EMPLOYEES' PROVIDENT FUND OFFICERS' ASSOCIATION
EMPLOYEES' PROVIDENT FUND ORGANISATION
Ministry of Labour and Employment, Government of India
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Dated: 05.03.2015.

To
The Hon'ble Minister,
Labour & Employment,
Government of India,
Shram Shakti Bhawan,
New Delhi.

Sub: Remarks on EPFO by the Hon'ble Finance Minister in the Budget speech – reg.

Sir,

Recently in the budget speech, the Hon'ble Finance Minister had stated that "it has been remarked both the EPFO and ESIC have hostages rather than clients".

In this connection, the EPF Officers Association would like to register its highest objection to the said remarks of the Hon'ble Finance Minister. Such a statement by the Hon'ble Finance Minister is patently false and demotivating to the EPF Officers and the Organisation as a whole. As you are aware, EPFO is one of the largest social security organization in the world and it provides social security benefits such as EPF, EPS and EDLI to nearly 5 crore labour force of our country.

In the area of service to subscribers nearly 11 lac claims are settled all over the country per month by field offices of EPFO. The grievance redressal machinery of the Organisation has been effectively redressing the grievances of the members/employers online through EPFiGMS & CPGRAM. Even the feedback received from the complainants under EPFiGMS Portal are monitored case-wise and steps are taken to ensure that maximum redressal is made to the best satisfaction of the complainant.

During the last one and half years, the EPFO has launched various e-governance initiatives like Online Transfer Claim Portal, Online Inspection (Shram Suvidha Portal), Online Registration of Establishments, online helpdesk for settling unclaimed desposits, etc. for efficient, economic & effectice performance, thereby ensuring transparent service to the society at large. Even your goodself has praised the services of the Organisation at various places in the area of providing social security benefits.

Sir, you will agree that all over the world including in capitalist countries like US & in Europe social security schemes are mandatory and for mandatory implementation of the benefits, the employee & employer has no option but to join the social security scheme. The proposed choice being given to the employee to opt for NPS will actually be exercised by the employer as there are no checks & balances for the employer in the NPS/PFRDA system to ensure compliance.

It is learnt that the Hon'ble Finance Minister has relied on the report of one HR Solution Company M/s. Teamlease (copy enclosed) without verifying the facts and made above mentioned remarks in the budget speech. Here, it would not be impertinent to mention that "M/s Teamlease is one of the biggest defaulters in respect of UAN implementation, the ambitious & landmark initiative launched by Hon'ble Prime Minister to ensure extensive reach of benefits to all the beneficiaries. M/s Teamlease, out of its more than one lac employees has uploaded & approved only around thirty thousand KYC details and out of this only few are activated. This shows the malafide intentions of the M/s Teallease when it comes to service". The officers and staff of the Organisation have put in their all out efforts to achieve the targets assigned within the specific time which has enhanced the image of the Organisation. It is very unfortunate and disheartening to say that despite non-granting of promotion or upgradation in time, the officers and staff of the Organisation have put in their sincere efforts for the overall development of the Organisation only to receive such a demotivating statement.

Further as far as default is concerned, if otherwise same logic is accepted then working of Income Tax Department may be seen, if they have worked properly then there would not be any Black Money problem. Banks also have mammoth problems regarding Non Performing Assets.

Sir, improvement is a continuous process & EPFO is persistently striving to provide transparent & efficient services to all its stakeholders. In case, Hon'ble Finance Minister feels otherwise, it would be appropriate for them to give their inputs through Labour Ministry rather than making such sarcastic remarks in Budget speech. Sir, it is therefore, requested that the matter may be taken up with the Hon'ble Finance Minister and we assure you that any such instructions shall be implemented by EPFO fraternity in true letter and spirit

Thanking you,

Yours faithfully,

(Saurabh Swami)
Secretary General

Copy to: 1. Secretary,
Ministry of Labour & Employment,
Shram Shakti Bhawan, New Delhi.

