CHAPTER NINE

RETIREMENT BENEFIT SCHEMES
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Old age is an important social contingency, "which threatens the security of the individual, particularly of the industrial worker, who is generally low paid." Sonarikar has rightly observed, "Generally workers have neither the capacity nor the foresight to save for the rainy days and very few employers, left to themselves, would help and encourage their employees to save. Consequently, when the worker retires from service he finds himself without any source of income or any reserve to support him. An old age of poverty and want is ahead of him."  

Retirement benefits to industrial workers have been provided through 'Provident Fund Schemes'. A few private and Government undertakings had, however, instituted schemes of provident funds, gratuity and old age pensions. The first, legislative measure relating to provident fund was undertaken by the Government of India with the enactment of the Provident Fund Act, 1925. The Act was restricted in scope, relating to Government undertakings like Railway and Administration only. Previously there was no legislation relating to provident funds in private industries. The subject of instituting

(2) Sonarikar, Sumanda S., Implementation of Labour Enactments, p.246.
such a scheme for industrial workers came in for consideration by the Royal Commission on Labour in 1931. But the commission did not recommended any such scheme at that time. The Labour Ministers' Conference in 1942, came to the conclusion that instead of instituting any such scheme on compulsory lines, it would be more practicable to frame a set of model rules which may be circulated by the Central Government to industrial employers who may adopt them at the later's option.

The Kanpur Labour Enquiry Committee, too, showed interest in this matter and recommended for a contributory provident fund scheme. Labour Investigation Committee (1946) also discussed the problem. The Coal Mines Provident Fund and Bonus Schemes Act, was passed in 1948, which inter alia provided for establishing a compulsory provident fund for Coalminers. "In the initial stages, the scheme ran into opposition both from the employers and from the workers." The employer’s plea was founded on the additional financial liability involved in the scheme, while the workers considered the deduction to be a compulsory levy. But gradually the scheme gained popularity and gave rise to the demand for similar benefit in other industries.

Thus "Prior to 1948, there was no compulsory statutory provision for provident fund benefits to the industrial workers. The Provident Fund Act of 1925 was restricted in its application. Provident Fund Schemes were followed in some Government employments and in the establishments of only some enlightened employers. In 1948, a beginning was made to provide for a compulsory contributory provident fund for the employees in the coal mines only. Still a vast majority of industrial

employees were not covered under any such schemes. ¹

THE EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS
PROVISIONS ACT, 1952:

The Employees' Provident Fund Act was enacted in
1952 to provide a substantial measure of financial security
and timely monetary assistance to the industrial workers.
It was "promulgated for the institution of compulsory
provident funds for employees in factories. The idea is
to make some provisions for the future of the industrial
worker after he retires or for his dependents in case of
his early death."² The Act became operative with effect
from November 1st, 1952.

The Act has been amended several times. The
scheme passed in 1952 was termed as 'Employees Provident
Fund Act', but its nomenclature has changed twice. The
amendment of 1971 termed it as 'Employees' Provident
Fund and Family Pension Act, 1952 and from the year 1976
it is now known as 'Employees' Provident Fund and Misce-
llaneous Provision Act, 1952.³

It was also amended in 1953 to insert a clause
to empower the Central Government to extend the provisions
of the Act to willing employers. It was again amended
in 1956 vesting in the Government the power to extend
the provisions of the Act to non factory establishment.
The amendment of 1957 extended the scope of the Act, by
adding new industries and by raising the income limit
for coverage of the employees. The 1958 amendment brought
the central and State Government undertakings within the

(2) Vaid K.N., State and Labour in India, p.129.
(3) Amended by Act No.99 of 1976.
purview of the Act. The amendment of 1960 extended the coverage of the Act to the establishment employing 20 or more persons from the original limit of 50 employees. The Act was again amended in 1962, which enhanced the rate of contribution from $6\frac{1}{4}\%$ to $8\frac{1}{3}\%$ of the wages. It also raised the income limit to Rs. 1000/- per month.

Another amending Act was passed in November, 1963 which (i) extended the Act to the employees of the contractor-employers (ii) prohibited the attachment of the provident fund balance to the credit of an employee, (iii) prohibited the reduction of the wages of the employees on account of the provident fund contribution liability of the employer, (iv) provided for constitution of a Central Board of Trustees, (v) enhanced the powers of P.F. Commissioner, (vi) provided for the transfer of the P.F. accumulations to another P.F. if needed. The Act was again amended in 1971 and 1976 to extend the coverage of the Act. As a result of this modification, employees getting upto Rs. 1600/- per month can also become members of the scheme. The Act was again amended in 1982 whereby "The Government has increased the interest rate of the employees provident fund from 8.50 to 8.75 percent a year for 1982-1983."1

From a modest beginning covering nearly six industries, viz., Cement, Cigarette, Electrical, Mechanical, General Engineering Products, Iron and Steel, Paper and Textile in 1952, now it applies to 175 industries/classes of establishments. Till the end of March, 1982, the number of subscribers have increased to 115.63 Lacs.2 The provision of the Act has been further extended to cover Stevedoring, loading and unloading of ships, cattle feed manufacturing

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establishments, poultry, farming, any University, College, School, Scientific Institution and any other Institution in which research and the activity of imparting knowledge or training is carried on. ¹

SCOPE:

The Act applies to the whole of India except Jammu and Kashmir², which has introduced its own scheme from 1st June, 1961. Act was extended to some mines and plantation workers in the year 1968-69. The Act applies to establishments employing twenty or more workers with effect from December 31, 1960³. It has been recently decided to reduce such limit to 10.

