8

STANDING COMMITTEE ON LABOUR

(2009-2010)

FIFTEENTH LOK SABHA

MINISTRY OF LABOUR AND EMPLOYMENT

[Action taken by the Government on the Recommendations/Observations contained in the Thirty-Ninth Report of the Standing Committee on Labour on the `Employees' Provident Fund Organisation – Employees' Pension Scheme, 1995']

EIGHTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 2010/ Phalguna, ***1931 (Saka)***

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[Action taken by the Government on the Recommendations/Observations contained in the Thirty-Ninth Report of the Standing Committee on Labour on the `Employees' Provident Fund Organisation – Employees' Pension Scheme, 1995']

Presented to Lok Sabha on 4th March, 2010

Laid in Rajya Sabha on 4th March, 2010

LOK SABHA SECRETARIAT

NEW DELHI

March, 2010/Phalguna, 1931 (Saka)

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(2009-10)

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2. Shri M. Anandan
3. Shri P. Balram
4. Shri Shafiqur Rahman Barq
5. Shri Sudarshan Bhagat
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7. Shri Kaushalendra Kumar
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12. Shri S. Pakkirappa
13. Shri Ramkishun
14. Shri Mahendra Kumar Roy
15. Shri Chandu Lal Sahu
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***17. Shri Raj Babbar

*****18. Dr. Kakoli Ghosh Dastidar

19. Vacant
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RAJYA SABHA

22. Shri G. Sanjeeva Reddy
23. Shri Rudra Narayan Pany

**24. Shri Pyarelal Khandelwal

25. Shri Rajaram
26. Smt. Renubala Pradhan
27. Shri G.N. Ratanpuri

*28. Shri Mohammad Adeeb

****29. Shri Praveen Rashtrapal

30. Vacant
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* Changed the nomination from Committee on Labour to Committee on Commerce *w.e.f.* 17th September, 2009.

** Expired on 6th October, 2009.

*** Nominated *w.e.f.* 3rd December, 2009.

**** Nominated *w.e.f* 31st December, 2009.

***** Nominated *w.ef* 11th January, 2010.

SECRETARIAT

1.	Shri Devender Singh	-	Joint Secretary
2.	Shri B.S. Dahiya	-	Director
3.	Shri Ashok Sajwan	-	Additional Director
4.	Smt. Archana Srivastava	-	Senior Executive Assistant

INTRODUCTION

I, the Chairman of the Standing Committee on Labour having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on the action taken by the Government on the recommendations contained in the Thirty-Ninth Report of the Standing Committee on Labour (Fourteenth Lok Sabha) on the **`Employees' Provident Fund Organisation – Employees' Pension Scheme, 1995'.**

2. The Thirty-Ninth Report was presented to Lok Sabha and also laid in Rajya Sabha on 20.2.2009. The Ministry of Labour and Employment furnished their replies indicating action taken on the recommendations contained in that Report on 9th November, 2009. The Report was considered and adopted by the Standing Committee on Labour at their sitting held on 17.2.2010.

3. An analysis of the action taken by Government on the recommendations contained in the Thirty-Ninth Report of the Standing Committee on Labour (Fourteenth Lok Sabha) is given in Appendix-II.

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

New Delhi;
28th January, 2010
Magha 8, 1931 (Saka)

HEMANAND BISWAL
CHAIRMAN,
STANDING COMMITTEE ON LABOUR.

CHAPTER I

REPORT

This Report of the Standing Committee on Labour deals with the action taken by the Government on the recommendations/observations contained in the Thirty-Ninth Report (14th Lok Sabha) on `Employees' Provident Fund Organisation-Employees' Pension Scheme, 1995' relating to the Ministry of Labour and Employment which was presented to Lok Sabha, and laid in Rajya Sabha, on 20.02.2009.

2. The Ministry of Labour and Employment were requested to furnish action taken replies to the recommendations contained in the Thirty-Ninth Report within three months from the presentation of the Report *i.e.* by 20.05.2009. The report contained 8 recommendations/observations. The action taken replies of the Government in respect of all the recommendations contained in the report were received on 09.11.2009. These have been categorized as under:-

(i) Recommendations/Observations which have been accepted by the Government—Rec. Sl.Nos. 1,3,6,7 and 8. (Para Nos. 75, 77, 80, 81 and 82)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply – Rec. Sl.No.4 (Para No. 78)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration—NIL.