2. The Central P.F. Commissioner,
EPFO, Head Office,
New Delhi.

CLIENTS VERSUS HOSTAGES

Category: Authored Articles **Posted on:** 24 Jul 2013 **Comments:** 0

Responding to criticism by Muhammad Ali Jinnah that the Congress party was not allowing his party to stay secular, Jawaharlal Nehru said, "This reminds me of the man who is charged with the murder of his mother and father and begs clemency of the court saying he is an orphan." Pandit Nehru's immortal quip about circular logic strongly applies to the operations of the flagship government-run but employer-funded medical insurance programme—the Employees State Insurance Corporation (ESIC). ESIC has not fulfilled its mission of covering a large part of India's labour force, offering value for money, and keeping clients happy. ESIC blames employers. But the real reason is their monopoly; employers are not clients but hostages. Let's take a deeper look.

ESIC covers private sector employees with wages of up to R15,000 per month. Employees contribute 1.75% and employers contribute 4.75% of the wages. ESIC contributions grew from R5,749 crore to R7,070 crore between FY11 and FY12. But the benefits paid out in both these years were R2,620 crore and R3,375 crore. This implies a claims ratio—the benefits paid out as a percentage of contribution—of 45% and 47%, respectively. India's health insurance industry has a claims ratio of 100%, i.e. the amount paid out as benefits equals the contributions. The Obama healthcare reform programme in the US targets a claims ratio of 85%. What is the secret sauce of ESI that the global health insurance industry should learn? Unfortunately nothing; ESIC is a monopoly with no competition. But instead of holding ESIC accountable for their low claims ratio and high employee dissatisfaction, salary coverage limits have been continuously raised to expand their kingdom.

India's health insurance—served by public and private sector insurance companies—has grown from annual premiums of R300 crore in 2001 to R17,000 crore in 2013. But India still only spends 4% of its GDP on healthcare, out of which only 1% comes from the government. And private healthcare spending—whether out of pocket or through insurers—is expected to grow at 30% every year for the next 10 years because the joint family is breaking down, urbanisation is accelerating, and healthcare costs are going up. This makes it imperative that the policy curates a vibrant, competitive and fair health insurance market.

Today, 30% of India's formal health insurance premiums are collected by ESIC that are not subject to any competition. This allows them to sustain low claims ratios, run hospitals which often offer poor service, and invest R28,000 crore in government securities and bank deposits for their reserve fund. Of reserve, the non-earmarked/general and contingency reserve was over R18,500 crore. More dangerously, the surplus funds are now being used to set up medical colleges and other projects with investments of R10,000 crore for which it does not have the mandate or capabilities. The businesses of health insurance, running hospitals and medical education are connected but require distinct thought worlds and competencies.

What should we do? ESIC should immediately cut the ESI premium by 30% and keep adjusting it every year to target a claims ratio of 85%. ESIC must reduce its administration and other costs that currently amount to R900 crore per annum. Most importantly, all employers should be given an option to pay their health insurance premiums to public or private sector insurance companies in schemes that offer the same benefit or better benefits—this is already allowed for in the Employees Deposit Linked Insurance (EDLI) component of the Employees Provident Fund Organisation (EPFO). In the first phase, this choice should be offered to employer for bulk purchases but within two years we should set up a health insurance exchange that will allow employees to choose from a pre-approved panel of insurers and schemes.

All these changes need to be accompanied by a fundamental shift in policy thinking around employee benefits for a cost-to-company (CTC) world. In a CTC world, benefits are not over and above salary but come out of it. Raising benefits does not raise gross salary but reduces take-home salary. And raising mandatory payroll confiscation—for a monthly wage of R6,500 it is now above 45%—encourages informal employment because most workers cannot live on half their salary. This is also why the reform of ESIC and EPFO are closely related.

Economist Albert Hirschman wrote a fantastic book in 1970 called "Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States". He argued that people have two different ways of responding to disappointment with countries or organisations; voting with their feet (exit) or staying put and complaining (voice). Unfortunately today exit is not an option for employers and employees who pay into EPFO and ESIC. And over the last two decades their voices have not been heard because any labour reform is wrongly positioned as anti-worker. But the monopolies of ESIC and EPFO are overcharging workers and hurting formal job creation. Both have credible and well-regulated substitutes in NPS and health insurance regulated by PFRDA and IRDA, respectively. If the government is not listening to the voice of workers, can the Competition Commission offer them an exit?

The author is chairman, TeamLease Services