Certain exemptions have, however, been made under the scheme. The exempted establishments are:

(1) Cooperative Concerns having less than 50 employees and working without power.

(2) Handloom Cooperatives organized before 1964.

(3) Tea Plantation and factories in the State of Assam.

(4) Establishments having their own provident fund schemes the provisions of which are not less favourable to the employees than under the E.P.F. Scheme.⁴

(5) To any other establishment employing fifty or more persons or twenty or more persons, but less than fifty persons until the expiry of the three years in the case of the former and five years in case of the later, from the date on which the establishment is, or has been set-up.⁵

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¹ Indian Labour Journal, September 1962, p.1277.
² Section 1 (2) of the E.P.F.& Miscellaneous Provision Act, 1952, p.4.
³ Amended by Act 46 of 1960 (Originally 50 employees)
⁴ Section 17(a) of the E.P.F. & Misc. Provision Act, 1952 p.20
⁵ Section 16(b) of the E.P.F.&Misc.Provision Act, 1952, p.20
(6) Match factories having annual production of five lac gross boxes of matches or less,

(7) Such glass factories other than sheet glass and glass shell factories, who have an installed capacity of 600 tons per month or less.

(8) Tea factories in the State of Assam.

EMPLOYEES ELIGIBILITY TO THE SCHEME:

For eligibility for membership of the E.P.F. and Miscellaneous Provision Act, 1952, the worker must have put up qualifying service in an establishment continuously for 120 days or 6 months in a period of 12 months, and his pay including Basic Pay, D.A. and Cash Value of food concession and relating allowance, if any, should not exceed Rs.1600/- per month. There is a provision for voluntary enrollement, both of establishment and also of the worker. The nature of the employment does not make any difference. All employees are eligible for membership whether they are permanent, temporary or casual.

COVEREAGE:

The E.P.F. and Miscellaneous Provision Act applies to 172 industries/establishments in Uttar Pradesh. In the year 1980-81, the Act was covering 6622 industrial establishment, and the number of employees covered under the scheme was reported to be 3.66 lacs.

(1) From 1974, Prior to 1974 it was 240 days or 1 year.

(2) The membership of the Scheme was initially restricted to employees whose monthly pay did not exceed Rs.300/-. The pay limit was raised to Rs.500/- from May 31, 1957 and to Rs.1,000/- from December 31, 1962 and it was further raised to Rs.1,600/- from 11-12-1976.

TABLE NO. 9.1


<table>
<thead>
<tr>
<th>Year Ending</th>
<th>No. of establishment covered</th>
<th>No. of subscribers in lacs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exempted</td>
<td>Un-Exempted</td>
</tr>
<tr>
<td>31 March '79</td>
<td>195</td>
<td>6,017</td>
</tr>
<tr>
<td>31 March '80</td>
<td>212</td>
<td>6,456</td>
</tr>
<tr>
<td>31 March '81</td>
<td>253</td>
<td>6,369</td>
</tr>
</tbody>
</table>

SOURCE: Annual Reports of E.P.F.O. for the respective years

Regarding Rae Bareli as on 15th February, 1983 two exempted establishments and 19 unexempted establishments in all 21 establishments/units were covered. The total numbers of subscribers was 6968.

Out of eight private and public sector units selected for study, two units viz., Indian Telephone Industries Ltd. and Modi Carpets Ltd. are exempted units and they run their own P.F. Schemes. Whereas three units viz., Rae Bareli Textile Mills, U.P. State Spinning Mills and U.P. Tyre and Tubes are covered units. The remaining three units are yet to be covered under the Act.

TABLE NO. 9.2

Units under study and P.F. Scheme.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Exempted</th>
<th>Unexempted</th>
<th>No. P.F. Scheme</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Private</td>
<td>1</td>
<td>-</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>
CONTRIBUTIONS:

The rate of contributions has been fixed at 6\(\frac{1}{4}\)\% of the emoluments of the employees. Both employers and employees are statutorily required under the Act to contribute at 6\(\frac{1}{4}\)\% of the basic wages, D.A., (including the cash value of food concessions) and retaining allowance if any.\(^1\) The rate has been enhanced during 1962-63 to 8\% of wages in respect of 73 industries on classes of establishments. The enhanced rate of 8\% has been gradually applied to other industries and classes of establishment covered under the Act. Their number was 89 on 31-3-1981.\(^2\)

The Act gives the subscriber an option to pay contribution at a rate higher than the statutory rate not exceeding eight and one-third percent of his pay. However, there is, no obligation on the employer to pay a matching rate of contributions in case the employee chooses to contribute at a higher rate.