(iv) Recommendation/Observation in respect of which replies of the Government are interim in nature-Rec.Sl.No.2 and 5. (Para Nos. 76, 79)

3. The Committee desire that action taken replies in respect of recommendations contained in Chapter I may be furnished to them at the earliest and in any case not later than three months of the presentation of the Report.

4. The Committee will now deal with the action taken by the Government on some of their recommendations which merit comments in the succeeding paragraphs.

A. Increase in Wage Ceiling

(Rec. Sr. No.1, Para 75)

5. The Committee noted that the wage ceiling of Rs.6,500/- for the purpose of coverage under EPF Scheme was last revised w.e.f. 1st June 2001. Keeping in view the rapid transformation that had taken place in our economy, leading to substantial increase in the wages of the employees, the wage limit in vogue had lost its relevance. While accepting the changing trend in our employment scenario, ESIC, the another organisation of the Ministry, accordingly revised the wage ceiling to Rs.10,000/- for the purpose of coverage. The Committee were of the consistent view that the Scheme called for self valuation based on sound and real principles of economic management for revamping and reorienting the Scheme ensuring maximum coverage of workers as well as enhanced rate of pension to them. The Committee, therefore, strongly recommended that the Government should come out of its slumber and retrograde approach by adapting itself to the opportunities

being thrown by the new employment scenario of high wages and revise the wage ceiling for coverage under EPFO to Rs. 15,000/- without any delay.

6. In their action taken reply furnished to the Committee, the Ministry have stated:-

`In order to implement the recommendation of the Committee regarding increase in wage ceiling for coverage under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 from Rs.6,500/- to Rs.15,000/-, various options to neutralize the associated liability on Pension Fund due to this revision are being explored in consultation with the experts and thereafter, the proposal shall be moved for carrying out the requisite amendments in the Act/Scheme'.

7. **The Committee are saddened to note that the Ministry of Labour has been mulling over the wage ceiling revision proposal under the EPF Scheme for too long unwarrantedly. Such an attitude of apathy and indifference negates the very mandate to**

safeguard the interest of workers in general and of those who constitute the poor, the deprived and the disabled sections of society. Apparently, the Ministry is either oblivious or pays scant regard to the Constitutional mandate directing the State to strive to secure just socio-economic order, among others, and to try to secure a living wage and decent standard of living. Considering the whopping contributions which have accumulated with the EPFO over the years and which continue to mount, the Committee have sound reasons to believe that given proper will, commitment and concern expected of a welfare State, the EPF wage ceiling can be enhanced suitably, as recommended by the Committee, and also revised periodically to safeguard the interest of the intended beneficiaries.

B. <u>Need to revise rate of contributions</u>

(Rec. Sr. No.2, Para 76)

8. The Committee noted that EPS, 1995 is a contributory scheme wherein the employers' contribution towards the pension of the employee is diverted @ 8.33% from the total contribution of 12% made

towards social security obligations. Under the EPS, no contribution is taken from the member, i.e., the employee for the pension scheme. The Government contributes @ 1.16% to the pension fund. Neither of the above rates of contributions had been revised for the last 14 years. Commenting on the callous attitude of the Government towards the workforce in non-revision of the rates of contributions even after one and a half decade, The Committee, therefore, strongly recommended that the formula regarding rate of contribution should be revised at periodic intervals wherein the rate of contribution from the Government should at least be fixed at half of the rate of contribution which is being made by the employer or the employee towards the pension scheme.

9. In their action taken reply furnished to the Committee, the Ministry have stated as follows:-

`At present, an Expert Committee under the Chairmanship of Special Secretary (Labour and Employment) consisting of actuaries, expert of finance and representatives of all stakeholders is reviewing the Employees' Pension Scheme, 1995 as a whole and any decision/action regarding enhancement of Government's contribution will be considered after the receipt of the recommendations of this Expert Committee'.

10. The Committee find the reply of the Government rather dilatory and evasive at best. The reply is conspicuously silent as to when was the expert committee appointed and what were its terms of reference and the time by which the Committee would give its report to the Government. In the absence of any specific reply by the Government, it is also not clear whether the said Expert Committee will also look into the issue of revision of rate of contribution by the Government and employers. The Committee, therefore, desire the Government to intimate the terms of reference of the expert committee. They also desire that the Expert Committee may be asked to finalize its report within a fixed time-frame. A copy of the report, along with action taken by the Government on the recommendations, may also be furnished to the Committee at the earliest.

