

**ESTIMATES COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

HUNDRED AND SIXTEENTH REPORT

**MINISTRY OF LABOUR, EMPLOYMENT AND
REHABILITATION (DEPARTMENT OF
LABOUR AND EMPLOYMENT)**

Employees' Provident Fund Organisation



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1970

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CORRIGENDA

TO

THE HUNDRED & SIXTEENTH REPORT OF THE ESTIMATES
COMMITTEE (FOURTH LOK SABHA) ON MINISTRY OF
LABOUR, EMPLOYMENT & REHABILITATION (DEPT. OF
LABOUR & EMPLOYMENT) - EMPLOYEES' PROVIDENT
FUND ORGANISATION.

<u>Page</u>	<u>Line</u>	
iii	6	for 'countries' read '/conclusions'
vii	(i) 9	for '1968' read '1969'
	(ii) 3-7	Re-number existing paras 4 & 5 as paras 5 & 4
	(fr. bottom)	& read accordingly.
1	Last line	for 'importance' read 'impotence'
2	22-23	for 'behalf, viz.' read 'behalf was the Provident Funds Act, 1897. This was replaced & re-enacted by' after '1925)' insert 'which'
5	21	for 'morality' read 'mortality'
8	6	for 'of disc' read 'or disc'
9	5	after 'members' insert 'and'
14	5	for 'Uumbia' read 'Zambia'
	(fr. bottom)	
16	(i) 9	for '1960' read '1969'
	(ii) 21	for 'basic wages of each worker' read 'pay of members'
	(iii) 25	for '1375' read '1975'
24	7(fr. bottom)	for 'Art' read 'Act'
26	25	for 'employees' read 'employers'
27	Last line	for '(43)' read '1(3)'
34	30	for 'arising' read 'accruing'
37	4	for '20-10-1967' read '30-10-1967'
40	10	for 'adverse' read 'averse'
42	5	for 'evolve' read 'devolve'
44	15	after 'Rajasthan' insert an asterisk
45	14	for 'a' read 'of'
46	5	for 'chief' read 'principal'
47	19	for 'huildings in' read 'buildings. In'
49	1	for 'progress in' read 'progressive'
52	8	for '(60 percent), ' read '(60 percent); '
55	16	for 'Administrative Reforms Commission' read 'Depart- ment of Administrative Reforms'
58	18-10	for 'subscquent' read 'subsequent months, punching of name cards on forms 9 and 5 etc. The Committee was particularly impressed by the neat & accurate service'
60	9(fr. bottom)	for 'able' read 'Table'
61	(i) 10	for 'International Bureau of Machines' read 'I.B.M.'
	(ii) 14	for 'correstive' read 'corrective'
	(iii) 15-16	Delete the words 'to eliminate the recurrence of such other corrective measures as may be considered necessary'
	(iv) 18	for 'irregularies' read 'irregularities'

<u>P age</u>	<u>Line</u>	
64	13	for '7-1/3' read '8-1/3'
66	(i) 6	for 'Rs 1,256.98' read 'Rs 1,256.98'
	(ii) 14-16	Col. 2- Delete 'industries/'; col. 6, for 'industries' read 'establishments'
67	13	for 'and Engineering industries' read 'industry'
72	20-21	read these 2 lines which are in brackets below the column 'Total amounts of contributions received'
90	14	before '1970-71' insert 'year'
103	7(fr, bottom)	for 'Monday' read 'Money'
106	7	for 'They feel that payment of both employers' and employers" substitute 'would not deplete the resources'
110	3	delete the asterisk before '(vi)'
123	3	for 'FUND ORGANISATION' read 'CENTRAL OFFICE'
(App .II)		
155	Last 2 lines	for 'Administrative Reforms Commission' read 'Department of Administrative Reforms'
162	(i) 1	for 'deported' read 'deposited'
	(ii) 3	for 'vesting a portion of provident fund accumu' read or substitute 'invariably deposited in the EP Fund by the em-'
166	Last 3 Lines	Delete the words 'in cases when the amount of claim does not exceed Rs 5000/-'.

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ESTIMATES COMMITTEE

(1969-70)

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Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri B. B. Tewari—*Deputy Secretary.*

Shri Y. Sahai—*Under Secretary.*

INTRODUCTION

1. I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Sixteenth Report on the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) —Employees' Provident Fund Organisation.

2. The Committee took evidence of the representatives of the Ministry of Labour, Employment and Rehabilitation, (Department of Labour and Employment) on the 31st October, 1968. The Committee wish to express their thanks to the Secretary, Ministry of Labour, Employment), and Rehabilitation (Department of Labour and Employment), the Central Provident Fund, Commissioner, Employees' Provident Fund Organisation and other officers of the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) and the Employees' Provident Fund Organisation for placing before them the material and information which they wanted in connection with the examination of the estimates.

3. They also wish to express their thanks to the representatives of the Council of Indian Employers, New Delhi for furnishing Memoranda, giving evidence and for making valuable suggestions to the Committee.

4. The Report was considered and adopted by the Committee on the 18th March, 1970.

5. The Committee also wish to express their thanks to all the associations and individuals who furnished memoranda on the subject to the Committee.

6. A statement showing the analysis of recommendations contained in the Report is also appended to the Report, (Appendix IV).

M. THIRUMALA RAO,

Chairman, Estimates Committee.

NEW DELHI;

March 21, 1970|Phalguna 30, 1891, (Saka)

CHAPTER I

INTRODUCTORY

A. Historical Background

Social Security—What it means

1.1. From ancient times the need for self-preservation and freedom from want and distress has been felt by Man. With the evolution of social consciousness through the ages, the urge has been manifested in several forms according to the needs of the people, the advancement of technology and rapid pace of economic development.

1.2. While primitive man had fewer problems, the stresses and strains of modern mechanised life which have evolved with the development and evolution of Man have led to a feeling of insecurity in his mind and the need for social security has assumed a greater and vital role in every day life. From modest beginnings a few decades ago, for millions throughout the world, it is now a necessity. The progress made by a country towards the ideal of a Welfare State is largely gauged by the extent of prevalence of social security measures.

1.3. The basic principle underlying social security is to protect a citizen or the Members of a Community against certain hazards in social life, causing him|them undue hardship and privation to them, especially when their resources are inadequate to meet them. All systems of social security are related to the development policies of a country and are limited by financial resources available.

1.4. In Modern Society, with all its complexities, after a life of hard work for his family, his employers and his country, an industrial employee becomes entitled as any other human being, to a few years of rest and peace with some honourable subsistence to fall back upon. In earlier generations, he had to rely on his own joint-family, which furnished a sort of insurance to all its members young and old or in his own children or yet his own savings, if he had any. But with the evolution of society, and gradual disappearance of the joint family system, one who had been self-reliant all his life suffered more than physical deprivation when dependent on charity, even the charity of his own offspring. The old age, therefore, holds for him nothing but dreads of miserable existence and on top of it the sense of sheer importance of struggle against such a situation. Thus

with the disintegration of the old social structure, in particular of the joint family system in the villages, the problem of a safe future has assumed cardinal importance for the industrial proletariat of the present times.

1.5. Social security, therefore, consists in making an adequate provision for the future of the industrial worker by way of the institution of a provident fund or system of retirement gratuity or old age pension as distinguished from social welfare which pertains to the welfare of the industrial worker during the time he is able to serve the employers.

1.6. The institution of Provident Fund is one of the recognised and definite modes adopted or providing some measure of security. Whether it is an adequate measure or not in the scheme of things is a different matter, but that it is absolutely essential cannot be gainsaid.

B. Legislative History of Provident Fund Statute

1.7. Till the late twenties, there was no legislation to provide for benefits for old-age and in the event of death of the bread winner. A few private and Government undertakings had, however, instituted schemes of contributory provident fund, gratuity and old-age pension. The first legislative measure in this behalf, viz. the Provident Funds Act, 1925 (XIX of 1925) was passed by the Indian Legislature on 27th August, 1925, and was brought into force on the 1st April, 1926.

1.8. This Act was restricted in scope as it applied only to Government Departments, Railway Administration and 24 other official and semi-official Institutions. The industrial workers were left to the sweet will of their employers for giving them Provident Fund Benefits and were not covered by the above enactment. In 1929, the Central Government, however, took steps to amend the Indian Income Tax Act, 1922 by the Indian Income Tax (Provident Fund Relief) Act, 1929 making special provisions relating to certain classes of provident funds and this covered provident funds in private industries.

Royal Commission on Labour in India

1.9. The Royal Commission on Labour in India was appointed in 1929 under the Chairmanship of the Right Honourable John Henry Whitley and submitted its report in 1931. The Royal Commission, discussing social security, had admitted the importance of making some old-age provision. While concluding that "it was impossible

to make provision for meeting every contingency in the life of the worthy they observed as follows:—

“Until such time as it is found practicable to constitute either a general scheme of old age pensions or provident funds for industrial workers, Government should, wherever possible, encourage employers, by financial grants or other means to inaugurate schemes of this nature for their employees”.

The Commission, nevertheless, observed that two Members thereof viz. Shri N. M. Joshi and Dewan Chaman Lal, however “considered that the problem of making provision for old-age is one that will compel early attention, particularly in the case of industrial workers. Industrial life tends to break the joint family system. Those workers who, at the beginning of their industrial career, own a plot of land, are often unable to retain possession and with the passage of years the connection with the village becomes loosened. Workers in the main are unable to save out of their earnings against old age. Those in intimate touch with the life of workers know something of the misery in which many pass their old age. The necessity for making some provision against old age needs no emphasis.”

Provincial Labour Enquiry Committees

1.10. The Kanpur Labour Enquiry Committee appointed in 1937, in its Report (1938) as also the Bihar Labour Enquiry Committee (1938) recommended the introduction of contributory provident fund scheme. The Bombay Textile Labour Enquiry Committee appointed in 1937 in its Report (1940) was of the opinion that “circumstances do not permit the immediate introduction of old age pension in the cotton textile industry” but suggested that a system of paying retirement gratuities after about 15 years’ qualified service should be introduced in the industry. They also stressed that Government should make the provisions of the Provident Funds Act of 1925 applicable to Provident Funds wherever they existed for the benefit of the workers. The recommendations of the Royal Commission as also of the Committee referred to were not implemented.

Labour Investigation Committee

1.11. The Labour Investigation Committee which was appointed in February 1943 under the Chairmanship of Mr. D. V. Rege, I.C.S. submitted its report on 5th March, 1946, dealing with the problem of Provident Fund, Gratuities and Pensions and, while doing so, surveyed the conditions then obtaining in the country. The recommendations made by the Royal Commission also were considered by the

Labour Investigation Committee. The Committee observed as follows:—

“The whole problem of provision against old age or death of bread-winners legitimately falls within the sphere of Social Security and it is a matter for consideration whether either the initiation or management of schemes of Provident Fund, Gratuities and Pensions should be left to employers themselves. Of course, so long as there are no schemes of social security introduced in a particular industry or area, the existing private scheme of provident fund, etc., should be allowed to continue under the management of employers. The existing schemes in this connection do not appear to be very liberal, and especially in regard to the employers' contribution to provident funds of workers the restrictions on withdrawal of employers' contribution seem to be somewhat unsatisfactory. If provision against old age or death of bread-winner is intended to stabilise the industrial worker in employment, the employers' contribution, which is really in consideration for permanent service by the worker, should as far as possible be made available to him on early retirement, etc. The absence of social security measures like provident funds, gratuities and pensions in most concerns has largely contributed to the migratory character of Indian labour, and is one of the most important causes of the large labour turnover in factories. Though some of the larger employers have instituted tolerably good schemes, the number of such employers is very small. During the last few years, however, some progress has been achieved in this direction. Generally speaking, provident funds are most common, gratuities are given only on some cases and pensions are rather rare. Only some of the Provident Funds are registered, while most are not. As regards eligibility, there are very wide variations.....Some employers impose income qualifications and here also there are numerous variations.....The amount of total contribution also varies widely.....In almost all cases, however, the worker must have served for at least 15 years (or more in some cases) and to the entire satisfaction of the employer, before he is eligible to receive the employer's contribution to the Provident Fund: and it must be remembered that it is the employer himself who decides whether the worker has been of good behaviour or not. The funds are generally deposited in Government securities. In the case of unregistered funds, the amount outstanding to the

worker's credit is attachable, but not so in the case of registered funds. We are of the opinion that all Provident Funds, wherever they exist, should be compulsorily registered and treated as trusts."

The Tripartite Labour Conference (1943) and Standing Labour Committee (1944)

1.12. The Tripartite Labour Conference and the Standing Labour Committee at the instance of Central Government approved the Model Rules relating to Provident Funds for industrial employees. However, no definite decision in regard to the compulsory introduction of provident funds in private undertakings was taken.

Pension or Provident Fund

Views of various Expert Committees|Labour Tribunals etc.

(i) *Standing Labour Committee*

1.13. On the question of pension the Standing Labour Committee at its 10th Session held in April 1948 had concluded that "pension schemes involved substantial subsidies from public funds. The Central and State Governments in India are at the moment unable to provide these subventions. The introduction of a Pension Scheme will have to be preceded by a detailed investigation into the average period of employment and rates of morality." There was, however, general agreement in the Committee that a Provident fund scheme should be instituted for the benefit of industrial workers but whether it should be Central or otherwise would have to be decided.

(ii) *International Labour Organisation*

The International Labour Organisation in their Report (1947) to the Preparatory Asiatic Regional Conference, had also expressed themselves in favour of Compulsory Savings in the form of provident fund as preferable to compulsory pension so long as there is large turnover among industrial workers and the interchange of workers between industry and agriculture remain frequent. The provident fund also encouraged the formation of a stable labour force. Further, no adjudicating authority had recommended a pension in preference to a provident fund scheme nor have the workers' interest expressed such a preference.

(iii) *Industrial Tribunals*

Several Tribunals in their orders have shown a preference for schemes of provident fund and gratuity rather than for pension schemes. An important Industrial Tribunal in West Bengal had observed that the contributory provident fund scheme was the best scheme of retiring benefit because while imposing a burden on the

employers, it also made it compulsory for the employees to make a contribution. This was desirable because not only it taught the employees the habit of saving but also was a guarantee against reckless spending of the retiring benefit money, when obtained, for if the employees felt they had contributed to build up for the money, they would be careful about the money they received on retiring. Some Industrial Tribunals on the other hand, were doubtful if a system of provident fund or gratuity would be as beneficial to the worker as a pension scheme.

Private Member's Bill

1.14. On 11th February 1948, a Bill, viz. The Workers' Provident Fund Bill, 1948 was introduced in the Constituent Assembly of India (Legislative) by Shri R. K. Sidhwa, M.C.A. The Bill sought the grant of provident funds to certain classes of workers by their employers. The main object of the Bill was to make it compulsory for every employer of workers and labourers in industrial concerns to establish provident fund for the betterment of such employees and their families. The Bill which the Member proposed to move for reference to a Select Committee was withdrawn on the 25th August, 1948 on an assurance given by the then Minister of Labour, Shri Jagjivan Ram, that Government would introduce a comprehensive Bill after considering all aspects of the matter.

Coal Mines Provident Fund Scheme

1.15. In the meanwhile, a great step forward was taken towards achieving this objective in 1948, by enactment of the Coal Mines Provident Fund and Bonus Schemes Act, 1948 to provide for a compulsory provident fund scheme for workers in Coal Mines in West Bengal, Bihar, Orissa and Madhya Pradesh. With slight modifications it was later applied to coal mines in Assam, Rewa, Talcher, Orea, Vindhya Pradesh and partially excluded area of Madhya Pradesh, Bihar, Orissa and West Bengal.

Under the Scheme framed in December, 1948, every employee whose basic wages did not exceed Rs. 300/- p.m. and who earned a bonus under the bonus schemes was required to become a member of the Fund. In Assam where the Bonus Scheme was not in force, the qualifying condition for becoming a member of the Fund was as follows:

“Underground minor and underground piece workers—60 days' attendance; Others 65 days' attendance in any quarter.”

Different rates of contribution had been fixed for persons in different income groups. For monthly-rated employees the rate of

contribution fixed was annas 10 per month in the case of those receiving upto Rs. 10 and 1/16th of basic wages for those receiving over Rs. 240. In regard to those employees who were not paid on a monthly basis, contributions to the Fund were payable weekly. The rates of contribution varied from annas 2 per week in the case of employees whose basic wages for the week were over Re. 1 and upto Rs. 2 to annas 12 per week in the case of those whose basic wages are over Rs. 11 per week. No contribution was payable in respect of a person whose basic wages in any particular week was upto Re. 1. The employers were required to contribute to the Fund an amount equal to the contribution of the employees. The employers were to pay, in the first instance, both their as well as the workers' contribution but they could recover the latter from the wages of the workers. Contributions were to be paid by employers by means of affixing provident fund stamps on contribution cards of workers available at certain treasuries and post offices.

The Scheme is being administered by a Board of Trustees constituted by the Central Government. It consists of an equal number of representatives of Government, employers and workers.

Employees' Provident Funds Ordinance (1951) and Act (1952)

1.16. On the 15th November, 1951, Government, in implementation of the assurance given in the Constituent Assembly (Legislative), promulgated an Ordinance called the Employees' Provident Funds Ordinance to provide for the institution of provident funds for employees in factories and other establishments. The Ordinance was replaced by the Employees' Provident Funds Act which was passed on the 4th March, 1952.

A Scheme called the Employees' Provident Funds Scheme, framed under section 5 of the Act came into force on the 1st November, 1952.

1.17. The Employees' Provident Fund Act was enacted originally for the benefit of workers in 6 major industries, viz. Cement, Cigarettes, Electrical, Mechanical or General Engineering products, Iron and Steel, Paper and Textiles. The actual working of the Act and the Scheme framed thereunder, however, brought to light a number of defects and necessitated several amendments. Hence during the period from 1952 upto date the Act has been amended nine times to suit the requirements of changing times, to broaden the coverage as also to remove the defects, shortcomings or *lacunae* found in its actual working. The last amending Act was enacted in 1965.

1.18. At present, the Act applies to 124 industries (*vide* Appendix I) and the range of its coverage, though wide enough to take within its purview all important industries, is being extended from time to time as a result of continuous survey to other industries which remained uncovered till now. Its coverage extends to industries employing more than 53 lakh workers as on 31st March, 1969, the total number of covered establishments being 43,835.

C. Salient Features of the Employees' Provident Fund Scheme, 1952

1.19. Under Section 5 of the Employees' Provident Funds Act, 1952, the Central Government had framed the Employees' Provident Funds Scheme in November, 1952 for the establishment of provident funds under the Act for employees or for any class of employees. This Scheme covered all or any of the matters specified in the Schedule II to the Act, which are as follows:—

- (i) Conditions of Membership of the Fund and Exemption of employees.
- (ii) Time and Manner of payment of contributions by Employers or by contractors; and the manner of recovery of such contributions.
- (iii) Payments by employer of administrative expenses.
- (iv) Constitution of Committee to assist Board of Trustees.
- (iv) Opening of Regional and other offices of Board of Trustees.
- (vi) Manner of keeping accounts, investment of moneys belonging to fund in accordance with conditions laid down by Government, preparation of budget, audit of accounts and submission of reports to Central|State Government.
- (vii) Conditions for withdrawals|forfeitures to fund.
- (viii) Fixation of rate of interest by Central Government in consultation with Board of Trustees.
- (ix) Form or design of identity card, token of disc regarding particulars of an employee.
- (x) Fees to be levied for any of these purposes.
- (xi) Contraventions or defaults punishable under Section 14(2) of Act.
- (xii) Further powers exercisable by Inspectors.

- (xiii) Manner of transfer of accumulations of any existing Provident Fund under section 15.
- (xiv) Conditions for payment of premia on life insurance from the Fund.
- (xv) The form for furnishing particulars about the member his family.
- (xvi) Nomination by the members of a person to receive his provident fund after his death and cancellation or variation of such nomination.
- (xvii) Register and records to be maintained by the employer in respect of the members and the periodical returns to be furnished by them.
- (xviii) Any other matters to be provided for in the Scheme or necessary for the purpose of implementing the Scheme.

1.20. The following are some of the original and existing salient features of the Employees' Provident Funds Scheme:—

<i>Original</i>	<i>Existing</i>
(i) Workers employed in covered factories who had completed one year's continuous service were made eligible for membership of the Fund. For this purpose, if a worker had worked in a factory for not less than 240 days during a period of twelve months, he was deemed to have completed one year's continuous service.	(i) One year's continuous service or actual work for not less than 240 days during a period of twelve months or less.
(ii) The workers employed by or through contractors were not given membership of the Fund.	(ii) The employees employed by or through a contractor have been granted the benefit of provident fund.
(iii) The workers whose basic wages and dearness allowance did not exceed Rs. 300/- p.m. were eligible for membership of the Fund.	(iii) The present limit is upto Rs. 1,000/- p.m. of basic wages, dearness allowance, cash value of food concession and retaining allowance, if any.
(iv) The statutory rate of contribution was 6 1/4% of basic wages and dearness allowance.	(iv) In the case of establishments employing 50 or more persons and engaged in any of the specified industries/classes of establishment the statutory rate has been enhanced to 8% of basic wages etc. For others the rate is 6 1/4% of basic wages, dearness allowance, cash value of food concession and retaining allowance, if any.

Original	Existing
<p>(v) There was no provision for grant of advances to the members except the facility of granting advances for financing life insurance policies on the life of the members.</p>	<p>(v) Now a member can draw non-refundable advances for the following purposes :—</p> <p>(1) For payment of amount of premia on a policy or policies of insurance on his life.</p> <p>(2) for purchasing a dwelling house or a house site or for construction of a dwelling house ;</p> <p>(3) if workers are thrown out of employment due to temporary closure of an establishment for more than 15 days and if no compensation is likely to be paid to them. (non-refundable advance permissible from employees' share only and refundable advance from employers' share under certain circumstances;</p> <p>(4) for purchasing a share or shares of Consumers' Co-operative Societies, or Co-operative Housing & Credit Societies;</p> <p>(5) for meeting expenses incurred in connection with illness (categorised for this purpose) either in respect of the member himself or a member of his family ;</p> <p>(6) in the case of individual retrenchment, pending final withdrawal, monthly withdrawals not exceeding six are permissible subject to certain conditions.</p> <p>(7)* for daughter's marriage or post-matriculation education of children.</p> <p>(8)* if member's property is damaged by a calamity of exceptional nature.</p>
<p>(vi) Expenses for administering the Scheme were recovered from the employers of unexempted factories on the total employers' and workers' contribution.</p>	<p>(vi) Now the expenses of administration are recovered on the basic wages, dearness allowance etc. on which provident fund contributions are deducted.</p>

*Added at the suggestion of the Ministry at the time of factual verification.

- (vi) Payment of employer's share to the outgoing members was regulated as under :
- (vii) The present position is as under :—

Original		Existing	
Period of membership of the Fund	Employers' share with interest thereon refundable	Period of membership of the Fund	Employers' share with interest thereon refundable
(a) Less than 5 years	Nil	(a) Less than 3 years	25%
(b) 5 years or more but less than 10 years	50%	(b) 3 years or more but less than 5 years	50%
(c) 10 years or more but less than 15 years	55%	(c) 5 years or more but less than 10 years	75%
(d) 15 years or more but less than 20 years	75%	(d) 10 years or more but less than 15 years	85%
(e) 20 year or more	100%	(e) 15 years or more	100%

- (viii) Full amount standing to the credit of the member with interest thereon was payable in the event of the member's death, on attaining the age of super-annuation or on retirement on account of permanent and total incapacity for work in any industry due to bodily or mental infirmity duly certified by a registered medical practitioner or medical officer of the factory.
- (viii) Full amount standing to the credit of a member in the Fund with interest thereon is refunded in the event of death, retirement, retrenchment or migration from India for permanent settlement abroad and on leaving service for any reason after completion of 15 years membership and also in the following contingencies :—

- (a) where a factory or other establishment is closed but certain employees who are not retrenched are transferred by the employer to other factory or establishment not covered under the Act :
- (b) where a member is transferred from a covered factory or other establishment to another factory or other establishment not covered under the Act, but is under the same employer ;
- (c) where a member is discharged and is given retrenchment compensation under the Industrial Disputes Act, 1947, and
- (d) immediately on ceasing to subscribe to the Fund in the event of an establishment going out of the purview of the Act under Section 1(5) thereof.

1.21. Since its inception, the scheme has been liberalised and expanded in several directions. These have been dealt with in the relevant chapters that follow:

1.22. The Central Provident Fund Commissioner at New Delhi, is the Chief Executive Officer and generally in each State there is a Regional Commissioner who has Assistant Provident Fund Commissioners, Accounts Officers etc. Inspectors do field inspection by visiting all establishments and report defaults and deficiencies on the part of employers in implementing the Scheme, to the Central Provident Fund Commissioner for suitable action. The Central Board of Trustees, a tripartite body consisting of representatives of the Central State Governments, employers and workers, administers the Scheme holding the Funds vested in them as trust moneys and investing them in Government or Government guaranteed securities, Central or State.

D. Social Security and Provident Fund Schemes in Foreign Countries

1.23. In the industrially advanced countries, the question of future provision by employers for employees does not assume the importance which it does in India, because of the State Schemes of old age pension and other schemes of social security. These schemes fall under the broad concept of social security and confer retirement benefits, pensions on retirement, invalidation or death. These are, however, financed like India's scheme by Joint contributions by the employers and the employees.

1.24. The Committee understand that Provident Fund Schemes as social security measures for workers are prevalent only in a few countries of the world. Almost all the advanced countries of the world like U.S.A., U.K., France, Canada, U.S.S.R., Norway, Sweden, Australia and Japan have Social Insurance systems which provide pensionary benefits in case of old age, invalidity or death.

The best known social security scheme in the world is the Beveridge scheme in the U.K., formulated under the stimulus of war. The scheme as it now operates comprises National Insurance, Industrial injuries and family allowance schemes of U.K., Northern Ireland and Isle of Man.

1.25. Nine countries of Asia and Africa have Provident Fund Schemes for workers. They are Ceylon, India, Malaysia and Singapore in Asia and Ghana, Kenya, Nigeria, Tanzania and Zambia in

Africa. The salient features of Provident Fund Schemes prevalent in these countries other than India are as follows:—

Asian Countries

(a) Ceylon.—The Provident Fund Scheme of this country covers employees of firms with 3 or more workers. However, day labourers, family labour, employees under approved private plans and public employees are excluded from the coverage of this scheme. The employee contributes 4 per cent of earnings (may be increased voluntarily) and employer 6 per cent of payroll towards the Fund. Maximum earnings for contribution purposes is Rs. 500/- a month. The benefits provided under the Scheme are that in case of old age, invalidity and death, a lump sum, equal to total employee and employer contribution paid in since 1958, plus at least 2½ per cent compound interest is paid.

(b) Malaysia.—The Provident Fund Scheme in this country covers employees with earnings of 500 dollars a month or less. The excluded category of employees are those who earn over (Malaysian) 500 dollars a month (unless first covered when earning less), employees of plantations of 25 acres or less, members of more favourable private plans; and temporary workers. Employees contribute 5 per cent of earnings, according to 24 wages classes and the employer pays 5 per cent of the payroll, according to wage class. The benefit is available in cases of old age, invalidity and death of the employee. A lump sum equal to total employee and employer contributions paid in after 1951, plus at least 2½ per cent compound interest (4 per cent credited currently) is paid in all the three cases.

(c) Singapore.—The employees earning local 500 dollars a month or less are covered by the Provident Fund Scheme for workers in Singapore. The excluded category of workers are those who earn over 500 dollars a month (unless first covered when earning less), members of existing equivalent private plans and temporary workers. The covered employee pays 5 per cent of the earnings (no contribution of earning below 200 dollars a month). The employers contribute 5 per cent of pay roll. However, they pay no contribution for employee whose earnings are below 10 dollars a month. The benefit of Provident Fund is available in case of old age, invalidity and death. A lump sum equal to total employee and employer contribution paid in since 1954, plus at least 2½ per cent compound interest is paid.

African countries

(a) Ghana.—The Provident Fund System in this country covers employees of firms with 5 or more workers. However, casual work-

ers and *aliens* (unless covered by reciprocal agreement) are excluded from the coverage. The contribution from workers is 5 per cent of payroll. (This contribution also finances sickness benefit). The benefit of Provident Fund is available in case of old age, invalidity and death of the employee. A lump sum equal to total employee and employer contributions paid in from 1965 plus at least 3 per cent compound interest is given in all the three cases.

(b) Kenya.—In this country the Provident Fund System covers all employed persons excluding casual workers and temporarily employed *aliens*. The workers contribute 5 per cent of earnings, and the employer 5 per cent of payroll. Maximum earnings for contributions purposes is 800 shillings a month. The benefit is available in cases of old age, invalidity and death. A lump sum equal to total employee and employer contributions paid in 1966, plus at least 2.5 per cent interest, is given in all the three cases.

(c) Nigeria.—The Provident Fund System in this country covers employees of firms with 10 or more workers. Casual workers and *aliens* covered under equivalent foreign programmes, are excluded from this system. The workers contribute 5 per cent of earnings and employers 5 per cent of the payroll. Maximum earnings for contribution purposes is 40 pounds a month. (The above contributions also finance cash sickness and maternity benefits). The benefit of Provident Fund System is available in cases of old age, invalidity and death. A lump sum equal to total employee and employer contributions paid in since 1961, plus accrued interest is paid in all the three cases.

(d) Tanzania.—In Tanzania the Provident Fund System covers employees of firms with 10 or more workers. The coverage is subject to extension gradually to smaller firms. The contribution of the workers is 5 per cent of wages and the employer 5 per cent of payroll. Maximum earnings for contribution purposes is 700 shillings a month. (The above contributions also finance sickness benefits). The benefit is available to cases of old age, invalidity and death. A lump sum equal to total employees and employer contributions paid in, plus accrued interest is paid to the workers. Withdrawal grant equal to total employee contribution paid in, is available to a worker if he leaves the job provided he is in covered employment for two years.

(e) *Umbia*.—The Provident Fund System in this country covers employees of firms with 10 or more workers. Coverage is subject to extension gradually to smaller firms. Casual workers and *aliens*, under equivalent foreign programme, are excluded from the coverage. The benefit is available in cases of old age, invalidity and

death. A lump sum equal to total employees and employer contributions paid to from 1966, plus accrued interest is given in all three cases. However, Provident Fund can be paid as an annuity or in instalments at the discretion of the Fund Authorities.

1.26. In Burma there is no Provident Fund or Pension Scheme in operation. The Social Insurance Scheme in that country provides for benefits in the event of sickness, maternity and employment injury.

1.27. The Committee note with interest that in the developing countries of Asia and Africa, quite a few countries have set up Provident Fund Schemes broadly on the same lines as India's own scheme with different types of coverage. The Committee note that in some of the developing countries of Asia and Africa, (e.g. Malaysia and Ghana) the coverage is wider than in India. In some of these countries the coverage extends to 15 or 10 employees and in a small country as Ceylon it even extends to 3. The Committee have no doubt that, in India also, the benefits of the Provident Fund Scheme will be extended in due course to workers employed in smaller establishments.

CHAPTER II

COVERAGE AND MEMBERSHIP

A. Coverage

Coverage—An Analysis:

2.1. As on the 1st June, 1969, the Employees' Provident Funds Act, 1952, was applicable to 121 industries|classes of establishments. The enhanced rate of contribution of 8 per cent has, however, been made applicable to 83 industries|classes of establishments employing 50 or more persons. With effect from 30th June, 1960, two more industries|classes of establishments, viz Ice and Ice-cream and Diamond Mines and with effect from 31st January, 1970, General Insurance were covered raising the total number of industries|classes of establishments to 124 (Appendix—I). The total number of covered establishments as on 31st March, 1969 was 43,835 and the number of subscribers in these establishments was 53.29 lakhs.

2.2. Under Section 17 of the Act, exemptions could be granted to a covered industry|establishment if it had its own provident fund scheme and the benefits under which were not less favourable to the employees than those provided under the statutory Scheme. In that case, the industry|establishment is required to pay inspection charges only at the rate of 0.09 per cent of basic wages of each worker to the Employees' Provident Fund Organisation which ensures proper compliance with the provisions of the Act.

As on 31st March, 1969, out of the total number of 43,835 establishments, 1,375 were exempted and the remaining 41,860 were unexempted. These included establishments both in the public and private sectors.

The break-up of the exempted and unexempted establishments, both in the public and private sector, is as follows:—

Category	Public Sector Establish- ments	Private Sector Establish- ments	Total
Exempted	194	1,781	1,975
E. Unexempted	1,461	40,399	41,860

As on 31st March, 1969, out of 1,461 unexempted public sector Establishments, as many as 554 establishments had not complied with the provisions of the Employees' Provident Funds Act and/or the Scheme.

The break-up of these 554 establishments is as follows:

Category	State Government's	Central Government's
1. Departmental	215	178
2. Public Sector Undertakings	110	21
3. Local Bodies etc.	30	..
	355	199

Coverage of Public Sector Undertakings:—

2.3. The Committee are given to understand that by and large the Public Sector Undertakings have retirement benefits for their employees in one form or the other. The problem is primarily one of formally bringing those establishments into conformity with the provisions of the Act. Grant of exemptions in a large number of cases would provide a substantial solution. The undertakings are taking considerable time in complying with certain conditions of exemptions like constitution of Board of Trustees, investments of funds according to the prescribed pattern etc. It is stated that the Regional Commissioners have been making personal efforts by contacting the highest authorities in the public sector undertakings and have been taking up the matter with the approximate Heads of Departments of Government. The State Governments have also been calling frequent meetings of Heads of Departments and Heads of Public Sector Undertakings with a view to securing speedy compliance, so that exemptions could be formally granted. This question has also been discussed at a number of tripartite meetings, conferences of Labour Ministers and meetings of Heads of Public Sector Undertakings. It was also one of the subjects that was brought before the State Labour Ministers' Conference (Northern Zone) held in May, 1969. It was agreed in all these meetings that public sector undertakings should either comply with the provisions of the Act or secure exemption under Section 17 of the Act.