The responsibility of payment of contributions rests with the employer. In the first instance an employer is liable to pay his own as well as employee's contributions (either employed by him directly or through a contractor). The contribution is collected from the employers by means of deposits in the State Bank of India. 15 days time is given for the deposit of contributions after the closure of month to which they relate. The employer is required to submit to the Regional Office a return of contributions paid within 25 days of the closure of month.

In addition to the above contributions, the employers are required to pay administrative charges which the Central Government fixes in consultation with the Central board.

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The total amount of contributions received in Uttar Pradesh in the year 1980 and 1981 was Rs.3,341/- Lacs and Rs.3,861/- Lacs respectively. The rate of interest for the year 1980-81 was paid at the rate of 8.25% whereas it was 8.5% per annum for the year 1981-82.

An attempt was made to study P.F. Contributions in Rae Bareli.

### TABLE NO. 9.3

<table>
<thead>
<tr>
<th>Un-Exempted Establishment</th>
<th>Exempted Establishment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.9,70,698/-</td>
<td>Rs.30,17,122/-</td>
<td>Rs.39,87,820/-</td>
</tr>
</tbody>
</table>

**SOURCE:** On the basis of informations given by Provident Fund Inspectorate Office, Lucknow.

P.F. Contributions of the unit under study were as following:

### TABLE NO. 9.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of P.F. Contributions (Employer &amp; Employees Share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>10.17</td>
</tr>
<tr>
<td>1980-81</td>
<td>16.22</td>
</tr>
<tr>
<td>1981-82</td>
<td>25.10</td>
</tr>
</tbody>
</table>

**SOURCE:** Finance Section of the Respective Unit.

ADMINISTRATIVE CHARGES:

The overall amount paid as administrative and inspection charges by all the exempted and unexempted units of Rae Bareli was Rs. 95,469/- in 1982-83.

All the units under study were found to be regular in paying the contributions and other charges to the P.F. Organization and no unit was found to be a defaulter in this regard.

PENAL PROVISIONS:

The Provident Fund arrears can be recovered as arrears of land revenue.¹ Failures to deposit the P.F. money or to submit return renders the employer liable to prosecution. Imprisonment upto six months or fine upto Rs. 1000/- or both may be imposed upon the defaulters.² Compulsory imprisonment has been provided for the defaulters in the Act from November, 1973 to lessen the chances of default. The Act also provides enhanced punishment in certain cases, in which the defaulter are liable to imprisonment upto one year and fine upto four thousand rupees.³

It may be mentioned that inspite of all the legal provision the arrears of P.F. account is still existing as shown in the Table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Arrear (Rs. in Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1977</td>
<td>191.71</td>
</tr>
<tr>
<td>March 1978</td>
<td>228.56</td>
</tr>
<tr>
<td>March 1979</td>
<td>322.09</td>
</tr>
<tr>
<td>March 1980</td>
<td>355.11</td>
</tr>
<tr>
<td>March 1981</td>
<td>399.23</td>
</tr>
</tbody>
</table>


2) Section 14 Ibid., P. 17
3) Section 14 Aa. Ibid., P. 18.
It is obvious from the Table No. 9.5, that the amount in arrears had mounted up from Rs 19.71 Lacs in 1977 to Rs 399.23 Lacs in March, 1981 in Uttar Pradesh. The N.C.L. had also noted that "the recovery of arrears of the provident fund is posing a problem to the administration."¹

It is a very discouraging trend as far as the implementation of the Act is concerned and needs to be controlled with a strong hand. Efforts should be made for the expeditious realisation of the P.F. arrears to the maximum extent possible both by way of Revenue Recovery proceedings and prosecution cases launched under section 14 and 14A of the Act as also under section 406/409 of Indian Penal Code. During the year 1980-81 prosecution cases against 197 defaulting units were launched out of whom 134 establishment were penalized whereas 63 cases were pending with the court as on 31.3.81. During the above period, Revenue Recovery Certificate against 365 establishment were issued. They were amounting to Rs. 135.94 Lacs out of whom Rs. 38 Lacs were realised.² Still more actions need to be taken in this regard.

DAMAGES PAYABLE BY THE EMPLOYER:

Employers who fail to remit dues to the fund in time are liable to pay damages, not exceeding the amount of arrears, as it may think fit to impose.³ Damages are recovered with a view to making good the loss of interest that occur due to delayed payment by employers. This also checks the tendency of the employers to withhold the amount of the Fund.⁴

FINANCIAL STRUCTURE:

As noted earlier, both the employee and the employer make matching contributions on the covered wages. On receipt of the list of employees eligible to become

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members of the Fund, the Provident Fund Commissioner allocs a number to each such employee. This Account Number is the reference number of the account in which the contribution received from the employers both on his own behalf as well as on behalf of the employee member are credited from time to time. Thereafter, the employer deducts relevant sums from the wages of the employees for their share of contributions; this together with a sum equal to his share of contributions is then paid to the Fund each month and a statement to this effect is sent to the commissioner also.

A contribution card for each employee is also maintained by the employer. All sums paid to his account from time to time together with interest occurred on balance is credited in the card. All sums withdrawn are debited in the employees card. The card has a currency period of one year only and it has to be renewed in the subsequent period.