C. <u>Separate Pension Division and Grievance Redressal Mechanism for Pensioners</u>

(Rec. Sr. No.3, Para 81)

11. The Committee noted that there were about 30 lakh pensioners of different categories under the EPS, 1995 in the country. Moreover, there was no separate mechanism of grievance redressal specifically for the pensioners, however, a Public Grievance Handling System existed whereby grievances for all the three schemes i.e., EPF Scheme, 1952, EPS, 1995 and EDLI, 1976 were handled. The Committee were of the view that owing to lack of separate grievance redressal cell, the grievances of pensioners were not getting the due attention and timely redressal. The Committee, therefore, strongly recommended that keeping in view the sizeable number of pensioners in the country and their grievances, a separate pension division within EPFO need to be established by taking necessary measures and till such a mechanism is put in place, a specific grievance redressal cell, within the Public Grievance Handling System itself, might be set up for resolution of grievances of the pensioners within a definite time frame.

12. In their action taken reply furnished to the Committee, the Ministry have stated as follows:

`In order to implement the recommendation of the Committee regarding the ever-increasing number of pensioners and their related grievances, the organisation is working on the formation of a separate pension division for redressal of specific grievances pertaining to Pension Scheme, in a definite time-frame'.

13. The Committee in their recommendation had underlined the need for a separate pension division within EPFO. The Committee had also recommended that till such a mechanism is put in place, a specific grievance redressal cell, within the Public Grievance Handling System itself, be set up for resolution of grievances of the pensioners. The Committee note that even after passage of considerable time nothing concrete has been done to create the specific grievance redressal cell, within the Public Grievance Handling System as a makeshift arrangement. The Committee, however, note the assurance of the Government to set up a separate pension division for redressal of specific grievances pertaining to pension scheme. The Committee would like to be apprised of the time frame by which the proposed pension division would be functional.

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation [Para 75]

The Committee note that the present wage ceiling of rs.6,500/- for the purpose of coverage under EPF Scheme was last revised w.e.f. 1st June 2001. The present wage limit has now lost its relevance in view of the rapid transformation that have taken place in our economy leading to substantial increases in the wages of the employees. ESIC, the other organisation of the Ministry, has well accepted the changing trend in our employment scenario and accordingly revised the wage ceiling to Rs.10,000/- for the purpose of coverage. However, EPFO is still treading over beaten tracks without properly understanding the issue in the proper perspective and is sticking to an implausible stand which is anti-worker purely for hypothetical reasons. On the question of revising wage ceiling, the Ministry has informed the Committee the 'rising of wage ceiling would have a wider impact on the Employees' Pension Scheme, 1995. Hence, unless the impact of pension scheme is fully taken care of, the rise in wage ceiling may not be appropriate.' When the further wanted to know whether any study/evaluation has been done to ascertain the impact of increase in wage ceiling on EPS, 1995, the Government, evading direct reply, stated that 'the increase in the pension eligibility salary from Rs.5,000/- to Rs.6,500/- made effective from 01.06.2001 has increased the liability to the extent of Rs.10,000/- crore.' It has further been stated that as soon as a suitable solution is found to remove/reduce such impact, the wage ceiling can be increased. The Committee feel that with the enhanced wage ceiling, the future receivable contributions will receive a quantum boost and the liability of the Government towards pension will begin only after The Committee, years or beyond. Undoubtedly, the earning on such contributions, despite the possibility of pre-mature withdrawal, will leave the Government in a comfortable financial position. EPS, 1995 is a scheme having defined contribution and benefits, wherein contribution is uniform and re-distributive in nature. The Committee refuse to accept the actuarial observations as gospel truth for foreclosing any exploratory avenues. The Committee are of the consistent view that the scheme calls for self-valuation based on sound and real principles of economic management for revamping and reorienting the scheme ensuring maximum coverage of workers as well as enhanced rate of pension to them. Regarding future contributions after the increase in wage ceiling, even the vaguer has observed 'through there will be corresponding increase in the receivable contribution in future, there is no way of collecting the additional contribution in future, there is no way of collection the additional contribution from members who have already been members of the scheme before the date of the change'. This cannot be an insurmountable obstacle as the same or similar issue might have cropped up during the last wage revision as well. Moreover, the payable pension can suitably be restructured by devising an appropriate formula taking to account the contributions made by the pensioner under both pre-revised and revised wage ceiling. Hence there is absolutely no justification for the inflexible and obtrusive attitude of the Government regarding revision in the wage ceiling. therefore, strongly recommend that the Government should come out of its slumber and retrograde approach by adapting itself to the opportunities being thrown by the new employment scenario of high wages and revise the wage ceiling for coverage under EPFO to Rs. 15,000/- without any delay."