2.4. The Committee has further been informed that when persuasive measures failed to elicit cooperation, the Regional Commissioners had taken recourse to assessing provident fund dues as required under Section 7A of the Act. Assessment under this Section has, however, been made only in 48 cases so far.

In some cases, relaxation orders issued under para 70 of the Scheme pending disposal of the application for exemption are also revoked and the appropriate Government had been advised to refuse exemption with a view to compelling the Public Sector Undertakings to comply with the provisions. Relaxation orders, had, however, been cancelled only in eight cases so far.

2.5. During the course of non-official evidence, it was also brought to the notice of Committee that although the Act applies equally to both the public and private sector, there was an element of discrimination on the part of Government in the application of the Act to the public sector *vis-a-vis* private sector and that the authorities were rather lax in the enforcement of the provisions of the Act to the covered public sector undertakings which did not comply with its provisions. The Government have, however, refuted this allegation saying that in so far as coverage under the Act was concerned, there was no difference between public and private sector establishments and there was no discrimination of any sort.

2.6. In the light of what has been stated in the foregoing paragraphs, the Committee are constrained to observe that measures taken so far, since the public sector undertakings were brought within the purview of the Act in 1958 have failed to yield any substantial results in the matter of ensuring compliance of the provisions of the Act by the public sector undertakings. Since Public Sector Undertakings are directly under the control of Government, there appears hardly any justification for non-compliance. The Committee, therefore, urge that Government should lay down a target date by which all such public sector undertakings should apply for exemption under Section 17 of the Act or comply with the provisions of the Act. In the event of their failure to do so by the stipulated date, Government should enforce the provisions of the Act by taking recourse to Section 7A and other penal provisions of the Act.

Coverage of Railway Establishment

2.7. The Committee are given to understand that out of 178 Cen-

tral Government establishments, the only case where total exclusion from the purview of the Act and the Scheme has been sought is that of the 104 establishments under the Railway Board. The Railway Board had taken up the matter with the Department of Labour and Employment and pressed for such total exclusion on account of certain difficulties. The Department of Labour and Employment have been holding discussions with the Railway Board in this regard and expect that the Railway Board would withdraw their demand for total exclusion and fall in line with other Departments in the matter of compliance with the provisions of the Act and the Scheme. The process of discussion has been continuing for almost eleven years since the Government establishments and public sector undertakings were brought within the purview of the Act in 1958.

2.8. The Committee are unhappy to note that even though discussions between the Railway Board and the Ministry of Labour, Employment & Rehabilitation have been going on over such a considerably long period, no final decision has been reached in the matter. The Committee, therefore, recommend that this issue between the Railway Board and the Ministry of Labour, Employment & Rehabilitation should be settled without any further delay and steps taken to extend the provisions of the Act to Railway establishments and to grant them formal exemption under Section 17 if they apply for it.

B. Membership

Conditions for Eligibility

2.9. A worker is enrolled as a Member of the Employees' Provident Fund on satisfying the following conditions:

- (a) His establishment should fall in one of the categories to which the Employees' Provident Funds Act has been applied.
- (b) The establishment should have 20 or more persons and should have completed 5 years of its existence if it has less than 50 employees; and 3 years if it has 50 or more employees.
- (c) He should have worked in the establishment continuously for one year or should have put in 24 days' actual

work in a period of 12 months or less.

- (d) His pay (basic wages, dearness allowance including cash value of any food concession and retaining allowance, if any) should not exceed Rs. 1,000 per month.

2.10. It was suggested to the Committee that the eligibility for membership should be based on "one year's continuous service" for at least "240 days continuous service" instead of '240 days actual work in a period of one year' as was the case at present. It was argued that sometimes it happened that a person on a temporary or casual assignment put in 240 days' service and if he went out of job, his contributions and the employer's contribution would be lying idle and created difficulties for both the employee and the employer. On the other hand, a counter suggestion was made that a worker should be entitled to become a member from the very first day he joined an establishment.

In the course of evidence, the official representative stated that "the first suggestion would be clearly a retrograde step." As regards the second suggestion, he stated:

"In that case, all casual workers and temporary workers, no matter whether they have continued in Government service or not, will be brought within the scope of the scheme. I am not quite sure if that will be a correct thing to do, because it is really meant to apply to people more or less in continuous and permanent employment. If you make a person eligible for the membership from the day he enters service, it is going to bring in a very large number of casual workers.

* * * * *

The only difficulty is that there might be enrolled many workers who will have no prospect of continuing in employment. They may be in service for a month, two or three, and then they will be out of work. This is really meant to cover workers who have reasonably good prospects of continuing in employment. It is only in such cases that it can serve a social purpose. It is not meant for casual or temporary workers".

2.11. Asked to state as to whether the worker would still be required to undergo the qualifying period of 240 days to become

eligible for membership of the Fund though he had been made permanent within three|six months of his entry into service, the official witness stated, "If the employer is willing to treat him as a permanent worker earlier, then the Fund should have no objection to enrolling him. If I may say so, it is a good suggestion and we will ask the Board to consider it."

2.12. The Committee hope that Government would favourably consider the suggestion to curtail the qualifying period in the case of employees who are made permanent in less than a year of their joining service and bring in a suitable amendment to that effect in the Employees' Provident Funds Act and the Scheme, if necessary.

Extension of the Act to Jammu & Kashmir

2.13. The Employees' Provident Funds Act 1952 extends to the whole of India except the State of Jammu & Kashmir. The Committee note that under the Central Labour Laws (Extension to Jammu & Kashmir) Bill, 1969, introduced in the Eighth Session and now pending before the Lok Sabha, it is proposed to extend the Employees State Insurance Act, 1948 (Act 34 of 1948) to Jammu & Kashmir while there is no such proposal regarding the Employees' Provident Funds Act. Asked to explain the reason for not extending the application of the Employees' Provident Fund Scheme to Jammu & Kashmir, the official witness stated during evidence:

"There is a statutory provident fund scheme already in force in Jammu & Kashmir. Till the year 1965 our Central Provident Funds Act could not be extended to Jammu & Kashmir because of certain constitutional difficulties. After the constitutional difficulties were removed, we got in touch with the Jammu & Kashmir Government with a view to extending our Act to that State. As I said they have a statutory scheme whereby both the Employers and the Employees contribute 6 per cent, but the minimum number of employees there for the purpose of coverage under the scheme is 10 as against 20 in our scheme. Before we can extend this Act to Jammu & Kashmir, certain amendments may have to be made and we are now in correspondence with the Jammu & Kashmir Government. They have suggested a few amendments. So that is where it stands now."

2.14. The Committee are glad that the question of extending the Act to Jammu and Kashmir is already under the consideration of the

Government. They hope that, in the interest of uniformity, a final decision in the matter would be reached soon and a uniform Employees' Provident Funds Scheme made applicable throughout India.

C. Current Programme and Future Plans

Kinds of Industries to be Covered

2.15. As has been stated earlier, as on 30-6-1969, 123 industries|classes of establishments employing more than 53 lakhs subscribers in about 44,000 establishments have been brought under the purview of the Employees' Provident Funds Act, 1952 and these include workers employed in almost all the important and defined industries.

2.16. As regards the future plans, the Ministry have through a written note informed the Committee as under:—

“21 new industries and classes of establishments with an additional estimated membership of about 50,000 workers have been surveyed or are under survey by this Organisation. Such of the industries as in Government's view are able to bear the financial burden of provident fund are expected to be covered under the Employees' Provident Funds Act in the next one or two years. This will bring within the purview of the Employees' Provident Funds Scheme practically all the organised and defined industries during the next Plan period.”

2.17. The Committee are given to understand that the question of extending the Employees' Provident Funds Act 1952 and the Scheme to the following 19 industries|classes of establishments has been examined by the Employees' Provident Fund Organisation:—

- (1) *Insurance Companies* (other than Life Insurance Corporation of India)
- (2) *Fish Processing and non-vegetable food-preservation industry.*
- (3) Soapstone Mines and establishments engaged in Grinding soapstone.
- (4) Messes.
- (5) Winding of Thread and Yarn Reeling.
- (6) Establishments rendering Expert Services.
- (7) Railway Booking Agencies (run by contractors or other private establishments on commission basis).

- (8) Garments making factories.
- (9) Establishments engaged in giving Machines, Tools, Equipments like Road Rollers, Kolhus etc. or any other article on hire.
- (10) Establishments engaged in Publication of Books and Magazines etc. other than Newspaper.
- (11) Financing establishments other than Banks.
- (12) Establishments engaged in the manufacture of Ovaltine, Bournvita, Alvimilk, Alvitone, Horlicks, etc.
- (13) Petroleum Products Industry.
- (14) Cleaning and teasing of cotton waste.
- (15) Societies, Unions and Associations which render services to their members without charging anything extra over and above subscription.
- (16) Hospitals run by persons other than Medical Practitioners and Medical Specialists.
- (17) Lodging and Boarding Houses with no food arrangements.

With effect from the 31st January, 1970, establishments exclusively or principally engaged in general insurance business (S. No. 1-prepage) have already been covered by the Department of Labour and Employment Notification No. PF-II-3(11) I/58 dated the 23rd December, 1969.

2.18. Government have however, added that at this stage, it is difficult to state which of the above industries/classes of establishments would or would not be covered under the Act during the next three years. However, such of the industries as in Government's view are able to bear the financial burden of provident fund were expected to be covered under the Employees' Provident Fund Act in the next one or two years. This would bring within the purview of the Employees' Provident Funds Scheme practically all the organised and defined industries during the next Plan period. As to the time when a survey of an industry is carried out by the Organisation with a view to coverage, Government have in a note stated that as a rule, as and when the development in an industry reaches a level that could be regarded *prima facie* answering the following criteria, a survey of the industry is carried out:—

- (i) The classes of establishments should have had a significant turn over during the past few years, as reported in publications or by associations of employers, employees etc..

- (ii) The strength of employment in the industry should be appreciable.
- (iii) The industry should be well organised—with reasonable level of wages, tenure of employment and existence of employer-employee relationship etc.
- (iv) The industry should be offering little or no retirement benefit of any kind to the employees.
- (v) The industry should not be unduly scattered.
- (vi) The number of enterprises should not be insignificant.

Coverage of Beedi Industry

2.19. During evidence, it was pointed out to the Secretary of the Ministry that the *Beedi* Industry employed a large number of labourers in some of the States and he was asked whether the *Beedi* Industry was covered by the Act. In reply he stated that the industry as such had not been covered so far. But he pointed out that by virtue of another provision in the Act viz. "Trading and Commercial Establishments" in Appendix I to the Act, whereby traders, commercial establishments etc. engaged in the purchase, sale or storage of goods manufactured by them were covered, many large *beedi* establishments would fall under the scope of the Scheme. He added that the Central Board of Trustees had, however, recently suggested that *Beedi* industry should also be covered. The Central Provident Fund Organisation is now making a survey of units in the country. A difficulty faced by the authorities was that large bodies of the units worked on cottage industry basis, employing casual labour. There were no established employer-employee relationship, some taking the raw material from the *Beedi* manufacturer, processing it at home and bringing it back, and receiving remuneration for it. After the survey, Government would take suitable action.

2.20. The Committee would like that the survey of *Beedi* industry should be completed by the Employees' Provident Fund Organisation at an early date but not later than by the middle of 1970 and thereafter speedy action may be taken to bring it within the purview of the Act, so as to cover a considerable body of workers under this benevolent scheme.

Coverage of Agricultural Industry and unorganised labour

2.21. During evidence, the representative of the Ministry was asked whether Government had ever considered the question of applying the Scheme to Agricultural labour. In reply he stated that due to many difficulties Government was unable to do anything effec-

tively to protect agricultural and unorganised labour. Agricultural labour was dispersed and was largely employed as casual labour and many of the agriculturists who employed labour would be unable to maintain registers, accounts, pay-bills etc., since usually the wages were paid in kind and sometimes in cash. It was very difficult to enforce the Minimum Wages Act in these fields and this might possibly be the reasons why Trade Unions themselves had been unable to do very much to organise agricultural and unorganised labour. He added that State farms like the Suratgarh and Terai Area Farm in U.P. were, however, covered by the Act.

In a written note furnished to the Committee, the Ministry have pointed out that the question of coverage of the Agricultural Farms under the Act was examined in August, 1962 but in view of the following difficulties, the Government decided to postpone consideration of the proposal till the Agricultural Farms are managed on more organised lines:—

- (i) Employment is neither continuous nor regular.
- (ii) Hours of work are not fixed.
- (iii) Wages are not always paid in cash.
- (iv) Income of workers is not regular.
- (v) The administration in agriculture is not organised.
- (vi) The number of organised establishments is small.

2.22. The Committee are not sure if agricultural farms maintained by the Central and State Governments are covered by the Employees Provident Funds Act. They would like to point out that during the recent years a large number of model agricultural seed and demonstration farms have been set up by State Governments and the Administrations of the Union Territories. The Committee had occasion to visit a number of such farms during their recent tour to Andaman and Nicobar Islands. Apart from agricultural farms, there are a large number of fruit orchards, botanical and zoological gardens where an appreciable number of labourers are employed on an organised basis.

2.23. The Committee regret that after 1962 when the question of coverage of agricultural farms was first mooted and later dropped, no further survey has been undertaken to assess whether these can now be appropriately brought under coverage. The Committee, therefore, recommend that survey of agricultural farms/fruit orchards/botanical gardens/zoological gardens should be undertaken

without any further delay with a view to assess the feasibility of applying the Act to the agricultural labour employed therein.

Reduction in Employment Strength and Coverage

2.24. The Employees' Provident Funds Act, 1952 at present applies to industries/establishment employing 20 or more workers.

The Committee understand that the question of reducing the employment strength, for extension of coverage of establishments, from 20 to 10 is under the consideration of the Central Board of Trustees and the Government. This would also enable a substantial number of workers at present employed in smaller establishments being brought within the ambit of the Scheme during the Fourth Five Year Plan. Such a reduction in limit has also been recommended by the National Commission on Labour in their Report presented to Government.

2.25. The Committee are further informed that a Sub-Committee of the Central Board of Trustees was constituted to examine the question of extending the EPF Act, 1952 and the Scheme framed thereunder to the establishments employing less than 20 workers. The Sub-Committee submitted its report in October. It has been stated that there has been a divergence of views amongst employers' and workers' representatives. At the 45th meeting of the CBT held on 29-11-1970, the report of the Sub-Committee was discussed and it was decided to communicate the divergent views to the Central Government.

2.26. The case of the employees is that industries with employment strength of less than 20 should be excluded from the purview of the Scheme as apart from creating administrative difficulties, it would throw an additional burden on the finances of the Small Scale Industries which they would not be able to bear. These industries should be encouraged rather than imposed with additional burden. Secondly by extension of coverage to units with less than 20 employment strength, the problems of administration including expenses would be augmented and greater number of forms and returns would have to be submitted. They agree that coverage should be made with practical objectives in view, taking into consideration the economic viability and economic stability of industries concerned and feel that even the slightest burden on these small establishments will bring about their economic ruin.

2.27. In a written note furnished by the Ministry, it has been stated that the number of establishments which would be covered additionally would be about 32,700 as more than 75 per cent of the

number of establishments are already covered. Besides, the new establishments would be of small employers who, by and large, do not have an organised administration. This is likely to cast an administrative burden on the Organisation in as much as instances of failure to comply with the provisions of the law and consequently the need for enforcing compliance would be more frequent. On the other hand, the number of members covered by these establishments being comparatively small, the income to the Organisation in the shape of administrative charges would be rather small. An estimate made by the sub-Committee has indicated that if the coverage is extended to establishments employing 10 persons or more, about 2.3 lakhs of new members would be enrolled; and as against an annual revenue of Rs. 9.74 lakhs by way of administrative charges could be expected in respect of these members, the annual additional expenditure would be about Rs. 54.7 lakhs. It would, therefore, be necessary to find additional resources for meeting the increased cost of administration.

2.28. The Committee appreciate that the extension of the Scheme to establishments employing 10 but less than 20 persons may impose an administrative burden on the Organisation and increase the cost of administration. They consider that Government should evolve suitable means to extend gradually the social security benefits to the employees of these establishments who are not only low paid but have no old age and survivorship benefits whatsoever. The Committee recommend that presently Government may also examine the feasibility of applying very early the Employees' Provident Funds Act to establishments with strength of 15 workers but less than 20 in pursuance of the proviso to Section (3) of the Act.

CHAPTER III

ORGANISATIONAL SET-UP

A. Central Board of Trustees, State Boards of Trustees and Regional Committees

(i) Central Board of Trustees

3.1. The Employees' Provident Fund established under the Employees' Provident Funds Act 1952 vests in and is administered by a Tripartite Central Board of Trustees constituted by the Central Government under section 5A of the Act and consisting of the following persons, namely:—

- (i) a Chairman to be appointed by the Central Government;
- (b) not more than five persons appointed by the Central Government from amongst its officials;
- (c) not more than fifteen persons representing Governments of such States as the Central Government may specify in this behalf, appointed by the Central Government;
- (d) six persons representing employers of the establishments to which the Scheme applies, appointed by the Central Government after consultation with such organisations of employers as may be recognised by the Central Government in this behalf; and
- (e) six persons representing employees in the establishments to which the Scheme applies appointed by the Central Government after consultation with such organisations of employees as may be recognised by the Central Government in this behalf.

Composition of Board

3.2. The present composition of the Central Board of Trustees is as

follows:—

	<i>Official</i>	<i>Non-official</i>
(1) Chairman (Secretary to Ministry)	1	..
(2) Central Government representatives	5	..
(3) State Government representatives	10	..
(4) Employers' representatives . . . . .	..	6
(5) Employees' representatives . . . . .	..	6
	<hr style="width: 100%; border: none; border-top: 1px solid black; margin-bottom: 5px;"/> 16	<hr style="width: 100%; border: none; border-top: 1px solid black; margin-bottom: 5px;"/> 12

The Secretary of the Ministry of Labour and Employment is appointed the Chairman of the Board. The Central Provident Fund Commissioner is the Head of the Employees' Provident Fund Organisation and is also the Chief Executive Officer of the Central Board. He is Secretary to the Central Board of Trustees.

3.3. It has been represented to the Committee that although the Fund consists of the contributions of the employers and employees exclusively, they are under-represented in the Central Board as compared to Government. They have 12 representatives as against 16 of the Central and State Governments.

3.4. Explaining Government's reaction to the above suggestion the Secretary of the Department of Labour and Employment during the course of evidence stated as follows:

"In a scheme like this, where large amounts are collected and held in trust, I think we cannot get away from the fact that adequate representation not only for the Central Government but even more of the State Governments is necessary. We lean heavily on the State Governments in many of the matters pertaining to the operation of the Scheme, in the collection of the arrears, in enforcing the penal provisions of the Act, for which the State Governments are the principal agencies. There is need for sufficient Governmental presence at these tripartite bodies. The Central Board of Trustees is tripartite and it has six Central Government representatives, and it has provision for 15 State Government representatives, but we have at the moment only 10 State Government representatives. Not all the States are represented. That means, we have tried

to cut down the Government sector. Eight States are permanently represented; it is part of the scheme. The remaining two States are represented by rotation. There are six employers' representation and that is broadly the composition of the Board of Trustees. . . . If there is to be parity between the representation of Government, employers and workers, it will become a large and unwieldy Board."

3.5. The Committee consider that as the Fund is made up of contributions of both the employers and employees exclusively, there should be parity of representation between the officials and non-officials on the Central Board of Trustees and for this purpose suggest that the representation of employers and employees on the Board might be suitably increased.

3.6. The Committee are surprised to find that the Central Provident Fund Commissioner is not even an *ex-officio* Member of the Board although he is its Secretary and Executive Head of the Organisation. He is responsible for the enforcement of the Act and the Scheme in the entire country and has to implement the decisions of the Central Board of Trustees. He also acts as the liaison officer between the Central Government and the Central Board of Trustees. In order that he is able to effectively implement the decisions of the Central Board of Trustees and discharge his duties properly, the Committee consider that he should be made *ex-officio* Member Secretary of the Central Board of Trustees. They accordingly suggest that Government may take immediate action to statutorily provide for making the Central Provident Fund Commissioner an *ex-officio* Member Secretary of the Central Board of Trustees.

Representation of Public Sector Undertakings

2.7. In reply to a question as to whether Public Sector Undertakings are represented on the Central Board of Trustees, it has been stated in a note furnished to the Committee that Public Sector Undertakings as such are not represented on the Central Board of Trustees. However, besides the State Governments, three of the Central Ministries *viz.*, the Ministry of Finance, the Ministry of Industrial Development, Company Affairs and Internal Trade and the Ministry of Steel and Heavy Engineering which are administratively concerned with many Public Sector Undertakings, are represented on the Central Board of Trustees. The question of appointing a representative of the Bureau of Public Enterprises on the Central Board of Trustees has been examined in consultation with the Central Ministries concerned and the Bureau. It seems that it would be difficult

for a single representative to represent the interests of all the Public Sector Undertakings. The Bureau of Public Enterprises was of the view that its representative, if appointed on the Central Board of Trustees, could only act as a liaison between the Public Enterprises and the Board; but he could not be expected to take responsibility of making Public Enterprises accept any particular decision of the Board or commit the enterprises to any particular view point. It has, therefore, been decided that there is no need for appointing a representative of the Bureau of Public Enterprises on the Central Board of Trustees.

3.8. Apart from the three Ministries of Finance, Industrial Development, Company Affairs and Internal Trade and Steel and Heavy Engineering, there are other Ministries which have an appreciable number of public undertakings and departmental undertakings under their control e.g. Ministry of Defence, Communications, Health and Supplies etc.

The Committee suggest that if it is not possible to add to the representation of Central Government on the Central Board, all the other important Ministries concerned with public undertakings and departmental undertakings may be represented by rotation.

Functions of the Central Board of Trustees

3.9. The following are some of the main functions of the Central Board:—

1. to employ staff and to open regional and local offices with the approval of the Central Government and to define the functions and duties of these offices;
2. to control the employment of staff and to regulate their conditions of service;
3. to authorise the Central Commissioner to exercise administrative and financial powers;
4. to fix appropriate dates for the transfer of past accumulations from other provident funds;
5. to issue such directions to employers regarding maintenance of accounts of the amounts contributed by them to the Fund as may be necessary or proper for the purpose of implementing the Scheme;
6. to fix the rate of collection charges on cheques on outstanding banks issued by employers;

7. to advise the Central Government in regard to the fixation of the percentage of administrative charges payable by employers;
8. to authorise officers of the Employees' Provident Fund to operate upon the accounts of the Fund;
9. to specify, with the approval of the Central Government, the form and manner in which the accounts of the Fund should be maintained;
10. to approve the annual budget for submission to the Central Government;
11. to advise the Central Government in determining the rate of interest to be credited to the members' account;
12. to permit a member to withdraw the amount standing to his credit in the Fund otherwise than on retirement; and
13. to submit an annual report to the Central Government by the 30th November of each year.

3.10. It had been represented to the Committee by one of the Organisations of the Employers that the Employees' Provident Fund Organisation was now run as a quasi-Government body and it should be made independent and should work on business-like manner efficiently and independently.

One of the Workers' Unions also represented that 'the Central Board of Trustees which is the final authority to administer the fund is supposed to be an autonomous body. But in practice the autonomy is very much restricted. Every decision of the Board, major or minor, has to be approved by the Government before enforcing the same. This is not quite fair—One can understand the final supervision of the Central Government where major policy matter is concerned, but there should be no approval of the Government for day to day administrative decisions.'

3.11. Asked to state as to what extent the Board can act independently of the Central Government and as an autonomous body, Government have furnished a note to the following effect:—

"In the present set-up, considerable autonomy vests in the Central Board of Trustees enabling its satisfactory functioning without any let or hindrance in the day-to-day administration. It is only with regard to certain specific issues listed below, requiring control and coordination at

the Central Government's level that the approval of the Central Government has to be sought:

- (a) Budget.
- (b) Recruitment to higher posts.
- (c) Rules of recruitment and conditions of service of employees.
- (d) Method of investment.
- (e) Determination of the rate of interest to be credited on members' provident fund accumulations every year.
- (f) Disposal of the monies in the Fund.
- (g) Forms of accounts to be maintained.
- (h) Audit of accounts.
- (i) These do not constitute serious impediments in the autonomous functioning of the Organization. A greater degree of autonomy could however be secured, where felt necessary by a limited delegation of powers to the Board in respect of any of the above issues which are at present referable to Government.
- (j) The Board even at present is vested with financial powers higher than those enjoyed by the Departments of the Central Government. Proposals in matters other than those specified in para (i) above, which in the case of Government Departments are required to be referred to the Ministry of Finance for prior concurrence are within the competence of the Board to decide."

3.12. The Committee note that apart from the control exercised by the Central Government on the Central Board of Trustees in regard to matters stated above, Government exercise over-all control in regard to the following matters also:—

- (i) Modification of the Scheme under Section 7 of the Act.**
- (ii) Delegation of powers under Section 5E of the Act.**
- (iii) Appointment of Inspectors under Section 13 of the Act.**
- (iv) Transfer of account under paragraph 28 of the scheme and Section 17A.**
- (v) Opening of regional and other offices under paragraph 21 of the Scheme.**
- (vi) Appointment of the Secretary to the Central Board and to a Regional Committee under paragraph 22 of the Scheme.**

It appears to the Committee that the powers of supervision and control exercised by the Central Government over the Provident Fund

Organisation not only extend to policy issue but also to matters of executive nature. Even in such matters of day-to-day administration as appointment of Inspectors, opening of regional and other offices, maintenance of forms of accounts, there is the overall control of the Central Government. Under Section 7 of the Act, the Central Government is empowered to amend the Scheme without even consulting the Central Board of Trustees who are required to administer the Fund in such manner as is specified in the Scheme. The Committee also observe that the Secretary of the administrative Ministry, namely, the Ministry of Labour and Employment is the Chairman of the Central Board of Trustees and the Central Provident Fund Commissioner, who is the Secretary of the Board of Trustees and is appointed by the Ministry, is not even a member of the Board.

3.13. The Committee consider that more powers should be delegated to the Central Board of Trustees so that it has sufficient flexibility in the day-to-day working while the Ministry may retain the power to guide and, if necessary, to intervene in matters of policy.

(ii) State Boards of Trustees

3.14. Under Section 5-B of the Act, the Central Government is empowered to constitute a State Board of Trustees for each State in consultation with the Government of that State, but so far no State Board has been constituted. However, as provided under para 4 of the Employees' Provident Funds Scheme, Regional Committees have instead been set up in States to advise the Central Board on Regional matters.

3.15. Asked to state the reasons for not constituting the State Boards of Trustees, Government have stated that the original idea was that when State Boards were set up, they should function as Boards of Trustees and the Fund arising in the State should vest in them. It was also envisaged that some of the functions of the Central Board would be entrusted to the State Boards when set up. Later it was decided, in consultation with the Ministry of Finance and the Planning Commission, that the Employees' Provident Fund should not be decentralised since the accumulations were taken into account as central resources for the Five Year Plans. In fact, the Fund legally vested in the Central Board and was to be administered by it. It was, therefore, felt that no useful purpose would be served by setting up State Boards of Trustees when the Fund was not to be decentralised. Further most of the legal powers conferred under the Employees' Provident Funds Act are already with the State Governments. The day-to-day administration of the Scheme is also carried on by the Regional Commissioners who are in close touch with State Authorities. This indicates that for all practical purposes,

important powers and functions under the Employees' Provident Funds Act and the Scheme are already decentralised to the extent necessary.

3.16. Further elucidating this matter during the course of evidence, the representative of the Ministry stated as follows:—

“It was also felt that since economic conditions in various States were different, it would be very difficult to ensure uniformity in coverage, rates of contributions etc., if we had 16 different State Boards rather than one Central Board. Decentralisation would also increase administrative costs. The investment pattern was also revised so that 50 per cent of the accumulations would be invested in loans or securities floated or guaranteed by State Governments to ensure that the States do not have a feeling of being deprived of their due share of these funds. For all these reasons, Government came to the conclusion that the provisions in the Act for the constitution of State Boards need not be implemented.”

3.17. As the provisions of Section 5-B of the Act regarding constitution of State Boards have remained a dead letter so far and Government do not intend to implement them in future also, the Committee recommend the deletion of this aforesaid section from the Statute Book.

(iii) *Regional Committees*

3.18. In accordance with the provisions of paragraph 4 of the Employees' Provident Funds Scheme, Regional Committees for the States of Andhra Pradesh, Bihar, Gujarat, Kerala, Madhya Pradesh, Tamil Nadu, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal have been constituted.

3.19. The composition of the Regional Committee is as follows:

- (a) A Chairman appointed by the Central Government;
- (b) two persons appointed by the Central Government on the recommendation of the State Government;
- (c) 6 persons i.e. 3 each representing employers and employees, industries and establishments to which the Scheme applies in the State, appointed by the Central Government in consultation with the Organisations of employers and employees as may be recognised by the Central Government; and

- (d) non-official Members of the Central Board ordinarily resident in that State for coordinating their functions and of the Central Board.

Functions

3.20. A Regional Committee advises the Central Board:

- (i) on such matters as the Central Board refers to it from time to time;
- (ii) generally, on all matters connected with the administration of the Scheme in the State and in particular, on
 - (a) progress of recovery of Provident Fund Contributions and other charges;
 - (b) expeditious disposal of Prosecutions;
 - (c) speedy settlement of claims;
 - (d) annual rendering of accounts to members of the Fund; and
 - (e) speedy sanction of advances.

Meetings of the Regional Committees

3.21. The meetings of the Regional Committee are convened by the State Labour Secretary in his capacity as its Chairman as and when some important points come up for consideration. There is at present no statutory obligation to hold any minimum number of meetings of Regional Committees in a year. During the year 1967-68, the Regional Committees of various States met as indicated below:—

Regions	No. of meeting	Date of meeting
1	2	3
Andhra Pradesh	3rd Meeting	29-6-1967
Bihar	12th Meeting 13th Meeting	13-6-1967 23-12-1967
Gujarat	2nd Meeting 3rd Meeting	14-11-1967 2-3-1968

1	2	3
Kerala	1st Meeting 2nd Meeting	20-4-1967 25-10-1967 Adjourned 20-10-1967
Madhya Pradesh	5th Meeting	5-10-1967
Madras	17th Meeting 18th Meeting	12-7-1967 25-1-1968
Maharashtra	20th Meeting	27-12-1967
Orissa	No Meeting held	
Punjab	No Meeting held	
Rajasthan	No Meeting held	
Uttar Pradesh	9th Meeting	1-2-1968
West Bengal	22nd Meeting 23rd Meeting	2-5-1967 8-12-1967

The analysis of the meetings of the Regional Committees indicates that only five Regional Committees met twice in that year; in the case of three committees, no meetings were held altogether and in the remaining cases they met only once.

3.22. As to the reasons for not holding the meetings of Regional Committees at least twice a year as per the recommendation made in the Ninetieth Report of the Estimates Committee (Second Lok Sabha), 1959-60, which had been accepted, Government have stated that the Chairman of the Regional Committee is usually the Labour Secretary of the State Government who is usually burdened with other duties as well. This may partly be the reason for not adhering to the schedule of holding the meetings. Other reasons contributing to this deficiency are transfer, retirement, resignation etc. of members and want of appointment of fresh nominees in their places. Government have further stated that in the matter of filling up vacancies of employers' and employees' representatives, there has to be prior consultation among the respective representative Organisations who have to suggest suitable names and this consultation has to be done through State Governments concerned. These procedural formalities are time consuming. The Chairman of the Regional Committees have, however, been advised by the Chairman of the

Central Board or Trustees suitably to see that meetings of their committees are held at least twice in a year in future and the Regional Commissioners have also been instructed to that effect.

3.23. The Committee are constrained to observe that Government have not cared to implement the recommendation of the Estimates Committee (1959-60) which they had accepted regarding the frequency of the meetings of the Regional Committees. They would now recommend that Government should take early steps to insert a provision in the Scheme for holding meetings of the Regional Committees at least twice a year.

3.24. The Committee are also unhappy to note that the vacancies in the Regional Committees take an unduly long time to be filled in by Government resulting in delays in holding the meetings of Regional Committees. They would, therefore, recommend that a vacancy in a Regional Committee should be filled up within one month of its arising by completing all formalities required for the purpose.

B. Organisation and Functions of the Central Provident Fund Commissioner's Office and the Regional Offices etc.

(a) Organisation and Functions of the Central Provident Fund Commissioner's Office, New Delhi. .

3.25. The Organisation has a two-tier set up; (i) the Central Office headed by the Central Provident Fund Commissioner to exercise administrative and financial control and to lay down policy in consultation with the Central Government and (ii) the Regional Offices in the States, headed by Regional Provident Fund Commissioners to implement the Scheme and to enforce compliance with the provisions of the Act.

3.26. The Central Provident Fund Commissioner is the Head of the Employees' Provident Fund Organisation at New Delhi and is also the Chief Executive Officer of the Central Board. He is Secretary to the Central Board of Trustees. The Regional Provident Fund Commissioners in the 15 regions functions under the superintendence and control of the Central Provident Fund Commissioner. At the headquarters, he is assisted by the Financial Adviser and Chief Accounts Officer and other officers in the enforcement|administration of the Act and the Scheme throughout India.

The Organisational chart of the office of the Central Provident Fund Commissioner as well as the offices of the Regional Commissioners is at Appendix II.