ACCOUNTS:

The Commissioner has to open the following accounts:

(i) MEMBER'S ACCOUNT:

It is opened in the name of each member of the Fund. To this account shall be credited (a) all contributions of the employee, (b) all contributions of the employers, (c) interest on the accumulated balance.

(ii) ADMINISTRATION ACCOUNT:

It is maintained to meet administrative expenses, "including fees and allowances of the Trustees of the Central/State Board and Salaries, leave and joining time allowances, travelling and compassionate allowances, pensions, contributions to provident fund
and other benefit funds instituted for the officers and servants of the Central Board, the cost of audit of the accounts, legal expenses and cost of all stationary and forms incurred in respect of the Central Board and expenses in respect of the Central Commissioner. This Account is credited with the administrative charges deposited by the employer.

(iii) SPECIAL RESERVE FUND:
It is created for paying to the outgoing members the accumulated sums to their credit where the employer has failed to deposit the whole or the part of the contribution in the fund. This fund is credited by transfers from the Reserve and Forfeiture Account.

(iv) RESERVE AND FORFEITURE ACCOUNT:
It is built up by transferring the part of the employer's contributions which is withheld from the outgoing members who leave services before completion of 15 years.

(v) DEATH RELIEF FUND:
It is maintained for granting financial relief to the nominees/heirs of the deceased who has died premature and who is not entitled to receive Rs. 500/- from his fund. Transfers are made from the Reserve and Forfeiture account for this purpose.

(vi) UNCLAIMED DEPOSIT ACCOUNT:
This fund is created with the transfer of sums, which could not be paid to the respective individual members for want of address or any other reason.

(1) Paragraph 54(2) of the E.F.F. Scheme, 1952.
INVESTMENT OF FUNDS:

Initially the accumulated sums of the Provident Fund Accounts were invested exclusively in the Central Government Securities. This pattern of investment was revised from 1st September, 1968 to permit investment in the State Government Securities and other Securities guaranteed by the Central and State Governments up to a specified limit.

BENEFITS:

The E.P.F. and Miscellaneous Provision Act, 1952 guarantees following benefits to the members of the Fund:

(i) RETIREMENT BENEFITS:

When an employee retires from service he is paid the amounts accumulated in his P.F. Account in respect of the contributions made by himself and by his employer together with the amount of interest credited. If the retirement is consequent upon total incapacity for any kind of work in any industry, full amount of his P.F. would be payable to the employee. Entire accumulated fund is also payable in the case a member migrates from India for permanent settlement abroad.

(ii) WITHDRAWALS OR REFUND OF PROVIDENT FUND ACCUMULATIONS

Full accumulations with interest are refunded in the event of death, permanent disability, superannuation, retrenchment, or migration from India and for leaving services for any reason after completion of 15 years of membership. In certain cases, the Board of Trustees or the Commissioner of Provident Fund may permit the withdrawal of the accumulated balance before completion of 15 years of membership. The beneficiary will be entitled to a refund of the full amount of his
own contributions and interest thereon plus a part of the employers' contribution on his behalf in the following manner:

**TABLE NO. 9.6**

<table>
<thead>
<tr>
<th>Period of membership of Fund</th>
<th>Percentage of employers' contribution &amp; interest refundable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Less than three years</td>
<td>25%</td>
</tr>
<tr>
<td>2. Three years or more but</td>
<td>50%</td>
</tr>
<tr>
<td>less than five years</td>
<td></td>
</tr>
<tr>
<td>3. Five years or more but</td>
<td>75%</td>
</tr>
<tr>
<td>less than ten years</td>
<td></td>
</tr>
<tr>
<td>4. Ten years or more but</td>
<td>85%</td>
</tr>
<tr>
<td>less than 15 years</td>
<td></td>
</tr>
<tr>
<td>5. Fifteen years or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

The amounts forfeited in this manner shall be transferred to a Forfeiture Account.

(iii) **TERMINATION OF SERVICE BENEFIT**: If the services of the members are terminated on account of dismissal or discharge due to serious and wilful misconduct, the employer may intimate the fact to the P.F. Commissioner. The P.F. Authorities serve show-cause notice to the member. On the basis of the explanation given by the member the authorities may withhold a part of the employers contribution and pay the member only his own contributions and accumulated interest thereon. The amount withheld is credited to a Reserve Account. The maximum amount that can be withheld in this regard is "employer's contribution in the last two complete periods of currency of the contribution.
cards and that of the period of currency of the current contribution card.¹

It is reported that due to (i) superannuation, (ii) Death, (iii) Permanent invalidation, (iv) Resignation and termination of services, (v) Retrenchment (vi) Dismissal and (vii) Migration, 25,000 Provident Claims amounting to Rs.1,197.00 Lacs were settled and the aforesaid amount was paid to the beneficiaries² in Uttar Pradesh.