Reply of the Government

In order to implement the recommendation of the Committee regarding increase in wage ceiling for coverage under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 from Rs.6,500/- to Rs.15,000/-, various options to neutralize the associated liability on Pension Fund due to this revision are being explored in consultation with the experts and thereafter, the proposal shall be moved for carrying out the requisite amendments in the Act/Scheme.

(Rec. Sr. No.3, Para 77)

The Committee observe that the record of updated figures about the actual number of pensioners is the nucleus for the effective, transparent, satisfactory and successful implementation of the scheme. However, the figures regarding the pensioners in the Employees' Pension Scheme, 1995 are not only inaccurate and unreliable but appear to be inflated and imaginary also. In reply to a question regarding existing members of the provident fund who did not opt for erstwhile Family Pension Scheme, 1971, but have joined the new EPS, 1995, it has been replied that no such data is maintained on the ground that the number of such persons are very few and most of them would have completed more than 37 years of service and got the due benefits. On being further asked about the manner in which the data regarding different kind s of pensioners are being maintained and the absence of authentic data how the calculation regarding pensionary liability are arrived at, it has been stated that the data regarding different kinds of pensioners and their status at different times are maintained with the help of pension claims received from the members and their families. The valuing actuary uses the available authentic data to arrive at the pensionary liability for projection the figure with the help of accepted actuarial practices. Regarding number of pensioners in the country, two different replies quoting different figures i.e., 29,53,412 at one place while 15,19 956 at another have been given. The Committee are shocked to find the irresponsible manner in which such important statistics involving workers' money having vital social security implications for the workers and their families are being maintained. The organization, instead of taking its own initiative to exactly determine the number of pensioners of different categories, is relying on the claims being received by it from members and their families to arrive at the figures of pensioners. This is certainly glaring example of shirking basic responsibility. The Committee are perturbed to note that in the era of e-governance, the Ministry id yet to take advantage of the latest technology. The Committee, therefore, urge upon the Government to develop a database of the existing members as well as the new entrants into the scheme wherein appropriate column may be added in the format indicating the minimum time after which the subscriber will be eligible for pension and actual date of his retirement as per the age of superannuation making him a pensioner. Some column may also be introduced in between for identifying those members who have rendered minimum qualifying service for pension but left before reaching the age of superannuation. Appropriate columns could also be introduced into the database for other categories of pensioners. Government may consider to issue appropriate Smart Cards to members/pensioners containing the requisite details inclusive of self-updation of information about the job profile of the members. This will not only help in exacting the number of different category of pensioners but will also give the figures about the exit rate, the money outgo at such exit, the financial health of the scheme and the organisational liabilities towards the pensioners as well."

Reply of the Government

In order to implement the recommendation of the Committee, the Organisation has planned for the total computerisation of all its transactions/processes in two phases with the association of National Informatics Centre (NIC) as per the decision of the Central Board of Trustees, Employees' Providential Fund. The software development and its launching are in progress. This software on successful testing will be introduced in all the offices in the phased manner during the current financial year. Already, the software developed by NIC has been launched at Sub-Regional Office, Karnal on 07.09.2009 and now this shall be replicated in all field offices at the earliest. This software developed by NIC prerequisites for the updation of members profile before any transaction takes place either for crediting the contribution to the members account or the withdrawal under any Scheme.

To develop the database of the members of the Employees' Pension Fund and to complete the task in a time-bound manner, a detailed circular dated 16.4.2009 was sent to all field offices to complete the job at the earliest. To capture the details of the members, the information Services Division has provided the data structure to all the field offices and work in this direction is going on. Also, issuing Unique Identification No. to all the subscribers of EPF will be taken up in the subsequent phases of the project'.