3.27. Being the Chief Executive Officer of the Central Board, the Central Provident Fund Commissioner is responsible for the enforcement of the Act and the Scheme in the entire country. He issues

directions|instructions to the Regional Offices in Administrative matters and those pertaining to the enforcement of the Act and the Scheme. He is the liaison officer between the Central Government and the Central Board of Trustees. He deals directly with the Central Government and furnishes the All India statistics or information in respect of the staff or covered units etc. Investment of funds, transfer of funds from one place to another, acceptance of securities etc. are some of the important functions entrusted to him.

Tenure of the Central Provident Fund Commissioner:—

3.28. The Committee have been informed that no fixed tenure of office for the post of Central Provident Fund Commissioner has been laid down by Government. In the course of evidence, the Secretary of the Department of Labour and Employment stated that “during the past 6 years, 6 different persons had held the post of Central Provident Fund Commissioner—two of them for such a short duration as four and eight months.”

3.29. The Committee are distressed to note the absence of continuity in the post of the administrative head of the Organisation who is responsible for the enforcement of the Scheme in the entire country. The Committee consider that in the interest of efficient and smooth functioning of the Organisation, it is not only desirable but essential that the office of the Central Provident Fund Commissioner is not subject to frequent changes. They, therefore, recommend that once appointed, the Central Provident Fund Commissioner should continue for a minimum period of four years.

Procedure of Selection of Incumbents to the post of Central Provident Fund Commissioner

3.30. Under the Recruitment Rules “the post of a Central Provident Fund Commissioner is filled up by transfer or deputation from suitable officers belonging to the I.A.S. and Central Services Class I”. Elucidating further the procedure for recruitment to this post, the representative of the Ministry of Labour, Employment and Rehabilitation stated that Government got officers not only from I.A.S. but from other Central Services like Income-Tax, Postal Accounts Service etc. They wanted people who have had good deal of experience in accounting matters because it was essentially an accounting business.

3.31. Asked to state as to why it was not possible to appoint Central Provident Fund Commissioner by promotion from the persons in the Organisation itself, the representative of the Ministry during the course of evidence stated as follows:

“I am afraid there is no getting away from the fact that although the Organisation has built up a cadre of the staff below the Central Provident Fund Commissioner, the post of the Commissioner can be filled up only by deputation from the Central Services and all that we can and should make sure is that when a person goes there, he stays there long enough.....As the Organisation advances in age, I have no doubt that that will be the direction in which we will be moving.”

3.32. The Committee are not adverse for the present to the selection of incumbent to the post of Central Provident Fund Commissioner by deputation but at the same time feel that in due course of time as the Organisation grows and gains in maturity, it should be possible for Government to appoint persons to this post from within the Department itself, if found suitable.

3.33. The Committee also suggest that the field of selection of officers on deputation to this post and other posts in the Organisation should not be confined to officers belonging to I.A.S. and Central Services Class I only but should be enlarged to include officers of equivalent status belonging to other Central offices.

Central Office and its Functions

3.34. The functions of the Central Office are broadly as follows:—

- (i) to lay down the policy and procedure in respect of administration, implementation and enforcement of Employees' Provident Funds Act and the Scheme framed thereunder;
- (ii) to receive every month periodical reports and returns from each of the 15 Regional Offices regarding the working of various aspects of the Scheme in the Regions and to study the progress of working of the Scheme and adopt any corrective action found necessary to achieve the desired results by the target dates;
- (iii) to prepare on the basis of the periodical returns monthly standard notes indicating the quantitative and financial performance of work in the Organisation, progress reports for meetings of Central Board of Trustees held once in every 3 months and compilation of annual book of labour statistics;

- (iv) to compile Annual Reports, Budget Estimates, Annual Accounts (first audited by the Accountant General, Central Revenues) for presentation to Government/Parliament;
- (v) to invest funds as per pattern adopted from time to time and to compile statements determining rate of interest etc.
- (vi) to deal with routine establishment matters such as creation of posts, appointments, confirmation, promotion, construction of office buildings and staff quarters, stationary forms, furniture, equipment and such other house keeping functions;
- (vii) to undertake the Organisation and Methods aspects, simplification of procedures and forms consistent with maintenance of efficiency and economy in Administrative cost;
- (viii) to undertake a critical study of the results of Internal Audit conducted by 2 parties, one for the Regions in the North and East Zone and another for Regions in the South and West Zones;
- (ix) to convene and arrange for quarterly meetings of the Central Board of Trustees at New Delhi and elsewhere and pursue the decisions and recommendations taken by the Board at those meetings;
- (x) to handle general questions of policy relating to prosecutions and revenue proceedings;
- (xi) to decide on questions relating to levy of damages, grant of exemptions from the Scheme, settlement of claims and payment out of the Special and Death Relief Fund; and
- (xii) to keep watch on the recovery of provident fund arrears and laying down procedures for effective and speedy recovery.

(b) Regional Officers and their functions

3.35. A Regional Office is generally constituted in each State. There are at present 15 Regional Offices functioning in the States of Andhra Pradesh, Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal and in the Union Territory of Delhi. The State of Haryana is served by the Regional Office of Punjab, located at Chandigarh. The Union Territories, except that of Delhi, are covered by the Regional Offices constituted in the adjacent States.

The Regional Commissioners are the Heads of Office of their respective regional offices and they work under the general superintendence and control of the Central Commissioner. Actual execution and implementation of the provisions of the Act and the Scheme evolve on the Regional Officers through the Provident Fund Inspectors who are under the Regional Commissioners' control. The Regional Officers receive contributions from the employers of covered establishments, maintain accounts of the members of unexempted establishments, grant them advances and settle the claims of the outgoing members of their nominees|heirs. Every year annual statements of accounts are issued to the members. The Regional Officers also supervise the working of funds of exempted establishments including investment of their funds etc.

Regional Offices—Functions

3.36. The functioning of the Regional Offices can be divided under the following three broad heads namely—'administration', 'Enforcement' and 'Accounts'. The actual details of work performed are as follows:—

(I) Administration Wing

- (1) Questions relating to creation of posts, appointments, confirmation, promotion, stationery, forms, furniture and equipment and such other house keeping functions.
- (2) Preparation of the annual budget estimates, progress report relating to settlement of most audit objections, submission of periodical returns, preparation of pay bills and contingent bills, and other establishment matters.
- (3) Maintenance of cash accounts, arranging for disbursement of the payments authorised by the Accounts Officers to the members of the Employees' Provident Fund and the establishment and compilation of the Region's Income and Expenditure account and Balance Sheet for each year.

(II) Enforcement Wing

Enforcement side is responsible for the following items of work:

- (1) Survey of factories and establishments for the purpose of coverage.
- (b) Maintenance of basic registers required to ensure proper and timely coverage of establishments and grant of exemption to establishments which apply for it.

- (3) Supervisor of work of the Inspectors
- (4) Watching proper performance by the exempted establishments especially in regard to the payment of dues to the Board of Trustees and judicious investment by them.
- (5) Interpretation of the Act and the Scheme.
- (6) Recovery proceedings and prosecutions.
- (7) Convening of Regional Committee meetings, communicating their recommendations to the Central Office and implementing the final decisions.

(III) *Accounts Wing*

The matters dealt with in Accounts Section can be categorised as under:—

- (1) Scrutiny of returns received from the individual establishments.
- (2) Preparation and maintenance of ledger cards for individual members.
- (3) Preparation and issue of annual statements of accounts to individual members.
- (4) Disposal of the applications from members for advances for dwelling sites, houses, for financing life insurance policies, purchasing shares of cooperative societies etc.
- (5) Settlement of final payment claims from members/nominees including payment made from the Special and Death Relief Funds.
- (6) Transfer of accounts of members transferred to other establishments either in the same or other regions.
- (7) Pre-audit of establishment bills before payment.
- (8) Submission to periodical reports and returns relating to accounts matters.

Setting up of Regional Offices

3.37. Government have furnished the following figures showing the number of subscribers of the unexempted establishments with-

in the jurisdiction of the fifteen Regional Offices:—

S. No.	Region	No. of subscriber at the end of Sept. 1969
1	2	3
1	Andhra Pradesh	2,12,168
2	Assam	13,512
3	Bihar	1,03,035
4	Delhi*	86,340
5	Gujarat	1,83,203
6	Kerala	2,86,807
7	Madhya Pradesh	1,12,157
8	Maharashtra	7,15,699
9	Mysore	1,45,872
10	Orissa	66,277
11	Punjab	1,14,524
12	Rajasthan	51,597
13	Tamil Nadu	4,00,876
14	Uttar Pradesh	2,78,229
15	West Bengal	6,97,540
	TOTAL	34,76,836

According to the criterion laid down by Government a regional office is generally constituted in each State. As already stated earlier, the only State of Haryana, where there is no regional office of its own, is served by the Regional Office of Punjab.

3.38. The Committee observe that in as many as four States, the regional offices cater to less than one lakh subscribers.

3.39. The Committee feel that establishing of Regional Offices with all their paraphernalia in States having less than 1,00,000 subscribers leads to heavy drain on the finances of the Organisation. The Committee, therefore, recommend that, in the interest of economy, the criterion to open a regional office should not be a State but the

*Figures of August, 1969 adopted provisionally in respect of Delhi and Rajasthan.

strength of subscribers in a particular area with a minimum of 1,00,000 subscribers therein. They suggest that, in due course of time, Government may review the position of amalgamating some of regional offices on the basis of the above criterion keeping in view the continuity and proximity of areas.

(c) *Re-organisation of Regional Offices*

3.40. The Committee have been given to understand that the question of re-organisation of Regional Offices was entrusted in the year 1965 to 'IBCON', a private firm of consultants and efficiency experts who were engaged to study the working of the Employees' Provident Fund Organisation as a whole and for recommending measures for reorganisation of the working system in all the Regional Offices. The firm carried out its study in the Mysore Regional Office from 11th May, 1965 to 28th February, 1966 and made certain recommendations which were partly accepted and implemented in all the regional offices.

3.41. It has been stated in the Annual Report for 1966-67 that the "Organisation has not benefited much from the reports of the IBCON Private Limited on their study conducted in the Mysore Regional Office from 1st August, 1965 to 28th February, 1966. Their appointment for study of work procedures in the Delhi and Maharashtra regions was, therefore, not made."

3.42. The Committee are distressed to observe that the Organisation have incurred on infructuous expenditure to the tune of Rs. 27,300 on this private Efficiency Experts Firm of Consultants, the recommendations of which ultimately did not prove beneficial.

The Committee further observe that while the Report of the firm of Efficiency Experts did not prove a much benefit, the study of the working of the Organisation entrusted to the Department of Administrative Reforms later on, on the contrary, was fruitful.

3.43. The Committee are of the view that any study required to be undertaken in regard to the reorganisation of Regional Offices should not be entrusted to any private firm of consultants who are not fully equipped and competent enough to undertake such studies. They, therefore, suggest that such a study, whenever undertaken, should be made by a body consisting of actuaries auditors and O.M. experts who have direct knowledge of the working of the Organisation.

3.44. The Committee also suggest that a full-fledged Organisation and Methods Division should be set up within the Organisation itself to constantly review inter alia the working procedure.

(d) *Field Officers—Inspectors*

3.45. The Inspectors are the chief officers on whom chiefly rests the responsibility to execute and implement the provisions of the Act and the Scheme.

The chief duties and responsibilities of the Inspector are:—

- (i) to bring under the purview of the Employees' Provident Funds Act, 1952 every establishment which attracts the application of the Act by reason of requisite employment strength and completion of the infancy period (three or five years as the case may be);
- (ii) having covered an establishment, to secure full compliance by the employer of that establishment with the provision of the Employees' Provident Funds Act and/or Scheme framed thereunder;
- (iii) to attend to the problems of employers arising in the process of compliance and to the grievances of employees; and, where he cannot solve the problem or redress the grievance, to report the case to the Regional Provident Fund Commissioner for further action;
- (iv) to conduct surveys when asked, to assess coverage potential of new categories of establishments;
- (v) to supply various prescribed forms to the employers on their request and educate them about their proper completion and punctual submission to the Regional Office;
- (vi) to report to the Regional Commissioner evasion, abuse, violation, defect, or abnormality noted in implementation of the Employees' Provident Funds Act and the Scheme;
- (vii) to attend to prosecution of defaulters;
- (viii) to carry out such other functions as may be assigned to him by the competent authority.

The following tabular statement for the past three years gives the idea of work done by the Inspectors as a whole:

Year	No. of Inspec- tions and; investiga- tions made per Inspector	Average number of inspec- tions made per Inspector
1965-66	98,544	41
1966-67	1,06,551	44
1967-68	1,04,074	42

3.46. During the course of on-the-spot study tours of the Committee of the different regions, they learnt that the strength of Inspectors in certain regions was not in proportion to the quantum of work per Inspector.

3.47. In the opinion of the Committee, the Inspectors are the kingpins of the whole Organisation. The success or otherwise of the Organisation hinges on the efficient discharge of their duties. The Committee, therefore, have no doubt that the Organisation will make sure that not only the number of Inspectors is adequate to conduct proper inspection but that they perform their job meticulously and thoroughly.

3.48. The Committee also suggest that a study of the norms and performances of Inspectors may be undertaken at an early date with a view to examine and improve the working of the Inspectorate.

C. Accommodation and Staff Quarters

3.49. The Committee understand that except in the case of the States of Kerala, Mysore, Tamil Nadu and Uttar Pradesh in all other States the offices of Regional Commissioners are housed in rented buildings in the other States either land has been acquired or is in the process of being acquired. In the State of Madhya Pradesh, the land once acquired is proposed to be abandoned for certain reasons and alternative site is being acquired*

As regards staff quarters, it has been stated during the course of official evidence that the Organisation had planned staff quarters at Kanpur and plans for putting up staff quarters at Bombay, Madras, Bhubaneshwar, Chandigarh and Delhi are under way.

3.50. Government have further stated that on a rough estimate about Rs. 4.40 crores (Rs. 1.49 crores for office buildings and Rs. 2.91 crores for staff quarters) would be required for constructing office buildings and staff quarters. About Rs. 10 lakhs per year is expected to be saved on account of rentals on office buildings.

3.51. The Committee are constrained to observe that, even though the Employees' Provident Fund Organisation has been in existence for over 18 years now, they have not been able to house their Regional offices in their own buildings so far and have to pay a large rental of Rs. 10 lakhs per year on this account. In the context of the proposed Scheme for merger of the Employees' Provident Fund Organisation and Employees' State Insurance Corporation, the Committee recommend that Government may re-examine the programme of further construction of office buildings for Employees' Provident Fund Orga-

*At the time of factual verification the Ministry have mentioned that it has since been decided to undertake construction on the present plot.

nisation and Employees' State Insurance Corporation in coordination and draw up a revised schedule keeping in view the requirement of both the Organisations and consider the feasibility of having a common building for both or constructing separate buildings in close proximity to one another as the exigencies of the situation may demand.

3.52. The Committee also suggest that, to the extent possible, efforts should be made by the Organisation to put up staff quarters for their staff at all regional centres in a phased manner and in close proximity to office buildings wherever possible and for that purpose lay down a time schedule. Early construction of staff quarters, apart from effecting substantial saving in expenditure and ensuring a good return in the shape of rentals, will also be conducive to greater efficiency on the part of the staff.

D. Sources of Income and Budget Estimates

3.53. The sources from which the expenditure for the Employees' Provident Fund Organisation, which is outside the Consolidated Fund of India, is met by way of special levy on the employers are called: (i) Administrative Charges at 0.37 per cent of wages of subscribers in unexempted establishments whose accounts are maintained by the Regional Offices; and (ii) Inspection Charges at 0.09 per cent of wages of subscribers in exempted establishments whose accounts are maintained by the establishments themselves under the overall supervision and inspection of Regional Commissioners and Provident Fund Inspectors. The Penal Damages levied on belated payment of Administrative Charges and Inspection Charges and the interest earned on investment of the surplus funds in administrative account are also additional sources of income to the Organisation.

There has been progressive increase in the income of the Organisation as seen from the figures of income during the last three years, given below:

Details	1965-66	1966-67	1967-68
	(In lakhs of Rupees)		
Administrative Charges	128' 03	148' 88	167' 43
Inspection Charges	37' 95	40' 98	46' 34
Interest on Investment	13' 20	15' 20	17' 07
Penal damages	0' 71	0' 33	0' 32
TOTAL	179' 89	205' 39	231' 16

There has also been progress in increase in the expenditure in these years due to the enhanced dearness and other allowances as also expenditure on purchase of land and construction of buildings and staff quarters.

3.54. Government have furnished the following synopsis of budget estimates, revised and actuals during the past three years:

Details	Revised	Actuals	Revised	Actuals	Revised	Actuals
	Estimates 1965-66	1965-66	Estimates 1966-67	1966-67	Estimates 1967-68	1967-68
(In lakhs of Rupees)						
INCOME						
Administrative Charges	130.76	128.03	148.58	148.88	166.60	167.43
Inspection Charges	36.62	37.95	40.43	40.98	43.66	46.34
Interest on Investment	12.83	13.20	15.06	15.20	16.92	17.07
Penal damages	0.73	0.71	0.75	0.33	0.58	0.32
TOTAL	180.94	179.89	204.82	205.39	227.76	231.16
EXPENDITURE						
Revenue	145.20	131.03	162.82	151.23	187.81	173.82
Capital	20.21	14.35	41.26	26.73	35.00	17.01
TOTAL	165.41	145.38	204.08	177.96	222.81	190.83

The foregoing estimates indicate that there has been significant variations between the Revised Budget estimates and actual expenditure during the past three years. From the detailed budget estimates furnished by Government, it appears that these variations in the Revised Estimates and Actual Expenditure had been taking place year after year mostly under the head "Pay of Officers/Establishment" "due to non-filling up of sanctioned posts" mentioned below:

Year	Revised Estimates		Actual Expenditure		Savings (—)	
	Officers	Estt.	Officers	Estt.	Officers	Estt.
1965-66	8,07,700	57,74,600	7,62,200	55,15,600	(—)45,500	(—)2,59,000
1966-67	9,45,600	60,97,200	9,08,100	58,58,700	(—)37,500	(—)2,38,500
1967-68	10,44,700	65,67,000	9,91,400	62,66,300	(—)53,300	(—)3,00,700

3.55. Giving the reasons for the wide divergence in estimates and expenditure in this regard, Government have stated that "in the case of Class I and II (Gazetted) posts, they are filled up either by open competition through Union Public Service Commission or by taking officers on deputation from the offices of the Central/State Governments or on the recommendations of the Departmental Promotion Committee. All this process takes a good deal of time. The process of selection is time-consuming and some delays occur in their reporting for duty. In the case of deputationists, often, an officer selected for a post withdraws at the last moment, resulting in the Organisation having to go through the process of selection of a substitute all over again. Similarly in the case of Class III and IV posts time is taken in the filling up the posts according to the point in the roster. Introduction by the Employment Exchange or inviting applications through advertisement holding of examinations etc. take time with the result that certain posts are filled up late. As a measure of economy certain posts provided for in the Budget are not filled up to some extent."

3.56. The Committee are unhappy to note the wide divergence in Budget Estimate and Actuals during successive years. The savings thus effected are unnecessarily blocked and could otherwise, by drawing up realistic budget estimates, be invested profitably. The Committee feel that it should not be difficult for Government or the Organisation to anticipate the estimates on officers and establishments particularly in regard to the posts which have been abolished or which are not proposed to be filled up as a measure of economy and to prepare the estimates more realistically.

3.57. The Committee would also suggest that the Organisation should assess the requirement of posts required to be filled up in consultation with the Union Public Service Commission or through direct recruitment or promotion during a particular year well ahead of the preparation of Budget Estimates for that year so that all the formalities required to be completed for filling up of these posts are completed as far as possible before the commencement of the Budget year. This will further enable the Organisation to bridge the wide gap between the Budget estimates and Actuals for any year.

E. Staff Strength, Recruitment and O.M.

3.58. A comparative table of staff strength on a yearly basis from the inception of the Scheme upto date and increase in coverage of industries as well as Membership of the Fund is at Appendix III. The strength of the staff has increased to sizeable number since the inception of the Organisation up-to-date.

Justifying that the increase in staff position is proportionate to the increase in coverage, Government have stated that the entitlement of the Regional Offices for the various categories of posts is worked out on the basis of the work-load as per yard-stick as on a particular date which may or may not include the additional work involved due to coverage of more industries. In actual practice generally additional work due to coverage of new industries/classes of establishments is created in the Regional Offices from the 2nd or 3rd month of coverage. Consistent with the requirements of economy and administrative efficiency, an attempt is made to generally correlate the staff position in the Regions with increasing coverage throwing additional work on the Organisation.

3.59. According to these rough work-norms as mentioned by Government, every Provident Fund Inspector is expected to inspect 40 establishments per month.

On the accounts side of the Regional Offices, each clerk is required to handle 1,600 accounts of unexempted members. There is no separate standard for ledger clerks as such since the Accounts Clerks themselves maintain the ledgers. The standard of 1,600 applies to all clerks working in the Accounts Branch.

Posts of Assistant Accounts Officers are sanctioned in regions where the number of accounts do not exceed 35,000. Posts of Assistant Commissioner Grade I are sanctioned in regions which have at least 1,500 establishments and 3 lakhs of subscribers, but the second post of Assistant Commissioner Grade I is not sanctioned unless the number of establishments exceeds 3,000 and the number of subscribers 6 lakhs.

3.60. These staff standards have been evolved by the Organisation mostly based on the studies conducted departmentally quite a few years ago and require revision due to introduction of revised procedures. The first scientific study was undertaken in 1965 by a private firm of consultants, M/s. 'IBCON' Private Limited but the norms and standards suggested by the firm were not found to be workable.

Since then the staff standards have not been reviewed and recently the Staff Inspection Unit of the Ministry of Finance have agreed to conduct a study of the Organisation with a view to suggesting norms for sanctioning various posts. The Organisation has also recently set up in the Head Office a small O & M Unit which is at present not fully equipped with required number of personnel qualified for the purpose of conducting systematic work study.

3.61. The Committee have been informed that as on 31st March, 1969, out of about 35,00,000 accounts of the Members of the Fund, the monthly postings for 1968-69 in respect of about 20,000 accounts were pending. As regards compilation and issue of Annual Statement of Accounts as on 30th September, 1969, out of the 36.19 lakhs of annual statement of accounts of the Members of Fund, only 23.52 lakhs accounts were complete in all respects and Regional Offices could issue 13.42 lakhs of these accounts (60 per cent), by 31st December, 1968, 23.77 lakhs accounts were issued.

During 1968-69 as many as 21,321 claims for final settlement and as many as 4,707 applications for advances were pending.

3.62 The Department of Administrative Reforms in their Report (December, 1968) on Study of the Employees' Provident Fund Organisation inter-alia have also stated that the reasons for cumulative arrears of work might be that the output of the existing staff is less than the average that one could expect of them or the staff employed is actually inadequate to the load of the work. The Committee are inclined to agree with the above observations of the Department of Administrative Reforms. The backlog of work particularly on the Accounts side would appear to be attributable to the absence of any efforts to evolve scientific standards and norms of work for different categories of staff which are essential to streamline the administration and to make it function efficiently and effectively. The Committee, therefore, suggest that the Staff Inspection Unit of the Ministry of Finance, who have agreed to conduct a study of this Organisation with a view to suggest norms of sanctioning various posts, may be requested to undertake this task immediately and complete the studies and submit their report within six months.

3.63. The Committee would also recommend that immediate steps may be taken to ensure that the existing O & M Unit is manned by requisite number of trained personnel capable of reviewing the work procedures. The unit should study and lay down the norms of work from time to time and scrutinise all proposals for increase in staff. This would also make the Organisation self-reliant in this regard without depending upon any outside agency, Government or private. The staff required for this Unit may in the beginning be taken on deputation from other Organisations and Departments of Government for specified periods and gradually a cadre of trained personnel from amongst the staff in the Organisation may be built up to man this unit by in-training programme drawn up for that purpose and by availing the facilities provided by the Ministry of Finance and other expert bodies in this behalf.

Recruitment Policy

3.64. The broad policy followed by the Employees' Provident Fund Organisation for recruitment of staff is stated to be as follows:—

Appointment to all non-gazetted categories falling under direct recruitment quota are made through the Employment Exchange. If suitable candidates are not available with the Exchange, posts are advertised in the local newspapers. Appointments to non-gazetted categories are made locally. In the case of gazetted categories for which the Central Government is the appointing authority posts falling under direct recruitment quota are filled up through the Union Public Service Commission. Appointments to posts falling under Departmental Promotion quota, both in respect of non-gazetted and gazetted cadres, are made on the basis of recommendations of the Departmental Promotion Committee. At present, deputationists are being appointed wholly against gazetted posts of Central Provident Fund Commissioner and Financial Adviser and Chief Accounts Officer and Accounts Officers and partly against Regional Provident Fund Commissioners and Deputy Regional Provident Fund Commissioners.

3.65. According to the Recruitment Rules, various posts right from Assistant Provident Fund Commissioner (Grade II) to that of peons are filled in partly by direct recruitment and partly by departmental promotion according to fixed percentage as mentioned in Appendix IV.

Government have further stated that eventually it is intended to appoint departmental officers who would qualify in Accounts Service examination to the post of Accounts Officers. For this purpose for the first time, Part one of this examination has already been held in April, 1969 and the second examination (in both Parts I & II) was held in February, 1970. But, if at any time, Departmental Officers are not available, Government have felt that the continuing of the system of taking officers on deputation, in the interest of the Organisation cannot be ruled out. In respect of other gazetted categories taking into consideration, the importance of the posts, officers may have to be appointed on deputation so long as departmental Officers are not available for posting.

3.66. The Committee notes with satisfaction that there is a healthy trend in the liberalisation of recruitment rules in regard to certain

categories of staff inasmuch as adequate provision for departmental promotion has been made. This is not only desirable but necessary if the staff serving in the organisation is to get incentive and encouragement. The Committee hope that in due course of time, it should be possible for Government to man the posts of Accounts Officers through Departmental Accounts Service examinations which may be held periodically henceforth and thrown open to all suitable departmental candidates.

3.67. The Committee also hope that in time to come, it should be possible for Government to appoint a major proportion of its senior Executives in the Organisation from amongst suitable departmental candidates.

F. Reports and Returns and Forms in Use

3.68. The Employees' Provident Funds Scheme prescribes 27 forms, some to be filled by the employers, some by the employees and a few for the use in the Regional Offices. The Manual on Accounting Procedure brought out by the Employees' Provident Fund Organisation in early 1968 also contains a number of forms called special proforma numbering 74 in all in which several accounting registers and books have to be maintained.

The Central Office receive a number of periodical returns and reports numbering 49 (Appendix V) from the Regional Offices in order to assess the working of the Scheme and also to take corrective action wherever necessary. The returns are utilised for preparing (i) monthly standard note which is required by the Labour Ministry for answering Parliament Questions and disposing of various other cases referred to them from time to time; (ii) the basic chart for the use of the Central Office; (iii) notes for the meetings of the Central Board of Trustees held once in 3 months; and (iv) statistical year-book.

3.69. The Department of Administrative Reforms which made a study of the Employees' Provident Fund Organisation in their Report in December, 1966 have suggested a number of changes viz. modification, amalgamation or elimination of certain forms and returns.

As regards forms, they have suggested abolition of 4 forms, re-designing and amalgamation of 34 forms and introduction of 5 new forms. As regards returns, they have suggested elimination of 3 returns, conversion of 12 monthly returns into quarterly or half-yearly ones and re-designing of 4 forms or returns.

3.70. It has been stated that the recommendations of the Administrative Reforms Department were considered at the conference of Accounts Officers and Regional Provident Fund Commissioners held on the 6th and 8th September, 1969 and their recommendations were placed before the meeting of the Central Board of Trustees held on the 27th October, 1969. The Board decided that such of the recommendations as were only of procedural nature should be implemented by the Central Office of the Organisation and in respect of others, approval of the Government might be obtained.

3.71. The Committee endorse the recommendations of the Department of Administrative Reforms in regard to modifications etc. of forms and returns. They are of the view that the recommendations, if implemented, will considerably simplify the work and lessen the load of clerical and accounting work. They desire that Government should examine and take decisions on the recommendations of the Administrative Reforms Commission at an early date so as to enable the Employees' Provident Fund Organisation to implement them as expeditiously as possible. Not only will it result in simplifying of the procedure but it will also curtail expenditure on printing of forms. The Committee also recommend that the O & M Unit recently set up in the Central Office should also periodically review the forms and returns in vogue with a view to assess which of them could be eliminated, amalgamated, or modified inter-alia to ensure that columns asking for unnecessary details are omitted.

G. Mechanised System of Accounting

3.72. The system of mechanisation of accounts, with requisite configuration of I.B.M. equipment, was introduced in the Regional Office, Maharashtra on the 11th May, 1964 on an experimental basis. The switch over from manual to machine posting of accounts involved difficulties in the initial stages which hampered the output seriously. Among the difficulties experienced were bottlenecks thrown up by accounting processes which involved dovetailing of manual and machine scrutiny at several stages in the operation, deficiencies arising out of defaults by employers particularly the smaller ones, time taken by the staff in acquiring experience in handling machines and inadequacies in the number and type of machines employed. The Board reviewed the question of continuance of the mechanisation on the last occasion at its meeting held on the 29th January, 1968 and decided that—

- (1) Accounts for the year 1967-68 should continue to be processed on the machines, with such changes in procedure, as may be considered necessary.

†International Business Machines World Trade Corporation.

- (2) The accounts for 1968-69 should be processed on the machines only in respect of those establishments which were regular in submitting returns and contributions; manual checking should be eliminated to the extent possible, keeping it down to the minimum.

The implementation of the new procedure in March, 1968 which envisaged the processing of accounts only in respect of the establishments having a record of furnishing prompt and dependable returns has given a marked fillip to machine performance the effect of which is being felt now, and will be felt increasingly in the months to come.

The initial setback resulting from the interruption of routine due to the change-over in system and procedure necessitated by machine accounting was transitory. The arrears which grew during the early period have been brought down considerably and the work in Maharashtra region is now practically up-to-date.

3.73. During evidence, the Secretary, Department of Labour & Employment, stated that for the I.B.M. machines in use in the Bombay Regional Office "monthly rental amounts to Rs. 20,000. Machines are taken on hire from IBM. They are maintained by the I.B.M. We don't consider it worthwhile to purchase them outright. These go obsolete very soon. They are replaced by new ones. It is in our interest to take them on hire. It is cheaper that way."

As regards the resultant unemployment due to displacement of employees already engaged in the work of accounting due to introduction of mechanised system of Accounting, the representative of the Ministry, during the course of evidence, stated as follows:

"There are two questions involved in this. One is the question of employment. It is possible that without these machines we may have employed a large number of clerks. With the machine we will do the work in time and with the efficiency needed for issuing large number of accounts. The two factors have got to be balanced. The Board of Trustees is very conscious about both these factors. They have said that a study should be made and the results placed before them so that they can decide whether we should continue with the mechanised system of accounts or we should have some other method. * * * * If it is found as a result of the study which is going on now that the mechanisation of these accounts is a desirable thing in the interest of the subscribers then it is possible that the Board might decide to continue with them."

3.74. During their Study Tours, the Committee had the occasion to observe the working of the I.B.M. machines at Bombay (Maharashtra Regional Commissioner's Office). The Committee saw that 21 I.B.M. machines were being used as punch, verifiers, sorters, Collators, Accounting Machine, Calculating Punch, Interpreter and Reproducer. 2 head clerks, 24 Upper Division Clerks, 19 Lower Division Clerks and one Accounts Officer constituted the Machine Section operating these machines.

The theoretical and actual output per shift of six hours of each machine is given below:

Output of each I.B.M. Machine

Machine	Theoretical Output	Actual output per shift of six hours.
1. Punch } 2. Verifier }	6000 Key depressions per hour.	2,400 Contribution cards.
3. Sorter . . .	650 cards per minute	
4. Reproducer . . .	100 cards per minute	
5. Interpreter . . .	100 cards per minute	20,000 cards.
6. Collator . . .	240 cards per minute	40,000 cards.
7. Accounting Machine (407)	150 cards per minute	20,000 cards.
8. Calculating Punch (609).	200 cards per minute	30,000 cards.

The actual output is worked out on the average output given by the machines so far. The variation between theoretical and actual output is stated to be mainly because of the following reasons:

1. Time taken for setting of control panel before starting each type of job.
2. Time taken for handling of cards to be processed.
3. Card jams during the process.
4. Minor machine break down.
5. Nature of the job done on the machine.

The machines perform the following jobs:—

1. Punching and Verification of monthly contribution cards.
2. Punching and verification of challans.
3. Punching and verification of D.P. Sheets.
4. Processing of contribution cards for working of progressive contribution from month to month.
5. Posting of Ledger Cards.
6. Preparation of Receipt Schedule.
7. Preparation of payment Schedule.
8. Compilation of Form No. 23 and Form No. 24.
9. Compilation of Return VII A and B.
10. Compilation of all India Statistics in respect of exempted concerns.

3.75. The Committee was also furnished the flow chart for processing of contribution cards and compilation of Annual Accounts and have noted that the machines are put to various uses such as for monthly returns, contribution cards, preparation of first monthly ledger cards, maintenance of accounts and postings, for subsequent rendered by the various machines in the Accounts Wing.

3.76. The Committee have no doubt about the usefulness of the I.B.M. Equipment in the accounting work. Mechanisation of accounts is bound to result in the saving of manpower, time and money. The Committee note that even though the system of mechanised accounting was introduced six years back and has on the whole proved satisfactory, no firm decision has yet been taken by the Organisation to extend it to other centres. The Committee are of the view that a decision on the subject is overdue. In case it is decided to switch over to the mechanised system of accounting, the Committee suggest that Government should draw up a phased programme extending over a period of five years for the operation to be completed. They trust that the staff rendered surplus as a result of switch over, will not be thrown out but will be suitably deployed in other types of work within the Organisation without detriment to their emolument and status.