The P.F. Claims which were outstanding in Uttar Pradesh as on 31-3-81 were as following:

| TABLE NO. 9.7 |
| No. of outstanding P.F. Claims in Uttar Pradesh as on 31-3-81. |
| Year Ending | Less than one month | 1-3 months | 3-6 months | 6-9 months | 9-12 months | Over one year | Total |
| 31.3.80 | 1,532 | 928 | 23 | - | - | - | 2,483 |
| 31.3.81 | 1,895 | 581 | 96 | 367 | - | - | 2,939 |

SOURCE: Annual Reports 1979-80 and 80-81 of E.P.F.O.

It is obvious from the above table that the number of claims settled within one month time is declining. Simultaneously the total number of cases of outstanding claims is also increasing. This tendency should be effectively checked because of the urgent need of the workers soon after retirement, "It has been the endeavour of the organisation to settle the claims promptly and thus provide relief to the members/nominees/

(1) Paragraph 71 of the E.P.F. Scheme, 1952.
heirs in the shortest possible time."\(^1\) The Central Board of Trustees, in 36th meeting held on 13/14th October, 1980 decided that 'settlement' would mean the physical despatch of the amount authorised by Money-Order or Cheque and not authorisation of payment as was the practice hither to.\(^2\)

An attempt was made to know worker's views regarding settlement of their P.F. claims. Although, in Rae Bareli, only limited workers had taken final P.F. payments (in industrial units), most of them expressed that they had to wait for the settlement of the claims even though they wished to settle down in their native places as soon as they retired or were relieved of their work. They badly needed a speedier handling of their cases. The settlement of claims was reported to be speedier in the exempted units under study and the workers in these factories were more satisfied than those in un-exempted units. The workers' views regarding claims settlement in exempted and un-exempted units under study are as follows:

**TABLE NO. 9.8**
Worker's Satisfaction from the Settlement of P.F. Claims.

<table>
<thead>
<tr>
<th>Units</th>
<th>Satisfied</th>
<th>Not Satisfied</th>
<th>Not Replied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Exempted</td>
<td>157</td>
<td>63</td>
<td>85</td>
<td>305</td>
</tr>
<tr>
<td></td>
<td>(51.5%)</td>
<td>(20.6%)</td>
<td>(27.9%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>2. Un-Exempted</td>
<td>21</td>
<td>85</td>
<td>64</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>(12.35%)</td>
<td>(50%)</td>
<td>(37.65%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>178</td>
<td>148</td>
<td>149</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>(37.5%)</td>
<td>(31.1%)</td>
<td>(31.4%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

\(^1\) 28th Annual Report 1980-81, E.P.F. Organisation, p.44.
\(^2\) Ibid.
It is clear from the above Table that:

(i) About 51% workers in exempted units and about only 12% workers in unexempted units were satisfied with the claims settlement.

(ii) A good percentage about 51% employees did not replied to the question.

ADVANCE BENEFIT FROM THE FUND:

Apart from the usual provident fund repayments, the members are also allowed to get certain non refundable advances, "One of the objective of any Social Security Scheme is to guarantee protection to workers in situations when they are unable to work because of illness, accident, invalidity, old age or to provide funds to enable them to discharge their family responsibilities like marriage of dependent sister/brother, daughter/son or higher education of children or construction of dwelling houses etc. The organisation has come to the rescue of the members in the eventualities referred to above, by sanctioning non refundable advances to them to meet their needs and obligations." The number of advances sanctioned under the scheme in Uttar Pradesh is given in the Table below:

**TABLE NO. 9.9**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Purpose of Advance</th>
<th>No.of cases</th>
<th>Amount(Rs. paid (inLacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Financing of Life Insurance Policies</td>
<td>2234</td>
<td>3.30</td>
</tr>
<tr>
<td>2.</td>
<td>House Building etc.</td>
<td>746</td>
<td>15.61</td>
</tr>
<tr>
<td>3.</td>
<td>During Temporary closure of estts.</td>
<td>40</td>
<td>1.11</td>
</tr>
<tr>
<td>4.</td>
<td>Illness of members/family members</td>
<td>451</td>
<td>4.83</td>
</tr>
<tr>
<td>5.</td>
<td>Marriage and post matriculation education of children</td>
<td>6368</td>
<td>96.23</td>
</tr>
</tbody>
</table>

Table Contd.--------

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Purpose of Advance</th>
<th>No. of cases</th>
<th>Amount (Rs. in Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Damage to movable and immovable property of members due to calamity of exceptional nature.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Cut in supply of electricity to the factory/estt.</td>
<td>1634</td>
<td>5.45</td>
</tr>
</tbody>
</table>

**TOTAL:** 11473 126.43


The demand for advances for L.I.C. Premium and house-building purposes is on increase but there is nothing to fear as these are productive expenditures. However, the abnormal rise in the advances for marriage purposes needs to be cautiously watched as the main object of the Provident Fund Scheme is to provide money security in old age.

It is reported that in all 437 applications for grant of various types of advances were pending in 1981.

**TABLE NO. 9.10**

Number of pending applications for grant of various types of advances in Uttar Pradesh as on 31-3-81.