Recommendation [Para 80]

The Committee observe that out of total workforce of over 43 crore, only 4.44crore workers of the country are covered under the EPF Scheme. Various reasons like the limitation clauses pertaining to threshold limits, wage ceiling, Schedule I enumerating the classes of industries for coverage, etc. have attributed for the inadequacy of coverage. The threshold limit was last revised on 31.12.1960 bringing it to 20 employees and as many as 186 classes of industries/establishments have been brought under the purview of the EPF & MP Act, 1952. However, with the sea change in the employment pattern following modernization and technological upgradation, the Schedule I as well as ceiling of 20 employees has become redundant. When employment of lesser employees and maximization of turnover is the order of the day, the interest of the employees are expected to be well taken care of . Unfortunately, the Committee are saddened to note that the employees' genuine interests are being compromised despite having rendered arduous services for years on. It is a matter grave concern that the EPF & MP Act, 1952 have miserably failed to address the newer problems emerging out of the transformed employment scenario impairing the welfare of the workers. The Schedule containing enumeration of industries for coverage has lost its significance and justification. The Committee, therefore, strongly recommend that in keeping pace with the emerging employment trends, it will not only be desirable but also befitting if the concept of having Schedule of industries for coverage alongwith the threshold limit is promptly done away with and all the workers irrespective of their numbers and the industries they are engaged in are brought within the purview of the EPF Scheme and EPS, 1995."

Reply of the Government

In order to implement the recommendation of the Committee, the matter is being processed for placing a proposal in this regard before the Central Board of Trustees, employees' Provident Fund.

Recommendation [Para 81]

The Committee note that there are about 30 lakh pensioners of different categories under the EPS, 1995 in the country. This number is bud to swell by each month/year. As of now, EPFO is not well equipped and under staffed to deal with the growing number of pensioners. With the possible increase in wage ceiling, there may be a phenomenal increase in the number of subscribers and consequently in the number of pensioners as well. The Committee not that even the present number of pensioners is in no way insignificant and it may perhaps become very difficult in course of time to render efficient and satisfactory services to the subscribers as well as to the pensioners if proper plans are not put in place earnestly. The Committee feel that for serving the beneficiaries effectively and smoothly, it is essential that the EPFO is adequately equipped and staffed. Further, the scheme as such is flawed one on many counts giving rise to pensioners' grievances. Needless to say, the pensioners are senior citizens of the country and not in a position to move too frequently in connection with the settlement of their grievance redressal mechanism for pensioners makes the matter all the worse for them. When asked about a separate grievance redressal mechanism for the pensioners, it was replied that there is no separate mechanism of grievance redressal specifically for the pensioners. The Ministry stated that there is a Public Grievance Handling System whereby grievances for all the three schemes i.e., EPF scheme, 1952, EPS, 1995 and EDLI, 1976 are handled and that 'the organization in tune with its objectives lays considerable importance to the redressal of grievances of the members.' The Committee was informed that Regional Offices, Sub-Regional Offices and District Offices register the grievance of all the PF members including pensioners and necessity follow up action are taken to redress the grievances. Besides, pension division in the Head Office and pension wing in the field offices also attend to the specific grievances of the pensioners. The Committee do not accept the explanation as the Ministry has not been able to give any input or feedback regarding the satisfaction level of pensioners' grievances. The Committee are of the view that owing to lack of separate grievance redressal cell, the grievances of pensioners are not getting the due attention and timely redressal. Further, due to the lack of bargaining power, the pensioners are in no position to have a proper and effective say into the matter.The Committee, therefore, strongly recommend that keeping in view the sizeable number of pensioners in the country and their grievances, a separate pension division within EPFO need to be established by taking necessary measures and till such a mechanism is put in place, a specific grievance redressal cell, within the Public Grievance Handling System itself, may be set up for resolution of grievances of the pensioners within a definite time frame."

Reply of the Government

In order to implement the recommendation of the Committee regarding the ever-increasing number of pensioners and their related grievances, the organisation is working on the formation of a separate pension division for redressal of specific grievances pertaining to Pension Scheme, in a definite time-frame.