H. Audit—Internal and External

3.77. Two kinds of Audit are conducted on the maintenance of accounts and the Fund etc. by the Employees' Provident Fund Organisation—viz. (i) Internal and (ii) External Audit.

The Internal Audit Machinery is under the supervision and control of the Chief Accounts Officer, Employees' Provident Fund, External Audit of the Fund is conducted by the Comptroller and Auditor General of India with the assistance of the Accountants General.

Internal Audit

3.78. With the addition of more industries|classes of establishments, the volume of work especially relating to accounts has been growing not only in volume but also in complexity. It has, therefore, been found necessary to supplement the existing test audit with a system of regular and continuous internal audit. with a system of regular and continuous internal audit. Accordingly, a permanent internal audit machinery, under the control of the Chief Accounts Officer, was set up with effect from the 1st August, 1966, with the responsibility for conducting audit of accounts (including Administration Accounts in the Regional Offices) according to a planned programme. Two Internal Audit teams, each under the charge of an Accounts Officer, assisted by the appropriate staff were put on the task, one for the North Zone (with headquarters at New Delhi) covering the Regional Offices in Delhi, Punjab, Uttar Pradesh, Bihar, West Bengal, Assam, Gujarat and Rajasthan and the other for the South Zone (with the headquarters at Madras) covering the Regional Offices in Andhra Pradesh, Kerala, Maharashtra, Madras, Mysore and Orissa. One complete cycle of audit takes about a year. The reports submitted by the parties are processed in the Central Office and after proper editing, all the important points thrown up in the Reports are taken up with the Regions. Further detailed instructions are issued for the guidance of the Regional Offices in respect of the points having an All India bearing. Such instructions were proposed to be issued in the form of a "Digest" from January, 1970 which will list the important irregularities noticed also. So far, three cycles of Internal Audit have been completed.

3.79. Major points so far taken up in various Internal Audit Reports generally related to:

- (i) belated coverage of establishments,
- (ii) under charges of inspection charges, damages and administrative charges;
- (iii) belated transfer of past accumulations to the Organisation from exempted establishments consequent upon cancellation of exemption and the resultant loss of interest on transferred securities, if any;

- (iv) slack supervision of exempted establishments and its impact on their investment, if any;
- (v) delayed launching of prosecution|recovery proceedings' in the matter of realisation of arrears;
- (vi) drawal of funds by the Regions to meet statutory obligations in excess of requirements if any;
- (vii) belated action in the matter of clearance of suspense balances; and
- (viii) procedural irregularities in the maintenance of Cash and Accounts Records.

The Committee have been informed that these observations are resolved by issue of appropriate instructions to Regional Offices, modification of procedure etc.

3.80. The Committee find that Internal Audit has proved quite useful in detecting financial irregularities and toning up the Administration. They would recommend speedy action to eliminate the deficiencies pointed out by the Internal Audit.

3.81. The Committee also recommend that the Regional Provident Fund Commissioners might be instructed to take immediate steps to rectify the defects pointed out so far by Internal Audit and to submit periodic Reports to the Central Provident Fund Commissioner indicating action taken to remove the lacunae.

External Audit

3.82. External Audit Report on the Annual Accounts for each year covers the consolidated Receipt and Payment Account and Balance Sheet, detailed Receipts and Payments in respect of Investment Account (Employees' Provident Fund and Administration Fund and Staff Provident Fund), Receipts and Payments in respect of investment account for each year (pension-cum-gratuity Account). The accounts thus audited and certified by the Comptroller and Auditor General of India are laid on the table of the Lok|Rajya Sabha. The Committee have later in this Report dealt with delay in laying of these audit Reports.

3.83. The Committee have observed from the Annual Accounts for 1966-67 and Audit Report thereon that there have been delays in Investments by exempted establishments in Bihar Region. The establishments, in contravention of the Central Provident Fund Commissioner's instructions, had retained an excess of Rs. 76.37 lakhs from October, 1966 to March, 1967. This unauthorised retention of sur-

plus money had resulted in loss of interest of Rs. 0.5 lakhs upto 31st March, 1967 @ 5 per cent.

The Organisation in their brief have attempted to explain such retention as not intentional, time lag between receipt of Provident Fund amounts by the Board and its investments being inevitable. They have since tightened up the machinery to ensure timely investments of Provident Fund moneys by the exempted establishments. All delayed investments are at present secured through the All India Consolidated Statement of Exempted establishments prepared centrally at Bombay Office in International Bureau of Machines and appropriate corrective measures taken in time to secure compliance.

3.84. The Committee would like to impress upon Government the desirability of taking immediate action to set right the irregularities pointed out in the audit reports and take such other corrective measures as may be considered necessary to eliminate the recurrence of such other corrective measures as may be considered necessary to eliminate the recurrence of such lapses or irregularities.

I—Annual Statement of Accounts of Subscribers

3.85. In accordance with paragraph 73 of the Employees Provident Funds Scheme, an annual statement of accounts is required to be sent to each subscriber showing the accumulations standing to the credit of the Member and the interest accrued to his credit due to investment thereof.

9.56 lakhs of Annual Statements of Accounts of subscribers were outstanding for issue and out of these 6,97,498 accounts pertained to the year 1967-68 only. A statement showing the comparative performance region-wise of all the Regional Offices as on the 31st March, 1969 is at Appendix VI.

3.86. According to Government, the main causes of delay in disposal of these accounts are mostly attributable to the employers and include such factors as non-transfer of previous Provident Fund accumulations in full through securities by the close of financial year, non-submission of monthly recovery statements in support of the contributions remitted, non-settlement of discrepancies pointed out in the Recovery Statements etc. While the Central Board of Trustees after reviewing this position had fixed a target date for the issue of all the arrears of annual statements of Accounts up to 1966-67, Government hope that, excepting the account of the undermentioned

categories of establishments, all the rest of the accounts (upto 1967-68) would be cleared by the 31st March, 1970:—

- (i) accounts of establishments which have failed to submit returns in Form 12 despite repeated efforts to secure the same, or which had closed down without submitting the related returns in Form 12;
- (ii) accounts of establishments which have contested the applicability of the Act from the date of coverage and have not been submitting any returns in respect of the remittance made in protest; and
- (iii) accounts of establishments which have obtained Civil Rules from High Courts for not complying with the provisions of the Employees' Provident Fund Act|Scheme and have not submitted any returns in respect of certain remittances made to the fund.

Government have further stated that as on 31st March, 1969 even in respect of about 20,000 accounts, the monthly postings for 1968-69 were pending.

3.87.. The Committee are unhappy to note that as on 31st March, 1969 there were 9.56 lakhs of Annual Statements of Accounts pending for issue and as many as 20,000 accounts for monthly postings. They are constrained to observe that no serious effort has so far been made by the Organisation to tackle this problem which has assumed such a gigantic magnitude. The Committee hope that an all-out effort would be made by the Organisation to adhere to the target date of 31st March, 1970 to wipe out the arrears by deputing their Inspectors to contact the defaulting establishments and persuading them to submit all the wanting returns immediately.

CHAPTER IV

CONTRIBUTIONS

A. Rate of Contributions

4.1. In 1952, when the Employees' Provident Funds Act was enacted, the rate of contributions to the Fund by both employers and employees, had been fixed at 6-1/4 per cent of the basic wages and Dearness Allowance including cash value of any food concession allowed to the employee, in respect of establishments with 20 or more persons in their employ. The Act empowered the Central Government to apply the higher rate of 8 per cent in respect of any class of establishment(s) which they might specify from time to time after making such enquiry as it deem fit. (First Proviso to Section—6).

4.2. With a view to assess whether the rate could be enhanced to 8 per cent., a tripartite Technical Committee under the Chairmanship of Shri M. R. Meher was appointed in May, 1960, to examine the financial capacity of industries in which the rate was to be raised. The Committee's terms of reference was confined to the first six industries originally covered under the Act viz., Cement, Cigarettes, Electrical, Mechanical or General Engineering Products, Iron & Steel Paper & Textiles.

4.3 On the basis of the recommendations of this Technical Committee, the higher rate was made applicable to 4 industries but in respect of two other industries, the employers' representatives were not prepared for further enquiry. Taking into account the non-cooperative attitude of the employers, the expenditure involved in making investigations by the Technical Committee and the inordinate time taken by a Technical Committee to complete its work, it was decided not to make further enquiries through the Technical Committee. It was felt that the employers and workers took their own well-known stand in these matters. It was, therefore, decided that the enquiry could be conducted by consulting the State Governments and the Central Ministries concerned. By following this procedure Government have now raised the rate of contributions in the various industries to 8 per cent, whenever they employed 50 or more workers. At present the enhanced rate of contributions has been applied to 83 industries/classes of establishments.

4.4 Recently, however, the members of the Central Board of Trustees, Employees' Provident Fund had recommended that the Central Organisations of Employers and Workers should also be consulted in the matter. Accordingly, it has been decided to circulate such proposals to workers' and employers' organisations also.

4.5. At present, under Section 6 of the Employees' Provident Fund Act, 1952, the rate of contributions to the Fund is 6-1/4 per cent. basic wages, including dearness allowance, retaining allowance if any and cash value of food concessions in respect of establishments|industries employing 20 or more persons. For establishment|industries employing 50 or more persons, it is 8 per cent. Where, however, an employee is permitted by the Commissioner to do so, he may contribute a maximum of contributions of 7-1/3 per cent. basic wages, dearness allowance (including cash value of any food concession) and retaining allowance if any payable to him. The contributions are calculated on the basis of the total wages actually drawn during the whole month whether paid on daily, weekly, fortnightly or monthly basis.

4.6. In regard to levy of contributions at enhanced rates, two suggestions have been made to the Committee. Firstly, it has been represented that the levy of enhanced rate @ 8 per cent. from bigger employers is irrational and has no sound basis. Therefore, it has been suggested that the Technical Committee procedure might be revived to ascertain the financial capacity of an industry to pay the higher rate of Provident Fund contribution. The delays and the non-unanimity of the first Technical Committee were not inherent in the procedure, and they could be easily avoided in the case of similar enquiries in future. The second suggestion is that the rates of contributions should be uniform and that two rates of contributions in vogue at present for different classes of industries are discriminatory in nature.

4.7. During evidence, the representative of the Ministry had stated that "Originally we had a tripartite Technical Committee to consider which industries were suitable for higher rate of contribution—8 per cent but we found this Committee did not work satisfactorily". Explaining Government's stand in regard to the first suggestion, he stated that "Government reverted to examination of the matter by consulting State Governments and the Ministries concerned primarily from the angle of overall financial position of the industry, its profitability, its paying capacity etc. Government have therefore felt that it is difficult to agree in the tripartite Committee or elsewhere to lay down a definite procedure for making the

enquiry into financial capacity of an industry to pay higher rate of contributions.”

4.8. In a subsequent note furnished to the Committee, it has been stated as follows:—

“Recently, however, the members of the Central Board of Trustees, Employees’ Provident Fund recommended that the Central Organisations of Employers and Workers should also be consulted in the matter. Accordingly, it has been decided to circulate such proposals to workers’ and employers’ organisations also. It seems, however, difficult to agree to laying down a definite procedure for making the enquiry. At present two rates of contribution are discriminatory in nature but paying capacity of the establishment had to be kept in view. If uniform higher rate of contribution is introduced no additional work would be created in the Organisation except to the extent of dealing with an increased number of defaults which this measure may evoke. But the workers who are at present getting benefits at a lower rate would be benefited. Further there would be a substantial rise in their total quantum of benefits. The employers may, however, resent this measure. On the other hand, if the lower rate were to be enforced uniformly, this would result in curtailment of prevailing benefits to workers.”

4.9. The Committee are glad that Government have now decided to circulate proposals regarding application of higher rate of contributions to any class of establishments to the organisations of employers and workers also. The Committee feel that, in a tripartite scheme of this nature it is better to take into confidence all the interests concerned as far as possible before taking such a vital decision. They are not able to appreciate why it should be difficult to lay down a definite procedure for making the enquiry. In their opinion, the demand for laying down a definite procedure for the purpose is justified and deserves favourable consideration.

4.10. The Committee are further inclined to think that uniformity in rate of contributions is neither practicable nor desirable since any criterion placing the better placed industries|bigger establishments on the same footing as smaller industries with limited financial resources would lead to the latter complaining about discrimination in favour of bigger industries. After all, taxation laws of Gov-

ernment also do prescribe different graded rates. Hence the Committee agree that rates of contributions should be based on the capacity of the industry to pay as is the case at present.

B. Quantum of Contributions Realised and Arrears due

4.11. The Committee have been informed that upto the end of March, 1969, a sum of Rs. 1,256.98 crores (Rs. 728.14 crores in exempted and Rs. 528.84 crores in unexempted funds) had been collected from the very inception of the Scheme.

4.12. As regards the arrears due, Government have furnished to the Committee information in regard to the major establishments which were in default for over Rs. one lakh, as on 31st March, 1969 and progress of recovery thereof. The Committee have noted the following therefrom:—

Region	No. of major industries/ Establishments in default	Total Amount of default (In lakhs) (Rs.)	No. of Industries in Default over		
			Rs. 1 lakhs	Rs. 3 lakhs	Rs. 5 lakhs
1	2	3	4	5	6
1. Andhra Pradesh .	5	30.39	1	3	1 (Rs. 15.33 lakhs)
2. Assam		..		..
3. Bihar . . .	8	32.41	4	1	3
4. Delhi . . .	..	..		..	..
5. Gujarat	17	107.99	5	5	7 (between Rs. 6.77 and Rs. 22.091 lakhs)
6. Kerala . . .	10	28.77	8		2 (between Rs. 6.16 and Rs. 6.80)
7. Madhya Pradesh .	8	105.08	3	1	4 (between Rs. 12.53 to Rs. 46.38 lakhs)
8. Madras (Tamil Nadu)	30	128.38	18	3	9 (between Rs. 5.54 to Rs. 15 lakhs)
9. Maharashtra .	21	376.14	3	3	15 (between Rs. 5.24 to Rs. 178.03 lakhs)
10. Mysore . . .	1	2.25	1	..	..
11. Orissa . . .	3	6.56	3	..	..
12. Punjab . . .	1	2.40	1	..	..

1	2	3	4	5	6
		Rs.			
13. Rajasthan . . .	3	7.23	2	1	..
14. Uttar Pradesh . .	13	117.44	7	1	5 (between Rs. 6.66 to 50.74 lakhs)
15. West Bengal . . .	38	155.33	19	10	9 (between 14.42 lakhs) 10
	158*	1100.37*			

Out of the total arrears of 12.17 crores of rupees (as on 31st March, 1969) on account of contributions, as much as 9.57 crores representing about 79 per cent was accounted for by two industries, textiles and Engineering industries.

4.13. During Evidence, the official representative stated that during the last two years the arrears of contribution had really mounted up. About 60 per cent of the arrears were in the Textile and Engineering industries. On account of recession many units of industry especially in Textile and Engineering industries had closed down altogether and others were in such a critical condition financially that if Government attempted to enforce the recovery of Provident Fund dues then they would probably close down altogether. He added that as on 30th June, 1969, the total amount of arrears was Rs. 13.96 crores; six industries accounted for Rs. 11.2 crores—Textiles Rs. 8.39 crores, engineering industry Rs. 1.58 crores and tea industry Rs. 40 lakhs. These three industries alone accounted for over Rs. 10 crores out of Rs. 11.2 crores.

4.14. Giving an analysis of the position obtaining as on 30th June, 1969, it has been stated in a written note that out of a total of 11.68 crores of rupees due from major defaulting establishments a sum of 9.35 crores of rupees was in arrears due to non-payment of contributions since the Employees' Provident Funds Scheme was applied to them. The rest of the arrears are ascribable to non-transfer of past accumulations, arrears of administrative charges and penal damages .

Out of the total of 9.35 crores of rupees, 5.79 crores of rupees representing 62 percent represented employer's share and 3.56 crores of rupees representing 38 percent represented employees' share of contributions.

*Compiled from statement furnished by the Ministry of Labour, Employment and Rehabilitation with reference to Q. No. 41 for Written Reply.

4.15. The Committee note that the substantial growth in the arrears is by and large attributable to adverse economic conditions on account of recession in the "Textile" and "Engineering" industries. Now that these industries are picking up, the Committee urge the Employees' Provident Fund Organisation to intensify their efforts in realising the arrears by persuasive and legal measures where necessary.

4.16. The Committee also recommend that with this end in view, the Organisation might enlist the cooperation of public men including Members of Parliament, Members of Legislative Assemblies in States, of the Regional Committees, leading Members of Employers' Organisations as well as employers' representatives on the Central Board of Trustees, of the respective regions.

C. Recovery of Contributions and Machinery therefor

(i) *Remittances—Procedure and its adequacy.*

4.17. One of the major problems faced by the Employees' Provident Fund Organisation relates to the regular remittance of contributions into the Fund. The Employees' Provident Funds Scheme provides that the employer shall be responsible for monthly recovery of employees' (Members') contributions and remittance thereof alongwith his contributions, regularly to the Organisation.

4.18. To finance the administration of the Employees' Provident Fund, administrative charges @ 0.37 per cent of pay (basic wages, dearness allowance, cash value of food concessions and retiring allowance) are levied from employees owning unexempted establishments. In the case of exempted establishments, only an inspection charges @ 0.09 per cent of pay is recovered from them. The employer has to remit both the contributions and administrative charges to the Account of the Organisation. In respect of Members (i.e. employees who are Members of the Fund) employed by the employer by or through a contractor, in law, the principal employer is primarily responsible to recover the contractors' contributions and administrative charges as well as the contributions of the employees or inspection charges as the case may be.

4.19. Within 20 days of the close of every month, the employer has to remit the total amount of contributions and administrative charges into the Employees' Provident Fund Accounts Nos. 1 and 2 respectively, maintained in the State Bank of India, on separate challans, obtained from the Regional Commissioner or the State Bank. The amounts may be remitted either in cash or by means of cheques into the nearest branch of the State Bank of India for credit to the respective accounts.

Every contractor has to submit to the principal employer within seven days of the close of month a statement showing recoveries of contributions in respect of employees employed by or through him and should furnish to the principal employer such information as might be required to be furnished to the Commissioner.

4.20. As and when an establishment is covered, the authority in-charge or the management of the Provident Funds Scheme in existence in any factory or establishment must transfer to the Employees' Provident Fund Account No. 1 all accumulations standing to the credit of the members of such fund to the statutory fund within four months. Accumulations in Government securities must be transferred to the Fund by endorsing them in favour of the Central Board of Trustees, Employees' Provident Fund. The employer is also required to send to the Commissioner within 15 days of deduction of wages a statement showing the amount standing to the credit of each subscriber, the total accumulations to their credit and advances if any taken by them and transfer to the Board all pass books, books of accounts and other documents relating to the accumulations.

(ii) *Time Limit for Remittances.*

4.21. It has been brought to the notice of the Committee that the time limit of 20 days prescribed to enable regular remittance by employers to the fund, is inadequate as it is impossible for employers to prepare returns and deposit the amount within 5 to 10 days after the disbursal of wages.

4.22. Asked to give their reactions to this, Government have stated that concrete cases of difficulties experienced by the employers had been brought to the notice of the Employees' Provident Fund Organisation when the time limit for paying provident fund contributions was upto the 15th of the following month. Later on, this limit was raised to 20 days and since then no representation appears to have been received by the Organisation.

They also point out that the employers have to pay both the shares of contributions in the first instance. In the pay bills, deductions on account of provident fund and other dues are shown and only the net amount is paid to the workers. Therefore, on the pay day the employers know the amount (both shares) which they have to pay to the Employees' Provident Fund. Consequently, there is hardly any necessity for enhancing the time limit to 30 days after disbursement of wages.

(iii) *Statutory checks for Remittances.*

4.23. Government, in a written note, have mentioned that the Employees' Provident Funds Act itself does not provide for any spe-

cific checks to ensure regular payment except inspection reports by Provident Fund inspectors, the penalties for various types of contravention of the provisions of the Act and the Scheme and the returns, registers and records prescribed under the Scheme for maintenance by employers and contractors. Among the periodic returns to be sent by employers are the monthly recovery statement and also the triplicate challan receipts in support of monthly deposits of contributions and administrative charges made in the State Bank of India. A strict watch on the timely receipt of these returns provides for a measure of check on regular payments.

4.24. In the case of exempted establishments the employers are required to maintain such accounts, make such investments as the Central Government may direct and submit monthly returns showing the amount deducted from the workers' wages, amount transferred to the Board of Trustees and amount actually invested and amount remaining uninvested.

4.25. The Committee observe that inspection reports and submission of returns are the only operating devices for ensuring regular remittance of contributions by employers. They, therefore, suggest that a very close and strict watch may be kept on the timely submission of the prescribed returns. The Committee also feel that if inspections of defaulting establishments are made more frequent, the tendency to default would be curbed.

D. Legal Machinery for Realising Contributions and arrears, its Adequacy and steps proposed for recovery

4.26. The measures taken by the Organisation for realisation of arrears of contributions to the Fund are two-fold. During evidence, the representative of the Ministry, elaborating the measures for realisation of arrears, stated:—

“The measures for realising the arrears could be broadly classified in two divisions one is non-legal or persuasive measures and the second are the definitely legal measures. So far as the first is concerned the Provident Fund Commissioner i.e. the Regional Provident Fund Commissioner through the good offices of the State Government tries to persuade the employer to pay this, gives him facility of payment by instalment, if possible. Well, this does work and it has results. Other class of measures are definitely legal measures such as prosecution under Section 14 of the Act; then recovery proceedings for Revenue arrears through the State Revenue Authority under Section 8 of the Act; and also in suitable cases where the employers

have deducted employees' contribution and not credited it to the fund-prosecutions under Sections 406 and 409 of the IPC.

Then there is a class of legal measures in the shape of penal damages which can be levied by the appropriate Government in the case of delayed payments."

27. When persuasion fails in the case of unexempted defaulting establishments, one of the following steps is taken:—

- (i) Revenue recovery proceedings are initiated under Section 8 of the Employees' Provident Funds Act.
 - (ii) Prosecution is launched under Section 14 of the Employees' Provident Funds Act.
 - (iii) Damages are imposed under Section 14-B of the Employees' Provident Funds Act.
 - (iv) In suitable cases, action under Section 406|409 I.P.C. is taken.
 - (v) The default is brought to the notice of the Employers' and workers' Organisations including the Trade Unions.
 - (vi) In some cases the establishments are afforded a chance to pay the amount in default in suitable instalments subject to their agreeing to give adequate guarantee, surety etc.
- (i) Recoveries as Land Revenue under Section 3 of the Act.

4.28. Whenever an employer is in default of Contributions payable under the Scheme and does not clear the dues within a reasonable time, the Regional Commissioner has to approach the State Government concerned for sanction of proceedings of recovery under the Revenue Recovery Act of the State. The State Government accords sanction for recovering the amount from the defaulting employer.† Thereafter, the Collector or any officer appointed in this behalf proceeds to recover arrears together with interest and cost of process (as provided for in the Civil Procedure Code), by the sale of the defaulter's movable and immovable property or by execution against the person or defaulter. After the attached property is disposed of, the proceeds so collected are paid to the Employees' Provident Fund Organisation.

†At the time of factual verifications the Ministry have stated as follows:—

"This particular position obtains still only in one or two States. In the rest of the States, the power to sanction certificate proceedings has been delegated by the State Government to the Distt. Collectors, and the R.P.F.C. have to approach the respective Distt. Collector: each time."

4.29. The following figures showing the number of certificate proceedings launched and the amounts of arrears realised by resort to Revenue Recovery proceedings against unexempted establishment during the four years ending in 1967-68 have been furnished to the Committee:—

Year	Amount of arrear dues realised	No. of certificate proceedings launched.
(i) 1964-65 . . .	Rs. 1' 42 crores	4270
(ii) 1965-66 . . .	Rs. 1' 57 crores	5073
(iii) 1966-67 . . .	Not readily available	4109
(iv) 1967-68 . . .	Rs. 1' 71 crores	4366

The number of certificate proceedings launched during the 6 years ending 1967-68 is given below:—

Year	No. of certificate proceedings launched.	Total Amount of contribution received. (cloth exempted and unexempted establishments)
		(Rs. in crores)
1962-63	5681	73' 18
1963-64	4695	90' 52
1964-65	4270	116' 36
1965-66	5073	123' 72
1966-67	4109	148' 35
1967-68	4366	174' 99

(ii) *Prosecutions under Section 14 of the Act.*

4.30. A second device adopted by the Organisation is to prosecute the defaulting establishments in courts under Section 14 of the Act. After a preliminary report by the Inspector, the State Governments accord the sanction and the establishments are proceeded against in courts.

The maximum punishments prescribed for imposition by Courts for contravention of the provision of the Act are simple imprisonment upto a period of six months, or fine of Rs. 1000/- or both for each default.

4.31. Government have stated in a written note that considering the scale and nature of defaults, the prosecutions launched under Section 14 of the Employees' Provident Funds Act are not sufficiently deterrent as will be seen from the type of penalties actually imposed by Courts. Till the end of October 1969, a total of about 26,600 cases under Section 14 have been decided by Courts out of which the Organisation has been able to secure about 18,800 convictions. Out of this large number of convictions, imprisonments were awarded in only 18 cases (0.1 per cent). Fines ranging over rupees 100 and upto rupees 250 were awarded in 1192 (6.3 per cent) cases and fines over Rs. 250 were awarded in only 556 (3 per cent) cases.

(iii) *Levy of Penal Damages.*

4.32. Under Section 14-B of the Employees Provident Funds Act, 1952, the appropriate Government has the powers to recover damages on belated payments from the employers of defaulting establishments. The following Penal Damages are recoverable from the employer of a defaulting establishment on amounts not punctually paid:—

S. Nos. of default	One month or less	Over one month upto two months	Over two months upto three months	Over three months upto four months	Over four months upto five months	Over five months
1st default	2% of arrears	5% of arrears	10% of arrears	15% of arrears	20% of arrears	25% of arrears
2nd default	5% of arrears	10% of arrears	15% of arrears	20% of arrears	25% of arrears	
3rd default	10% of arrears	15% of arrears	20% of arrears	25% of arrears		
4th default	15% of arrears	20% of arrears	25% of arrears			
5th default	20% of arrears	25% of arrears				
6th default	25% of arrears					

Grace Period:—

- (i) Five days of grace is allowed to employers for payment of Provident Fund contributions during which no damages are levied;
- (ii) For delays upto 15 days including five days of grace, damages at half the rates laid in the table in the above para. are levied.

The damages act as a deterrent for habitual defaults and are recoverable on contribution.

4.33. Even for recovery of these penal damages, the sanction of the State Government is required under the Act. The Ministry have clarified that only the appropriate Government has the power to recover damages on belated payments from the employers of defaulting establishments. Since the Act itself has delegated the powers as appropriate Government to the State Government in all cases, irrespective of the amount involved, sanction of the State Government or levy of damages is absolutely necessary.

4.34. The total amount of arrears of Penal Damages on contribution (in unexempted establishments) and on Administrative and Inspection charges (in unexempted and exempted establishments) as on 31st March, 1967, 1968 and 1969 is as follows:—

	1966-67	1967-68	1968-69
(Rs. in lakhs)			
Penal Damages on :—			
(i) Contributions	119.63	164.66	192.55
(ii) Administrative & Inspection charges	3.32	4.17	4.83

(iv) *Prosecutions under Sections 406|409 IPC.*

4.35. Prosecutions under Sections 406 & 409 of IPC for criminal breach of trust are launched and conducted by the Organisation itself directly against establishments where Provident Fund Contributions are deducted from the workers' wages and are not remitted to the Fund.

4.36. It has been stated that till the end of March, 1969, action had been initiated under Section 406/409 IPC against the employers in 120 cases for not remitting the workers' share of contribution which was deducted from their wages. So far, the following 5 cases have resulted in conviction:—

S. No.	Region	Name of the establishment	Name of the accused persons	Punishment awarded
1.	Maharashtra	Standard Rubber Moulding Co., Bombay.	Shri M.C. Desai Proprietor.	4 months rigorous imprisonment.
2.	Do.	Eastern Mechanical Works, Bombay.	(i) Shri Ramanlal Manilal Joshi; (ii) Shri Pradeep Kumar Raman Lal, Partners.	Fine of Rs. 50/- each or in default simple imprisonment for two weeks.
3.	Do.	Gautam Silk Mills, Goregaon.	Shri Gokaldas Gordhan Ganglani Proprietor.	Simple imprisonment for fifteen days and fine of Rs 500/- and in default to suffer simple imprisonment for 15 days.
4.	Do.	Prabhat Electric Equipment Corporation Pvt. Ltd., Bombay.	Shri S.J. Thakar, Proprietor.	One day's simple imprisonment and fine of Rs.300/- and in default 3 month-rigorous imprisonment.
5.	Madhya Pradesh	K. S. Nazarali Mills, Ujjain.	(1) Shri Mohd. Hussain; (2) Shri Akbarali, both sons of Shri Nazarali and Proprietor of the Mills.	Fine of Rs. 250/- each with rigorous imprisonment in default for 3 months.

Role of State Governments in Legal Machinery

4.37. The reasons according to Government for such poor recovery is that usually the State Governments exhibit a great reluctance to initiate legal proceedings. During Evidence, the official representative clarified the role and view points of State Governments as follows:—

“The efficacy of the legal measures depends on the cooperation which we are able to get from the State Governments. We do not always have this Cooperation, because State Governments sometimes also look at this question from a different angle as I suppose they have to. From their point of view it is not a question of recovery from the Organisations which are weak financially, but it is a question of ensuring that in the process of recovery the establishment does not close down altogether and thereby lead to unemployment and economic distress...the State Governments have necessarily to balance these factors, whereas the authorities of the Provident Fund say that it may be recovered; the State Government also say ‘Yes’ but side by side you see that the establishment does not close down. It has become more important issue in the case of textile mills, employing thousands of workers. Sometimes, they (the State Governments) are a little hesitant to prosecute under Section 14 or 8”.

He further clarified that the Organisation depended entirely on the State Government even for public sector undertakings. First, the former initiated proceedings, and obtained the sanction of State Governments who sometimes did not give it or asked the revenue authorities to go slow with recovery. Thereafter, the prosecution was launched by the Organisation who had to bear the expenditure. These were the difficulties and reasons for mounting arrears primarily in the textile industry.

The Government representative further stated that this was a cumbersome procedure and he was not happy with it. He agreed with the recommendation of the National Commission on Labour for grant of summary powers for enforcement of contributions like Income Tax as provided in Section 221 of Income Tax Act.

4.38. The Committee find that in an effort to compel defaulting establishments to comply with the provisions of the Act and the Scheme the primary role is to be played by the State Governments. The Committee recommend that it should be the utmost endeavour of

the Regional Commissioners to secure close cooperation of the State Governments and keep a constant liaison with the concerned officers in the States. At the same time they are expected to utilise methods of persuasion and personal contacts with the establishments with a view to recover dues to the maximum extent possible.

4.39. The Committee realise that the punishment provided for under Section 14 of the Act is not an adequate and sufficient deterrent against habitual defaulters. From the facts furnished to the Committee, it is clear that in the majority of cases, fines of nominal amounts have been imposed by courts. It would appear that a defaulting establishment would rather prefer to pay nominal fines and/or suffer simple imprisonment instead of paying up the arrears in default. The Committee, therefore, recommend that the penal provisions should be made more stringent and effective as early as possible.

(v) *Success of Legal Machinery and its adequacy.*

4.40. It is seen that under the Act, the coercive processes so far in vogue thus comprise: (i) recovery of amounts due as arrears of land revenue under section 8 of the Act; (ii) levy of penal damages under Section 14B *ibid*; and (iii) prosecution of defaulting establishments under Section 14. The Employees' Provident Fund authorities recommend to the appropriate Government to adopt one or more of the above penal processes to recover the arrear dues. The powers to enforce these processes successfully, however, solely vest with the appropriate Government. The Employees' Provident Fund authorities have no authority in the matter.

4.41. During their study tours, the Committee were informed that the existing measures and penal provisions have not been sufficiently deterrent and effective. It was also suggested that imprisonment must be made a compulsory part of the sentence or punishment awarded by Courts.

It has also been pointed out that in the Rajasthan Region the main defaulters are textile mills and engineering firms. Four such textile Mills had been taken over by authorised Controllers. The State Government have declared these mills as unemployment relief undertakings and the controllers have not been paying even employees' share of the contribution, leave alone clearance of past arrears. Proceedings initiated under Section 8 of the Act for realisation arrears had met with no success as the Collectors were not prone to take attachment proceedings. Prosecutions launched under section 14 of the Act or under Sections 406 and 409 of I.P.C. had been pending for a number of years in courts and were of little avail.

4.42. A point which was brought to the notice of the Committee during their Study Tours was that while the responsibility for administering the Act lay with the Regional Commissioner, the powers for prosecution vested in the State Governments. This was an incompatible position.

4.43. The Committee have also been informed that in the Patna region large amounts were not recovered, due to the fact that penal provisions were not deterrent. Besides, the magistrates/judges were very much over-worked and disposal of such cases took considerable time. It was suggested that special magistrates/judges should be appointed to try E.P.F. recovery cases.

4.44. In almost all the Regions visited by the Study Groups of the Committee similar complaints were voiced by the Regional Commissioners.

4.45. In a note furnished to the Committee, it has been stated that under the Employees' Provident Funds Act, enforcement of the provisions of the Act in so far as it relates to prosecution under section 14, proceedings of revenue recovery or imposition of damages for delayed payments vests in the appropriate Government.

