quality of grievance mechanism currently in operation in the EPFO, one of the representatives during the course of evidence submitted as under:-

“....another issue which is important to EPF is the service delivery to our stakeholders. We have set up a good public grievance mechanism which is headed by one Additional CPFC level officer at the headquarters. He is supported by a specified officer in each region and each office. In order to increase the facilities, we have also in our website given a facility called ‘Know Status of Your Claim’ by which a Member can access the information while sitting at his home. While the organization is spread in 100 office locations, we have nearly 19,000 staff and officers working in this organization. The scale of operation is very large. In the year 2006-07, we had settled 51,10,958 cases. So many payment decisions have taken place in the year. By this, Rs.12,100 crore are disbursed as pension benefits, provident fund benefits during the year.

1.59 The witness added:-

“We also noticed that there have been considerable grievances among members for one or the other reasons. Mainly, the grievance relates to the delay in settlement of claim. This is occurring mainly in a couple of locations like Mumbai, Delhi and Bangalore. It is because a huge number of claims flow into these offices. They have been virtually working day and night, but still they are not able to handle such a volume of work. There are other types of grievances like we receive a considerable number of letters in respect of seeking clarification in pension entitlements; whether the pension claims have been settled rightly or wrongly; we get letters on delay in issue of certificates and reasons for rejection or return of claims; etc”.

1.60 On the question of holding adalats for settling the grievances expeditiously, the representative of the Ministry of Labour and Employment stated:-

“There are some complex cases also, which cause some delay in our settlements. However, the grievance redressal machinery is very strong, and we are able to handle nearly 95 per cent of the grievances to the satisfaction. In order to address difficult and complex cases, we have standing instructions that in each office on a specified day in the month there will be a provision of adalat where the grievances that cannot be solved by letters can be handled by direct interface between the Head of the office and the customer. In the year 2006-07, we have organized 1,306 adalats in which 2,110 cases were registered, and we were able to dispose of 2,087 cases, which is nearly 99 per cent of the cases that have been disposed of properly”.

1.61 The representative further added:-

“Recently, we have taken two initiatives. I had already mentioned that we had put up in our website that the status can be known by clicking a button. It is called ‘Know Your Claim’. Anybody can type out his account number and you will get the status. The second one which we had initiated just a couple of days ago is called CPGRAMS. This is again a web enabled mechanism where the member can type out his grievance in the net and the result will be send to the appropriate officer by itself. Our experiments are complete and we are formally coming out with an advertisement in the newspaper and it will be centrally monitored by us”.

1.62 The Committee note that the grievances of subscribers of EPFO mainly revolve around (i) Claims not settled; (ii) Accounts Slips not issued; (iii) Members not enrolled; (iv) Delay in transfer of accounts; (v) Delay in release of pension/dispute on quantum calculation; (vi) Delay in issue of Schemes Certificate; and (vii) Return/Rejection of claims. Although, various steps have been taken to redress the grievances of the subscribers and there are settlements of about 90 per cent of the received complaints, yet this is an area which requires constant vigil at the highest level. The attitude and approach of the persons entrusted with handling the grievances is also an important aspect which has a bearing on their redressal. There is a provision stipulating a definite time frame for the solution of the problem but instances are galore wherein the time limit is hardly adhered to as far as solution of problem is concerned. Even though, a web-enabled mechanism has been put in place to help the subscribers, given the nature and education of the subscribers of the EPFO, it is doubtful whether this step will be helpful to subscribers in the redressal of their problems. Even holding of adalats to redress the grievances appears to be a sham exercise. As many as 1,306 adalats were organized in the year 2006-07 in which only 2,110 cases were received out of which 2,087 cases were disposed of. The receipt of less than 2 cases per adalat speaks volumes about the dismal performance of the programme and sincerity of the organization in the redressal of grievances. The figures submitted regarding grievances and their redressal also appear to be unrealistic keeping in view the huge number of subscribers enrolled with EPFO and the number of complaints received and redressed. In the present economic scenario workers particularly skilled workers tend to switch over the assignments leading to

non-settlement of their dues or its non-carriage to the new assignments leading to swelling of inoperative account. To mitigate the hardships of the subscribers in this regard, a proper and institutionalized system need to be put in place.

1.63 The Committee, therefore, strongly recommend that the existing grievance redressal mechanism of the organization being old fashioned and not rising to the occasion in the changed scenario of employment pattern needs a thorough revamp. Instead, a realistic, responsive and user friendly mechanism is an urgent need of the organization that can take care not only the grievances of the subscribers but also act as a catalyst to their welfare.

I. RATE OF RETURN FOR SUBSCRIBERS VIS-À-VIS INVESTMENT OF FUNDS

1.64 The Committee have been apprised that the rate of interest paid to subscribers during the last three years is as under:-

Year	EPF Rate of Interest
2004-2005	9.5%
2005-2006	8.5%
2006-2007	8.5%
2007-2008	8.5% Recommended by CBT, EPF (Has been approved by Government)

“

1.65 The rate of interest payable to the subscribers of EPFO is an issue of perennial dispute and discord. Low income/returns from investments of EPFO has been cited to be the reasons for non-acceptance of higher rate of interest to the subscribers of EPFO.

1.66 When asked about the action taken in this regard, the Ministry stated as under:-

“The funds of the Employees’ Provident Fund Organisation are invested as per the prescribed pattern of Investments. The Central Board of Trustees, Employees’ Provident Fund, in its 178th and 179th meetings, held on 27.1.2007 and 10.3.2007 respectively has recommended the Central Government for changing the Investment pattern. The exact impact of the proposed changes will depend on the availability of securities and the prevailing market conditions of yields.

The proposed changes being recommended to the Central Government include the following:-

- Government should be requested to allow investments in NSCs and POTDRs.

- Investments in TDRs of Private Sector Banks should be permitted subject to a limit of 5% of the deposit base.
- Term Deposit Receipts issued by public sector banks should be allowed for upto three years.
- The board decided to recommend to the Government the merging together of two categories of 25% and 15% of Central and State Government securities respectively to make a single category of 40% of Government securities; treat the category wise percentage norms as indicative and not mandatory; and to do away with any floor in any single category.