Recommendation [Para 82]

The Committee note that as on 31.03.2007, the pension fund had a corpus of Rs.81,606.22 crore. The corpus is being revamped by incremental monthly accruals. The pensionary liability of the fund is also increasing continuously and the funding for this scheme is primarily from the rate of return which is being generated. The rate of return in the current situation is not stable and fluctuates depending on various factors. Even the value has recommended that there should be liberal pattern of investment to increase the inbound whereas EPFO is still following the pattern issued by Ministry of Labour and Employment in 2003. The Committee were informed that the Central Board of Trustees (CBT) has made certain recommendations to allow more flexibility in choosing the instruments for investments. However, the recommendations of the CBT are yet to be notified. Asked about the recommendation of ILC to set up Workers' Bank where EPF and the deduction could be deposited for better returns, the Government informed that creating a parallel banking structure would not be necessary in view of the administrative costs, RBI GUIDELINES AND OTHER PROBLIMS SUC AS LACK OR CORE COMPETENCIES. The Committee are of the view that corpus under EPS, 1995 is quite staggering. The CBT recommendations on private sector investments may not be appropriate in view of the uncertainties in the market and strong opposition by Central Trade Unions, but the issue of Workers' Bank appear tone a feasible option wherein baking activities itself may be initiated by the organization. The Committee, therefore, strongly recommend that to manage the huge amount deposited under EPS, some new methodology be adopted, which may be in addition to the conventional investments in Government securities, to ensure that the corpus receives healthy returns on its capital so that pensionary liabilities are met smoothly."

Reply of the Government

In order to implement the recommendation of the Committee, the Employees' Provident Fund Organisation, during the Financial Year 2008-09, has decided to introduce competition in fund management including that accruing to the Pension Fund and accordingly, four fund managers in place of existing one manger have been appointed to manage the corpus under the Central Board of Trustees, EPF. It is expected that this arrangement will bring about higher returns on investment.

The investment pattern notified by the Ministry of Finance in 2008, allowing investments in equities and trading in securities to achieve higher yield, in addition to the conventional investment in Government securities, is under examination by the Central Board of Trustees, Employees' Provident Fund.

CHAPTER-III

RECOMMENDTIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation [Para 78]

The Committee find the objective behind the actuarial valuation of the scheme is to estimate the liability under the scheme so as to take necessary steps that the estimated assets are sufficient to meet the future liability. So far eight actuarial valuations have been done. The last was carried out in 2004. The mahjor factors which are taken into consideration by the actuary while evaluation the schemes are the Mortality Rate, Interest Rate, Salary Escalation Rate, Exit Rate and other assumptions like premature withdrawal, the Hazard Rate in the industry where the employees work, the average size of the family of the member, difference In the age of spouses, chances of remarriage of widows/widowers. The component of the Interest Rate consists of the rate at which the present assets are expected to grow in future. On the other hand, future income and liabilities are also brought down at the same rate. The Committee further note that for the 8th valuation (for the period 2003-04) the information which was sought by actuary and supplied by EPFO related to details of coverage of establishments under EPS 1995, details of contributions received details of exits from the scheme during the year, details of beneficiaries and the benefits paid to them and data on members and beneficiaries, etc. Based on these criteria, the future projections were pronounced and an actuarial deficit of more than twenty two thousand crore was arrived at. How ever, the committee are unable to understand the basis of time factor for this kind of evaluation. Any figure, howsoever trustworthy, it maybe/ appear to be, is bound after three decades. Therefore, these projections are least convincing as all the factors considered to arrive at this decisions i.e., mortality rate, exit rate, salary escalation rate, interest rate and other assumptions are more hypothetical and unreliable because nothing can be said with certainty about any of the above criteria based on which prediction is being made. The scheme itself is designed on the bases of defined contribution and benefits. The Committee are of the view that the contribution made in the scheme alongwith the interest accrued on such contribution should be computed together for the purpose of pension rather than harping on the interest earned only as has been stated by the government . The contention of the Government that the discount rate of 1% has helped them in offsetting the deficit of the scheme itself substantiates the impression that actuarial valuations are more imaginary that actual. Even going by the simple principle of contribution received and liability disbursed every month, it be difficult for the Government to manage the affairs as the Government the affairs as the Gove4rnment itself has admitted that during the year 2006-07, the total contribution received was rs.8050.68 crore at the monthly average accretion of Rs.670.89 crore whereas the monthly disbursement under the scheme was only Rs.294.4 crore. It is only due to this continuous trend in receipt and expenditure that the corpus under pension scheme has accumulated to the tune of more than Rs. 80,000 crore as on 31 March, 2007. This pattern of receipts is unlikelytochange in future as the number of subscribers to the scheme will be more than pensioners at any given point of time. . Thus, the pension liability will continue tobe met from the interest of such a corpus without involving any expenditure from the original contribution. The only efforts required to achieve this is to develop a cyclical system, with no or minimum default, of ensuring the receipt or receivable contribution from the subscribers. The Premature withdrawals from the scheme, though diminishes the quantum of fund, nevertheless also and the Government is not at a loss in such cases because some percentage of the interest accrued on the money so withdrawn remains with the Government only. Therefore, the actuarial calculations cannot be taken to be authentic. The Committee, therefore, strongly recommend that instead of placing reliance on the inaccurate and imaginary actuarial conclusions, it would be appropriate if a work-force friendly, financially prudent and progressive approach is developed to manage the all important ever flowing and growing EPS, 1995.The Committee, therefore, strongly recommend that instead of placing reliance on the inaccurate and imaginary actuarial conclusions, it would be appropriate if a work-force friendly, financially prudent and progressive approach is developed to manage the all important ever flowing and growing EPS, 1995. The Committee also reiterate that the actuarial evaluation should also be done of a period not exceeding 5 years from the date of evaluation based on sound, real and short term factors enabling the Government to judge the accuracy or otherwise of such valuation."