As the Regional Provident Fund Commissioners are not subordinate to the appropriate Government, the powers of the State Governments where they are the appropriate Governments under Section 8, 14 and 14B of the Employees' Provident Funds Act, 1952 cannot be delegated to the Regional Provident Fund Commissioners by virtue of the limitations imposed by section 19 of the Act. The question of suitably amending Section 19 of the Act *inter-alia* to provide for delegation of powers of the appropriate Government to the Central Provident Fund Commissioner and other officers of the Employees' Provident Fund Organisation is stated to be under the Central Government's consideration.

4.46. In a subsequent note, it has been mentioned that "the proposals immediately under consideration are, *inter-alia*, to entrust the Regional Commissioners with powers to sanction prosecution proceedings under the Act and to issue recovery certificates by suitably amending the provisions of Section 19 of the Act. The proposals were circulated to the State Governments along with several other proposals. A number of State Governments have opposed the proposals. Meanwhile the National Commission on Labour have also made a recommendation on this issue. The Report of the National

Commission on Labour was discussed at the 26th Session of the Indian Labour Conference held on the 12th and 13th November, 1969 and necessary follow-up action is being taken in the matter.”

4.47. The Committee feel that these coercive processes can be successfully applied in cases of establishments which are financially sound but deliberately withhold payment. However, the legal apparatus has proved ineffective in dealing with units which are financially weak—the sick textiles mills being a notable example. In such cases, the appropriate Governments have been found to be reluctant to take steps when they result in premature closure of the establishments leading to the unemployment of workers. This approach too, is responsible for accumulation of provident fund arrears for which the Act itself has no answer. The prospects of realisation of provident fund arrears from such weak units will, to some extent, depend upon the revival of the industry concerned. It is encouraging to note that economic conditions in trade and industry is now improving. This will have a wholesome effect on realisation of arrears also.

4.48. The Committee also note that legal processes are not very effective in the case of some of the hardened defaulters who though few in number, account for a large part of the arrears. The Committee suggest that Government should consider the feasibility of providing compulsory imprisonment in the case of prosecutions under Section 14 of the Act and the imposition of more stringent penalties including fines for every day of continued defaults.

4.49. The Committee agree with the recommendation of the National Commission on Labour that defaults should be made cognizable under the Indian Penal Code.

4.50. The Committee feel that the Central/Regional Commissioners should have sufficient powers for sanctioning prosecutions vested in them, as also the power to issue recovery certificates and recommend that Section 19 of the Act might be suitably amended immediately to delegate the powers of appropriate Government to the Central Provident Fund Commissioner and other officers of the Organisation. They would, however, urge that the powers so delegated might be used with caution in close cooperation with the State Government.

4.51. The Committee further recommend that the State Governments may be persuaded to specify adequate number of Magistrates to deal exclusively with enforcement and prosecutions under the Act.

4.52. The Committee also suggest that Government might consider the feasibility of inserting provision similar to Section 221* of the Income Tax Act, 1961, in the E.P.F. Act as this would have considerable effect in enabling speedy liquidation of arrears.

(vi) *Proposals regarding dues from Silk Mills*

4.53. On being asked to state what would happen if a firm was unable to contribute due to recession, or closed down altogether, the representative of the Ministry informed the Committee that the Employees' contributions would have to be made good by the Organisation as the Special Reserve Fund under the Employees' Provident Funds Scheme ensured that the employee did not lose his money. There was, however, no insurance for employers' contribution. He pointed out that the condition in the industries was improving. Only in the event that the employer had no asset for recovery, the employee stood to lose employers' contribution. There was no provision in the law to show a soft corner to employers and the Organisation could not ignore the fact of arrears. He also stated that 60 per cent of the arrears were in the Textile industry. Further, he gave the following break-up of the arrears:—

(i) Major Industries	Arrears (In crores)	
	Rs	Rs
Textiles	8.39	10.37
Electrical, Mechanical or General	1.58	
Tea	0.40	
(ii) 3 other industries (not mentioned)		0.83
(iii) Other industries (not mentioned)		2.76
TOTAL		13.96

*Section 221 of the Indian Income Tax Act, 1961 reads as follows:—

221. (1) When an assessee is in default or is deemed to be in default in making a payment of tax, he shall, in addition to the amount of the arrears and the amount of interest payable under Sub-section (2) of section 220, be liable to pay by way of penalty, an amount which, in the case of a continuing default, may be increased from time to time, so however, that the total amount of penalty does not exceed the amount of tax in arrears:

Provided that before levying any such penalty the assessee shall be given a reasonable opportunity of being heard.

(2) Where as a result of any final order the amount of tax, with respect to the default in the payment of which the penalty was levied, has been wholly reduced, the penalty levied shall be cancelled and the amount of penalty paid shall be refunded.

A significant point to note is that 60 per cent of the total arrears of Rs. 13.96 crores of contributions pertain to textile mills, most of which are in such a critical condition financially on account of recession that either they have closed down or are on the verge of closing down.

4.54. As regards a suggestion that sick mills should be exempted from the operation of the Act for a specified period to enable them to pick up, the Government have explained that the existing provision of the Act while permitting grant of exemption to a class of establishments, does not permit exemption from the provisions thereof being granted to individual establishments on grounds of financial difficulties. While grant of exemptions from the provisions of the Act in individual cases is justifiable in cases of proved hardship, it is not unlikely that, once such a provision is made, there would be pressing demands for exemption from even financially viable establishments on the plea of financial difficulties. Besides, this would impose on the Government an added burden of having not only to decide in which cases individual establishments may be granted exemption, but also to review cases of individual establishments periodically to satisfy itself whether the establishment continues to be financially weak or has recovered from its financial troubles.

4.55. The Committee are of the view that in case a mill or establishment is unable to pay up the arrears and is on the verge of closing down or falls sick, the Central Government/State Government should consider providing all possible assistance to the mill by way of loans and/or advances or take such other suitable steps as may be considered necessary with a view to rehabilitate it and to safeguard the interests of the workers.

(vii) *Recovery of employees' contributions:*

4.56. A suggestion was made to the Committee that in case further deterrent measures are to be introduced for recovery of contributions from the defaulting establishments, those measures should relate to arrears of employees' contributions only deducted from wages but not deposited with the Fund and should exclude employers' contributions which should be regarded as a civil liability to be recovered in the form of land revenue.

4.57. Reacting to the above suggestion, Government have stated that as at present recourse to prosecutions under Section 406/409 of the Indian Penal Code is had only in respect of arrears of contributions deducted from the workers' wages but not remitted to the Fund. Any proposals providing for further deterrent measures should, in their view, equally apply both to the employers' share as

well as the employees' share and there is no justification for taking any retrograde steps resulting in discrimination between the two shares.

4.58. During the course of evidence, it was pointed out that considerable sums of money on account of employees' share of the contribution and deducted by the employers had not been remitted to the Fund.

It has been stated earlier that out of the total of 9.35 crores of rupees, 5.79 crores of rupees i.e. 62 per cent represented employers' share and 3.56 crores i.e., 38 per cent represented employees' share of contributions. In view of the tendency among employers to hold back the employees' contribution, the official witness was asked whether it would not be possible for employees to pay their contributions direct to the Regional Provident Fund Commissioner. In a note submitted to the Committee it has been stated as follows:—

- (i) "At the end of 30th June, 1969, there were 34.43 lakhs of subscribers of unexempted establishments spread over the entire country. If each member were to deposit his share of contribution every month in the nearest branch of the State Bank of India or were to send his share of contribution by cheque or money order direct to the Regional Provident Fund Commissioner, innumerable complications would arise.
- (ii) It would be impossible for the Regional Office either to cope with the tremendous volume of work or to keep a constant watch on payment of contribution by each member every month. At present the watch is kept only on the establishment as a whole, in relation to non-receipt of amount relating to any employee thereof.
- (iii) In the event of default by the member it would be exceedingly difficult to take legal action against him.
- (iv) Because of the large number of members it will take a number of years to reconcile the accounts of a particular year as the amounts would be remitted by each member by various methods.
- (v) Watching of payments by the members every month would be a stupendous task.
- (vi) As the establishments have been spread over the entire country, the Employees' Provident Fund Organisation

cannot make arrangements for directly receiving contributions every month from the member.

- (vii) The wage periods being different collection of contribution every month at the time of disbursement of pay is not possible.
- (viii) Lot of risk is involved if the system of collecting workers' contributions directly from them is introduced."

4.59. The Committee, while noting the difficulties pointed out by the Government in adopting the course of recovery of employees' contribution directly from them, would like to emphasise that Government should give serious thought to the problem of default by employers in regard to the payment of employees' contribution already deducted from their wages but not deposited and devise some effective method to ensure that employees' contributions are invariably deposited in the Employees' Provident Fund by the employers regularly. They would like Government to examine, in this connection, the feasibility of providing by law the collection of employees' contribution from the employers as cess or excise duty or alternatively the desirability of taking advance deposits from the employers or bank guarantees in favour of Central Board of Trustees from them with a minimum fixed percentage of the total contributions (both of employers and employees) required to be remitted by them to the Fund as a measure of security against default. The quantum of advance deposits or the amount of bank guarantee may be worked out by actuarial experts.

CHAPTER V
INVESTMENT POLICY

A. Pattern of Investment

5.1. Under Section 5 read with item No. 6 of Schedule II to the Employees' Provident Funds Act, 1952 which *inter alia* lays down that the investment of monies belonging to the Fund will be made in accordance with any directions issued or conditions specified by the Central Government, the following provision exists in the Employees' Provident Funds Scheme regulating the investment of provident fund monies:

52 (1) "All monies belonging to the Fund shall be deposited in the Reserve Bank or the (State) Bank of India or in such other Scheduled Banks as may be approved by the Central Government from time to time or shall be invested, subject to such directions as the Central Government may from time to time give, in the securities mentioned or referred to in clauses (a) to (d) of section 20 of the Indian Trusts Act, 1882 (2 of 1882), provided that such securities are payable both in respect of capital and in respect of interest in India".

5.2. Section 20 of the Indian Trusts Act, 1882 provides as follows:—

Where the trust-property consists of money and cannot be applied immediately or at an early date to the purposes of the trust, the trustee is bound (subject to any direction contained in the instrument of trust) to invest the money on the following securities, and on no others:—

(a) in promissory notes, debentures, stock or other securities of any State Government or of the Central Government, or of the United Kingdom of Great Britain and Ireland:

Provided that securities, both the principal whereof and the interest whereon shall have been fully and unconditionally guaranteed by any such Government, shall be deemed, for the purposes of this clause, to be securities of such Government;

- (b) in bonds, debentures and annuities charged or secured by the Parliament of the United Kingdom before the fifteenth day of August, 1947 on the revenues of India or of the Governor-General in Council or of any Province:

Provided that, after the fifteenth day of February, 1916, no money shall be invested in any such annuity being a terminable annuity unless a sinking fund has been established in connection with such annuity; but nothing in this proviso shall apply to investments made before the date aforesaid;

- (bb) in India three and a half per cent. stock, India three per cent. stock, India two and a half per cent. stock or any other capital stock which before the 15th day of August, 1947, was issued by the Secretary of State for India in Council under the authority of an Act of Parliament of the United Kingdom and charged on the revenues of India or which was issued by the Secretary of State on behalf of the Governor-General in Council under the provisions of Part XIII of the Government of India Act, 1935;

- (c) in stock or debentures of, or shares in, Railway or other Companies the interest whereon shall have been guaranteed by the Secretary of State for India in Council or by the Central Government or in debentures of the Bombay Provincial Cooperative Bank, Ltd., the interest whereon shall have been guaranteed by the Secretary of State for India in Council or the State Government of Bombay;

- (d) in debentures or other securities for money issued, under the authority of any Central Act or Provincial Act or State Act, by or on behalf of any municipal body, port trust or city improvement trust in any Presidency town or in Rangoon Town, or by or on behalf of the trustees of the port of Karachi:

Provided that after the 31st day of March, 1948, no money shall be invested in any securities issued by or on behalf of a municipal body, port trust or city improvement trust in Rangoon town, or by or on behalf of the trustees of the port of Karachi;

- (e) on a first mortgage of immovable property situated in any part of the territories to which this Act extends: Provided that the property is not a leasehold for a term of

years and that the value of the property exceeds by one-third, or, if consisting of buildings, exceeds by one-half, the mortgage money;

or

- (f) on any other security expressly authorized by the instrument of trust, or by any rule which the High Court may from time to time prescribe in this behalf:

Provided that, where there is a person competent to contract and entitled in possession to receive the income of the trust-property for his life, or for any greater estate, no investment on any security mentioned or referred to in clauses (d), (e) and (f) shall be made without his consent in writing.

5.3. The Provident Fund monies or accumulations for the purpose of investment are constituted of:

- (i) Contributions of employers and employees.
- (ii) Administration and Inspection charges realised from employers.
- (iii) Penal damages imposed and realised from employers.
- (iv) Amounts forfeited to Reserve and Forfeiture Account.

5.4. Since the inception of the Employees' Provident Funds Scheme in 1952, upto the 30th September, 1969, a total sum of Rs. 958.22 crores (Rs. 479.35 crores of which were contributed by unexempted establishments) has been invested in Government or Government guaranteed securities.

The following figures give the amounts invested yearly by unexempted establishments for the four years ending 1968-69:—

1965-66	—	Rs. 45.95 crores
1966-67	—	Rs. 60.07 crores
1967-68	—	Rs. 59.75 crores
1968-69	—	Rs. 62.61 crores

During the quarter ending 30th September, 1969 alone, Rs. 17.52 crores of rupees had been invested by unexempted establishments. The investible amount has been progressively increasing each year except in 1967-68, the fall in that year being due to a proportionately larger draft on the Fund by the subscribers and a larger carry forward of investible surplus.

B. Investment Pattern—its Evolution

5.5 Originally under the directions of the Central Government, investments of the Provident Fund accumulations were being made entirely in Central Government securities. The Central Board felt that the restrictions enjoined by these directions came in the way of securing a reasonable yield consistent with the rising interest rates. The Board were of the view that the discretionary restrictions imposed by Government were inequitable to the members of the Fund whose interests the Board as trustees had a duty to protect.

5.6. Pursuant to representations made by the Board from time to time, the Government of India had agreed, in the first instance, to permit investment upto 20 per cent in State Government securities and small savings, the rest to be made in Central Government securities including fixed deposits in State Bank. Formal directions were also issued on the 15th September, 1967 under Section 17 of the Employees' Provident Funds Act, making the revised pattern operative in respect of the exempted establishments. This pattern permitted fixed deposits in State Bank of India.

5.7. On a further review of the question, the Board at its meeting held on the 7th November, 1967 affirmed the view that there should be diversification of the investment in other trust securities as provided in the Indian Trusts Act, 1882. It was also suggested that part of the accumulations should be available for housing projects without prejudice to the security of the funds and a reasonable return. On a representation made to Government in this regard, Government proposed a phased modification of the pattern enhancing the portion available for investment in State Government and Government guaranteed securities and small savings to 30 per cent in 1969-70 which was not considered adequate by the Board.

5.8. At its meeting held on the 5th August, 1968, the Board considered a further suggestion that the investment of the fund monies during the period September, 1968 to March, 1969 might conform to the following pattern:—

Central Government securities including small savings	65%
State Governments and other Government guaranteed securities, like bonds of Electricity Boards, State Housing Board, etc.	35%

Government accepted the suggestion of the Board and gave effect to it by notifications issued on the 22nd August, 1968.

5.9. The investment policy was further liberalised by Government on the recommendation of the Central Board of Trustees on the following pattern:—

- (i) In Central Government Securities. Not less than 50%
- (ii) The balance in securities created and issued by State Governments, small savings and other securities guaranteed by the Central or State Governments.

This policy was enforced for one year from 1-4-1969 to 31-3-1970 and is applicable both to exempted and unexempted establishments.

5.10. The rate of interest earned on Central Government securities is $5\frac{1}{2}$ per cent and that of State Governments, $5\frac{3}{4}$ per cent.

5.11. The Committee have also observed that the rate of interest on subscribers' accounts was raised to $5\frac{1}{4}$ per cent for 1968-69 as against 5 per cent for 1967-68. In the exempted establishments, it was found that 45 per cent of the establishments had declared interest at different rates varying between 4 to 5 per cent and remaining 42 per cent at rates above 5 per cent and the remaining 13 per cent had declared interest at less than 4 per cent. It is expected that with the adoption of revised pattern of investment by the exempted establishments, all of them will be in a position to declare interest at more than 5 per cent in the years to come.

5.12. While discussing the desirability of further diversification of the pattern with reference to rate of interest, it was represented to the Committee on behalf of the employers that the present rate of interest was very low. Investment of the Provident Fund moneys should, therefore, be made in 'sound concerns' of long-term nature also i.e. in non-risk undertakings which would carry a higher rate of interest i.e. 7 per cent interest or debentures guaranteed by the State Government or Reserve Bank. It was also suggested that investment should be made upto 30 per cent in the non-risky Private sector with $9\frac{1}{2}$ per cent debentures.

5.13. The question of investing Employees' Provident Funds in private sector undertakings was discussed during evidence with the Secretary of the Ministry of Labour and Employment and he stated:

“Having regard to the nature of these accumulations, and one-
 rous responsibilities which the Fund has about fulfilling
 this very important means of retirement benefit, it is a
 matter for consideration whether investment is desirable”

in private industrial securities. In the first place it may yield a slightly higher return but the private sector securities are liable to fluctuations. They have their ups and downs and the Fund cannot be sure of the assured income out of which it can pay annual return on the accumulations standing in the name of each worker”.

He added that even as a pilot project, he did not feel it advisable to invest in private sector securities.

The witness also pointed out that:

“..... these are trust funds and the Central Board of Trustees are under an obligation to ensure that the trust is fully honoured and fulfilled. As I said a little while ago, the investment in private sector might fetch a higher return some times, but not very much higher than Central|State Government securities because the premia there are much higher for buying shares.....there is also an element of risk. So far, the Central Board of Trustees which includes representatives of employers as well as of workers, as well as Central Government have not been in favour of the investment in the private sector”.

5.14. While giving reasons for Government not following the pattern adopted by the Life Insurance Corporation for the investment in private sector securities, the Secretary of the Ministry of Labour and Employment stated:—

“..... We have considered this but we have, for the reasons that I have indicated, come to the conclusion that this would not be a desirable thing for us to do. Also for various reasons, these accumulations have been considered by Government as part of the Plan resources to be used for development purposes. So far as the private sector industry is concerned, there are other resources of funds which are available to them..... Both the Central Board of Trustees of the Fund and the Central Government are at present of the opinion that it would not be desirable to invest in private sector securities. So far as the Life Insurance Corporation is concerned, I might also mention that life insurance is purely voluntary whereas these contributions made by workers are of a compulsory nature. There is just that difference.”

Asked how he made such a fine distinction between the two, the witness stated:

“One reason might be that insurance fund accumulations have traditionally been a source of funds for the private sector and at the time of nationalisation, Government gave an assurance to private sector that this source of financing would continue to be made available to them.”

5.15. The Committee understand that interest to the tune of Rs. 13.84 crores accrued on investments during 1967-68 as against Rs. 11.84 crores in 1966-67. They are happy to note that the rate of interest has steadily grown over the years rising from 4.75 per cent to 5-1/4 per cent for 1968-69. The Committee further learn that the Central Board of Trustees had decided to raise the rate of interest for the 1970-71 to 5.7 per cent. This is a matter for gratification. It is thus evident that this higher return on accumulations is the direct result of the liberalisation of investment pattern during 1967-68.

5.16. While appreciating Government's concern in not taking any risk in the matter of investment of Provident Fund monies in the private sector securities and debentures, the Committee consider that there is scope for further diversification of the pattern of investment with a view to obtain greater return on investments. The Committee recommend that Government should consider the feasibility of investing a portion of provident fund accumulation in the Unit Trust of India, gilt-edged securities, Municipal Corporations, Housing Boards and similar bodies where Government guarantee is provided.

C. Investment Policy

(i) *How Investment Policy is decided*

5.17. In accordance with the provisions of paragraph 52(1) of the Scheme, though the Ministry of Finance has to lay down the pattern for the investment of Employees' Provident Fund monies from time to time, in actual practice, the views of the Fund are invariably taken into account before the pattern is prescribed.

5.18. Normally, the procedure followed in the matter of formulation of the investment policy has been as follows:—

- (i) The Central Board of Trustees discusses in the first instance the manner in which the investment should be regulated and makes specific proposals to the Government. Sometimes the Ministry of Labour, Employment and Rehabilitation informally explores the areas of agreement

with the Ministry of Finance before the matter is discussed at the Central Board of Trustees level.

- (ii) The Government in the Ministry of Labour, Employment and Rehabilitation consults the Ministry of Finance and after thrashing out the matter with the Ministry of Finance and obtaining their concurrence to an agreed pattern notifies the same for observance by the establishments (both exempted as well as unexempted).

(ii) *Association of Ministry of Finance*

5.19. Till 1967, the pattern was finalised either through informal discussion in advance or through the normal channels of correspondence with the Government of India. Active association of the representative of the Ministry of Finance concerned with the subject of investment of Fund monies, even at the stage of deliberation of the matter by the Board of Trustees took place in the 37th and 38th meetings of the Board held on 29th January, 1968 and 30th April, 1968 respectively when the pattern was liberalised to include investment of 35 per cent of total investible funds in State Government and Government guaranteed securities. Subsequent liberalisation upto 50 per cent in the State Government and Government guaranteed securities as per the current pattern, was evolved at the Government level by prior discussion and agreement with the Finance Ministry at the Ministry level before the Central Board of Trustees discussed the matter.

5.20. The representative of Ministry of Finance is, therefore, associated with the Central Board of Trustees deliberations when it is anticipated that the recommendations of the Board would not, in the normal course, carry conviction with the Ministry of Finance. Where the recommendations have a reasonable chance of getting accepted through normal channel of processing or through informal discussions, the Ministry of Finance is not troubled at the stage of deliberations in the Central Board of Trustees. Such a flexible approach which has worked satisfactorily in the past, is intended to be followed in future too.

(iii) *Association of Reserve Bank of India*

5.21. As regards the association of the Reserve Bank of India, Government have submitted that generally the Reserve Bank of India has not been associated at the time of formulation of the investment policy applicable for a particular period. It is only at the time of the implementation of the investment policy and the regulation of the investments in line with the pattern laid down by the Ministry of Finance that the Reserve Bank of India comes into

the picture as all the investments are done through the Reserve Bank of India. During the course of implementation of the policy, if any difficulties are experienced, these are invariably resolved in consultation with the Reserve Bank of India.

5.22. The Committee suggest that an Investment Committee may be constituted for the purpose of advising the Central Board of Trustees in matters relating to the investment of its funds. The aforesaid Committee may consist of persons having special knowledge and experience in financial and banking matters, particularly matters relating to investment of Funds.

CHAPTER VI

ADVANCES, CLAIMS AND BENEFIT SCHEMES

A. Non-Refundable Advances

(i) Scope of Advances

6.1. Till 1956-57, the only advance available to the Members was the one for financing the Life Insurance Policies. At present, however, non-refundable Advances are admissible to the Member of the Fund for the following purposes:—

- (i) After a minimum of 2 years membership of the Fund, for payment of premium on his Life Insurance Policy.
- (ii) Advances for purchasing a dwelling house (out-right or on hire-purchase basis), a dwelling house privately or under Subsidised Housing Scheme for Industrial Workers or constructing a house under the Low Income Group Housing Scheme or for the additions, substantial alterations or improvements necessary to the existing dwelling house.
- (iii) An advance of Rs. 30 for purchasing shares of Consumers' Co-operative Society which aims at a minimum membership of 250.
- (iv) In cases of hospitalisation, major surgical operation, tuberculosis, leprosy, paralysis, cancer or asthma of the member or the members of his family.
- (v) When he is thrown out of employment, due to temporary closure of the factory or establishment for 15 days or more.
- (vi) In the case of individual retrenchment pending final withdrawal, a member is allowed at Member's option, 1/6th of amount standing to his credit per month of six months.
- (vii) In the case of Marriage of daughters and post-matric educational expenses of dependent children, upto 50 per cent of employees' total contributions. This will be subject to the conditions that (a) the total amount at his credit with interest is not less than Rs. 500/- (b) a second advance will not be admissible.* (This facility has been only recently introduced.)
- (viii) In the case of damage to property (movable or immovable) caused by a calamity of exceptional nature, upto Rs. 200/- or 50 per cent of members' own share, to meet any unforeseen expenditure.**

*Vide Government of India Notification No. 3(19)/68/PFI dated 24th July 1969.

**Vide Government of India Notification No. 10/24/69-PF-II dated 20-11-69.

6.2. The Committee have been informed that during 1968-69, the regions disposed of 1,47,349 applications for advances and a total of Rs. 3.61 crores was paid out on this account as compared to a total of Rs. 2.90 crores paid during 1967-68. This indicates that the incidence and volume of advances has been steadily increasing over the years.

6.3. The Committee also understand that cases of abuse of the facility have come to notice. On an average, during a year, 1,50,000 applications for advances are disposed of. It is reported that during the last 12 months 2,123 cases of abuse of grant of advances for construction of dwelling houses had come to notice. The following steps are stated to have been taken to check further abuse of the facility, in future: —

- (i) The establishments have been instructed to verify and recommend only genuine cases.
- (ii) The recognised Trade|Labour Unions are requested to cooperate in checking the abuse.
- (iii) In doubtful cases, the Provident Fund Inspectors are deputed to check up and report on the genuineness of the need for the advance applied for.
- (iv) In suspicious cases, production of the proposed sale deed in adequately stamped judicial paper is insisted upon.

It was represented to the Committee on behalf of the employers that the present provisions in the scheme for grant of non-refundable advances to members were too liberal and there should be no further liberalization as it would militate against the spirit of the scheme which was essentially an old-age security measure. Asked to state his reactions to this suggestion, the Secretary to the Department of Labour and Employment stated during evidence as follows:—

“We tried to limit the purposes for which non-refundable advances are to be made having regard to the basic objective which is really to provide retirement benefits. We do not consider it very desirable that funds should be drawn up for other purposes.”

6.4. Having regard to the fact that the Employees' Provident Fund Scheme is basically a scheme for Retirement Benefit, the Committee consider that further liberalisation of the Scheme for non-refundable advances is not desirable. If most of the savings of an employee are exhausted in the shape of advances before actual retirement, the primary objective of the scheme will be defeated. This apart, further liberalisation would mean further loss of money to the

Fund, reduction of investment capacity and the need for devising a system for checking misuse involving a heavy burden on the administration. Moreover liberalisation encourages spend-thriftness among employees. A further factor militating against liberalisation is the scope for the misuse of the provisions of advances as has been already evidenced in the case of house building loans. . .

6.5. The Committee, are, therefore, of the view that, for the time being, the existing provisions in the Scheme in regard to sanction of non-refundable advances adequately meet the purposes for which they were framed. The Committee would, however, suggest that the operation of the present scheme for such advances may be closely watched and the position reviewed after a period of 5 years, with a view to examine whether there is any case for further liberalisation.

6.6. With a view to check the abuse of the facility regarding grant of advances for house construction, the Committee recommend that whenever, after sanction of the advance, the case turns out to be suspicious, physical verification at site may be carried out by the Inspectors at periodic intervals and reports made to the Regional Office.

(ii) *Delays in Disposal of Applications for Advances*

Pending Applications for advances

6.7. The Committee have been furnished the following statement showing the latest number of applications for advances pending for disposal with the Regional Offices and the longest period for which an application is pending:—

Name of advance	No. of Applications pending	No. of oldest cases	Longest period of pendency	Reasons for the longest pendency
1. For financing of Life Insurance Policy (Para-62).	29	2	2	Supporting documents called for.
2. For purchase of dwelling sites or houses or construction of house (Para 68-B).	1913	18	12	Genuineness under verification.
3. Unemployment relief Advance on closure of establishment (Para 68 H).	2401	34	10	Delay in deposit of past accumulations and certain wanting requirements by Employer and Employees.
4. For serious illness (Para 68-J)	213	29	10	Documents not furnished by claimant.
5. For daughter's marriage (Para 68-K).	148	6	2	Standard application form was not finalised.
6. Advance for purchase of tenements under subsidized Housing Scheme (Para 68-C and 68-G)	3	3	4	Want of required documents

Time Limit for Advances

6.8. The Ministry have also explained in a written note that there is no time-limit as such which has been prescribed for the purpose of grant of any of the advances. The Regional Commissioners have however, been given instructions to dispose of applications for the grant of advances expeditiously.

Reasons for delay:

6.9. It has been stated that the reasons for delay in disposal of applications could be broadly categorised as follows:—

- (i) Applications are submitted incomplete.
- (ii) Applications are not sent in the prescribed forms.
- (iii) Title deeds and declaration forms are not attached to the applications.
- (iv) Unattested documents and unsigned applications are sent.
- (v) Medical certificates are incomplete.
- (vi) The claims include those for diseases not covered by the Scheme.
- (vii) Medical certificates from those not authorised to issue the same under the Scheme are submitted.
- (viii) The member does not indicate whether benefit under the Employees' State Insurance Scheme has been exhausted or not.

6.10. The Committee are given to understand that as regards medical advances, studies made by a Study Team of the Department of Administrative Reforms had revealed that in Delhi region the average time taken for grant of house building advances was 95 days and for medical advances, 93 days. Government state that this does not, however, represent the general picture for all regions.

The only measure so far adopted to expedite claims was to ask Regional Offices to make expeditious payments after satisfying themselves that the papers are complete in all respects and the members have the title to receive the amount.

6.11. The Committee are concerned to note that there is no time limit prescribed for grant of advances. The Committee recommend that specific time schedules should be evolved by the Employees' Provident Fund Organisation for grant of the various advances depending on the nature of the advance applied for. The Committee

would suggest a maximum limit of 2 months for sanction of heavy sums of money for house construction etc. and graded lesser periods for other advances. They also feel that for small advances, the applications should be disposed of within 7 days. Such a self-imposed limit, except in exceptional circumstances would cut administrative delays largely.

6.12. As regards applications for medical advances, the Committee would like that these are scrutinised and promptly disposed off normally within seven days. In emergent cases, where the applicant is seriously ill, provisional advances should be made after verifying the available balances at his credit, if formal sanction is likely to entail delay. In this connection the Committee would like to draw the attention of the Government to the recommendation made by the Department of Administrative Reforms regarding introduction of a coloured application form for Medical advances, which they are inclined to endorse.

6.13. The Committee would like to point out that while the main cause of delay in the expeditious payment of advances is the filling up of incomplete applications, the Organisation has so far taken no corrective measures in this regard. The Committee would therefore, suggest that the following steps may be taken by the Organisation to minimise delays arising out of filling up of incomplete applications:—

- (i) An Employees' Guide on Advances may be prepared and printed in Hindi and in all the regional languages with standard forms of applications for each kind of admissible advance and distributed free of cost to all the subscribers for their guidance.
- (ii) It should be made incumbent upon the Employers to arrange for checking at the spot whether the applications are complete in all respects and in the event of any lacunae to get them rectified by the applicants then and there before forwarding them.

B. Refundable Advances|Loans to Members of Fund

Statutory provision for advances

6.14. The Committee are given to understand that on several occasions the question of granting refundable advances to the members of the Fund had been examined in great details. In fact, provision for grant of refundable advances for serious or prolonged illness of a member or a member of his family had been made by incorporating para 68-A in the Employees' Provident Funds Scheme

in April, 1959. This amendment was brought into force with effect from 1st March, 1956 as such advances were being granted from that date. But this facility was withdrawn with effect from 20th January, 1962. Provision was however again made in the Scheme in January 1964 for granting non-refundable advances for the above-mentioned purposes.

The Scheme also provides for granting refundable advances out of the employers' share of contribution where members have already been granted one or more non-recoverable advances to the full extent from their provident fund account.

6.15. Government have further stated in a written reply that the *Ad hoc* Committee appointed by the Central Board of Trustees to examine matters relating to default in payment of Employees Provident Fund dues, had also examined the question of granting refundable loans for certain specified purposes in order to prevent the members from being forced to take loans from private money lenders at exorbitant rates of interest. The Committee had finally recommended unanimously that the Scheme for channelling funds for advancing refundable loans to Employees' Fund members through Credit Cooperatives might be tried on a pilot basis. It has been decided to try the scheme on a pilot basis at four different centres. The matter is at present stated to be under correspondence with the Registrars of Cooperative Societies. It is only after their reaction is known that further action on this issue can be taken.

Difficulties experienced in grant of refundable loans

6.16. Asked to state Government's reaction to the introduction of refundable advances schemes, Government have expressed the view that taking into consideration the basic principle laid down for instituting a compulsory contributory Provident Fund Scheme to provide a substantial amount to the worker after his retirement from gainful employment, there should be no provision for grant of advances except payment of life insurance premia. If, however, for any reasons provision has got to be made for paying other types of advances, then they should only be of non-refundable nature. In the case of refundable advances a lot of administrative work is thrown on the Organisation and a recovery of the advances is required to be watched every month. Further, these amounts would have to be posted in the Ledger Cards etc. Considering the very large number of members of the Fund, this administrative work would be very taxing and complex. In the case of defaulting establishments the amount recovered from the workers' wages towards payment of advances would almost certainly be retained by the employers. Thus

the amount in default would increase, and the Organisation would be saddled with an additional financial liability.

6.17. The Committee appreciate the views of the Government that the sanction of refundable advances would involve administrative difficulties as a watch will have to be kept on the refunds of loans taken by the Members of the Fund. They would also not like the Organisation to be burdened with additional financial difficulties. In their opinion, the present restrictions in this behalf are desirable. However, the Committee would like to stress that the scheme of channelling refundable loans through credit cooperatives might be expedited and finalised at an early date.