The declaration of the rate of interest depends on the estimated earnings of the fund and estimated liability towards members at the declared rate. The quantum of increase in 'Interest Income' depends on the market conditions of 'Yield on securities' and the availability of securities in each of the prescribed category of investments. No definite forecast can be made".

1.67 On being asked whether EPFO has consulted any financial experts/advisor to provide sufficient options regarding various avenues of investments/direct involvement in financial/production activities in the prevailing market in public sector, the Ministry in their written reply stated as under:-

"The Employees' Provident Fund Organisation had appointed M/s Mercer Human Resources Consulting Company in the year 2005 as consultants for suggesting various options of investments. The recommendations of the consultant are yet to be considered by the Board".

1.68 On the same subject, the Committee enquired about the methodology proposed to be adopted for maximizing the returns, the representative of the Ministry while deposing before the Committee stated as follows:-

"...the basic genesis to multi-fund management is that we want to maximize the returns on the corpus of funds which is available with the EPFO. We felt that competition is the best method of going about doing it. Till now, we had one fund manager. But we decided that it is better that we have at least three or more fund managers, and we will distribute the funds amongst them and we will monitor the returns they are going to give us on these funds. Therefore, we will have a comparative basis on the basis of which we will be able to arrive at a view as to whether we have been able to maximize the return."

1.69 On the question of security of funds in the atmosphere of market driven economy, the representative further submitted:-

“The fund manager will be directed that he can only invest the funds as per the guidelines laid down by the CBT. They will not be allowed to deviate from those basic guidelines. It is only maximizing the returns within those guidelines provide for their security.”

“.....When it is an issue of security vis-à-vis returns, CBT is absolutely clear that we are dealing with the funds of the workers, and for CBT security of funds is of paramount importance, and thereafter comes maximization of returns within that secured framework. That is why, they have laid down certain basic guidelines for us.”

1.70 When the matter regarding the rate of interest to the subscribers came up for discussion, a representative of the Ministry of Labour and Employment while deposing before the Committee submitted:-

“Another important issue which has drawn attention is the declaration of rate of interest for the year 2008-09. In this regard, I would like to apprise the Committee that an item to this effect is being placed before the Board tomorrow, that is, on 05.07.2008 for deliberation”.

1.71 The Committee note with concern that the rate of interest payable to subscribers of EPFO has always been an issue of perennial disagreement. It has been stated that the rate of interest is determined keeping in view the projected income and projected interest payment liabilities during a particular year. The Committee find that EPFO has not paid more than 8.5 per cent rate of interest to its subscribers since last three years. The Committee note that with a view to earn better returns from investment of EPFO corpus, the Central Board of Trustees, EPF agreed to certain recommendations regarding changing the investment pattern such as investments in NSCs and POTDRs, investments in TDRs of private sector banks subject to a limit of 5% of the deposit base, TDRs of public sector banks upto 3 years and merger of two categories of 25% and 15% of Central and State Government securities, respectively to make a single category of 40% of government securities; treat the category-wise percentage norms as indicative and not mandatory and to do away with any floor in any single category. The Committee have gathered from press reports that some steps have reportedly been taken to corporatise the fund management and accordingly certain financial institutions like ICICI, HSBC and Reliance Capital have been selected with the responsibilities to manage the corpus of EPFO. In this context, the Committee have been assured by the Ministry that the process is for maximization of returns on the funds and the funds will be invested by these institutions as per Government given guidelines/parameters. Given the very fact that the fund belong to the workers, the main principle for fund management should be to give workers a minimum assured return which takes care of the prevailing bank interest rates as investments and due compensation for the inflation.

1.72 The Committee note that print media has highlighted serious lacunae in the process of selection of fund managers to manage provident Fund viz. HSBC, ICICI, SBI and Reliance Capital. Reportedly, in the original list of selected fund managers, the name of Reliance Capital did not figure as they were not found eligible for selection. However, the reported inclusion of Reliance Capital's name in the list of fund managers at the later stage has created suspicion in the whole process of selection not being transparent. The Vigilance Commission is also reported to have sought details in the matter. The Committee would therefore like the Government to have the matter thoroughly examined. The Committee would like to be apprised of the outcome of such enquiry at the earliest. The Committee also urge upon the Government to take necessary steps to ensure that the entire process of selection of fund managers is competitive, transparent and above board.

1.73 The Committee also strongly recommend that with a view to generate more income from the corpus of EPFO, in addition to initiatives already taken, the organization should diversify its activities and explore the possibility of venturing into the areas where the organization takes upon itself such activities - be it financial, banking, insurance, realties - which may generate sufficient returns so that a bench mark for the issue of the rate of interest is decided and workers may be given due incentives based on their contribution and accumulation for the surplus fund generated, if any. Besides, some mechanism be developed in the organization to supervise the functioning of the private fund managers so as to forewarn them about

their action which is not financially viable as far as returns on investment is concerned and take pre-emptive measures, if the need is felt. The services of reputed financial experts may be requisitioned to achieve the objective in this regard.

J. MANPOWER PLANNING IN EPFO

1.74 On the staff front of EPFO, the Ministry has furnished the details of sanctioned and actual strength of the organisation as on 30.09.2007, as under:-

Group	Sanctioned Strength	In Position
A	686	617
B	2241	2048
C	17998	14602
D	2420	2127
TOTAL	23345	19394

1.75 The Ministry has stated that appropriate necessary action for filling up of vacant posts is taken from time to time.

1.76 The Ministry was further asked to state the reasons for not filling up these vacancies on priority. In their post evidence written reply, the Ministry has stated as under:

“Necessary action for filling up the vacant posts is taken from time-to-time. Very recently, the following action has been taken:

- 55 posts of Assistant Provident Fund Commissioners earmarked for Direct Recruitment have been filled up on ad hoc basis in August, 2007. Regular appointment by recruitment is being processed in consultation with U.P.S.C.
- Proposal for filling up vacancies of 15 Regional Provident Fund Commissioner-II posts, 02 Director (IS), 01 Dy. Director (Vig.) is under process.
- Action to fill up 60 posts in Audit Wing has been completed and offer of appointment is under issue.
- The recruitment process in respect of 1276 posts of SSA has been completed. The Select List is expected shortly”.

