Standing Committee Report Summary

Regulatory Framework of the EPFO on the Excluded Category vis-à-vis Implementation of Various PF Acts

- The Standing Committee on Labour (Chair: Dr. Kirit Somaiya) submitted its report on 'Regulatory Framework of the EPFO on the Excluded Category vis-à-vis Implementation of Various PF Acts' on August 9, 2018. The Committee examined the issue of Provident Funds (PF) in detail. It noted that a large number of PF schemes are regulated by the Employees Provident Fund Organisation (EPFO), as per the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. However, the Committee noted that there are several categories of PF schemes which exist under special acts (i.e., the Provident Fund Act, 1925 and other statutory PFs) and do not fall under the 1952 Act. The Committee observed that there was a need for a regulatory mechanism to cover all these various PF trusts.
- **Regulation of excluded PF Trusts:** According to the 1952 Act, there are two categories of establishments – exempted and excluded. Certain establishments are exempted from the 1952 Act. However, the provisions of the 1952 Act do not apply to certain excluded establishments, such as registered cooperative societies with less than 50 workers. They maintain their own PF trusts. Further, the Committee noted that several excluded establishments are regulated by the Provident Fund Act, 1925. The 1925 Act deals with provident funds primarily relating to the government, local authorities and Railways.
- The Committee noted that there is no specific regulator at the central level to regulate all existing PF trusts. It emphasised the need for a central regulator to: (i) protect the interests of contributing workers, (ii) ensure judicious investments of their contributions to yield maximum returns, (iii) make use of unclaimed amounts lying with these trusts, and (iv) prevent financial fraud.
- **Regulation of Trusts under Provident Fund Act, 1925:** The Committee observed that until recently, PF trusts governed under the 1925 Act were not regulated by any Ministry or regulatory authority (such as Pension Fund Regulatory and Development Authority, or the EPFO). It noted that the administration of PF trusts under the 1925 Act has only recently been handed over to the Ministry of Labour & Employment.
- The Committee was also informed that there is a consensus that EPFO be made the sole regulator of all PF trusts under the 1925 Act, and for the excluded and exempted establishments under the 1952 Act. The Committee noted that a single regulator will ensure efficient working of all trusts and avert future financial fraud. It recommended that the government should either draft a new law to cover these unregulated trusts, or insert the relevant provisions of the 1925 Act in the 1952 Act.
- **Collection of Data:** The Committee also asked the Ministry to collect requisite data with regard to the total number of trusts of establishments under the 1925 Act, including details of the number of subscribers and total contribution from the subscribers. This will aid in identifying unclaimed amounts lying in these trusts, for the benefit of their subscribers.
- **Un-authorised deduction of amounts:** The Committee observed that the 1952 Act provides protection against attachment of PF contributions lying in individual accounts. However, some organisations (such as banks) which manage their own PF contributions, are deducting penalty amounts from individual accounts on the ground of disciplinary action. It recommended setting up a regulatory body to take stringent action against establishments which circumvent rules.

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