Reply of the Government

The recommendations of the Committee have been taken note of for future evaluations. The Employees' Provident Fund Organisation undertakes annual valuations through recognized actuarial bodies. The actuarial valuation is done by the professional actuaries as per the universally accepted norms and standards.

CHAPTER-IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

-NIL-

CHAPTER-V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE INTERIM IN NATURE

Recommendation [Para 76]

The Committee note that EPS, 1995 is a contributory scheme wherein the employers' contribution towards the pension of the employee is diverted @ 8.33% from the total contribution of 12% made towards social security obligations. Under the EPS, no contribution is taken from the member, i.e., the employee for the pension scheme. The Government contributes @ 1.16% to the pension fund. Admittedly, neither of the above rates of contributions has been revised for the last 14 years. On being asked about the reasons for non-revision of contribution by the Government, it has been stated that generally the Government contribution is increasing. It has further been staged that presently there is no proposal to enhance the contribution of the Government. The non-revision in the rates of contributions even after one and a half decade, speaks volumes about the callous attitude of the Government towards the work-force. More so, when this segment of the workforce has contributed enormously in the economy of the country leading to increase in leaps and bounds in the revenue collection of the Government. The Committee, therefore, strongly recommend that the formula regarding rate of contribution should be revised at periodic intervals wherein the rate of contribution from the Government should at least be fixed at half of the rate of contribution which is being made by the employer or the employee towards the pension scheme."

Reply of the Government

At present, an Expert Committee under the Chairmanship of Special Secretary (Labour and Employment) consisting of actuaries, expert of finance and representatives of all stakeholders is reviewing the Employees' Pension Scheme, 1995 as a whole and any decision/action regarding enhancement of Government's contribution will be considered after the receipt of the recommendations of this Expert Committee.

Recommendation [Para 79]