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Less than one month</th>
<th>Between 1-3 months</th>
<th>Between 3-6 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.3.80</td>
<td>1098</td>
<td>345</td>
<td>137</td>
<td>1589</td>
</tr>
<tr>
<td>31.3.81</td>
<td>351</td>
<td>118</td>
<td>4</td>
<td>473</td>
</tr>
</tbody>
</table>

The Table Number 9.10 reveals that the number of pending case has decreased considerably and about 1/4 cases in comparison to preceding year have been left for disposal. This is indeed a very encouraging feature because the amount of advance is made available to the beneficiary immediately. This trend needs to be continued and more steps to ensure rapid disposal of cases to ensure grant of advances as soon as the need arises, must be taken.

WORKER’S VIEWS:

The views of the workers regarding ease in getting the advances from P.F., in the units under study can be seen from the table below:

**TABLE NO. 9.11**

Workers’ views Regarding Ease of Getting Advances from P.F.

<table>
<thead>
<tr>
<th>Name of the Unit</th>
<th>Ease of Getting Advances from P.F.</th>
<th>Easy</th>
<th>Difficult</th>
<th>No Opinion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXEMPTED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. I.T.I.Ltd.</td>
<td></td>
<td>184</td>
<td>28</td>
<td>48</td>
<td>260</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(70.8%)</td>
<td>(10.7%)</td>
<td>(18.5%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>2. Modi Carpets Ltd.</td>
<td></td>
<td>31</td>
<td>8</td>
<td>6</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(68.8%)</td>
<td>(17.8%)</td>
<td>(13.4%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>3. Rae Bareli Textile Mills</td>
<td></td>
<td>12</td>
<td>32</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(25%)</td>
<td>(66.7%)</td>
<td>(8.3%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>4. U.P.State Spinning Mills</td>
<td></td>
<td>27</td>
<td>61</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(27%)</td>
<td>(61%)</td>
<td>(12%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>5. U.P.Tyre &amp; Tubes Ltd.</td>
<td></td>
<td>7</td>
<td>11</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(31.8%)</td>
<td>(50%)</td>
<td>(18.2%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>
The Table Number 9.11 also resembles the findings of Table Number 9.8 regarding workers satisfaction from the settlement of claims. Workers in the exempted units viz., Indian Telephone Industries Ltd., and Modi Carpets Ltd. about 70 and 68% respectively find it comparatively very easy to obtain the advances in comparison to un-exempted units viz., Rae Bareli Textile Mills, U.P. State Spinning Mills and U.P. Tyre and Tubes Ltd. where most of the workers reported it to be very difficult.

EMPLOYEES' FAMILY PENSION BENEFIT:

The Labour Provident Fund Laws (Amendment) Ordinance, 1971, was promulgated by the President of India on 13th February, 1971, which amended the employees' Provident Fund Act, 1952. The Central Government has framed the Employees' Family Pension Scheme 1971 under the powers conferred upon it by the Act. The Scheme is optional for employees, who have joined the Employees' Provident Fund before 1-3-1971 and is compulsory for employees who have joined the Fund after 1-3-1971. The scheme provides the following benefits:

(a) FAMILY PENSION:

"Family Pension at the prescribed rates (Rs.60/- per month effective from 1st March, 1980)¹ is payable if the member dies while in reckonable service before attaining the age of 60 years and he/she has contributed to the Family Pension Fund for not less than 2 years."² The Ministry of Labour has amended the Employees Family Pension Scheme providing for, reduction in the period of membership of the Family Pension Fund from two years to one year for being eligible for family pension.³

(1) Prior to it Rs.40/- were paid per month.
(b) **LIFE INSURANCE:**

Life Assurance Benefit of a lump sum amount subject to maximum of Rs.2000/- is payable,¹ in the event of death of a member while in reckonable service, if he/she contributed to the Family Pension Fund for not less than 1 year.

(c) **RETIREMENT BENEFITS:**

A lump sum amount, subject to maximum of Rs.4000/- is payable to the member of the Family Pension Fund as retirement benefit, on his/her attaining the age of 60 years, provided he/she had contributed to the Family Pension Fund for not less than one year.

(d) **WITHDRAWAL BENEFITS:**

A lump sum amount is payable as withdrawal benefit, when the member leaves service for reasons other than death before attaining the age of 60 years. "In case a member leaves service before completing one years of contribution to the Family Pension Fund, his/her own share of family pension fund contribution with interest @ 5.5% per annum is payable to him/her."²

The Scheme is financed by contributions from the employees, employers, and the Central Government at the similar rate of 1.1/6% of the employees' wages. The scheme was amended in 1976 and it changed the nomenclature of E.P.F. and Family Pension Act, 1952 to E.P.F. and Miscellaneous Provisions Act, 1952.³

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¹ With effect from 1st March, 1980, Prior to it Rs.1000/- was paid as Life Assurance Benefit.
³ From 1st August, 1976.
The contributions regarding employees pension fund from different undertakings in Rae Bareli in the year 1981-82 were as following:

TABLE NO. 9.12
FAMILY PENSION FUND CONTRIBUTION FROM RAE BARELI.
1981-82.

<table>
<thead>
<tr>
<th>Exempted Establishments</th>
<th>Un-Exempted Establishments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.6,75,576/-</td>
<td>Rs.1,30,244/-</td>
<td>Rs.8,05,800/-</td>
</tr>
</tbody>
</table>

SOURCE: P.F. Inspectorate, Lucknow.