1.77 The Committee observe that the organizational structure with sufficient staff strength is the hallmark of any service organization. It is regretted that a large number of vacancies are lying vacant almost in every cadre of the EPFO. Out of the sanctioned strength of 23,345 in various cadres, only 19,394 persons are in position. The worst hit is the Group 'C' cadre wherein more than 3300 vacancies exist. It is this cadre, which has the direct interface with the subscribers. Shortage of manpower in this category is bound to adversely affect the efficiency of the organization. The present staff strength has been worked out before the decision to revise the eligibility criteria of industries for the purpose of coverage. With the lowering of number of persons from 20 to 10 in an establishment, the present figure of staff strength will go haywire, as it will be woefully short to cope up with the phenomenal increase in the number of subscribers. Due to addition of enterprises, like companies offering life insurances, annuities, private airports and joint venture airports, electronic media companies, lodging houses, service apartments and condominiums in the list of industries for coverage, the staff position will be further overstrained undermining the efficiency. In the absence of sufficient staff, the entire working of the organization will be slack. The reply given by the Ministry regarding appropriate action being taken by them to fill up the vacant posts is far from satisfactory.

1.78 The Committee feel that not only the staff strength but the structure of the organization need appropriate revamping after proper analysis of its strength and weaknesses and a scientific manpower study. The adequate number of skilled manpower in the area of managing finance, handling public relations and addressing the grievances of the subscribers will do great service to the organization. Being the organization dealing primarily with the finances of the not so educated and skilled workers of the country, the staff of the organization should be adept to handle the intricacies of the complex financial matters to protect workers' interest. Their career progression should invariably take into account their performance in vital areas of coverage of establishments, recovery of arrears, defaults of the organizations in their respective jurisdictions and functioning of the Grievance Redressal Machinery. Also, the locations of the offices of EPFO (ROs/SROs) should be so situated so as to enable the subscribers to have easy access involving minimum travel time, particularly in the North Eastern States of the country. In view of the expanding membership of the organization, it is all the more essential to have the adequate staff for providing timely and efficient service to the subscribers.

1.79 The Committee, therefore, urge upon the Government to foresee the enormous task before the organization in the present scenario and take tangible and affirmative action for restructuring the organization and manning it efficiently. For the purpose special drives, if deemed necessary, may also be launched to recruit the manpower as per the need of the organization.

NEW DELHI;

August, 2008
Bhadrapada, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,
Chairman,
Standing Committee on Labour

**MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON
LABOUR (2005-2006) HELD ON MONDAY, 16 JANUARY 2006.**

The Committee met from 1130 hours to 1430 hours in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Joachim Baxla
3. Shri Santasri Chatterjee
4. Shri Sukhdev Singh Dhindsa
5. Shri Thawar Chand Gehlot
6. Shri Virendra Kumar
7. Smt. Sushila Kerketta
8. Shri Rajesh Kumar Manjhi
9. Shri Lal Mani Prasad
10. Shri Chandradev Prasad Rajbhar
11. Shri Mohan Rawale
12. Smt. C.S. Sujatha

RAJYA SABHA

13. Shri Lekhraj Bachani
14. Shri Jayanta Bhattacharya
15. Shri Debabrata Biswas
16. Ms. Pramila Bohidar
17. Shri Rudra Narayan Pany
18. Shri K. Chandran Pillai

SECRETARIAT

- | | | |
|---------------------|---|--------------------|
| 1. Shri N.K. Sapra | - | Joint Secretary |
| 2. Shri R.S. Misra | - | Deputy Secretary |
| 3. Shri S.K. Saxena | - | Assistant Director |

(I) List of representatives of the Ministry of Labour & Employment

Sl.No.	Name of the Officer	Designation
1.	Shri J.P. Singh	Additional Secretary
2.	Shri J.P. Pati	Joint Secretary
3.	Shri K.C. Jain	Director

II List of representatives from the office of the Central Provident Fund Commissioner

1.	Shri A. Viswanathan	CPFC
2.	Shri S.K. Khanna	ACC (C)
3.	Shri M.L. Meena	ACC (P)
4.	Shri Ranbir Singh	ACC (NZ)
5.	Shri S.R. Joshi	RPFC (Delhi North)
6.	Shri P.M. Mathew	RPFC (Delhi South)
7.	Shri M. Vijay Raj	RPFC (Uttar Pradesh)
8.	Shri U.C. Tiwari	RPFC (Haryana)
9.	Shri Satish Chandra	RPFC (PQ)
10.	Shri P.K. Udgata	RPFC (PQ)
11.	Shri Subhash Sharma	APFC (PQ)

2. At the outset, the Hon'ble Chairman welcomed Shri J.P. Singh, Additional Secretary, Central Provident Fund Commissioner and other officials of the Ministry of Labour and Employment and asked them to brief the Members about the coverage of industrial establishments and recovery of outstanding contribution from the employers and functioning of Grievances Redressal Machinery in the States of Uttar Pradesh, Delhi and Haryana under EPF&MP Act,1952 in the first phase. Later on, other States would be taken up for examination in detail. He also apprised the representatives of the Ministry that since it is a review meeting, the Committee would like to be apprised of the steps taken and progress achieved by the organisation in these three States in the past three months.

3. Additional Secretary of the Ministry and Central Provident Fund Commissioner briefed the Committee about the Coverage, Recovery of Arrears, Unclaimed Account and Grievances Redressal Machinery pertaining to Uttar Pradesh, Delhi and Haryana under the Act. Then they replied to the queries raised by the Members. The Chairman directed the Additional Secretary and CPFC to send written replies to the queries of the Members on which information was not readily available with them during the evidence. The Chairman further directed them to furnish replies to the List of Points.

4. The Chairman thanked the Additional Secretary, CPFC and other officials for giving valuable information to the Committee on the subject.

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A verbatim record of the evidence was kept.

The Committee then adjourned.