C. Final withdrawals and settlement of claims

6.18. Under the Employees' Provident Fund Scheme, a member can withdraw the full amount standing to his credit in the Fund in the following events:—

- (i) Retirement from service after attaining the age of 55 years;
- (ii) retirement on grounds of permanent and total incapacity for work caused by bodily or mental infirmity;
- (iii) migration from India for permanent settlement abroad;
- (iv) termination of service as the result of mass retrenchment;
- (v) cessation of implementation of the Act in the establishment in consequence of the employees' strength falling below 15 and remaining so for a year;
- (vi) transfer of a member on the closure of an establishment where he is employed to an establishment not covered under the Act;
- (vii) transfer of a member from a covered establishment to another establishment not covered under the Act but is under the same employer; and
- (viii) discharge from service and the member having been paid the retrenchment compensation under the Industrial Disputes Act, 1947.

In the events mentioned at (i) to (v) above, a member would get his accumulations immediately and in other events at the end of six months if he has, during that period, remained unemployed or has been employed in an establishment not covered under the Act.

6.19. During 1967-68, a sum of Rs. 24.03 crores in respect of 2.49 lakhs claims for final settlement was paid as against Rs. 15.76 crores in respect of 2.16 lakhs claims for 1966-67. A sum of Rs. 96.92 crores has been paid upto the end of March, 1968 in respect of 16.43 lakhs claims since the inception of the scheme.

6.20. The number of claims per 1,000 subscribers, and the average payment per 1,000 claims in unexempted establishments during the 8 years ending 1967-68, was as under:—

Period	No. of claims settled per 1000 subscribers.	Amount paid per 1000 claims settled (Rs. in lakhs)
1960-61	57	4.17
1961-62	57	4.68
1962-63	55	5.66
1963-64	60	5.24
1964-65	62	5.97
1965-66	65	6.97
1966-67	69	7.29
1967-68	75	9.63

The position of the claims for final settlement as on 31-3-1969 is as follows:—

Nature of application	Balance brought forward	No. received during the year	No. disposed of during the year	Balance carried forward	Amount paid out
Claims for final payment	18351	2,66,412	2,63,442	21,321	Rs 2901.19 Lakhs

Out of 21,321 pending claims for final settlement, four have been outstanding for over one year.

6.21. The Employees' Provident Fund Organisation and the Government have also been receiving complaints about the non-settlement of claims. During 1969 (30-6-1969) in as many as 1,059 such complaints had been received.

6.22. Giving the reasons for delays in settlement of claims, Government have stated that delay takes place if the Employers do not submit returns and/or pay provident fund contributions in respect of such persons. If the contributions and returns are in order, normally the claims are settled without any delay. Actually 90 per cent of the claims are, as a rule, settled within a period of one month from the date of their receipt in the Regional Offices. If the employers do not pay the contributions, the workers' claims are settled partly i.e. the amount received from the employers plus the amount deducted from the worker's wages but not transferred to the Fund. The remaining amount is paid as and when received from the employer.

Government have also stated that settlement of claims for longer periods have been due to the following reasons:

1. Delay in submission of death certificate by the heirs/nominees of the deceased persons.
2. Delay in obtaining of family membership and guardianship certificates from the Civil/Revenue authorities.
3. Delay in submission of succession certificate from courts of Law/Administrator General by the rival claimants.
4. Delay in submission of death duty clearance certificate.

As regards delay in obtaining of family membership and guardianship certificates from the Civil/Revenue Authorities, the Central Provident Fund Commissioner during the course of evidence stated:

"If the person himself is to receive the benefit of the provident fund, then we have got the details of his address in his final application. We send the amount by MO or by cheque. If the member is deceased, we have to give the money to his dependants or successors. Then alone, if there is no nomination executed by him, the question of

inquiry arises. In respect of claims upto Rs. 5,000, we settle them in execution of indemnity bonds. Beyond Rs. 5,000, we insist up a succession certificate."

On being pointed out that delay was also due to making police enquiry for settlement of claims, the Secretary to the Department of Labour & Employment clarified: "I cannot visualise a situation where the Provident Fund authorities have to consult the Police in this manner. If there is any such practice, I think we will put a stop to it."

6.23. The Committee, while appreciating that 90 per cent of cases of settlement of claims are settled with expedition, are unhappy to note that there are as many as 21,321 claims outstanding for settlement as on 31st March, 1969. The Committee feel that the Organisation should make the maximum efforts to clear the backlog of these arrears by the end of 1970 at the latest.

6.24. They feel that when the delay is solely due to the non-submission of contributions and returns by the employers they should be asked to submit them within a stipulated time-limit. Over and above, that, Inspectors should be deputed to get the required returns from the employers with a view to make expeditious settlement of claims.

The Committee also feel that where the delay in settlement of claims is due to delay in obtaining death certificates by heirs/nominees of the deceased persons, from the Civil/Revenue authorities, the Government should examine the desirability of giving adequate discretion to the Regional Provident Fund Commissioners to decide the issue of succession on the available evidence and not to insist on their formally obtaining family membership and guardianship certificates from Civil|Revenue authorities.

D. Reserve and Forfeiture Account

6.25. In cases other than those mentioned in para 6.18 *supra*, withdrawal of accumulations can be had subject to the following forfeiture of employer's share of contribution, if the member (a) being a foreign national is leaving India at least for a year, or (b) has not been employed in any establishment to which the Employees' Provident Funds Act applies for not less than six months preceding the

date of his application for withdrawals:

Period of Membership	Forfeiture of employ- er's contribution and interest thereon
Less than 3 years	75%
3 years or more but less than 5 years.	50%
5 years or more but less than 10 years.	25%
10 years or more but less than 15 years.	15%
15 years or more	Nil.

This Forfeiture Scheme applies also to termination of an employee's service for alleged misconduct. The sum total of such accumulations constitute the Reserve and Forfeiture Account.

6.26. The Government in a written note have clarified that in order to check the mobility of labour, to provide an incentive to the workers to work in the same establishment for a longer period and to provide him|his nominees with a sizable amount on his premature death, graded forfeiture of the employer's share has been provided for in the Scheme. The forfeiture of the employer's share has been in the descending order to check premature withdrawals. If a worker is dismissed from service for serious or wilful misconduct, the employer's share of contribution upto a maximum in the last two complete periods of currency of the contribution cards and that of the period of currency of the current contribution card may be forfeited to the Fund. As the employer has already paid his share of contribution, which is also a statutory liability, his share of contribution not paid to the worker is not returned to him (employer) but is credited to the Reserve and Forfeiture Account of the Fund which is used for the general benefit of the workers.

6.27. The various purposes for which the Reserve Fund in the Account have been used, include (i) expenses on Monday Order Commission and grant of financial assistance to outgoing Members where inadequate deposits had been made by employers prior to introduction of Special Relief Fund, and (ii) transfer of accretions to (a) Special Reserve Fund and (b) Death Relief Fund.

6.28. The Committee also note that upto date the Organisation have as the net amount available in the Reserve and Forfeiture Account a sum of Rs. 3.55 crores.

E. Schemes for Relief**(i) Special Reserve Fund***Origin and Purposes of the Fund*

6.29. The Special Reserve Fund was first constituted on the 15th September, 1960, out of the reserve funds in the Reserve and Forfeiture Account of the Employees' Provident Fund. Its purpose is to help the outgoing members or their nominees/heirs when an employer fails to pay the whole or part of the Provident fund contributions in this respect to the Employees' Provident Fund. The establishment of the Special Reserve Fund in the Organisation helps in keeping a close watch on payments actually made to outgoing members but not received into the Provident Fund as also on amounts subsequently recovered from employees.

6.30. The Fund is operated upon as an imprest with a maximum limit of Rs. 25 lakhs accumulations. As soon as the arrears against which payment has been made from the Fund are recovered from the employers concerned, such amounts are credited to the Special Reserve Fund. The need for increasing the limit has not arisen so far. The position of the Special Reserve Fund, as on 31st March, 1969 is shown below:—

Amount transferred to the Special Reserve Fund from the Reserve and Forfeiture Account	Amount recovered from defaulting employers	Total	Amount paid out to members/nominees etc.	Balance in the Special Reserve Fund
(Rupees in lakhs)				
Rs.	Rs.	Rs.	Rs.	Rs.
75.00	27.08	102.08	82.24	19.84

Limit of Assistance

6.31. Upto March, 1965, the outgoing members were paid amounts representing both the employers' and workers' shares of contribution not received from the employers. The assistance is at present available to the extent of only the employees' share of contributions actually recovered from his wages by the employer but not paid into the Fund. As the amount in default is much more than the Reserve & Forfeiture Account accumulations and the chances of recovery of default amounts are very bleak, this decision has been

taken to conserve the funds in the Account. Secondly, in the past by the payment of the employers' share in default also from the Special Reserve Fund, the employers considered themselves free from any pressure from the workers for paying the amount in default. Therefore, the employers were not eager to pay the dues forthwith.

6.32. The Government have also furnished to the Committee the following table showing particulars of the amount forfeited to the Fund, amount transferred from Forfeiture Account to Special Reserve Fund and amount paid from Special Reserve Fund from October, 1968 to March 1969 and also the figures pertaining to the years prior to 1965.

Month	Amount forfeited to the Fund	Amount transferred to Special Reserve Fund	Amount paid from Special Reserve Fund	Percentage of (4) to (2)
	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)	
I	2	3	4	5
October, 1968	5.91		0.54	
November, 1968	7.96		0.48	
December, 1968	7.58	..	0.31	
January, 1969	8.18	..	0.44	
February, 1969	7.43	..	0.31	
March, 1969	10.75	..	0.73	5.9%
	<u>47.81</u>		<u>2.81</u>	
Ratio prior to 1965				
1961-62	20.33	..	4.25	20.9%
1962-63	23.60	..	12.34	52.3%
1963-64	33.93	20.00	16.88	49.7%
1964-65	42.64	35.00	20.55	48.2%

6.33. The Committee are happy to note that the amounts paid out from the Special Reserve Fund has been physically decreasing from 48.2 per cent in 1964 to 5.9 per cent (of total amounts forfeited) in March, 1969. The Committee also note that the percentage of such

relief granted in 1968-69 as employers' share to the total accumulations in the Reserve and Forfeiture Account viz. Rs. 3.55 crores would be less than 1/30th of total accumulations in the account. The Committee, therefore, are not inclined to favour the decision to confine payments from Special Reserve Fund only to the extent of employees' share. They feel that payment of both employers' and employees' share. They feel that payment of both employers' and employees' to such an extent as to wipe it out altogether, particularly when the majority of employers are stated to be paying regularly their and employees' share of contributions. The Committee would, therefore, like to suggest that both employers' and employees' share of contributions should be paid from the Special Reserve Fund in cases where the employers fail to pay their contributions in future.

(ii) *Death Relief Fund:*

6.34. The Death Relief Fund was set up with effect from 1st January, 1964 for affording financial assistance to the nominee/heirs of deceased members so that a minimum of Rs. 500|- was assured to the nominee/heirs of every deceased member, whose monthly pay and Provident Fund balance did not exceed Rs. 500|- at the time of his death.

6.35. On the recommendation of the Central Board of Trustees at their 42nd meeting, the Government of India had communicated their approval to raise the above mentioned limit from Rs. 500|- to 750|- with effect from 1st August, 1969. This enhancement has been brought about as a measure of further relief to the nominee/heirs of deceased members due to prevailing conditions of hardship. The actual amount of assistance given to a member is the difference between the above-mentioned limit of financial assistance and the amount at the credit of the member, when the latter falls short of the said monetary limit. The maximum limit is Rs. 750|- itself. No time limit has been prescribed for making payment to the nominees/heirs.

Sources of Fund and Limit of assistance

6.36. The Reserve and Forfeiture Account is the source from which the Fund is fed by periodical transfer of amount under the authority of the Central Board of Trustees.

6.37. The Fund was started with a sum of Rs. 10 lakhs transferred from the Reserve and Forfeiture Account. The total amount transferred to this Fund upto the end of March, 1968, was Rs. 36 lakhs. In all, 11,364 claims have been settled so far and a sum of Rs. 26.84 lakhs was paid out till the end of March, 1968, since the inception of the Scheme, leaving a balance of Rs. 9.16 lakhs in the Fund as on 31-3-1968.

6.38. The Committee regret to note that the Organisation have not prescribed a maximum time limit within which payment should be made to the nominee (of a deceased subscriber) whose needs would naturally be emergent. Since the Death Relief Fund is a benefit primarily for those survivors of employees who expire during their term of employment in an establishment, the Committee feel that the payment of the sums from this Fund should be made with the utmost expedition. The Committee, therefore, recommend that payment from the Death Relief Fund to the nominee| heir of the deceased should be made within 15 days of the death of the Member.

CHAPTER VII

GENERAL AND MISCELLANEOUS MATTERS

A. Annual Reports

7.1. Under Para 74 of the Employees' Provident Funds Scheme, 1952, the Annual Report of the Organisation for each year is required to be submitted to Government before the 30th November of the following year and thereafter it is laid by Government on the Table of the Lok Sabha during the following Budget Session as a matter of practice though there is no statutory provision to that effect. The Reports for 1965-66, 1966-67 and 1967-68 were laid on the Table of the Lok Sabha on 29-3-1967, 29-2-1968 and 24-4-1969 respectively.

7.2. On perusal of the Reports, the Committee have observed that the audited statement of accounts of income and expenditure and the balance sheet for the previous year are not appended to the Report nor unaudited accounts for the year under Report are included, therein, while in the case of the Annual Reports of the Employees' State Insurance Corporation both such Statements are included together with a note indicating that the Income and Expenditure Statement and the Balance Sheet for the year under Report are still to be audited. Government have, however, stated that the matter was under consideration.

7.3. The Committee have also observed that while the Annual Reports of the Employees' Provident Funds Organisation are laid on the Table of the Lok Sabha in the following Budget Sessions, there is almost a time lag of about one and a half years thereafter in laying the audited accounts of Income and Expenditure on the Table of both Houses of Parliament. The certified accounts for 1965-66 were laid on the Table of Lok Sabha and Rajya Sabha on 1-8-1968 and 2-8-1968 and those of 1966-67 were laid on the Table of both the Houses on 21-11-1969. The audited accounts for 1967-68 have not yet been laid on the Table.

The Committee have been informed that various time-consuming processes have to be gone through before the annual statements could be completed by the Central Office with the result that the Schedule of preparing the Consolidated Accounts by the end of January of the year following the year to which the accounts pertain could not be adhered to. Apart from the delay in the Central

Office, A.G.C.R. also takes considerable time for audit and certification of the Consolidated Accounts thereafter. All these factors put together contribute to such long delays in laying of these accounts on the Table of Parliament.

7.4. The Committee are unhappy to note such long delays in laying the accounts of Income and Expenditure on the Table of Parliament. Annual Reports without the accounts of income and expenditure included therein are prone to give a distorted picture of assessment of the actual working of the Organisation in all its perspective.

The Committee, therefore, recommend that suitable steps may be taken by Government to remove the lacunae found in the working of the Organisation in regard to preparation and consolidation of Accounts with a view to adhere to the time schedule laid down in this regard. Government should also take up the matter of expeditious auditing and certification of accounts with the Comptroller and Auditor General.

7.5. The Committee further recommend that the Annual Report of the Employees' Provident Fund Organisation should be cast on the same pattern as that of the Annual Report of Employees' State Insurance Corporation and include therein the audited Income and Expenditure Statement and the balance sheet for the earlier year as also the unaudited income and expenditure Statement and Balance Sheet for the year under Report with a note indicating that they are still to be audited.

7.6. The Committee would also suggest that the practice of laying the Annual Reports of the Organisation on the Table of the House should be given statutory recognition as is the case with the Annual Reports of Employees' State Insurance Corporation and steps may be taken to amend the Employees' Provident Funds Act accordingly.

B. Publicity

7.7. The Committee were informed that the following brochures, pamphlets and publications have been published by the Employees' Provident Fund Organisation and Government to publicise the benefits available under the Employees' Provident Fund Scheme:—

- | | |
|---|---|
| * (i) Know your Provident Fund Scheme. | } Printed in the regional languages apart from Hindi and English. |
| * (ii) Employers' Guide | |
| * (iii) Employees' Provident Fund at a Glance | |

*Published by the Employees Provident Fund Organisation.

- * (iv) 15 years of Employees' Provident Fund.
- * (v) Annual Reports. Printed both in Hindi and English.
- * (vi) Handbook of Labour Statistics. Published by the Ministry of Labour, Employment & Rehabilitation.

7.8. In addition, the following steps are also taken to publicise the benefits available under the Scheme:—

- (i) Regional Commissioners occasionally give talks on All India Radio.
- (ii) Inspectors, during the course of their inspections, meet the workers and explain to them the salient features of the Scheme.
- (iii) Under the workers' education training scheme, Regional Provident Fund Commissioners deliver lectures to the trainees on the working of the Act and the Scheme.

7.9. While appreciating the efforts made by the Organisation to publicise the Scheme, the Committee feel that the steps taken so far are not adequate enough to bring home to the workers, who are generally uneducated, the objectives and the utility of the Scheme which is primarily meant for their benefit.

The Committee, therefore, suggest that the following measures may be taken with a view to give wider publicity to the Scheme:—

- (i) The brochures and pamphlets etc. should be printed more frequently with attractive get-up and should be distributed to all the workers particularly the new subscribers at the time of their enrolment.
- (ii) Cinema shows on the pattern of Family Planning shows may be shown to the workers from time to time.
- (iii) Documentary films may be made in collaboration with All India Radio and shown to employees from time to time.

C. Conferences

Conference of Regional Commissioners

7.10. Since the inception of the Organisation, five conferences of Regional Commissioners have so far been held in August, 1963, April, 1964, March, 1965, August, 1966 and September, 1969.

*Published by the Employees' Provident Fund Organisation.

The matters discussed at these conferences broadly related to problems affecting the administration and working of the Employees' Provident Funds Act and the Scheme in the various States and suggestions of suitable measures for effective implementation of the important provisions of the Act|Scheme uniformly in all the Regions.

7.11. It is stated that these meetings have been beneficial both to the Central Office and the Regional Offices. The Regional Offices get an opportunity to share the experience of other regions in solving problems of a common character like handling of recalcitrant employers, exercise of check over mounting arrears etc. The practical difficulties experienced by the Regional Offices in implementing any decision etc. could be understood clearly by personal discussion and the Regional Offices are also in a position to appreciate the basic approach of the Centre to the immediate problems. These conferences also provide an opportunity for free and frank exchange of views between the Central Office and the Regional Commissioners and among the Regional Commissioners themselves, and are considered very valuable.

7.12. The Committee welcome the idea of periodical Conferences of Regional Commissioners for discussing matters of common interest and evolving measures and procedures for dealing with common problems. They, therefore, suggest that such conferences may be held by rotation at different regional centres, if considered feasible.

D. Administrative merger of the Employees' Provident Fund with the Employees' State Insurance Corporation

7.13. A recommendation for integration of the Employees' State Insurance and the Provident Fund Schemes was first made by the Study Group on Social Security in 1958. The Report of the Study Group was considered at tripartite Conferences. It was decided at the meeting of the Standing Labour Committee held in October, 1962 that further consideration of the Report should be kept in abeyance for three years.

7.14. In the meantime, the Employees' State Insurance Scheme Review Committee, a high level tripartite Committee, was set up by Government to review the working of the Employees' State Insurance Scheme. It recommended the desirability of evolving a comprehensive scheme of social security covering in a single enactment the various risks of cessation of income or wage loss to which a wage earner is exposed.

The recommendations of the Employees' State Insurance Scheme Review Committee were:—

- (i) Action should be initiated forthwith to bring about the administrative merger of the Employees' State Insurance Scheme and the Employees' Provident Funds Scheme.
- (ii) The Government should, in consultation with the Indian Labour Conference, set up an expert machinery to evolve a blue-print for a comprehensive scheme on Social Security which should also form a strong financial and administrative base for inclusion of benefits which are at present not available.

7.15. Asked as to steps taken by Government to implement the aforesaid recommendations, Government in a written note have stated as under:—

In pursuance of the recommendation of the Review Committee, a draft Operational Plan had been prepared. It has also been proposed to set up a working Group to work out the administrative and legal aspects of the merger of the Schemes. However, in view of the setting up of the National Commission on Labour, further consideration of the Operational Plan was deferred till the recommendations of the National Commission were known.

The National Commission has made the following recommendations:—

- "87 (a) The aim should be to work gradually towards a comprehensive social security Plan by pooling all the social security collections into a single fund from which different agencies can draw upon for disbursing benefits according to needs.
- (b) It should be possible over the next few years to evolve an integrated social security scheme which will, with some marginal addition to the current rate of contribution, take care of certain risks not covered at present. This will be limited to the benefits of (i) Provident Fund and retirement|family pension; and (ii) unemployment insurance."

It has been added that the Employees' Provident Fund Organisation is likely to continue as at present until merger takes place. It

may be difficult to say even approximately when the merger would take place.

7.16. During evidence, the representative of the Ministry stated as follows:—

“So far as merging of the Employees’ Provident Fund and Employees’ State Insurance are concerned, we prepared a tentative scheme for this. We found that many of the factors were not common in the sense that in the Employees’ Provident Fund we go upto Rs. 1,000 for membership of the Fund whereas under the Employees’ State Insurance it is only those employees who are drawing upto Rs. 500/- who are eligible. Under the Employees’ Provident Fund the rate of contribution depends upon one’s pay whereas under the Employees’ State Insurance that is a flat rate. So these are some of these difficulties. Now that we have got the Report of the National Labour Commission who have recommended merger of these two Organisations, we shall no doubt go into this question and consider the practicability of evolving an integrated scheme. We must not lose sight of the fact that such a merger would be justified if it results in better service and economy—if these conditions are satisfied—and I think we shall consider suitable schemes then for the merger of these two.”

Asked to state as to how long it will take Government to come to any conclusion in this regard, the witness stated:

“This recommendation as well as other major recommendations of the Commission will be considered by the Indian Labour Conference* which is meeting in the middle of next month. After the discussion, I think Government will formulate their views and take decisions on these recommendations. It may take some months.”

7.17. The Committee are constrained to note that in spite of the fact that the proposal for administrative merger of Employees’ Provident Fund Scheme and Employees’ State Insurance Scheme was mooted as far back as in 1962 and has been recommended by two expert bodies viz. the Employees’ State Insurance Scheme Review

*Meetings were held on 12th, 13th, 14th November, 1969 vide para 7.19 infra.

Committee and the National Labour Commission, Government have not taken any concrete steps in this regard.

They feel that the merger of the two Schemes would not only lead to substantial economies in the cost of administration through reduction in overhead costs, elimination of duplication in inspectorate and supervisory staff etc. but would also add to the convenience of the managements and the workers who would be required to deal with a single authority for all matters concerning the two Schemes.

The Committee, therefore, recommend that Government should lay down a target date by which the merger of the two Schemes should be completed and all legal and administrative steps required for that purpose should be finalised.

7.18. They would further suggest that a Coordination Committee consisting of representatives of both the Organisations should be constituted to implement the Scheme so drawn up in this regard and to watch its progress.

E. Special Schemes for Workers

(i) Unemployment Insurance Scheme

7.19. The Committee have been informed that a limited scheme of Unemployment Insurance (*Vide* Appendix VII) based on contributions at pre-determined rates realised from the workers and employers has been framed. The Scheme was circulated to all the State Governments for their comments. Almost all the States have agreed to the Scheme in principle. The National Commission on Labour, after examining the view points of the employers' Organisations as well as workers' organisations, has recommended that with due safeguards against contingencies mentioned by these organisations, the long term solution lies in adopting a scheme of unemployment insurance for all employed persons, the present schemes of retrenchment and lay-off compensations continuing during the transition. The Commission have further stated in this connection that it should be possible over the next few years to evolve and integrate social security schemes which will, with some marginal additions to the current rate of contributions, take care of certain risks not covered at present by way of providing a retirement|family pension and insurance against unemployment.

The Committee have been informed that the Report of the National Labour Commission was placed before the Indian Labour

Conference at its 26th Session on the 12th, 13th and 14th November, 1969 and necessary follow-up action is being taken up in the matter.

7.20. The Committee hope that an early decision in the matter (i.e. regarding introduction of Unemployment Insurance Scheme) would be taken by Government and steps taken to implement the Scheme as early as possible.

(ii) Retirement-cum-Family Pension Scheme

7.21. The Committee have been informed that in December, 1963, the Standing Labour Committee decided that a Family Pension Fund be created by setting apart a portion of the contributions of workers and employers to the two Provident Funds viz. Employees' Provident Fund and the Coal Mines Provident Fund. The Fund was to be created out of the difference between the normal rate of contribution at $6\frac{1}{2}$ per cent to the Provident Fund and the enhanced rate of 8 per cent of both the workers and employers (i.e. $3\frac{1}{2}$ per cent) and to pay a minimum pension of Rs. 25/- per month to dependents of members who happened to die prematurely. Later, it was decided that the feasibility of a Retirement-cum-Family Pension Scheme for the members of the two Provident Funds (to be financed from the accumulations in the Funds) be examined. For this purpose, a Working Group was set up in 1964 with terms of reference to conduct an actuarial investigation and determine to what extent the Fund created would be able to meet the requirements of the Family Pension and Retirement-cum-Family Pension Scheme in view.

7.22. The Working Group submitted its Report to Government on the 31st October, 1968. The Group has recommended that it will be feasible to finance a family pension scheme for members of the two Provident Funds, providing for payment of family pension at 15 per cent of pay subject to a minimum of Rs. 25/- per month from a Fund created out of $3\frac{1}{2}$ per cent of the wages. According to the Working Group, it will also be feasible to finance a Retirement-cum-Family Pension Scheme from a Fund created out of 8 per cent of wages in respect of members of the Employees' Provident Fund if Family Pension is paid as stated above and if retirement pension is paid at the rate of $1\frac{1}{160}$ of the average wage for the last 3 years subject to a minimum of Rs. 25/- per month. For similar benefits, the rate of contribution in respect of a member of the Coal Mines Provident Fund will exceed 8 per cent of wages.

7.23. The National Commission on Labour in their Report are in favour of conversion of a part of Provident Fund into a retirement| family pensions. Conversion of a part of Provident Fund into retirement-cum-family pension is desirable. In cases where the rate of contribution from employers and employees is raised to 10 per cent, a portion of the contribution should be converted into pension payable to the worker, or in the event of his death to his dependents (to be defined) upto a certain period. Pensionary benefits should be worked out on the basis of 4 per cent to start with. The remaining 16 per cent should be paid back as Provident Fund accumulations.

The Government have stated that the matter will be examined and necessary follow-up action will be taken according to the decisions arrived at.

7.24. The Committee hope that an early decision in the matter would be taken by Government.

The Committee are also glad to know from the Budget Speech of the Prime Minister that Government propose to supplement the contribution of employers and employees by a contribution from the Government to make up a separate fund from which family pensions as well as a lump sum payment will be made to the beneficiaries of an employee in the event of his death.

NEW DELHI;
 March 21, 1970
 Phalgun 30, 1891 (S)

M. THIRUMALA, RAO,
 Chairman,
 Estimates Committee.

APPENDIX I

List of industries/classes of establishments to which the Employees' Provident Funds Act, 1952 applies.

(Vide Paras 1.18 and 2.1 of Report)

Original application to six industries:

*From 1st November, 1952
(1 to 6)*

- (1) Cement;
- (2) Cigarettes;
- (3) Electrical, mechanical or general engineering products;
- (4) Iron and Steel;
- (5) Paper
- (6) Textiles (made wholly or in part of cotton or wool, or Jute, or silk whether natural or artificial);

Extension to additional industries and classes of establishments :

*From 31st July, 1956
(7 to 19)*

- (7) Edible Oils and fats;
- (8) Sugar;
- (9) Rubber and rubber products;
- (10) Electricity including generation; transmission and distribution thereof;
- (11) Tea (except in the State of Assam where the Government of Assam have instituted at separate Provident Funds Scheme for the industry including plantations);
- (12) Printing including the process of composing types for printing; printing by letters press, lithography, photogravure or other similar process or book binding but excluding printing presses, covered under "News-paper establishments" to which the Employees' Provident Funds Act has separately been extended under Section 150 the Working Journalists (Conditions of Service) and Miscellaneous Provisions Act 1955;
- (13) Stone-ware pipes;
- (14) Sanitary wares;
- (15) Electrical porcelain insulators of high and low tension;

- (16) Refractories;
- (17) Tiles;
- (18) Matches;
- (19) Glass;

NOTE

Till the 31st March, 1962 the Scheme was not applicable to the following:—

- (i) Match factories having annual production of five lakhs gross boxes of matches or less;
- (ii) Such glass factories other than sheet glass and glass shell factories as have an installed capacity of 600 tons per month or less.

From 30th September, 1956
(20 to 23)

- (20) Heavy and fine chemicals, including:—
 - (i) Fertilizers;
 - (ii) Turpentine;
 - (iii) Rosin;
 - (iv) Medical and pharmaceutical preparation;
 - (v) Toilet preparations;
 - (vi) Soaps;
 - (vii) Inks;
 - (viii) Intermediates, dyes, colour lakes and toners;
 - (ix) Fatty acids;
 - (x) Oxygen acetylene and carbon dioxide gases. (The Act was actually enforced in this industry with effect from the 31st July, 1957);
- (21) Indigo;
- (22) Lac including shellac;
- (23) Non-edible vegetable and animal oils and fats;

From 31st December, 1956

- (24) Newspaper establishments;

From 31st January, 1957

- (25) Mineral oil refining;

From 30th April, 1957
(26 to 30)

- (26) Tea plantations (other than the tea plantations in the State of Assam);
- (27) Coffee plantations;
- (28) Rubber plantations;
- (29) Cardamom plantations;
- (30) Pepper plantations;

From 30th November, 1957
(31 to 37)

- (31) Iron-ore mines;
- (32) Manganese mines;
- (33) Limestone mines;

- (34) Gold Mines;
 (35) Industrial and power alcohol;
 (36) Asbestos cement sheets;
 (37) Coffee curing establishments;
- From 30th April, 1958* (38) Biscuit making industry including composite units making biscuits and products such as bread, confectionery and milk and milk powder;
- From 30th April, 1959* (39) Road motor transport establishments;
- From 31st May, 1960* (40) Mica factories;
 (41) Mica mines;
(40 to 41)
- From 30th June, 1960* (42) Plywood;
 (43) Automobile servicing and repairing;
(42 to 43)
- From 31st December, 1960* (44) Rice milling;
 (45) Dal milling;
 (46) Flour milling;
(44 to 46)
- From 31st May, 1961* (47) Starch;
- From 30th June, 1961* (48) Hotels;
 (49) Restaurants;
 (50) Establishments engaged in the storage or transport for distribution of petroleum or natural gas or products of either petroleum or natural gas;
 (51) Petroleum or natural gas exploration; prospecting, drilling or production;
 (52) Petroleum or natural gas refining;
(48 to 52)
- From 31st July, 1961* (53) Cinemas including preview theatres;
 (54) Film Studios;
 (55) Film production concerns;
 (56) Distribution concerns dealing with exposed films;
 (57) Film processing laboratories;
(53 to 57)
- From 31st August, 1961* (58) Leather and leather products;
- From 30th November, 1961* (59) Store-ware jars;
 (60) Crockery;
(59 to 60)
- From 31st December, 1961* (61) Every cane farm owned by the owner or occupier of a sugar factory or cultivated by such owner or occupier or any person on his behalf;
- From 30th April, 1962* (62) Every trading and commercial establishment engaged in the purchase, sale or storage of any goods, including establishments of exporters, importers, advertisers,

commission agents and brokers, and commodity and stock exchanges, but not including banks or ware-houses established under any Central or State Act;

- From 30th June, 1962* (63) Fruit and vegetable preservation;
- From 30th September, 1962* (64) Cashewnuts;
- From 31st October, 1962*
(65 to 69)
(65) Establishments engaged in the processing or treatment of wood including manufacture of hard-board or chip-board, jute or textile, wooden accessories, cork products, wooden furniture, wooden sports, goods, cane or bamboo products, wooden battery separators;
(66) Saw mills;
(67) Wood seasoning kilns;
(68) Wood preservation plants;
(69) Wood workshops;
- From 31st December, 1962* (70) Bauxite mines;
- From 31st March, 1963* (71) Confectionery;
- From 30th April, 1963*
(72 to 76)
(72) Laundry and laundry services;
(73) Puttons;
(74) Brushes;
(75) Plastic and plastic products;
(76) Stationery products;
- From 31st May, 1963*
(77 to 79)
(77) Theatres where dramatic performances or other forms of entertainment are held and where payment is required to be made for admission as audience or spectators;
(78) Societies, clubs or associations which provide boarding or lodging or both or facility for amusement or any other service to any of their guests on payment;
(79) Companies, societies, associations, clubs, or troupes which give any exhibition of acrobatic or other performances or both, in any arena circular or other wise or perform or permit any other form of entertainment in any place, other than a theatre, and require payment for admission into such exhibition or entertainment as spectators or audience.
- From 31st August, 1963*
(80 to 81)
(80) Canteens;
(81) Aerated water, soft drinks or carbonated water;

- From 31st October, 1963* (82) Distilling and rectifying of spirits (not falling under industrial and power alcohol) and blending of spirits;
- From 31st January, 1964*
(83 to 84) (83) Paint and varnish;
(84) Bone crushing
- From 30th June, 1964*
(85 to 86) (85) Pickers;
(86) China clay mines;
- From 31st October, 1954*
(87 to 92) (87) Attorneys, as defined in the Advocates Act, 1961 (25 of 1961);
(88) Chartered or registered accountants, as defined in the Chartered Accounts Act, 1949 (38 of 1949);
(89) Cost and works accountants within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959);
(90) Engineers and engineering contractors not being exclusively engaged in building and construction industry;
(91) Architects;
(92) Medical Practitioners and medical specialists;
- From 31st December, 1964* (93) Milk and Milk products;
- From 31st January, 1965*
(94 to 96) (94) Travel agencies engaged in—
(i) booking of international air and sea passages and other travel arrangements;
(ii) booking of internal air and mail passages and other travel arrangements and
(iii) forwarding and clearing of cargo from and to overseas and within India;
(95) Forwarding agencies engaged in the collector, packing, forwarding, delivery of any goods including car loading break-bulk services and foreign freight services;
(96) Non-ferrous metals and alloys in the form of ingots;
- From 31st March, 1965* (97) Bread;
- From 30th June 1965* (98) Stemming redrying, handling, sorting; grading or packing of tobacco leaf;
- From 31st July, 1965* (99) Agarbattee (including dhoop and dhoop battee);
- From 31st August, 1965* (100) Magnesite Mines;
- From 30th September, 1965* (101) Coir (excluding the spinning sector);
- From 31st December, 1965* (102) Stone quarry producing roof and floor slabs, dimension stones, monumental stones and mosaic chips;

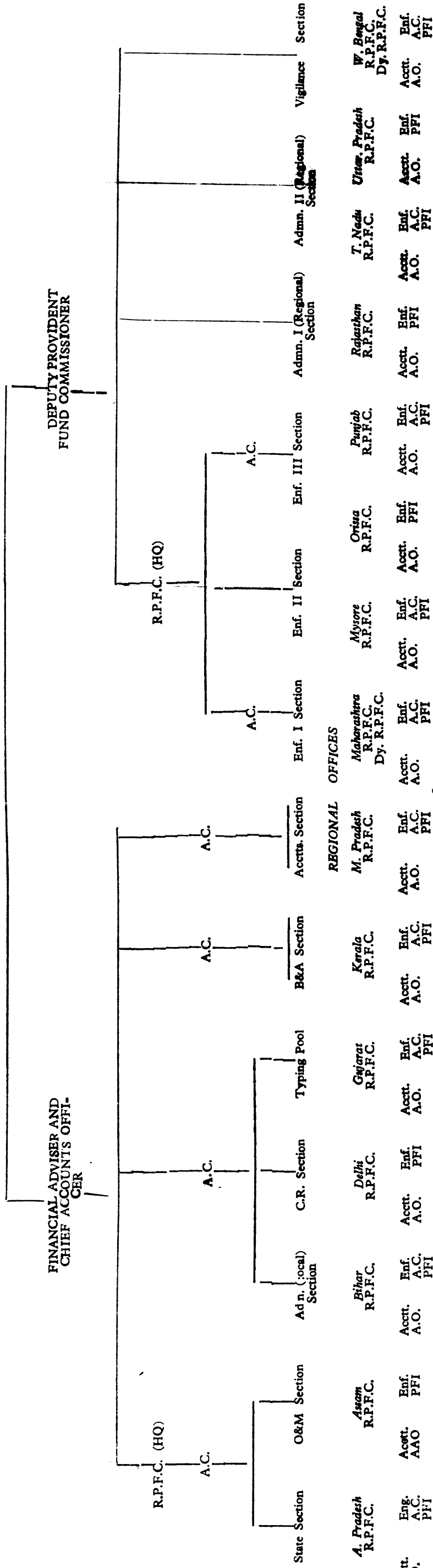
- From 31st January, 1966* (103) Banks doing business in one State or Union Territory and having no departments or branches outside that State or Union Territory;
- From 30th June, 1966* (104) Tobacco industry that is to say, any industry engaged in the manufacture of Cigars, Zarda, Snuff, Qivam and Guraku from Tobacco;
- From 31st July, 1966* (105) Paper products;
- From 30th September, 1966* (106) Licenced salt;
- From 30th April, 1967* (107) Linoleum;
(107 to 108) (108) Indoleum;
- From 31st July, 1967* (109) Explosives;
- From 31st August, 1967* (110) Jute baling or pressing;
- From 31st October, 1967* (111) Fire-works and percussion capworks;
- From 30th November, 1967* (112) Tent making industry;
- From 31st August, 1968* (113) Barytes mines;
(113 to 119) (114) Dolomite mines;
(115) Fireclay mines;
(116) Gypsum mines;
(117) Kyanite mines;
(118) Silliminite mines;
(119) Steatite mines;
- From 31st December, 1968* (120) Cinchona Plantations.
- From 30th April, 1969* (121) Ferro-Manganes.
- From 30th June, 1969* (122) Ice and Ice-Cream.
(123) Diamond Mines.
- From 31st January, 1970* (124) General Insurance.

