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EMPLOYEES' PROVIDENT FUND ORGANISATION
MINISTRY OF LABOUR AND EMPLOYMENT, GOVT. OF INDIA
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October 20th, 2021

To,

**Shri Bhupender Yadav,
Hon'ble Chairperson, CBT, EPF /
Hon'ble Labour & Employment Minister,
Shram Shakti Bhawan,
NEW DELHI 110001**

Subject: Suggestions for strengthening of social security system in the country – for kind consideration please

Respected Sir,

We thank you for meeting us on 1st September 2021. You may kindly recall your desire to discuss issues having a bearing on future of the EPFO. As the representative of officers' community in EPFO, we are deeply invested in the future of the organisation and seek your continuous guidance and support for the same. It is submitted that various issues require urgent consideration to enhance the reach and quality of services provided by the EPFO. Therefore, we are submitting some of them for your kind consideration: -

1. Consolidating all Provident Funds - The Statement of Objects and Reasons of the Bill for Code on Social Security states that the bill has been framed in pursuance of recommendations of the Second National Commission on Labour (NLC-II).

We would request your kind attention to another recommendation of NLC-II, which states that all Provident Funds should be consolidated and brought under the purview Employees' Provident Fund {Para 8.115}. **It is requested that this recommendation may be considered for implementation and as a first step, the administration of the *Provident Fund Act, 1925* may be assigned to the Employees' Provident Fund Organisation. A communication from Ministry of Labour & Employment was issued to CPFC in August 2015 advising that administration of Provident Funds under the 1925 Act may be taken over by EPFO. It is requested that this process may be completed at the earliest.**

2. Coverage of establishments with employee strength between 11-19-

In the First Schedule of the Code on Social Security 2020 (CoSS 2020), provisions related to Employees' Provident Fund has been made applicable to every establishment in which **twenty or more** employees are employed. The Central Government has been empowered under section 152(1) of the CoSS 2020 to amend the First Schedule. It is a noticeable fact that since 1952 this threshold of coverage has not been changed. With the advent of CoSS, 2020, it is pertinent that we move towards Universal Social Security. One most important step would be to amend the first schedule and change the phrase "twenty or more" into "ten or more" to cover the establishment having 10 or more workers. This step alone will give protection of Social Security to crores of workers and would be a big step towards universalising social security.

3. Adopting "Contribution Ceiling" in place of "Wage Ceiling" - The CoSS 2020 makes EPF applicable to all classes of industries, without exception. **For truly universalising social security coverage "Contribution Ceiling" as specified in the Finance Act (at Rs 7,50,000/- per annum for employers share and Rs 2,50,000/- per annum for employees share) may be specified in place of "Wage Ceiling"**. The Finance Act specifies that no income tax rebate would be available for contributions exceeding the above ceilings. **These ceilings which are subject to regular Parliamentary oversight through the Finance Act for each year are more rational and needs to be so specified for EPF contributions as well.** Globally, the wage ceilings have some relationship with the prevalent wage levels. But the extant wage ceiling in EPFO is not linked to any identifiable metric and in that sense, it is an arbitrary number. Therefore, adopting a more rational metric will be a right step in this direction.

4. Only employers' contribution for specific category of employees - The Ministry of Statistics and Programme Implementation (MoSPI), publishes every year, the per capita income of the country. It is submitted that employees drawing wage upto 50% of above declared income every month, may be

exempted from paying employees' share of contribution. From and out of employer share, the leftover amount after adjusting pension contribution, be utilized for extending health coverage to the employee and their family.

5. Revamping Pension system – Globally retirement schemes work on two principles of “mandatory enrolment” and “tax breaks”. The Employees’ Pension Scheme (EPS) is a system which is designed on these principles and also on joint sharing of risk and pooling of resources. World Bank team, during the process of consultation of framing of CoSS 2020 had commended this principle. **We request that this model may further be strengthened and enhanced.**

- a) For that, the pension fund may be geared towards a system of pooled pension accumulations where the corpus is built up through contributions of employers, Government (both Central and State) and optional or minimal contribution of employees.
- b) There may be an option to employees to divert their PF accumulations towards their pension corpus. *It is pertinent to note that the EPF Scheme permits a member to withdraw her PF accumulation for investing in Varishtha Pension Beema Yojana, but there are no such provisions for investment in Employees’ Pension Scheme.*
- c) Additionally, an option may also be allowed to dependants of a deceased member to divert the EDLI benefits in part or full towards the pension accumulations. **The payment of pensions may be a combination of payments based on return on investments of the pension corpus and a “draw-down” on the accumulated pension corpus.**
- d) **Indexation of pension to minimum of 50% of per capita income declared by MoSPI every year would facilitate provision of adequate pensions. It would also greatly help the nation in finalising the bilateral social security agreements with increasingly larger number of countries.**
- e) **The pension contribution system may have a mandatory component and a voluntary layer to ensure comprehensive coverage.**

6. Enhancing Insurance Coverage - The Employees’ Deposit Linked Insurance Scheme (EDLI) may be reviewed for enhancing benefits. In this regard following may be considered:-

- a) EDLI cover is available only during currency of employment. It may be extended for upto 12 months after loss of employment without any extra contribution. This will be a very important social security initiative.
- b) The Annual Accounts of EPFO for 2018-19 indicates that the total EDLI benefits paid during the year was Rs 778 crores, whereas only the interest income on EDLI investments during the year was Rs 1,969 crores. **This**

indicates that an actuarial review may allow better benefits to dependants of deceased EPF members.

7. We submit that there is a **very urgent requirement of software and hardware upgrade in the IT systems in the EPFO.** C-DAC, a Government of India entity, has been a technical partner of EPFO over last few years. We understand that there is some work going on to revamp the IT systems with C-DAC's technical help. We request your personal intervention, perhaps with Hon'ble IT Minister, Government of India, to ensure that the same is put on fast track urgently.

8. Organisational Restructuring - We look forward to a structural change in the EPFO to align career aspirations of the officers' community with the Governmental goals of universalising social security coverage. The organisational restructuring, which extant Government of India instructions specify, should happen every five years, is now due in EPFO. The last such exercise was approved in December 2016. We request that a premier management institute of India such as IIM may be assigned this task and the task be completed in a time bound manner.

We look forward to an early audience with you to discuss above and other related organizational issues.

Thanking you.

Yours sincerely,

A. Swami

**[Saurabh Swami]
Secretary-General**