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON
LABOUR

The Committee sat on 19 July 2007 from 0930 hours to 1045 hours in Committee Room `C', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Furkan Ansari
3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Mohammad Tahir Khan
7. Shri Virendra Kumar
8. Shri Rajesh Kumar Manjhi
9. Shri Devidas Pingle
10. Shri Dhan Singh Rawat
11. Smt. C.S. Sujatha
12. Shri Parasnath Yadav

RAJYA SABHA

13. Chowdhary Mohammad Aslam
14. Shri Rudra Narayan Pany
15. Shri Narayan Singh Kesari
16. Shri K. Chandran Pillai
17. Shri Gandhi Azad
18. Ms. Pramila Bohidar
19. Shri Dilip Ray

SECRETARIAT

- | | | | |
|----|-------------------|---|---------------------|
| 1. | Shri N.K. Sapra | - | Joint Secretary |
| 2. | Shri R.K. Bajaj | - | Director |
| 3. | Shri N. K. Pandey | - | Deputy Secretary-II |
| 4. | Smt. Mamta Kemwal | - | Under Secretary |

(I) REPRESENTATIVES OF THE MINISTRY OF LABOUR & EMPLOYMENT

Sl.No.	Name of the Officer	Designation
1.	Smt. Sudha Pillai	Secretary
2.	Shri S. Krishnan	Additional Secretary
3.	Ms. Gurjot Kaur	Joint Secretary
4.	Shri S. K. Verma	Director

(II) REPRESENTATIVES FROM THE OFFICE OF CENTRAL PROVIDENT FUND COMMISSIONER

1.	Shri A. Viswanathan	CPFC
2.	Shri P. Sudhakar Babu	ACC (C)
3.	Shri K. C. Pandey	ACC (P)
4.	Shri S. K. Khanna	ACC (NZ)
5.	Shri S.R. Joshi	RPFC (Delhi North)
6.	Shri R. K. Kukreja	RPFC (Delhi South)
7.	Shri Jagmohan	RPFC (Uttar Pradesh)
8.	Shri S. L. Srivastava	RPFC (Haryana)
9.	Shri Satish Chandra	RPFC (PQ)
10.	Shri Subhash Sharma	RPFC (PQ)
11.	Shri J. C. Thukral	APFC (ASD)
12.	Shri Abhay Kumar Singh	Financial Advisor & Chief Accounts Officer
13.	Col. S.S. Dhankar	Additional Central Provident Fund Commissioner

2. At the outset, the Chairman welcomed Secretary, Ministry of Labour and Employment and Central Provident Fund Commissioner and other officials of the Ministry of Labour and Employment to the sitting and drew their attention to Direction 55(1) of the Directions by the Speaker. The Committee was then briefed by the representatives on the coverage of industrial establishments and recovery of outstanding contribution from the employers and functioning of Grievances Redressal Machinery in the States of Uttar Pradesh, Delhi and Haryana under EPF & MP Act.

3. Thereafter, the Secretary, Ministry of Labour and Central Provident Fund Commissioner responded to the queries raised by Hon'ble Chairman and Members of the Committee. The Chairman requested the Secretary and Central Provident Fund Commissioner to send written replies to the queries of the Members on which information was not readily available with them during the evidence. The Chairman further directed them to furnish replies to the List of Points handed over to them by the Committee at the earliest.

The witnesses then withdrew.

4. A verbatim record of the proceedings has been kept.

5. XX XX XX XX.

The Committee then adjourned.

ANNEXURE-III**MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON LABOUR**

The Committee sat on 25 July 2007 from 1530 hours to 1645 hours in Committee Room `B', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Furkan Ansari
3. Shri Santasri Chatterjee
4. Shri Thawar Chand Gehlot
5. Shri Munawwar Hasan Chowdhary
6. Shri Mohammad Tahir Khan
7. Shri Virendra Kumar
8. Shri Kamla Prasad Rawat
9. Smt. C.S. Sujatha
10. Shri Parasnath Yadav

RAJYA SABHA

11. Chowdhary Mohammad Aslam
12. Shri Rudra Narayan Pany
13. Shri Narayan Singh Kesari
14. Shri K. Chandran Pillai
15. Shri Gandhi Azad

SECRETARIAT

- | | | | |
|----|-------------------|---|---------------------|
| 1. | Shri R.K. Bajaj | - | Director |
| 2. | Shri N. K. Pandey | - | Deputy Secretary-II |
| 3. | Smt. Mamta Kemwal | - | Under Secretary |

WITNESSES

1. All India General Mazdoor Trade Union,
Shri Pramod Kumar Rajput, Chairman
2. Garments Export Workers Union
Shri Rameshwar Bharti, General Secretary
3. Delhi Hosiery Worker's Union
 - (i) Shri Chandrashekhar, General Secretary
 - (ii) Shri E. K. Vasudevan, Vice President
 - (iii) Shri Rakesh Sharma, Secretary
4. Glove Workers Lal Jhanda Union
Shri Subodh Singh, General Secretary

2. At the outset, the Chairman welcomed the representatives of Trade Unions to the sitting and drew their attention to Direction 55(1) of the Directions by the Speaker. The representatives then gave a brief account of the coverage of industrial establishments and recovery of outstanding contribution from the employers and functioning of Grievances Redressal Machinery in the States of UP, Delhi & Haryana under EPF & MP Act. The following important points emerged during the discussion:-

- (i) Non-issue of appointment letter by employers to avoid contribution towards EPF and ESI
- (ii) Non-revision of Pension Scheme since 1995
- (iii) Non-registration of complaints regarding non-recovery and less recovery by EPF authority
- (iv) Non-coverage of contract employees under EPF Scheme.
- (v) Bifurcation of the minimum wages, as HRA conveyance allowance etc. by the establishments with a view to contribute less amount

3. Thereafter, the Chairman requested all the representatives of Trade Unions to send their written replies to the queries of the Members on which information was not readily available with them during the evidence. The Chairman further directed them to furnish their detailed memoranda to this Secretariat within a fortnight.

The witnesses then withdrew.

4. A verbatim record of the proceedings has been kept.

5. XX XX XX XX

The Committee then adjourned.