APPENDIX I

Organisational Chart of the Employees' Provident Fund Organisation (Central and Regional Offices) (Vide Para 3.26 of the Report)

FUND ORGANISATION

CENTRAL PROVIDENT FUND COMMISSIONER



LEGEND :

- R.P.F.C.
- Dy. R.P.F.C.
- A.C.
- A.A.O.
- P.F.I.
- ENF.
- Acctt.
- Regional Provident Fund Commissioner.
- (Dy. Regional Provident Fund Commissioner.
- Assistant Commissioner.
- Accounts Officer.
- Assistant Accounts Officer.
- Provident Fund Inspector.
- Enforcement.
- Accounts.

APPENDIX III

Statement showing the staff strength, increase in coverage and of Membership with quantitative volume of work in the Employees' Provident Fund Organisation.

(Vide Para 3.58 of Report)

Year	COVERAGE				ACCOUNTS				ENFORCEMENT				ADMN.		
	No. of industries covered	No. of Exts. covered (Exempted & Unexempted)	No. of subscribers covered (exempted & unexempted)	No. of claims finally settled	Amount paid in respect of final advance pay-ment (Rs. in crores)	Amount of advances paid out (Rs. in lakhs)	No. of annual state-ments issued, (figures in lakhs)	No. of Pro-cessions launch- ed.	No. of certi- ficate pro-ceedings launch- ed.	No. of officers & staff on the auth- orised stren- gth					
		During the year	Up to the end of the year	During the year	Up to the end of the year										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1962-63	.	10	4997	22413	3.65	35.17	133760	6.57	50.506	91.61	22.13	2821	5681	3214	
1963-64	.	13	3250	25663	3.90	39.07	152161	7.97	58.954	111.23	23.98	2485	4695	3727	
1964-65	.	13	3915	29578	3.02	42.09	161860	9.66	77.168	120.32	29.63	2699	4270	3879	
1965-66	.	6	4843	32976	3.61	45.69	186987	13.04	1,20,064	162.43	27.85	3543	5073	4185	
1966-67	.	3	5976	38951	3.30	48.99	216324	15.76	1,17,984	216.62	32.13	3546	4109	4304	
1967-68	.	6	2977	41928	2.96	51.95	249333	24.03	1,38,539	289.76	32.62	4790	3808	4595	

(Fig. in lakhs)

APPENDIX IV

Statement showing mode of Recruitment to various posts in Employees' Provident Fund Organisation.

(Vide Para 3.65 of Report)

Name of Post	Method of recruitment—whether by direct recruitment or by promotion or and percentage of the vacancies to be filled by various methods
1. Assistant Provident Fund Commissioner (Grade II)	50% promotion—50% direct recruitment.
2. Provident Fund Inspector Grade I.	50% promotion—50% direct recruitment.
3. Accounts Officer	By deputation failing which by direct recruitment.
4. Assistant Accounts Officer	By deputation failing which by direct recruitment.
5. Junior Technical Assistant	Direct recruitment.
6. Head-clerk (Internal Audit Central Office)	By transfer of suitable Head-clerks serving in the Regional Office failing which— (a) by direct recruitment, or (b) by promotion of U.D.Cs' having 3 years' experience of accounts and or internal audit work in the Regional and/or Central Offices respectively.
7. Peons/Malies and Chowkidars in the Headquarters Office and Regional Office.	Direct recruitment.
8. Superintendent (Head quarters Office).	50% promotion—50% direct recruitment.
9. Provident Fund Inspectors Grade II	50% departmental promotion—50% direct recruitment.
10. Assistants (Headquarters' office).	50% departmental promotion—50% direct recruitment.
11. Head-clerks (Regional Office)	75% departmental promotion—25% direct recruitment.
12. Stenographer (Senior) (Head quarters Office).	100% departmental promotion.

Name of Post	Method of recruitment—whether by direct recruitment or by promotion or and percentage of the vacancies to be filled by various methods)
13. Stenographer (Junior) (Headquarter's and Regional Offices).	50% departmental promotion—50% direct recruitment.
14. Upper Division Clerk(Head-quarters Office).	75% departmental promotion on the basis of seniority cum-fitness and 25% on the basis of a competitive examination restricted to existing LDCs in the Headquarter.
15. Upper Division Clerks (Regional Offices).	75% departmental promotion on a regional basis and on the basis of seniority-cum-fitness and 25% on the basis of a competitive examination restricted to existing Lower Division Clerks of the region.
16. Lower Division Clerks (Headquarters and Regional Offices).	25% departmental promotion and 75% direct recruitment.
17. Gestetner Operator (Head-quarters Office).	100% departmental promotion.
18. Gestetner Operator(Regional Offices).	100% departmental promotion.

APPENDIX V

Statement showing number of returns received from Regional Offices.

(Vide Para 3.68 of Report)

S.No.	Name of the return/subject	Whether Weekly/ fortnightly/ monthly/ quarterly/ half-yearly/ annualy	Due Date	Action taken
1	2	3	4	5
1	Progress of compilation of annual accounts in the Regional Office, Maharashtra.	Weekly	Every Tuesday of the week.	
2	Bank statement in respect of E.P.F. A/c No. I, II & III.		Every week	
3	Timely transfer of amount from E.P.F. Accounts No. 1 and 2 by the State Bank of India.	Fort nightly	On the 2nd and 17th of each month.	
4	Return No. II—Expenditure from Adm. Account.	Monthly	7th of the 2nd following month.	
5	Return No. V-A—No. of factories/establishments and subscribers covered under the E.P.F. Act, 1952 (less than 50 persons).	,,	Do.	
6	Return No. V-B—No. of factories/Estts. and subscribers covered under E.P.F. Act, 1952 (more than 50 persons)	,,	Do.	
7	Return No. VII/A-(i) : Contribution made by the un-exempted estts.	,,	7th of the 2nd following month.	
8	Return No. VII-A(ii) :-Contribution made by the un-exempted establishments.	,,	Do.	

1	2	3	4	5
9	Return No. VII-A(iii)—Contributions made by the unexempted estts.	Monthly	7th of the 2nd following month.	
10	Return No. VII-B—Administrative charges.	„	Do.	
11	Return No. VII-C—Inspection charges.	„	Do.	
12	Return No. VII-D—Levy and collection of Penal damages in Account No. I.	„	15th of the 2nd following month.	
13	Return No. -VII-E—Levy and collection of Penal damages in Account No. II.	„	Do.	
14	Return No. VII-F—Break-up of arrears of contributions Admn. Charges, Inspection Charges and Penal damages.	„	7th of the next following month.	
15	Return No. VII-G—Contributions made by the unexempted estts.	„	7th of the 2nd following month.	
16	Return No. VIII-C—Inspection of factories/estts. by the Provident Fund Inspectors.	„	15th of the following month.	
17	Return No. IX—Progress of issue of annual statements of accounts.	„	7th of the 2nd following month.	
18	Return No. X—Contribution, Refunds and investment made by exempted estts.	„	Do.	
19	Return No. XIII-A—Prosecution cases.	„	20th of the following month.	
20	Return No. XIII-B—Recovery cases.	„	Do.	
21	Return No. XIII-C—Default deducted from exempted unexempted establishments.	„	Do.	
22	Return No. SS-I—Contribution enhanced rate.	„	10th of the 2nd following month.	

1	2	3	4	5
23	Establishment return	Monthly	15th of the ev- ery month.	
24	Interest suspense Account (Regional).		15th of the 2nd. following month.	
25	Amount transferred from one account to another under instructions from the Re- gional Office.			
26	Death Relief Fund		15th of the next following month.	
27	Pension : Statement showing the amount due for transfer to E.P.F. Account No. 9.	„	5th of every month.	
28	Special Reserve Fund	„	15th of the fol- lowing month.	
29	Forfeiture Account		Do.	
30	Position (transferred) securities returned to R.P.F.C. for removal of objections.	„		
31	Fresh (transferred) securities received by the R.P.F.C.	„		
32	Bank statements in respect of E.P.F.Account No.V, VIII and IX from State Bank of India.	„	15th of the fol- lowing month.	
33	Return of settlement of final payment claims.	„	15th of the fol- lowing month.	
34	Unemployment Insurance scheme.		7th of the 2nd following month.	
35	Progress of exemption	„	15th of the fol- lowing month	
36	Levy of heavy fines by Govts on defaulting establishments	„	Do.	
37	Non-refundable advances		20th of the fol- lowing month.	
38	D.O. Narrative Report	Quarterly	Do.	

1	2	3	4	5
39	Return No I—Position of staff in the region.	Quarterly	At the end of every quarter	
40	Penal damages received in Account No. I and II.		Do.	
41	Reserve Bank of India certificates in respect of securities under safe custody in respect of E.P.F. Staff Provident, Administration Account and Pension-cum-gratuity Account.		Do	
42	Hindi type-writer Regarding purchase of Hindi typewriter		Do.	
43	Half yearly return : regarding the appointment of non-Indians in the E.P.T. Organisation.	Half-yearly.	1st week of Jan and July.	
44	Officers on deputation to the E.P.F.Orgn. extension of the period of deputation.	,,	By the end of June & Dec.	
45	Reservation for Scheduled castes and Schedule Tribes in the E.P.F. Organisation.	Yearly	25th January of each year.	
46	Reservation of Scheduled castes and Scheduled Tribes in services-Dereservation of reserved vacancies Annual statement.		By 15th January of each year.	
47	Budget Revised Estimates and Budget Estimates.	,,	By the end of October every year.	
43	Income and Expenditure return : Actuals of Income and Expenditure.		By the end of April every year.	
49	Important points for inclusion in the Annual Report of the Report of the orgn.		By the end of May of every year.	

APPENDIX VI

Statement showing comparative Region-wise performance (Issue of Statement of Accounts to Members)
(Vide Para 3.85 of Report)

Region	1962-63		1963-64		1964-65		1965-66		1966-67		1967-68	
	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69	Total No. of a/cs to be issued 31-3-69	Balance pending on 31-3-69
A. Pradesh	67,720	2,240	74,763	4,882	89,799	11,394	1,60,208	18,625	1,99,306	33,909	2,31,297	68,915
Assam	8,194	..	12,008	..	13,232	..	14,900	..	15,494	..	16,878	..
Bihar	54,804	..	59,933	..	66,222	..	76,687	..	88,768	7,706	91,124	12,919
Delhi	40,500	..	53,373	..	64,070	..	73,706	..	76,140	..	82,900	9,198
Gujarat	1,26,586	..	1,33,615	..	1,47,167	..	1,60,179	..	1,84,413	610	1,87,799	8,233
Kerala	1,61,656	..	2,50,170	..	2,66,075	..	2,89,799	..	3,02,747	..	3,06,882	3,078
M. Pradesh	22,305	..	79,861	..	84,955	..	89,811	..	1,11,005	18,944	1,05,595	37,729
Maharashtra	5,35,563	..	6,00,420	..	6,56,702	3,063	6,72,965	12,834	7,05,625	53,313	7,05,625	1,09,545
Mysore	1,13,986	..	1,15,874	..	1,32,541	..	1,39,886	..	1,60,504	..	1,49,805	6,023
Orissa	34,269	..	37,171	..	44,217	..	51,894	..	67,177	10,339	82,257	18,576
Punjab	55,000	..	62,000	..	73,500	..	1,12,600	..	1,20,000	..	1,30,000	8,169
Rajasthan	31,407	..	31,430	..	43,741	..	58,899	..	52,184	4,764	56,293	26,000
Pondi.	..	..	8,797	..	10,362	..	11,709	..	12,272	..	13,182	..

Tamil Nadu	2,79,042	..	3,07,297	..	3,21,151	..	3,53,681	..	3,69,035	..	4,22,377	10,120
U. Pradesh	1,98,105	..	2,11,002	..	2,32,427	..	2,41,935	..	2,86,195	4,524	2,89,693	61,391
W. Bengal	5,59,654	..	6,18,909	449	6,12,231	1,084	6,56,438	9,512	7,06,675	60,197	7,47,438	3,17,602
	23,38,791	2,240	26,67,163	5,331	28,57,492	15,541	31,65,297	40,971	34,56,540	1,94,306	36,19,145	6,97,498

APPENDIX VII

Draft Unemployment Insurance Scheme Scope

(Vide Para 7-19 of Report)

Subject to the exceptions in para 3 below, the Scheme shall apply, in the first instance, to all establishments covered by the Employees' Provident Funds Act, 1952 and will cover for the present employees who are members of the Employees' Provident Fund and also exempted Funds under the Employees' Provident Funds Act, 1952. The term "insured person" means an employee covered under the Scheme.

2. The Central Government may, after giving not less than three months' notice of its intention to do so, by notification in the Official Gazette, extend the Scheme to any other class of employees.

3. The following categories of employees shall be excluded from coverage under the Scheme until the Scheme is extended to them by the Central Government under para 2 above:—

- (1) a member of the Employees' Provident Fund over 55 years of age;
- (2) an 'excluded employee', as defined in the Employees' Provident Funds Scheme, 1952;
- (3) all employees except permanent employees, employed in a "seasonal factory" or a "seasonal establishment" as defined in the Employees' Provident Funds Scheme, 1952, casual and badli workers;
- (4) a member of Provident Fund of any 'exempted establishment' as defined in the Employees' Provident Funds Act, 1952, over 55 years of age or such age as may be prescribed for withdrawing the full amount of Provident Fund;
- (5) other employees over 55 years of age (when the Scheme is extended to any other class of employees under para 2).

4. A member of any of the Provident Funds mentioned in para 1 above whose "pay" as defined in the Employees' Provident Funds

Scheme, 1952 exceeds Rs. 500|- per month at the time he is otherwise entitled to come under the Scheme or after joining the Scheme, shall pay contribution and receive unemployment benefit limited to pay of Rs. 500|- per month.

5. *Eligibility for benefits.*—The benefit shall be payable on termination of service on account of retrenchment as defined in the Industrial Disputes Act, 1947 resulting in loss of employment and suspension of earnings subject to the conditions laid down in paragraphs 6 and 7.

6. In order to receive the benefit, an insured person should satisfy:—

- (1) that he is capable of and available for work but unable to obtain suitable employment;
- (2) that he produces each month a certificate from the Employment Exchange in which he is registered that he has been reporting to the Exchange at special intervals or when called by the Exchange and that he has not been offered any suitable employment;
- (3) that he is unemployed through no fault of his own;
- (4) that he is registered as an applicant for employment in an Employment Exchange and has submitted an application for the benefit in the prescribed form;
- (5) that contributions in respect of him while employed have been paid for not less than one year preceding the date on which a claim for benefit is made;
- (6) that in case he is eligible for or in receipt of sickness benefit under the Employees' State Insurance Act, 1948, he shall not be entitled to receive unemployment insurance benefit for the period for which he is eligible or he draws sickness benefit.

7. An unemployed insured person shall not be entitled to receive the benefit if—

- (1) he left his employment voluntarily without just cause;
- (2) he becomes unemployed on account of discharge for misconduct;
- (3) he refuses to accept an offer of a suitable employment without good cause or does not follow up opportunities

of obtaining such employment or refuses opportunities of training aimed to assist him to find employment.

8. An insured person shall not be entitled and shall not be paid the benefit from the date of re-employment or the expiry of the benefit period.

9. *Waiting period.*—An insured person shall be entitled to receive the benefit from the date of expiry of a waiting period of 15 days from the date of termination of employment and no benefit shall be paid to him for waiting period.

10. *Continuity of membership of Provident Fund.*—During the period an insured person remains unemployed and draws the benefit of the Scheme he shall continue his membership of the Fund of which he was a member before termination of his services, without having to subscribe to the Fund, and he shall not be entitled to draw his accumulations in that Fund. On his re-employment in an establishment under the same Fund his membership shall be continued from the date of his employment without putting in the required attendance qualification again and in case he is re-employed in an establishment under a different Fund he shall be eligible to become member of that Fund and his past accumulations shall be transferred to that Fund without having to satisfy the required attendance qualification from the date of his employment.

11. *Rate and duration of benefit.*—Unemployment Insurance benefit shall be payable to an insured person at the rate of 50 per cent of average pay in the case of the members of the Employees' Provident Fund of any exempted establishment as defined in the Employees' Provident Funds Act, 1952 for a period of 12 completed months before termination of employment. The term "pay" will have the same meaning as laid down in the Employees' Provident Funds Scheme, 1952.

12. The benefit shall be payable until re-employed or for maximum period of six months whichever earlier in one or more spells during the benefit period of 12 months as may be specified, from the date of expiry of waiting period of the termination of employment.

13. *Payment of retrenchment compensation under the Industrial Disputes Act, 1947.*—An insured person covered by the provisions for lay-off and retrenchment compensation under the Industrial Disputes Act, 1947, shall be entitled to draw first the full retrenchment compensation due under the Act on retrenchment

and he shall be entitled to draw unemployment insurance benefit from the month following the expiry of the number of months for which he gets retrenchment compensation, unless he is re-employed before the expiry of such number of months. The unemployment insurance benefit shall be payable from the month from which it becomes admissible for the maximum period of six months or until re-employed, whichever is earlier.

14. *Additional benefit.*—In addition to the benefit laid down in clause 11, an amount equal to benefit of one month and two months on the rate prescribed in clause 11 shall be payable to a beneficiary, who finds employment through his own efforts before receiving the benefit under clause 11 for less than three months and two months respectively.

15. *Rate of contribution.*—The contribution shall be paid by the employer to the Unemployment Insurance Fund at the rate of 0.35 per cent of pay in case of members of Employees' Provident Fund or Provident Fund of any exempted establishment as defined in the Employees' Provident Funds Act, 1952, for the time being payable to each insured person, and the insured person's contribution shall be 0.35 per cent of pay. The rate may be varied by the Central Government according to requirements from time to time. The contribution of employer and employee shall cease a year before an insured person attains the age prescribed for withdrawing the full Provident Fund at the credit of the insured person. The employer shall be responsible to pay his contribution as well as the contribution of the insured persons within the prescribed time, each month and he will be entitled to deduct the contribution of an insured person from his wages.

16. *Unemployment Insurance Fund and its administration.*—A unified Unemployment Insurance Fund shall be set up consisting of contributions from employers and employees from which unemployment insurance benefit shall be payable to insured persons. The cost of administration may be about 10 per cent of the contributions of employers and employees for the present. The administrative Organisation for the Scheme shall be as follows:—

- (a) A separate Board shall be set up to administer the Unemployment Insurance Fund and the Scheme.
- (b) The work of collection of contributions, examination of claims, authorisation of payments, accounting work and adjudication of disputes etc. shall be handled by the

existing Provident Fund Organisation for its members with suitable additional staff. The payment of the benefit will be arranged through the Employment Exchanges, their local offices and pay offices.

- (c) The Employment Exchanges shall act as an agency for registration, placement and training of retrenched employees and an effective co-ordination of work between the Exchanges and the Provident Fund Organisation shall be arranged.

17. *General.*—Suitable provision shall be made for adjudication of disputes, penalties for contravening provisions of the Scheme, power to recover damages for delayed payments of contributions and recovery of the contributions due as arrears of land revenue, on the lines of the provisions in the Employees' Provident Funds Act, 1952 in the legislation for the Scheme.

Proposed Pilot Scheme for Unemployment Insurance

I. Scope

(1) Every person under 50 years of age who is a member of the Provident Fund Scheme established under the Coal Mines Provident Fund and Bonus Schemes Act 1948 shall be insured under the Scheme.

(2) For the purpose of providing funds required for paying benefit, contributions shall be payable by insured persons and by their employers.

II. Contributions

- (1) The rates of contribution shall be as follows:—

Worker: 0.75 per cent of the worker's total wage and emoluments for each respective month, provided that the contribution payable for any worker shall not exceed that calculated on a total of wage and emoluments exceeding Rs. 500/- per month. Workers are excluded from this Scheme upon the attainment of the age of 50 years and no contribution shall be payable in respect of their employment upon reaching the age of 50 years.

Employer: The same amount of contribution as calculated for each worker for each respective month.

III. Benefits

(1) Rates of Benefits:

Class of Worker	Number of weekly contributions paid or equivalent during 12 months prior to date of claim;	Benefit	
1	2	3	4
(a) Workers whose average monthly pay and emoluments over the 12 months immediately prior to the first day of un-employment is less than Rs. 500/- per month.	45-52 contribution.	<i>Weekly Benefit Payable</i> 50% of average weekly earnings during the relative period of employment.	
	26-44 contributions.		25% of average weekly earnings during the relative period of employment.
(b) Workers whose average monthly pay and emoluments over 12 months immediately prior to the first day of unemployment is, or exceeds Rs. 500/- per month.	45-52 contributions	Monthly Benefit Payable Rs. 250/-.	
	26-44 contributions.	Rs. 125/-	

Subsequent Claims to Benefit:

After drawing 26 weeks Benefit during a period of 12 months not less than a further 26 weekly contributions must be paid in order to qualify for further Benefit.

(2) *Period of Benefit:* Benefit up to a total maximum period of six months may be paid during the appropriate Benefit Year. A Benefit Year would commence on the date of first claim to Benefit.

(3) *Retrenchment Payments:* Benefit would not be payable during the period estimated to be covered by the worker's Retrenchment Payment. e.g. a workman receiving retrenchment compensation in respect of three years' continuous service would be disqualified from receiving Unemployment Insurance Benefit for a period of

45 days from his first day of unemployment. Provided, however, that if the worker satisfies all other conditions attached to the qualification for Benefit during the period of disqualification (e.g. registers for employment and lodges claim to benefit) then such period may count towards the whole or part of the Benefit "Waiting Period".

(4) *Waiting Period*: Benefit would not be payable in respect of the first 15 days of registered unemployment.

If any break in the Benefit period does not exceed 8 weeks then no further waiting period would be required.

IV. *Conditions governing qualification for Benefit.*

(1) *Contributory*: The contribution condition for Unemployment Benefit would be that no less than the equivalent of 26 weekly contributions of the appropriate class have been paid in respect of his employment during the period of 12 months immediately preceding his first day of registered unemployment.

(2) *Other Conditions*: Provision would be made for the accepted standards of requirements to be satisfied, e.g. Registration at Employment Exchange, Fit and available for employment, Not unemployed because of his conduct etc.

V. *Administrative*

(1) All finances would be controlled through a Separate National Insurance Fund.

(2) All records of contributions paid by individual workers, assessment and authorisation of benefit would be the responsibility of a "Records Office" in each State.

(3) All benefit payments would be made at the Employment Exchanges.

(4) The Employers will notify the Record Office and Employment Exchange concerned under Section 25F(c) of the Industrial Disputes Act of the cases of retrenchment and report the amount of compensation paid in each case and indicate the average monthly pay of the worker.

VI. *Collaboration with the Coal Mines Provident Fund Organisation and Employment Exchanges.*

(1) Collection of contributions will be made in the same manner as for the Coal Mines Provident Fund and not by the "Stamp"

system. The Provident Fund Organisation will receive the contribution, but maintain a separate account.

(2) The Regional Offices of the Provident Fund will act as Record Offices. One or two offices may have to be opened, in addition (as for Assam Coal-fields).

(3) The existing seven Employment Exchanges in the coal-fields will register the retrenched workers, pay the benefits and place them. More Exchanges will have to be set up, area-wise, in consideration of the number of employees, size of mines, dispersal of mines etc. Local offices in adequate number will also have to be set up.

VII. *Administrative expenses*

As much of the work will be done in collaboration with the Coal Mines Provident Fund and the Employment Exchanges, the administrative expenses are not expected to be high, not more than 4 per cent of the contributions received. The Insurance Fund will be able to bear the cost, and no assistance from Government will be needed.

NOTE ON ECONOMICS OF THE PROPOSED PILOT SCHEME OF UNEMPLOYMENT INSURANCE FOR COAL MINING INDUSTRY

The Coal Mines Provident Fund has a total membership of about 4.40 lakhs. At present the total monthly disbursement to such members calculated on the average collection of compulsory provident fund, exclusive of under-collections, is of the order of Rs. 4.97 crores approximately but with the implementation of the Report of the Central Wage Board on Coal Mining Industry which has proposed an upward revision of the scales of pay for the colliery workers, the total monthly disbursement would go up to about Rs. 6.22 crores. The total contribution payable both by the worker and the employer at the rate of Rs. 1.50 per cent of the new consolidated basic wage would be Rs. 9.33 lakhs per month. The annual accrual to the Unemployment Insurance Fund would thus be Rs. 111.78 lakhs approximately.

2. For the administration of the Scheme and for advising the Record Offices and Employment Exchanges in the States etc. on policy matters, there will be a branch created in the Ministry of Labour and Employment headed by an officer of the status of

Deputy Director with the usual complement of staff. To this will be added contingent and non-recurring expenditure of about Rs. 13,000 per annum. The total expenditure thus involved in the Ministry would be Rs. 47,000 per annum.

3. The strengthening of four out of the seven existing Employment Exchanges in the colliery area and the setting up of 19 new Employment Exchanges, depending upon the size of the coal mine and its dispersal etc., for registration of unemployed persons arranging their placement and payment of benefit would cost about Rs. 4,20,300 per annum. This is inclusive of the salary of the staff contingent and non-recurring expenditure.

4. The existing Regional Offices of the Coal Mines Provident Fund will function as Record Offices of the Unemployment Insurance Fund with the additional staff according to the workload. As most of the work relating to collection of contributions etc., will be handled by the Regional Offices of the Coal Mines Provident Fund, no extra provision for strengthening the Regional Offices is being made at present.

5. The details of accrual to the Unemployment Insurance Fund, payment of benefit, depending on the average number of persons retrenched during the past two years or so, and the cost of administration are given below. In this connection it has been assumed that payment of benefit will be at the rate of half of the new consolidated basic wage of the member of the Coal mines Provident Fund for a maximum period of six months:

(i) Total membership of the Coal Mines Provident Fund.	Rs. 4.40 Lakhs (Approx.)
(ii) Total monthly disbursement to colliery workers	Rs. 6.22 crores (Approx.)
(iii) Accrual to the Fund at the rate of monthly contribution of Rs. 1.50 per cent of basic wage payable equally by the employer and the worker.	Rs. 9.33 Lakhs (Approx.)

(iv) Payment of benefit to an average of 1,000 retrenches at 50% of new consolidated basic wage for a maximum duration of 6 months.	Rs. 72 Lakhs. (annually)
(v) Administrative expenses (Expenditure on staff in the Ministry as well as expenditure on staff in Employment Exchanges, contingent and non recurring expenditure.)	Rs. 4.67 Lakhs (annually)
(vi) Net saving to the Fund.	Rs. 35.29 Lakhs (annually)

6. Part of the surplus will be utilised for meeting the expenses of the staff required in the Record Offices and the balance will be utilised for making a "Reserve Fund".

APPENDIX VIII

Summary of Recommendations/Conclusions contained in the Report

Sl. No.	Reference to para No. of the Report	Summary of Recommendations/Conclusions
1	2	3
1.	1.27.	The Committee note with interest that in the developing countries of Asia and Africa, quite a few countries have set up Provident Fund Schemes broadly on the same lines as India's own scheme with different types of coverage. The Committee note that in some of the developing countries of Asia and Africa, (i.e. Malaysia and Ghana) the coverage is wider than in India. In some of these countries the coverage extends to even 15 or 10 employees and in a small country as Ceylon it even extends to 3. The Committee have no doubt that, in India also, the benefits of the Provident Fund Scheme will be extended in due course to workers employed in smaller establishments.
2.	2.6.	In the light of what has been stated in the foregoing paragraphs, the Committee are constrained to observe that measures taken so far, since the public sector undertakings were brought within the purview of the Act in 1958 have failed to yield any substantial results in the matter of ensuring compliance of the provisions of the Act by the public sector undertakings. Since Public Sector Undertakings are directly under the control of Governments, there appears hardly any justification for non-compliance. The Committee, therefore, urge that Government should lay down a target date by which all such public sector undertakings should

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apply for exemption under Section 17 of the Act or comply with the provisions of the Act. In the event of their failure to do so by the stipulated date, Government should enforce the provisions of the Act by taking recourse to Section 7A and other penal provisions of the Act.