It is seen that during the year 1980-81, 2,305 claims relating to this scheme were settled in Uttar Pradesh and Rs.9.43 Lacs were paid to the beneficiaries. The number of outstanding claims at the end of 31-3-1981 were as following:

TABLE NO. 9.13
Outstanding Family Pension Claims at the End of 31.3.81 in Uttar Pradesh.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>For less than one month</th>
<th>1 - 3 months</th>
<th>3 - 6 months</th>
<th>6 - 9 months</th>
<th>9 - 12 months</th>
<th>over a year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-3-80</td>
<td>914</td>
<td>689</td>
<td>469</td>
<td>149</td>
<td>143</td>
<td>56</td>
<td>2420</td>
</tr>
<tr>
<td>31-3-81</td>
<td>720</td>
<td>958</td>
<td>673</td>
<td>377</td>
<td>382</td>
<td>284</td>
<td>3394</td>
</tr>
</tbody>
</table>

Table Number 9.13 reveals that the number of unsettled claims is swelling fast, this is indeed very alarming situation. It is necessary therefore to take sufficient measures to settle the claims as and when it arises. Otherwise the very purpose of the scheme will be defeated.

**EMPLOYEES' DEPOSIT LINKED INSURANCE SCHEME:**

The Employees' Deposit Linked Insurance Scheme, 1976, framed under the Act, is applicable to all the employees who are members of the Provident Fund, both in the exempted and un-exempted establishments. The scheme came into force with effect from 1-3-1976. The scheme provides that "On the death of an employee, who is a member of the Provident Fund, his nominee/heir will be entitled to receive the Provident Fund accumulations, shall be paid an additional amount as Assurance benefit equal to the average balance in the provident fund account of the deceased during the preceding three years but not exceeding Rs. 10,000/-,"¹ provided that if the death of an employee occurs on or after the first day of August, 1979, the average balance in the account of the deceased employee should not be less than Rs. 1,000/- during the preceding three years or during the period of his membership, which ever is less.

The employees covered under this Scheme are not required to make any contribution to get this additional benefit. "Employers are, however, required to pay contributions to the Insurance Fund at the rate of 0.5% of the pay of the employees, who are members of Provident Fund. The Central Government also contributes to the Insurance Fund half of the employers' contributions

In addition, both the employers and the Central Government pay towards Administrative charges at the rate of 0.1% and 0.05% of the pay of employees. In addition, the employers of exempted establishments pay inspection charges @ 0.02% of the pay of the employees for administering this scheme.  

The overall amount paid by employers, as contribution and administrative charges under E.D.L.I. Scheme, of all exempted and un-exempted units at Rae Bareli was about Rs. 99026/- in 1982-83.

SETTLEMENT OF CLAIMS:

The details of the claims settled is as follows:

**TABLE NO. 9.14**

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Number of Claims settled</th>
<th>Amount authorised for payment (Rs. in Lac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978-79</td>
<td>85</td>
<td>5.29</td>
</tr>
<tr>
<td>1979-80</td>
<td>158</td>
<td>8.89</td>
</tr>
<tr>
<td>1980-81</td>
<td>314</td>
<td>20.99</td>
</tr>
</tbody>
</table>

SOURCE: Annual Report of E.P.F.O. of the Respective years

The E.D.L.I. Claims which remained unsettled in Uttar Pradesh were as under:

**TABLE NO. 9.15**

Outstanding E.D.L.I. Claims as on 31-3-1981.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Less than one month</th>
<th>1 - 3 months</th>
<th>3- 6 months</th>
<th>6-9 months</th>
<th>9-12 months</th>
<th>Over one year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-3-80</td>
<td>68</td>
<td>115</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>216</td>
</tr>
<tr>
<td>31-3-81</td>
<td>172</td>
<td>185</td>
<td>32</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>389</td>
</tr>
</tbody>
</table>

**SOURCE**: Annual Reports of the E.P.F. Organisation for years 1979-80, 80-81.

The above table reveals that although most of the claims are settled within three months time but the number of unsettled claims are swelling and it needs immediate check by infusing efficient working and prior to it correct recording of the documents.

**ADMINISTRATION AND THE IMPLEMENTATION MACHINERY:**

The administration of the Employee's Provident Fund and Miscellaneous Provision Act, 1952 vests in and administered by a Tripartite Board of Trustees, a Body Corporate, Consisting of a Government nominated Chairman, 3 nominees of the Central Government, nominees of the State Governments as specified by the Centre, 6 representatives of each of employees' and employers' organization in covered industries nominated by the Central Government in consultation with the representatives of the organisations of employers and the recognized organisation of the employees.
The Board of Trustees is the Chief Agency responsible for the administration of this Scheme. Tripartite Regional Committees may also be constituted in each Region, consisting of a Chairman nominated by the Central Government, two persons on the recommendations of the State Governments by Central Government, three representatives of the covered employees and employers each and the non-official members of the Central Board residing in the State.¹

The Central Provident Fund Commissioner is the Chief Executive Officer of the Organization and Secretary to the Central Board of Trustees, who administers the scheme throughout India through Regional Offices one in each State. He works as a link between the Board of Trustees, beneficiaries, of the Fund and the employers' and employers' organization on the one hand and the Central Government on the other. He is assisted by Regional Provident Fund Commissioners. The Regional Committees advise the Central Board of Trustees on matters relating to the administration of the Scheme in their respective regions.