ANNEXURE-IV

MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON 4TH JULY, 2008

The Committee sat from 1130 hrs. to 1315 hrs. in Committee room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

MEMBERS**LOK SABHA**

2. Shri Furkan Ansari
3. Smt. Sushila Kerketta
4. Shri Virendra Kumar
5. Shri Bassangouda R. Patil
6. Shri Devidas Pingle
7. Shri Chandradev Prasad Rajbhar
8. Shri Mohan Rawale
9. Shri Kamla Prasad Rawat
10. Smt. C.S. Sujatha
11. Shri Parasnath Yadav

RAJYA SABHA

12. Shri Rudra Narayan Pany
13. Shri Narayan Singh Kesari
14. Shri K. Chandran Pillai
15. Shri Arjun Kumar Sengupta

SECRETARIAT

- | | | | |
|----|------------------|---|----------------------|
| 1. | Shri S.K. Sharma | - | Additional Secretary |
| 2. | Shri Brahm Dutt | - | Joint Secretary |
| 3. | Shri N.K. Pandey | - | Deputy Secretary |

Witnesses

MINISTRY OF LABOUR & EMPLOYMENT

1. Smt. Sudha Pillai, Secretary
2. Shri S. Krishnan, Additional Secretary (L&E)
3. Shri S.K. Srivastava, Joint Secretary
4. Shri S.K. Verma, Director

OFFICE OF CENTRAL PROVIDENT FUND COMMISSIONER

1. Shri A. Viswanathan, Central Provident Fund Commissioner (CPFC)
2. Shri A.K. Singh, FA & CAO
3. Shri Rajiv Talwar, CVO
4. Shri P. Sudhakar Babu, Addl. CPFC (Compliance)
5. Shri K.C. Pandey, Addl. CPFC (Pension)
6. Shri S.K. Khanna, Addl. CPFC (North Zone)
7. Shri Subhash Sharma, APFC (PQ)

2. At the outset, the Chairman welcomed the representatives of Ministry of Labour and Employment and representatives from the Office of Central Provident Fund Commissioner to have further evidence on the functioning of the Employees Provident Fund Organisation particularly in the States of Uttar Pradesh, Delhi and Haryana. He also apprised them of the provisions of Direction 58 of the Directions by the Speaker regarding confidentiality of the proceedings.

3. The Committee were then briefed by the representatives of the Ministry of Labour and Employment and EPFO on various aspects on the subject.

4. The important issues which came up for discussion inter-alia included:-

- (i) Review of Compliance 2001 Programme.
- (ii) Coverage of establishments.
- (iii) Recovery of arrears.
- (iv) Rate of interest on PF.
- (v) General working of the EPFO.
- (vi) Default by establishments with regard to their EPFO obligations.
- (vii) Amendment of EPF and MP Act, 1952.
- (viii) Pendency of cases in various courts.
- (ix) Working of Grievance Redressal Machinery.

- (x) Adequacy of staff strength in the EPFO.
- (xi) Computerisation of the offices of EPFO.
- (xii) Non-deposit of PF contribution of beedi workers into their account.

5. Thereafter, the Members raised queries, which were replied to by the witnesses. On some of the queries to which the witnesses could not reply during the evidence, they were asked to send the written replies to the Secretariat within a fortnight. They were also asked to send the written replies to the Supplementary List of Points which were handed over to them.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON
LABOUR HELD ON 27TH AUGUST, 2008

The Committee sat from 1130 hrs. to 1330 hrs. in Committee Room `B', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Furkan Ansari
3. Shri Ramdas Bandu Athawale
4. Shri Subrata Bose
5. Shri Santasri Chatterjee
6. Shri Thawar Chand Gehlot
7. Shri Virendra Kumar
8. Shri Basangouda R. Patil
9. Shri Rajesh Kumar Manjhi
10. Shri Devidas Pingle
11. Shri Chandra Dev Prasad Rajbhar
12. Shri Mohan Rawale
13. Smt. C.S. Sujatha
14. Shri Parasnath Yadav

RAJYA SABHA

15. Shri Rudra Narayan Pany
16. Shri Narayan Singh Kesari
17. Shri K. Chandran Pillai
18. Shri Gandhi Azad
19. Smt. Renubala Pradhan
20. Shri Arjun Kumar Sengupta

SECRETARIAT

- | | | | |
|----|------------------|---|----------------------|
| 1. | Shri S.K. Sharma | - | Additional Secretary |
| 2. | Shri Brahm Dutt | - | Joint Secretary |
| 3. | Shri R.K. Bajaj | - | Director |
| 4. | Shri N.K. Pandey | - | Deputy Secretary |

2. At the outset, the Chairman welcomed the Members and apprised them about the agenda for the day. The Committee then decided, first to have discussion with the representatives of the Ministries of Textiles and Finance (Department of Expenditure) on 'Revival of BIC mills' and then to consider and adopt draft Thirtieth Report on the subject 'Functioning of the Employees' Provident Fund Organisation'.

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7. The Committee then took up Draft Thirtieth Report on the subject 'Functioning of the Employees' Provident Fund Organisation' for consideration and adoption. After discussing the Draft Report in detail, the Committee adopted the same with some minor modifications.

8. The Committee then authorized the Chairman to finalize the above Report after making consequential changes, arising out of factual verification by the Ministry of Labour and Employment, if any and present the same to the Parliament.

9. The Committee also placed on records their appreciation for the service rendered to the Committee by the officers/staff attached to the Committee.

10. XX XX XX XX

The Committee then adjourned.