The Committee observe that the pension payable categories of pensioners under the scheme is extremely insignificant. It is as low as less than s.100/- in a large number of cases rendering the pension-scheme a mock-exercise in social security. The Committee have been apprised that the government has decided to appoint a Committee to review the EPS, 1995. As the scheme is a funded one, any increase in the pensionary benefit is to be actuarially denied based on the principle of pooling of resources and sharing of risks. The benefits are, therefore, not linked to the cost of index but based on assets and liability factors, Hence, the pension payable under EPS 1995 is fixed. However, at the time of fixation it includes the DA component of the salary for the member. It is noting indexed linked Central Government pension. Nevertheless, there is a provision to declare relief a and when the position of the pension fund so permits. The committee feel periodic review of the payable pension is an innate and inalienable component of the pension scheme. Hence, to delink it from price index is beyond despite it being linked with assets and liabilities. Moreover, commutation of pension is also the right of the pensioner at the time of superannuation. It does not add to the burden of the pension fund as it correspondingly reduces the payable pension for a certain period. The notification of the Government withdrawing the facility of commutation of pension in the considered view of the committee, is not only improper but ill conceived and anti-worker as it has further compounded their miseries. Such a withdrawal cannot be justified on any found as it violates the fundamental right of a pensioner who assiduously contributed during the entire period of his working in the hope that at the time of his superannuation, he will get some lump sum abound so as to meet his familial and social responsibilities. The Committee are also of the view that EPS, 1995 has outlived its utility due to its inherent shortcomings like inadequate wage ceiling, low rate of contribution, inept actuarial valuation, payable DA. The committee have been apprised that the government has constituted a Committee under the Chairmanship of the Additional ?Secretary to the Government to look into the viability of the present rate of benefits and their possible revision. Regrettably, however, no timeframe has been fixed for the committee to submit its report. The stakes involved in the terms of reference of this committee are too well known and hence, a deadline should have been fixed to accomplish the task. Committee, therefore, strongly recommend that Government shed its lackadaisical approach towards the welfare of the worker and take positive steps in right earnest for linking the present EPS, 1995 with price index, restore the commutation facilities as originally envisaged in the scheme and amend the scheme as such having bearings on rate of contribution, wage ceiling and also fix a reasonable decent amount as minimum pension in consultation with Central Trade Unions."

Reply of the Government

As stated in reply to para 76, an Expert Committee under the Chairmanship of Special Secretary (Labour and Employment) consisting of actuaries, expert of finance and representatives of all stakeholders is reviewing the Employees' Pension Scheme, 1995 at present and the issues of linking the Scheme with price index and withdrawal of commutation can be considered after the receipt of the recommendations of this Expert Committee.

New Delhi; **(HEMANAND BISWAL)**
28th January, 2010 **CHAIRMAN,**
Magha 8, 1931 (Saka) **STANDING COMMITTEE ON LABOUR.**

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON 17TH FEBRUARY, 2010.

The Committee met from 1500 hrs. to 1715 hrs in Committee Room 'B', Parliament House Annexe, New Delhi to hear the views of the representatives of central Trade unions and Indian Jute Mills Association on the 'Development of Jute Sector' with particular reference to the strike by workers in Jute Mills in West Bengal.

PRESENT

Shri Hemanand Biswal – CHAIRMAN

MEMBERS
LOK SABHA

2. Shri M. Anandan
3. Shri P. Balram
4. Dr. Shafiqur Rahman Barq
5. Shri Hassan Khan
6. Shri Kaushalendra Kumar
7. Shri P. Lingam
8. Shri Shri Hari Manjhi
9. Shri P. R. Natarajan
10. Shri Raj Babbar
11. Dr. Kakoli Ghosh Dastidar

RAJYA SABHA

12. Shri Rudra Narayan Pany
13. Shri Rajaram
14. Smt. Renubala Pradhan

SECRETARIAT

1. Shri Devender Singh - Joint Secretary
2. Shri B.S. Dahiya - Director
3. Shri Ashok Sajwan - Additional Director

2. XX XX XX

3. The Committee then took up the draft action taken Report on the recommendations contained in 39th Report (14th Lok Sabha) on 'Employees' Provident Fund Organisation-Employees Pension Scheme 1995' for consideration and adoption and adopted the same without any modification/ amendment. The Committee authorized the Chairman to present the same in the ensuing session of Parliament.

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The Committee then adjourned.

XX Do not pertain to this report.

APPENDIX-II

(Vide Para No. 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON RECOMMENDATIONS CONTAINED IN THE THIRTY-NINTH REPORT OF THE STANDING COMMITTEE ON LABOUR (FOURTEENTH LOK SABHA)

		Total	Percentage
I.	Total number of Recommendations	08	NIL
II.	Recommendations/Observations which have been accepted by Government (Sl. Nos. 1,3,6,7 & 8) (Para Nos. 75,77,80,81 & 82)	05	62.5%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies- (Sl. No. 4) (Para No. 78)	01	12.5%
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee and which requires reiteration	NIL	8.33%
V.	Recommendations/Observations in respect of which final replies of Government are of interim in nature (Sl. Nos.2 & 5) (Para Nos. 76 & 79)	02	25%

			100%