3. 2.8. The Committee are unhappy to note that even though discussions between the Railway Board and the Ministry of Labour, Employment and Rehabilitation have been going on over such a considerably long period, no final decision has been reached in the matter. The Committee, therefore, recommend that this issue between the Railway Board and the Ministry of Labour, Employment and Rehabilitation should be settled without any further delay and steps taken to extend the provisions of the Act to Railway establishments and to grant them formal exemption under Section 17 if they apply for it.
4. 2.12. The Committee hope that Government would favourably consider the suggestion to curtail the qualifying period in the case of employees who are made permanent in less than a year of their joining service and bring in a suitable amendment to that effect in the Employees' Provident Funds Act and the Scheme, if necessary.
5. 2.14. The Committee are glad that the question of extending the Act to Jammu and Kashmir is already under the consideration of the Government. They hope that, in the interest of uniformity, a final decision in the matter would be reached soon and a uniform Employees' Provident Funds Scheme made applicable throughout India.
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6. 2.20. The Committee would like that the survey of Beedi industry should be completed by the Emphyoyees' Provident Fund Organisation at an early date but not later than by the middle of 1970 and thereafter speedy action may be taken to bring it within the purview of the Act, so as to cover a considerable body of workers under this benevolent scheme.
7. 2.22. The Committee are not sure if agricultural farms maintained by the Central and State Governments are covered by the Employees Provident Funds Act. They would like to point out that during the recent years a large number of model agricultural seed and demonstration farms have been set up by State Governments and the Administrations of the Union Territories. The Committee had occasion to visit a number of such farms during their recent tour to Andaman and Nicobar Islands. Apart from agricultural farms, there are a large number of fruit orchards, botanical and zoological gardens where an appreciable number of labourers are employed on an organised basis.
- The Committee regret that after 1962 when the question of coverage of agricultural farms was first mooted and later dropped, no further survey has been undertaken to assess whether these can now be appropriately brought under coverage. The Committee, therefore, recommend that survey of agricultural farms|fruit orchards|botanical gardens|zoological gardens should be undertaken without any further delay with a view to assess the feasibility of applying the Act to the agricultural labour employed therein.
8. 2.28. The Committee appreciate that the extension of the Scheme to establishments employing 10 but less than 20 persons may impose an administrative burden on the Organisation and
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increase the cost of administration. They consider that gradually Government should evolve suitable means to extend the social security benefits to the employees of these establishments who are not only low paid but have no old age and survivorship benefits whatsoever. The Committee recommend that presently Government may examine the feasibility of applying very early the Employees' Provident Funds Scheme to establishments with strength of 15 workers but less than 20 in pursuance of the proviso to Section (3) of the Act.

9. 3.5. The Committee consider that as the Fund is made up of contributions of both the employers and employees exclusively, there should be parity of representation between the officials and non-officials on the Central Board of Trustees and for this purpose suggest that the representation of employers and employees on the Board might be suitably increased.

10. 3.6. The Committee are surprised to find that the Central Provident Fund Commissioner is not even an *ex-officio* Member of the Board although he is its Secretary and Executive Head of the Organisation. He is responsible for the enforcement of the Act and the Scheme in the entire country and has to implement the decisions of the Central Board of Trustees. He also acts as the *liaison* officer between the Central Government and the Central Board of Trustees. In order that he is able to effectively implement the decisions of the Central Board of Trustees and discharge his duties properly, the Committee consider that he should be made *ex-officio* Member-Secretary of the Central Board of Trustees. They accordingly suggest that Government may take immediate action to statutorily provide for making the Central Provident Fund Commissioner an *ex-officio* Member Secretary of the Central Board of Trustees.

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11. 3.8. Apart from the three ministries of Finance, Industrial Development, Company Affairs and Internal Trade and Steel and Heavy Engineering, there are other Ministries which have an appreciable number of public undertakings and departmental undertakings under their control e.g. Ministry of Defence, Communications, Health and Supplies etc.

The Committee suggest that if it is not possible to add to the representation of Central Government on the Central Board, all the other important Ministries concerned with public undertakings and departmental undertakings may be represented by rotation.

12. 3.12. The Committee note that apart from the control exercised by the Central Government on the Central Board of Trustees in regard to matters stated above, Government exercise overall control in regard to the following matters also:—

- (i) Modification of the Scheme under Section 7 of the Act.
 - (ii) Delegation of powers under Section 5E of the Act.
 - (iii) Appointment of Inspectors under Section 13 of the Act.
 - (iv) Transfer of Accounts under paragraph 24 of the Scheme and Section 17-A.
 - (v) Opening of Regional and other offices under paragraph 21 of the Scheme.
 - (vi) Appointment of the Secretary to the Central Board and to a Regional Committee under paragraph 22 of the Scheme.
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It appears to the Committee that the powers of supervision and control exercised by the Central Government over the Provident Fund Organisation not only extend to policy issue but also matters of executive nature. Even in such matters of day-to-day administration as appointment of Inspectors, opening of regional and other offices, maintenance of forms of accounts, there is the overall control of the Central Government. Under Section 7 of the Act, the Central Government is empowered to amend the Scheme without even consulting the Central Board of Trustees who are required to administer the Fund in such manner as is specified in the Scheme. The Committee also observe that the Secretary of the administrative Ministry, namely, the Ministry of Labour and Employment is the Chairman of the Central Board of Trustees and the Central Provident Fund Commissioner, who is the Secretary of the Board of Trustees and is appointed by the Ministry is not even a member of the Board.

3.13 The Committee consider that more powers should be delegated to the Central Board of Trustees so that it has sufficient flexibility in the day-to-day working while the Ministry may retain the power to guide and, if necessary, to intervene in matters of policy.

13. 3.17. As the provisions of Section 5-B of the Act regarding constitution of State Boards have remained a dead letter so far and Government to not intend to implement them in future also, the Committee recommend the deletion of this aforesaid section from the Statute Book.

14. 3.23. The Committee are constrained to observe that Government have not cared to implement the recommendation of the Estimates Committee (1959-60) which they had accepted regarding the frequency of the meetings of the Regional Com-

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mittees. They would *now* recommend that Government should take early steps to insert a provision in the Scheme for holding meetings of the Regional Committees at least twice a year.

15. 3.24. The Committee are also unhappy to note that the vacancies in the Regional Committees take an unduly long time to be filled in by Government resulting in delays in holding the meetings of Regional Committees. They would, therefore, recommend that a vacancy in a Regional Committee should be filled up *within one month* of its arising by completing all formalities required for the purpose.
16. 3.29. The Committee are distressed to note the absence of continuity in the post of the administrative head of the Organisation who is responsible for the enforcement of the Scheme in the entire country. The Committee consider that in the interest of efficient and smooth functioning of the Organisation, it is not only desirable but essential that the office of the Central Provident Fund Commissioner is not subject to frequent changes. They, therefore, recommend that once appointed, the Central Provident Fund Commissioner should continue for a minimum period of four years.
17. 3.32. The Committee are not averse for the present to the selection of incumbent to the post of Central Provident Fund Commissioner by deputation but at the same time feel that in due course of time as the Organisation grows and gains in maturity, it should be possible for Government to appoint persons to this post from within the Department itself, if found suitable.
18. 3.33. The Committee also suggest that the field of selection of officers on deputation to this post and other posts in the Organisation should not be confined to officers belonging to I.A.S. and
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		Central Services Class I only but should be enlarged to include officers of equivalent status belonging to other Central offices.
19.	3.39.	The Committee feel that establishing of Regional Offices with all their paraphernalia in States having less than 1,00,000 subscribers leads to heavy drain on the finances of the Organisation. The Committee, therefore, recommend that, in the interest of economy, the criterion to open a regional office should not be a State but the strength of subscribers in a particular area with a minimum of 1,00,000 subscribers therein. They suggest that, in the due course of time, Government may review the position of amalgamating some of regional offices on the basis of the above criterion keeping in view the contiguity and proximity of areas.
20.	3.42.	The Committee are distressed to observe that Government have incurred an infructuous expenditure to the tune of Rs. 27.300 on this private Efficiency Experts Firm of Consultants, the recommendations of which ultimately did not prove beneficial. The Committee further observe that while the Report of the firm of Efficiency Experts did not prove of much benefit, the study of the working of the Organisation entrusted to the Department of Administrative Reforms later on, on the contrary, was fruitful.
	3.43.	The Committee are of the view that any study required to be undertaken in regard to the reorganisation of Regional Offices should not be entrusted to any private firm of consultants who are not fully equipped and competent enough to undertake such studies. They, therefore suggest that such a study, whenever undertaken, should be made by a body consisting of actuaries, auditors and O.M. experts who have

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		direct knowledge of the working of the Organisation.
21.	3.44.	The Committee also suggest that a full-fledged Organisation and Methods Division should be set up within the Organisation itself to constantly review <i>inter alia</i> the working procedure.
22.	3.47.	In the opinion of the Committee, the Inspectors are the king-pins of the whole Organisation. The success or otherwise of the Organisation hinges on the efficient discharge of their duties. The Committee, therefore, have no doubt that the Organisation will make sure that not only the number of Inspectors is adequate to conduct proper inspection but that they perform their job meticulously and thoroughly.
23.	3.48.	The Committee also suggest that a study of the norms and performances of Inspectors may be undertaken at an early date with a view to examine and improve the working of the Inspectorate.
24.	3.51.	The Committee are constrained to observe that, even though the Employees' Provident Fund Organisation has been in existence for over 18 years now, they have not been able to house their Regional offices in their own buildings so far and have to pay a large rental of Rs. 10 lakhs per year on this account. In the context of the proposed Scheme for merger of the Employees' Provident Fund Organisation and Employees' State Insurance Corporation, the Committee recommend that Government may re-examine the programme of further construction of office buildings for Employees' Provident Fund Organisation and Employees' State Insurance Corporation in coordination and draw up a revised schedule keeping in view the re-

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quirement of both the Organisations and consider the feasibility of having a common building for both or constructing separate buildings in close proximity to one another as the exigencies of the situation may demand.

25. 3.52. The Committee also suggest that, to the extent possible, efforts should be made by the Organisation to put up staff quarters for their staff at all regional centres in a phased manner and in close proximity to office buildings wherever possible and for that purpose lay down a time schedule. Early construction of staff quarters, apart from effecting substantial saving in expenditure and ensuring a good return in the shape of rentals, will also be conducive to greater efficiency on the part of the staff.
26. 3.56. The Committee are unhappy to note the wide divergence in Budget Estimate and Actuals during successive years. The savings thus effected are unnecessarily blocked and could be invested profitably. The Committee feel that it should not be difficult for Government or the Organisation to anticipate the estimates on officers and establishments particularly in regard to the posts which have been abolished or which are not proposed to be filled up as a measure of economy and to prepare the estimates more realistically.
27. 3.57. The Committee would also suggest that the Organisation should assess the requirement of posts required to be filled up in consultation with the Union Public Service Commission or through direct recruitment or promotion during a particular year well ahead of the preparation of Budget Estimates for that year so that all the formalities required to be completed for filling up of these posts are completed as far as
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possible before the commencement of the Budget year. This will further enable the Organisation to bridge the wide gap between the Budget estimates and Actuals for any year.

28. 3.62. The Department of Administrative Reforms in their Report (December, 1968) on Study of the Employees' Provident Fund Organisation *inter-alia* have also stated that the reasons for cumulative arrears of work might be that the output of the existing staff is less than the average that one could expect of them or the staff employed is actually inadequate to the load of the work. The Committee are inclined to agree with the above observations of the Department of Administrative Reforms. The backlog of work particularly on the Accounts side would appear to be attributable to the absence of any efforts to evolve scientific standards and norms of work for different categories of staff which are essential to streamline the administration and to make it function efficiently and effectively. The Committee, therefore, suggest that the Staff Inspection Unit of the Ministry of Finance, who have agreed to conduct a study of this Organisation with a view to suggest norms of sanctioning various posts, may be requested to undertake this task immediately and complete the studies and submit their report within six months.
29. 3.63. The Committee would also recommend that immediate steps may be taken to ensure that the existing O & M Unit is manned by requisite number of trained personnel capable of reviewing the work procedures. The unit should study and lay down the norms of work from time to time and scrutinise all proposals for increase in staff. This would also make the Organisation self-reliant in this regard without depending upon any outside agency, Government or private. The staff required for this Unit may in the
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beginning be taken on deputation from other Organisations and Departments of Government for specified periods and gradually a cadre of trained personnel from amongst the staff in the Organisation may be built up to man this unit by in-training programme drawn up for that purpose and by availing the facilities provided by the Ministry of Finance and other expert bodies in this behalf.

- 30 3.66 The Committee note with satisfaction that there is a healthy trend in the liberalisation of recruitment rules in regard to certain categories of staff inasmuch as adequate provision for departmental promotion has been made. This is not only desirable but necessary if the staff serving in the Organisation is to get incentive and encouragement. The Committee hope that in due course of time, it should be possible for Government to man the posts of Accounts officers through Departmental Accounts Service examinations which may be held periodically henceforth and thrown open to all suitable departmental candidates.
- 31 3.67 The Committee also hope that in time to come, it should be possible for Government to appoint a major proportion of its senior Executives in the Organisation from amongst suitable departmental candidates.
- 32 3.71 The Committee endorse the recommendations of the Department of Administrative Reforms in regard to modifications etc. of forms and returns. They are of the view that the recommendations, if implemented, will considerably simplify the work and lessen the load of clerical and accounting work. They desire that Government should examine and take decisions on the recommendations of the Administrative Reforms Commission at an early date so as to

enable the Employees' Provident Fund Organisation to implement them as expeditiously as possible. Not only will it lead to simplifying the procedure it will also curtail expenditure on printing of forms. The Committee also recommend that the O & M Unit recently set up in the Central Office should also periodically review the forms and returns in vogue with a view to assess which of them could be eliminated, amalgamated or modified *inter-alia* to ensure that columns asking for unnecessary details are omitted.

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The Committee have no doubt about the usefulness of the International Business Machines Equipment in the accounting work. Mechanisation of accounts is bound to result in the saving of man-power, time and money. The Committee note that even though the system of mechanised accounting was introduced six years back and has on the whole proved satisfactory, no firm decision has yet been taken by the Organisation to extend it to other centres. The Committee are of the view that a decision on the subject is overdue. In case it is decided to switch-over to the mechanised system of accounting, the Committee suggest that Government should draw up a phased programme extending over a period of five years for the operation to be completed. They trust that the staff rendered surplus as a result of switch-over, will not be thrown out but will be suitably deployed in other types of work without detriment to their emoluments and status within the Organisation.

34 3.80

The Committee find that Internal Audit has proved quite useful in detecting financial irregularities and toning up the Administration. They would recommend speedy action to eliminate the deficiencies pointed out by the Internal Audit.

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| 35 | 3.81 | The Committee also recommend that the Regional Provident Fund Commissioners might be instructed to take immediate steps to rectify the defects pointed out so far by Internal Audit and to submit periodic Reports to the Central Provident Fund Commissioner indicating action taken to remove the lacunae. |
| 36 | 3.84 | The Committee would like to impress upon Government the desirability of taking immediate action to set right the irregularities pointed out in the audit reports and take such other corrective measures as may be considered necessary to eliminate the recurrence of such lapses or irregularities. |
| 37 | 3.87 | The Committee are unhappy to note that as on 31st March, 1969 there were 9.56 lakhs of Annual Statements of Accounts pending for issue and as many as 20,000 accounts for monthly postings. They are constrained to observe that no serious effort has so far been made by the Organisation to tackle this problem which has assumed such a gigantic magnitude. The Committee hope that an all-out effort would be made by the Organisation to adhere to the target date of 31st March, 1970 to wipe out the arrears by deputing their Inspectors to contact the defaulting establishments and persuading them to submit all the wanting returns immediately. |
| 38 | 4.9 | The Committee are glad that Government have now decided to circulate proposals regarding application of higher rate of contributions to any class of establishments, to the organisations of employers and workers also. The Committee feel that, in a tripartite scheme of this nature it is better to take into confidence all the interests concerned as far as possible before taking such a vital decision. They are not able |

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to appreciate why it should be difficult to lay down a definite procedure for making the enquiry. In their opinion, the demand for laying down a definite procedure for the purpose is justified and deserves favourable consideration.

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4.10

The Committee are further inclined to think that uniformity in rate of contributions is neither practicable nor desirable since any criterion placing the better placed industries|bigger establishments on the same footing as smaller industries with limited financial resources would lead to the latter complaining about discrimination in favour of bigger industries. Therefore all, Taxation laws of Government also do prescribe different graded rates. Hence the Committee agree that rates of contributions should be based on the capacity of the industry to pay as is the case at present.

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4.15

The Committee note that the substantial growth in the arrears is by and large attributable to adverse economic conditions on account of recession in the "Textile" and "Engineering" industries. Now that these industries are picking up, the Committee urge the Employees' Provident Fund Organisation to intensify their efforts in realising the arrears by persuasive and legal measures where necessary.

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4.16

The Committee also recommend that with this end in view, the Organisation might enlist the co-operation of public men including Members of Parliament, Members of Legislative Assemblies in States, of the Regional Committees, leading Members of Employers' Organisations as well as employers' representatives on the Central Board of Trustees, of the respective regions.

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4.25

The Committee observe that inspection reports and submission of returns are the only

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operating devices for ensuring regular remittance of contributions by employers. They, therefore, suggest that a very close and strict watch may be kept on the timely submission of the prescribed returns. The Committee also feel that if inspections of defaulting establishments are made more frequent, the tendency to default would be curbed.

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4.38

The Committee find that in an effort to compel defaulting establishments to comply with the provisions of the Act and the Scheme the primary role is to be played by the State Governments. The Committee recommend that it should be the utmost endeavour of the Regional Commissioners to secure close co-operation of the State Governments and keep a constant liaison with the concerned officers in the States. At the same time they are expected to utilise methods of persuasion and personal contacts with the establishments with a view to recover dues to the maximum extent possible.

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4.39

The Committee realise that the punishment provided for under Section 14 of the Act is not an adequate and sufficient deterrent against habitual defaulters. From the facts furnished to the Committee, it is clear that in the majority of cases, fines of nominal amounts have been imposed by courts. It would appear that a defaulting establishment would rather prefer to pay nominal fines and/or suffer simple imprisonment instead of paying up the arrears in default. The Committee, therefore, recommend that the penal provisions should be made more stringent and effective as early as possible.

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4.47

The Committee feel that these coercive processes can be successfully applied in cases of establishments which are financially sound but

deliberately withhold payment. However, the legal apparatus has proved ineffective in dealing with units which are financially weak—the sick textiles mills being a notable example. In such cases, the appropriate Governments have been found to be reluctant to take steps when they result in premature closure of the establishments leading to the unemployment of workers. This approach too, is responsible for accumulation of provident fund arrears for which the Act itself has no power. The prospects of realisation of provident fund arrears from such weak units will, to some extent, depend upon the revival of the industry concerned. It is encouraging to note that economic conditions in trade and industry is now improving. This will have a wholesome effect on realisation of arrears also.

- 46 4.48 The Committee also note that legal processes are not very effective in the case of some of the hardened defaulters who though few in number, account for a large part of the arrears. The Committee suggest that Government should consider the feasibility of providing compulsory imprisonment in the case of prosecutions under Section 14 of the Act and the imposition of more stringent penalties including fines for every day of continued defaults.
- 47 4.49 The Committee agree with the recommendation of the National Commission on Labour that defaults should be made cognizable under the Indian Penal Code.
- 48 4.50 The Committee feel that the Central/Regional Commissioners should have sufficient powers for sanctioning prosecutions vested in them, as also the power to issue recovery cer-

tificates and recommend that Section 19 of the Act might be suitably amended immediately to delegate the powers of appropriate Government to the Central Provident Fund Commissioner and other officers of the Organisation. They would, however, urge that the powers so delegated might be used with caution in close co-operation with the State Government.

49 4.51 The Committee further recommend that the State Governments may be persuaded to specify adequate number of Magistrates to deal exclusively with enforcement and prosecutions under the Act.

50 4.52 The Committee also suggest that Government might consider the feasibility of inserting provision similar to Section 221 of the Income Tax Act, 1961, in the E.P.F. Act as this would have considerable effect in enabling speedy liquidation of arrears.

51 4.55 The Committee are of the view that in case a mill or establishment is unable to pay up the arrears and is on the verge of closing down or falls sick, the Central Government|State Government should consider providing all possible assistance to the mill by way of loans and|or advances or take such other suitable steps as may be considered necessary with a view to rehabilitate it and to safeguard the interests of the workers.

52 4.59 The Committee, while noting the difficulties pointed out by the Government in adopting the course of recovery of employees' contribution directly from them, would like to emphasise that Government should give serious thought to the problem of default by employers in regard to the payment of employees' contribution already deducted from their wages but

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not deported and devise some effective method to ensure that employees' contributions are investing a portion of provident fund accumulators regularly. They would like Government to examine, in this connection, the feasibility of providing by law the collection of employees' contribution from the employers as customs or excise duty or alternately the desirability of taking advance deposits from the employers or bank guarantees in favour of Central Board of Trustees from them with a minimum fixed percentage of the total contributions (both of employers and employees) required to be remitted by them to the Fund as a measure of security against default. The quantum of advance deposits or the amount of bank guarantee may be worked out by actuarial experts.

53

5.15

The Committee understand that interest to the tune of Rs. 13.84 crores accrued on investments during 1967-68 as against Rs. 11.84 crores in 1966-67. They are happy to note that the rate of interest has steadily grown over the years rising from 4.75 per cent to 5.1 per cent for 1968-69. The Committee further learn that the Central Board of Trustees had decided to raise the rate of interest for the 1970-71 to 5.7 per cent. This is a matter for gratification. It is thus evident that this higher return on accumulations is the direct result of the liberalisation of investment pattern during 1967-68.

5.16

While appreciating Government's concern in not taking any risk in the matter of investment of Provident Fund monies in the private sector securities and debentures, the Committee consider that there is scope for further diversification of the pattern of investment with a view to obtain greater return on invest-

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ments. The Committee recommend that Government should consider the feasibility of investing a portion of provident fund accumulation in the Unit Trust of India, gilt-edged securities, Municipal Corporations, Housing Boards and similar bodies where Government guarantee is provided.

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5.22

The Committee suggest that an investment Committee may be constituted for the purpose of advising the Central Board of Trustees in matters relating to the investment of its funds. The aforesaid Committee may consist of persons having special knowledge and experience in financial and banking matters, particularly matters relating to investment of Funds.

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6.4

Having regard to the fact that the Employees' Provident Fund Scheme is basically a scheme for Retirement Benefit, the Committee consider that further liberalisation of the Scheme for non-refundable advances is not desirable. If most of the savings of an employee are exhausted in the shape of advances before actual retirement, the primary objective of the scheme will be defeated. This apart, further liberalisation would mean further loss of money to the Fund, reduction of investment capacity and the need for devising a system for checking misuse involving a heavy burden on the administration. More-over liberalisation encourages spend-thriftness among employees. A further fact or militating against liberalisation is the scope for the misuse of the provisions of advances as has been already evidenced in the case of house building loans.

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6.5

The Committee, are therefore, of the view that, for the time being, the existing provisions in the Scheme in regard to sanction of non-refundable advances adequately meet the

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purposes for which they were framed. The Committee would, however, suggest that the operation of the present scheme for such advances may be closely watched and the position reviewed after a period of 5 years, with a view to examine whether there is any case for further liberalisation.

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6.6

With a view to check the abuse of the facility regarding grant of advances for house construction, the Committee recommend that whenever, after sanction of the advance, the case turns out to be suspicious, physical verification at site may be carried out by the Inspectors at periodic intervals and reports made to the Regional Office.

58

6.11

The Committee are concerned to note that there is no time limit prescribed for grant of advances. The Committee recommend that specific time schedules should be evolved by the Employees' Provident Fund Organisation for grant of the various advances depending on the nature of the advance applied for. The Committee would suggest a maximum limit of 2 months for sanction of heavy sums of money for house construction etc. and graded lesser periods for other advances. They also feel that for small advances, the applications should be disposed of within 7 days. Such a self-imposed limit, except in exceptional circumstances, would cut administrative delays largely.

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6.12

As regards applications for medical advances, the Committee would like that these are scrutinised and promptly disposed off normally within *seven days*. In emergent cases, where the applicant is seriously ill, provisional advances should be made after verifying the available balances at his credit, if formal sanc-

tion is likely to entail delay. In this connection the Committee would like to draw the attention of the Government to the recommendation made by the Department of Administrative Reforms regarding introduction of a coloured application form for Medical advances, which they are inclined to endorse.

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6.13

The Committee would like to point out that while the main cause of delay in the expeditious payment of advances is the filling up of incomplete applications, the Organisation has so far taken no corrective measures in this regard. The Committee would therefore, suggest that the following steps may be taken by the Organisation to minimise delays arising out of filling up of incomplete applications:—

(i) An Employees' Guide on Advances may be prepared and printed in Hindi and in all the regional languages with standard forms of applications for each kind of admissible advance and distributed free of cost to all the subscribers for their guidance.

(ii) It should be made incumbent upon the Employers to arrange for checking at the spot whether the applications are complete in all respects and in the event of any lacunae to get them rectified by the applicants then and there before forwarding them.

61

6.17

The Committee appreciate the views of the Government that the sanction of refundable advances would involve administrative difficulties as a watch will have to be kept on the refunds of loans taken by the Members of the Fund. They would also not like the Organisation to be burdened with additional financial

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difficulties. In their opinion, the present restrictions in this behalf are desirable. However, the Committee would like to stress that the scheme of channelling refundable loans through credit cooperatives might be expedited and finalised at an early date.

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6.23

The Committee, while appreciating that 90 per cent of cases of settlement of claims are settled with expedition, are unhappy to note that there are as many as 21,321 claims outstanding for settlement as on 31-3-69. The Committee feel that the Organisation should make the maximum efforts to clear the backlog of these arrears by the end of 1970 at the latest.

63

6.24

They feel that when the delay is solely due to the non-submission of contributions and returns by the employers they should be asked to submit them within a stipulated time-limit. Over and above that, Inspectors should be deputed to get the required returns from the employers with a view to make expeditious settlement of claims.

The Committee also feel that where the delay in settlement of claims is due to delay in obtaining death certificates by heirs/nominees of the deceased persons, from the Civil/Revenue authorities, the Government should examine the desirability of giving adequate discretion to the Regional Provident Fund Commissioner to decide issue of succession on the available evidence and not to insist on their formally obtaining family membership and guardianship certificates from Civil/Revenue authorities, in cases when the amount of claim does not exceed Rs. 5000/-

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64	6.33	<p>The Committee are happy to note that the amounts paid out from the Special Reserve Fund has been physically decreasing from 48.2 per cent in 1964 to 5.9 per cent (of total amounts forfeited) in March, 1969. The Committee also note that the percentage of such relief granted in 1968-69 as employers' share to the total accumulations in the Reserve and Forfeiture Account viz. Rs. 3.93 crores would be less than 1/30th of total accumulations in the account. The Committee, therefore, are not inclined to favour the decision to confine payments from Special Reserve Fund only to the extent of employees' share. They feel that payment of both employers' and employees' share from the Special Reserve Fund would not deplete the resources to such an extent as to wipe it out altogether, particularly when the majority of employers are stated to be paying regularly their and employees' share of contributions. The Committee would, therefore, like to suggest that both employer's and employees' share of contributions should be paid from the Special Reserve Fund in cases where the employers fail to pay their contribution in future.</p>
65	6.38	<p>The Committee regret to note that the Organisation have not prescribed a maximum time limit within which payment should be made to the nominee (of a deceased subscriber) whose needs would naturally be emergent. Since the Death Relief Fund is a benefit primarily for those survivors of employees who expire during their term of employment in an establishment, the Committee feel that the payment of the sums from this Fund should be made with the utmost expedition. The Committee, therefore, recommend that payment from the Death Relief Fund to the nominee|heir of the deceased:</p>

should be made within 15 days of the death of the Member.

66 7.4

The Committee are unhappy to note such long delays in laying the accounts of Income and Expenditure on the Table of Parliament. Annual Reports without the accounts of income and expenditure included therein are prone to give a distorted picture of assessment of the actual working of the Organisation in all its perspective.

The Committee, therefore, recommend that suitable steps may be taken by Government to remove the lacunae found in the working of the Organisation in regard to preparation and consolidation of Accounts with a view to adhere to the time schedule laid down in this regard. Government should also take up the matter of expeditious auditing and certification of accounts with the Comptroller and Auditor General.

67 7.5

The Committee further recommend that the Annual Report of the Employees' Provident Fund Organisation should be cast on the same pattern as that of the Annual Report of Employees' State Insurance Corporation and include therein the audited Income and Expenditure Statement and the balance sheet for the earlier year as also the unaudited income and expenditure Statement and balance sheet for the year under Report with a note indicating that they are still to be audited.

68 7.6

The Committee would also suggest that the practice of laying the Annual Reports of the Organisation on the Table of the House should be given statutory recognition as is the case with the Annual Reports of Employees' State Insu-

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rance Corporation and steps may be taken to amend the Employees' Provident Funds Act accordingly.

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7.9

While appreciating the efforts made by the Organisation to publicise the Scheme, the Committee feel that the steps taken so far are not adequate enough to bring home to the workers, who are generally uneducated, the objectives and the utility of the Scheme which is primarily meant for their benefit.

The Committee, therefore, suggest that the following measures may be taken with a view to give wider publicity to the Schemes:—

- (i) The brochures and pamphlets etc. should be printed more frequently with attractive get-up and should be distributed to all the workers particularly the new subscribers at the time of their enrolment.
- (ii) Cinema shows on the pattern of Family Planning shows may be shown to the workers from time to time.
- (iii) Documentary films may be made in collaboration with All India Radio and shown to employees from time to time.

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7.12

The Committee welcome the idea of periodical Conferences of Regional Commissioners for discussing matters of common interest and evolving measures and procedures for dealing with common problems. They, therefore, suggest that such conferences may be held by rotation at different regional centres, if considered feasible.

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71 **7.17** The Committee are constrained to note that in spite of the fact that the proposal for administrative merger of Employees' Provident Fund Scheme and Employees' State Insurance Scheme was mooted as far back as in 1962 and has been recommended by two expert bodies viz. the Employees' State Insurance Scheme Review Committee and the National Labour Commission, Government have not taken any concrete steps in this regard.

They feel that the merger of the two Schemes would not only lead to substantial economies in the cost of administration through reduction in overhead costs, elimination of duplication in inspectorate and supervisory staff etc. but would also add to the convenience of the managements and the workers who would be required to deal with a single authority for all matters concerning the two Schemes.

The Committee, therefore, recommend that Government should lay down a target date by which the merger of the two Schemes should be completed and all legal and administrative steps required for that purpose should be finalised.

72 **7.18** They would further suggest that a Coordination Committee consisting of representatives of both the Organisations should be constituted to implement the Scheme so drawn up in this regard and to watch its progress.

73 **7.20** The Committee hope that an early decision in the matter (i.e. regarding introduction of Unemployment Insurance Scheme) would be taken by Government and steps taken to implement the pilot Scheme as early as possible.

74 **7.24** The Committee hope that an early decision in the matter would be taken by Government.

1**2****3**

The Committee are also glad to know from the Budget Speech of the Prime Minister that Government propose to supplement contribution of employers and employees by a contribution from the Government to make up a separate fund from which family pensions as well as a lump sum payment will be made to the beneficiaries of an employee in the event of his death.

APPENDIX IX

(Vide Introduction)

Analysis of recommendations|conclusions contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS

A. *Recommendations for improving the Organisation and Working:* Serial Nos. 5, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 21, 22, 23, 29, 30, 31, 33, 34, 35, 36, 37, 40, 41, 42, 43, 48, 5, 57, 58, 59, 60, 62, 63, 65, 66, 67, 68, 70.

8. *Recommendation for effecting economy:* Serial Nos. 19, 20, 24, 25, 26, 27, 28, 32, 55, 56, 61, 71, 72.

C. *Miscellaneous Recommendations:* Serial Nos. 1, 2, 3, 4, 6, 7, 8, 38, 39, 44, 45, 46, 47, 49, 50, 51, 52, 53, 54, 64, 69, 73, 74.

II. ANALYSIS OF THE RECOMMENDATIONS DIRECTED TOWARDS ECONOMY.

Serial No.	S. No. as per Summary of Recommendations (Appendix VIII)	Particulars
1	19	In the interests of economy, the criterion to open regional office should not be a State but the strength of subscribers in a particular area with a minimum of 1,00,000 subscribers therein. In due course, Government may review the question of amalgamation of some of regional offices on this basis.
2	20	To avoid infructuous expenditure as was incurred on a private efficiency Experts Firm. Study of working of organization should be entrusted to a body of actuaries, Auditors and O & M experts. A fullfledged O&M Division should be set up within the organisation itself.

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3	24	To avoid payment of huge rentals, and in the context of proposed merger of EPFO with ESIC, a revised schedule for construction of office buildings in close proximity or for a common building, may be drawn up.
3	25	To the extent possible staff quarters in close proximity to regional offices should be provided in a phased manner observing a time schedule therefor.
4	26	Due to the wide divergence in budget estimates and actuals during successive years more realistic budget, excluding abolished or unfilled posts etc. and thus avoiding savings being blocked, may be drawn up.
5	27	The Organisation should also assess requirements of posts in consultation with U.P.S.C. or through direct recruitment or promotion in a year well ahead of Budget Estimates being drawn up with a view to bridge the wide gap between Budget Estimates and Actuals for any year.
6	28	Staff Inspection Unit of Ministry of Finance should be asked to expedite study of assessment or workload within 6 months.
7	32	Government should examine and take decisions on recommendations of Department of Administrative Reforms for simplification and Reductions of Forms and Returns in use, with a view to curtail expenditure on printing of forms. The O&M unit of the Organisation should also periodically review the forms and returns in vogue with a view to assess their elimination modification or amalgamation.
8	55	Further liberalisation of scheme for non-reundable advances is not desirable since it would part from other factors lead to a heavy burden on the administration financially.
9	56	The operation of the present scheme for advances for house construction may be reviewed after a period of 5 years.

1	2	3
10	61	The present restriction in regard to sanction of (refundable) advances are desirable as uniform sanction thereof would involve administrative burden and additional financial difficulties. However, scheme of channelling refundable loans through credit cooperatives and might be expeditiously finalised.
11	71	Merger of EPF and ESI Schemes would lead to substantial economies in cost of administration, eliminate duplication in inspectorate and supervisory staff etc. and make it convenient for managements and workers to deal with a single authority. The merger should have been completed by a target date to be laid down.
12	72	A coordination Committee to implement and watch the progress of merger scheme should be set up.

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