**STATEMENT OF RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE
REPORT**

Sl. No.	Para No.	Recommendations/Observations
1.	1.8	<p>The Committee observe that the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 has been in operation since its inception with some amendments here and there. With the sea change in the nature of establishments/industries coming under the Act for coverage, wages of the employees, overall industrial environment, employer-employee relations, favourable conditions for employers in the liberalised economic scenario vis-à-vis employees, the current provisions of the Act are finding it difficult to catch up with the growing requirements of the beneficiaries and industries as well. Resultantly, there has been sustained increase in the incidents of defaults in coverage, recovery of arrears, redressal of grievances, pendency of court cases and need for efficient administration of the various schemes under the Act. Even though several administrative measures have been taken to improve the working of the organization, more steps are needed to make it an efficient, decentralized, focused, good fund manager and diversified entity from time to time. The core areas which needs immediate attention are the coverage of establishments and total coverage of the beneficiaries of these establishments, timely realization of dues from the covered establishments, prompt payments of the dues to the beneficiaries and efficient fund management. This will not only minimize the legal wrangles but will also ease the functioning of the grievance redressal machinery thereby saving the valuable time and resources of the organization.</p>

2.	1.9	<p>The Committee are distressed to note that the amendment in the Act has been pending since long and there has been no sincere efforts to bring it around. The proposal for carrying out amendments in EPF & MP Act, 1952 was considered by the CBT as back as July, 2002. The Ministry's view point that decision for amending the Act would be taken at an appropriate time is regretful. The delay on this count has only exacerbated the problems of beneficiaries and also of the organization. The ever growing inoperative account, mounting arrears for recovery, increasing number of defaulting establishments and swelling court cases under various sections of the Act and also under IPC are the testimony that urgent remedial measures are the need of the hour for the smooth functioning of the EPFO and satisfaction of its beneficiaries.</p>
	1.10	<p>The Committee, therefore, strongly recommend that immediate necessary steps should be taken to have a comprehensive review of the EPF & MP Act, 1952 to effect necessary amendments in the Act. The amendments should <u>inter-alia</u> include the automatic coverage of establishments as and when it comes up, complete coverage of all the workers of the establishments, timely realization of EPF dues, stringent penal action for default by the establishments, accountability of the officers responsible for their act of omissions and commissions, modernizing and revamp of the system and functioning of the organization, including better fund management.</p>
3.	1.20	<p>The Committee note that the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is a welfare legislation enacted for the purpose of instituting a Provident Fund for employees working in factories and other establishments. The Act aims at providing social security and timely monetary assistance to industrial employees and their families when they are in distress and/or unable to meet any family social obligations and to protect them in old age, disablement, early death of the bread winner and in some other contingencies. The Committee are, however, dismayed to note that during the last over five decades, the EPFO has been able to cover only 4.71 lakh units with 4.44 crore membership which amounts to about 10% of the workforce employed in the non-Government sector. This figure includes the coverage from both exempted and unexempted sector. The coverage position is extremely</p>

		<p>meagre in spite of several initiatives taken by the Government to enhance it. 'Compliance 2001 Programme' was one such drive launched to maximize the coverage based on the concept of <i>suo moto</i> and voluntary action on the part of the employers/establishments to provide EPF coverage to its workers. However, the programme could not achieve the objectives fully. The Committee are inclined to infer that even the Government itself has been skeptic regarding its success, otherwise provisions like gathering of information through own sources or receipt of specific information on non-coverage of establishments might not have been kept alive. With a view to assessing non-reporting, under reporting and to assess efficacy of 'Compliance 2001' Programme, the Government launched 'Compliance Validation and Analysis Programme 2006'. Scrutiny of 1% of the establishments selected on random basis in each Regional Office/Sub-Regional Office under this programme revealed that evasion in coverage is most prevalent among the establishments and it was as high as 14%. Based on the findings of 'Compliance Validation and Analysis Programme 2006', the Government has sought some strategic adjustments in the programme itself. For this purpose, a Sub-Committee has been constituted in January, 2008 to look into the related aspects. The Committee therefore, recommend that the strategic changes in the 'Compliance 2001 Programme' should be made in a time bound manner with a view to reduce the evasion of the eligible units to the minimum and to extend its coverage to the large manpower working in the private/unorganized sector. The Committee would await specific action taken by the Government in this regard.</p>
4.	1.26	<p>The Committee are constrained to note that out of estimated more than 40 crore workforce in the private/unorganized sector in the country, the total membership of the EPFO as on 31 March 2006 is only 4.44 crore both in the exempted and unexempted sectors which is about 10 per cent of the total workforce in private sector. The Committee are not at all satisfied with this sorry state of affairs as far as coverage is concerned. With a view to bring many establishments under the purview of the Act, various steps like Compliance 2001 Programme, special drives, creation of intelligence circles etc., have been taken to achieve the target. With a view to enhance the coverage, the Government has decided to lower the ceiling from 20 to 10 workers to make the establishment eligible for coverage, and also adding some more establishments in new</p>

		<p>areas viz., companies offering life insurance, private airports and joint venture airports, electronic media companies and lodging houses, service apartments and condominiums to the list of establishments for the purpose of coverage. The Committee feel that these steps initiated by the Government are in the right direction and will help in broad basing the EPF Scheme.</p>
5.	1.27	<p>Another area where the Committee would like the Government to concentrate is the establishments falling under Section 1 (4) of Act. The Committee find that Section 1 (4) of the Act is an enabling section for allowing employers who desires to extend statutory benefits attracted by such establishments. Lawfully establishments which are not coming under the notified industries and classes of establishments under Schedule-I of the Act are not required to extend statutory benefits to their workers. Organisation by itself do not have any legal ground to enforce coverage under Section 1 (4) of the Act in respect of establishments as well as employees unless both of them voluntarily subject themselves to the law. The Committee, therefore, recommend that with a view to protect the interest of workers who are beyond the ambit of coverage for want of consent, special awareness programmes be launched to educate the establishments about the benefits available so that the establishments are attracted to obtain voluntary coverage.</p>
6.	1.28	<p>The Committee note that one of the provisions of the EPF & MP Act, 1952 provides that once a establishment is covered under the EPF Scheme, it continues even if number of employees drops below 20. However, from the State-wise information furnished by the Ministry, the Committee find that in West Bengal the number of establishments covered under the Scheme has came down from 32458 in 2005-06 to 29030 in 2006-07. The Committee would like the Government to examine this negative growth for taking necessary corrective measures.</p>