SUB-REGIONAL OFFICES:

"As a measure of decentralisation and with a view to carrying the services to the door steps of the subscribers, sub-Regional Offices are being opened from 1975² There are two Sub-Regional Offices (one each at Meerut and Varanasi) in Uttar Pradesh. Two more Offices one each at Bareilly and Gorakhpur are to be opened soon.

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(1) Paragraph 3 of the E.P.F. Scheme.
INSPECTORATE OFFICES AND INSPECTORS:

A Provident Fund Inspector is an important link between the E.P.F. Organisation and the Employers of the covered establishments. The area P.F. Inspector while visiting/inspecting an establishment has to ensure that (i) all coverable establishments or factories are covered under the Act from the due date of coverage, (ii) to secure compliance from the covered establishments. As on 31-3-1981 there were six Inspector offices in Uttar Pradesh viz., (i) Lucknow (ii) Bareilly (iii) Agra (iv) Allahabad (v) Dehradun and (vi) Gorakhpur.

STAFF POSITION IN LUCKNOW: INSPECTORATE OFFICE:

As Rae Bareli is attached to Lucknow Inspectorate Office, Staff position there was studied. At present (as on 15th February, 1983) there were four Inspectors and one clerk and they were controlling nine Districts. The Inspector: factory ratio in Lucknow P.F. Inspectorate Office works out to 1:280. Under the rules, the Inspector is required to visit each unit at least once in four months i.e. thrice a year. The number of inspections per inspector are prescribed as 40 per month i.e. 160 per four months. It is difficult to expect an Inspector to visit all the units allotted to him even twice a year.

However regarding Rae Bareli no inspection had been carried out of almost all the units since March 1980 to December, 1982. This is most irresponsible behaviour on part of the Inspector concerned. The present Inspector has started inspections of the covered units of Rae Bareli now.

(2) Ibid, Appendix 'C', p.91.
For effective enforcement of the Act, the staff position in Lucknow must be strengthened considerably and action against irresponsible and negligent Inspectors must be taken.

In addition to the visits of the covered units the Inspector has to pay visits to marginal and infant factories to check their eligibility for coverage under the act. But the information regarding Rae Bareli was not available.

**LABOUR ADMINISTRATOR'S VIEWS:**

The Provident Fund Inspectors pointed out that some of the employers submit incomplete and defective returns and they cared less to keep the necessary registers ready for inspection even though the intimation of the visit was given to them well in advance. Similarly some of the employees submit defective or incomplete applications for sanction of final withdrawal or non-refundable advance and as a result of all these delay is caused. Simultaneously inadequacy of powers coupled with inadequate staff had made perfect enforcement of the Act, a very difficult job.

**MANAGEMENT'S VIEWS:**

Most of the Managements expressed their satisfaction over working of the Act and described it as an important scheme for protecting the financial interest of the workers.

**TRADE UNIONIST'S VIEWS:**

The Trade Unionists also expressed satisfaction over this scheme however, they were critical about the length and complex procedures employed to administer the Act.
References have already been made to the views expressed by workers at relevant places in this chapter. Till now the scheme had gained too much popularity and it is known to almost all the workers. However, workers' knowledge of the specific provisions indeed revealed the information gap and it has varied from provision to provision. The awareness of different provisions of the scheme increased with the level of education, union association, training under workers' Education Scheme and the length of service.

The workers' views on the Rate of Interest and contributions were sought, the findings are as follows:

<table>
<thead>
<tr>
<th>Problem</th>
<th>Sufficient</th>
<th>Insufficient</th>
<th>No Opinion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Present Rate of interest</td>
<td>61</td>
<td>265</td>
<td>149</td>
<td>475</td>
</tr>
<tr>
<td>paid on P.F.</td>
<td>(12.8%)</td>
<td>(55.8%)</td>
<td>(31.4%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>2. Rate of Contribution</td>
<td>301</td>
<td>25</td>
<td>149</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>(63.3%)</td>
<td>(5.3%)</td>
<td>(31.4%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

The Table reveals that the majority of the workers (55.8%) reported, the present rate of interest (8.75%) paid on the Provident Fund accumulations to be insufficient and they wanted increase in the rate of interest. Some of them suggested that the rate of interest paid, should not be less than the rate of interest paid by Commercial Banks on long term fixed deposits.
The workers are well aware of the adverse effect of inflation on the real value of P.F. accumulation and therefore most of them (63.3%) reported the present rate of contribution to be sufficient and they do not want any increase in it so as to involve more money in the scheme.

It has been found that the employees of uncovered units in Rae Bareli are waiting anxiously for the implementation of Employees' Provident Fund Scheme in their units. The Government should take necessary actions in this regard so that workers of these marginal and small units may also be extended old age income security through this scheme.

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