7.	1.34	<p>The Committee note with concern that the arrears due for recovery are continuously mounting year after year against the defaulting establishments. The recovery position for the last three years has been Rs.1,901.03 crore in 2004-05, Rs.1,958.55 crore in 2005-06 and Rs.1,236.38 crore in 2006-07. Thus, it may be seen that there is substantial decrease in recovery of arrears during the year 2006-07. Consequently, the arrears due for recovery during the corresponding period have increased to Rs. 2,144.82 crore, Rs.2,530.07 crore and Rs. 2,607.47 crore respectively. The reasons for non-realisation of arrears have been adduced on account of stays granted by courts/tribunals, establishments having gone into liquidation/closure/lock-outs, sanction of instalments by courts/higher authorities and establishments in respect of which Rehabilitation Scheme had been sanctioned by BIFR. The Committee feel that EPFO should strengthen its grievance redressal machinery so that more cases are resolved so as establishments do not approach courts too often. Similarly, legal unit of the organization should have constant coordination with courts/tribunals/BIFR, etc. to save time in settlement of cases.</p>
8.	1.35	<p>The Committee while examining Demands for Grants for the year 2007-08 had recommended in their 20th Report that the Government should gear up the machinery to recover the outstanding dues by taking appropriate action including filing of caveat in the court, convincing BIFR to make provisions for payment of arrears of EPFO, realization of dues from the process of liquidation of the establishments, etc. The Committee, reiterate this recommendation and urge upon the Government to take all possible steps to recover the outstanding dues at the earliest. The action taken in this regard may be intimated to the Committee within a time span of three months.</p>

9.	1.43	<p>The Committee note that the number of defaulting establishments during the last three years i.e., 2005, 2006 and 2007 was 40608, 76476 and 72554 respectively. EPFO, as an organization to handle this menace has been found wanting in solving this problem. The absence of proper format in the organization to maintain the information regarding evasion or under statement of EPF membership in an establishment is a glaring lacuna pointing towards the shortsightedness of the organization in dealing with the problem. Lack of any deterrent action against the defaulting establishments only emboldens them to indulge in the act of omissions with impunity. Even Though major and habitual defaulters are kept under periodical and regular scrutiny, EPFO has no system of blacklisting of defaulting establishments. On detection of a default, action is taken under Section 7A of the Act for assessment of the due contribution. Thereafter, a very protracted and cumbersome legal process is taken recourse to. All these actions to discourage defaults have failed to yield the desired results. The Committee, therefore, desire that a fresh look to have a comprehensive view about the phenomena of default among the establishments (both exempted and unexempted sectors) is essential. The Committee feel that the default, whether intentional or otherwise, deprives the workers of their legal and rightful claims and unlawfully benefit the organizations indulging in this malpractice. With a view to eradicate this malady, the Committee recommend that EPFO should take strong administrative and judicial measures; even by making appropriate changes in the relevant Act and Rules, if required.</p>
10.	1.49	<p>The Committee note with concern that as on 31st March, 2007 an amount of Rs.1,624.69 crore has been lying with the Employees' Provident Fund Organisation (EPFO) in the Inoperative Account. The Committee have been informed that as per existing scheme provisions, the amount lying under Inoperative Account cannot be utilized for any other purpose except for paying to the rightful claimants. The Committee find that the total amount disbursed out of the Inoperative Account during the last three years has been Rs.86.60 crore in 2004-2005, Rs.71.08 crore in 2005-06 and Rs.77.47 crore in 2006-07. The Committee feel that since not large number of claimants are coming forward to settle their claims, a large amount of fund has been blocked which could be used elsewhere for better purposes. The Committee, therefore,</p>

		<p>recommend that some percentage of the funds should be invested to earn better returns which may be utilized for the promotion of welfare measures of workers. The Committee further recommend that adequate publicity should be given in newspapers in all major languages to make subscribers aware about the unclaimed deposits with EPFO and existing facility to carry forward the account in new/changed employment. The Committee also desire that the number of cases settled out of the Inoperative Account should also be maintained along with the amount disbursed. Besides, establishments covered under the scheme may be asked to have specific column in the service book format of their employees about the existing EPF number, if any, in their previous employment.</p>
11.	1.53	<p>The Committee find that the process of allotment of National Social Security Number (NSSN) has been undertaken with a view to provide a unique identity to each employed person so that social security benefits as stipulated under the statutes are ensured to him/her despite switching over of jobs by the concerned employee. This will also smoothen the functioning of EPFO as the organization will have the definite identity of the person in settling the claims irrespective of change in the employment. However, the Committee are pained to note that the pace of allotment of NSSN is tardy. Out of 4.44 crore enrolled workforce in the country, only 33, 48, 191 workers have been issued NSSN till March 2008. In the States like UP, Bihar and in North Eastern Region, NSSN has been issued to 15336, 38658 and 7565 subscribers respectively. In the State of Chattisgarh, not even one person has been covered under the drive. The figures amply demonstrate the seriousness which the organization is attaching to such an important task. The process of allotment is linked to Business Process Re-engineering (BPR) and is being implemented with the cooperation of NIC. NIC has its network throughout the country and the allotment of NSSN to the less than 1 % of the identified workforce in the country defies all logic except highlighting the callous attitude of the Government in implementing such a significant measure for the welfare of workers. Although the process of allotment of NSSN is continuous in nature as employable persons keep joining the employment, still there is a huge backlog of employed workforce who are yet to be covered under this umbrella. Hence the Committee vehemently urge upon the Government to expedite the process clearing backlog of allotment of NSSN so as to complete it within a period of two years.</p>

12.	1.62	<p>The Committee note that the grievances of subscribers of EPFO mainly revolve around (i) Claims not settled; (ii) Accounts Slips not issued; (iii) Members not enrolled; (iv) Delay in transfer of accounts; (v) Delay in release of pension/dispute on quantum calculation; (v) Delay in issue of Schemes Certificate; and (vi) Return/Rejection of claims. Although, various steps have been taken to redress the grievances of the subscribers and there are settlements of about 90 per cent of the received complaints, yet this is an area which requires constant vigil at the highest level. The attitude and approach of the persons entrusted with handling the grievances is also an important aspect which has a bearing on their redressal. There is a provision stipulating a definite time frame for the solution of the problem but instances are galore wherein the time limit is hardly adhered to as far as solution of problem is concerned. Even though, a web-enabled mechanism has been put in place to help the subscribers, given the nature and education of the subscribers of the EPFO, it is doubtful whether this step will be helpful to subscribers in the redressal of their problems. Even holding of adalats to redress the grievances appears to be a sham exercise. As many as 1,306 adalats were organized in the year 2006-07 in which only 2,110 cases were received out of which 2,087 cases were disposed of. The receipt of less than 2 cases per adalat speaks volumes about the dismal performance of the programme and sincerity of the organization in the redressal of grievances. The figures submitted regarding grievances and their redressal also appear to be unrealistic keeping in view the huge number of subscribers enrolled with EPFO and the number of complaints received and redressed. In the present economic scenario workers particularly skilled workers tend to switch over the assignments leading to non-settlement of their dues or its non-carriage to the new assignments leading to swelling of inoperative account. To mitigate the hardships of the subscribers in this regard, a proper and institutionalized system need to be put in place.</p>

	1.63	<p>The Committee, therefore, strongly recommend that the existing grievance redressal mechanism of the organization being old fashioned and not rising to the occasion in the changed scenario of employment pattern needs a thorough revamp. Instead, a realistic, responsive and user friendly mechanism is an urgent need of the organization that can take care not only the grievances of the subscribers but also act as a catalyst to their welfare.</p>
13.	1.71	<p>The Committee note with concern that the rate of interest payable to subscribers of EPFO has always been an issue of perennial disagreement. It has been stated that the rate of interest is determined keeping in view the projected income and projected interest payment liabilities during a particular year. The Committee find that EPFO has not paid more than 8.5 per cent rate of interest to its subscribers since last three years. The Committee note that with a view to earn better returns from investment of EPFO corpus, the Central Board of Trustees, EPF agreed to certain recommendations regarding changing the investment pattern such as investments in NSCs and POTDRs, investments in TDRs of private sector banks subject to a limit of 5% of the deposit base, TDRs of public sector banks upto 3 years and merger of two categories of 25% and 15% of Central and State Government securities, respectively to make a single category of 40% of government securities; treat the category-wise percentage norms as indicative and not mandatory and to do away with any floor in any single category. The Committee have gathered from press reports that some steps have reportedly been taken to corporatise the fund management and accordingly certain financial institutions like ICICI, HSBC and Reliance Capital have been selected with the responsibilities to manage the corpus of EPFO. In this context, the Committee have been assured by the Ministry that the process is for maximization of returns on the funds and the funds will be invested by these institutions as per Government given guidelines/parameters. Given the very fact that the fund belong to the workers, the main principle for fund management should be to give workers a minimum assured return which takes care of the prevailing bank interest rates as investments and due compensation for the inflation.</p>

14.	1.72	<p>The Committee note that print media has highlighted serious lacunae in the process of selection of fund managers to manage provident Fund viz. HSBC, ICICI, SBI and Reliance Capital. Reportedly, in the original list of selected fund managers, the name of Reliance Capital did not figure as they were not found eligible for selection. However, the reported inclusion of Reliance Capital's name in the list of fund managers at the later stage has created suspicion in the whole process of selection not being transparent. The Vigilance Commission is also reported to have sought details in the matter. The Committee would therefore like the Government to have the matter thoroughly examined. The Committee would like to be apprised of the outcome of such enquiry at the earliest. The Committee also urge upon the Government to take necessary steps to ensure that the entire process of selection of fund managers is competitive, transparent and above board.</p>
15.	1.73	<p>The Committee also strongly recommend that with a view to generate more income from the corpus of EPFO, in addition to initiatives already taken, the organization should diversify its activities and explore the possibility of venturing into the areas where the organization takes upon itself such activities - be it financial, banking, insurance, realties - which may generate sufficient returns so that a bench mark for the issue of the rate of interest is decided and workers may be given due incentives based on their contribution and accumulation for the surplus fund generated, if any. Besides, some mechanism be developed in the organization to supervise the functioning of the private fund managers so as to forewarn them about their action which is not financially viable as far as returns on investment is concerned and take pre-emptive measures, if the need is felt. The services of reputed financial experts may be requisitioned to achieve the objective in this regard.</p>
16.	1.77	<p>The Committee observe that the organizational structure with sufficient staff strength is the hallmark of any service organization. It is regretted that a large number of vacancies are lying vacant almost in every cadre of the EPFO. Out of the sanctioned strength of 23,345 in various cadres, only 19,394 persons are in position. The worst hit is the Group 'C' cadre wherein more than 3300 vacancies exist. It is this cadre, which has the direct interface with the subscribers. Shortage of manpower in this category is bound to adversely affect the efficiency of the organization. The present staff strength has</p>

		<p>been worked out before the decision to revise the eligibility criteria of industries for the purpose of coverage. With the lowering of number of persons from 20 to 10 in an establishment, the present figure of staff strength will go haywire, as it will be woefully short to cope up with the phenomenal increase in the number of subscribers. Due to addition of enterprises, like companies offering life insurances, annuities, private airports and joint venture airports, electronic media companies, lodging houses, service apartments and condominiums in the list of industries for coverage, the staff position will be further overstrained undermining the efficiency. In the absence of sufficient staff, the entire working of the organization will be slack. The reply given by the Ministry regarding appropriate action being taken by them to fill up the vacant posts is far from satisfactory.</p>
17.	1.78	<p>The Committee feel that not only the staff strength but the structure of the organization need appropriate revamping after proper analysis of its strength and weaknesses and a scientific manpower study. The adequate number of skilled manpower in the area of managing finance, handling public relations and addressing the grievances of the subscribers will do great service to the organization. Being the organization dealing primarily with the finances of the not so educated and skilled workers of the country, the staff of the organization should be adept to handle the intricacies of the complex financial matters to protect workers' interest. Their career progression should invariably take into account their performance in vital areas of coverage of establishments, recovery of arrears, defaults of the organizations in their respective jurisdictions and functioning of the Grievance Redressal Machinery. Also, the locations of the offices of EPFO (ROs/SROs) should be so situated so as to enable the subscribers to have easy access involving minimum travel time, particularly in the North Eastern States of the country. In view of the expanding membership of the organization, it is all the more essential to have the adequate staff for providing timely and efficient service to the subscribers.</p>

	1.79	<p>The Committee, therefore, urge upon the Government to foresee the enormous task before the organization in the present scenario and take tangible and affirmative action for restructuring the organization and manning it efficiently. For the purpose special drives, if deemed necessary, may also be launched to recruit the manpower as per the need of the organization.</p>
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