Course Name: Labour Welfare and Industrial Relations

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Lecture – 27

Hello, learners. Namaste. Welcome back to the course on labor welfare and industrial relations. We move to the third lecture of Module 6, where we'll be specifically looking at one of the interesting concepts, Provident Fund, specifically Provident Fund legislation in India. We'll also be specifically looking at the Central Government Health Scheme 1954.

I'm Dr. Abraham Cyril Issac. I'm an assistant professor at the School of Business, Indian Institute of Technology, Guwahati. So over the discussions in labor welfare in this module as well as the previous module, you will observe that we have tried to bring in newer concepts and newer amenities and newer schemes which can actually increase or enhance the labor welfare, especially the welfare part of our course. Now, today, we'll delve into something which is more interesting, which is nothing but the Provident Fund and also the Central Government Health Scheme associated with that. So, evolution of Provident Fund.

When we look into the labour welfare relations, we have understood that from the 1920s, the scheme of labour welfare and specifically the need for welfare has come up. We have traced the evolution. of the entire labour welfare relations, industrial relations and specifically pertaining to labour welfare. When you look into Provident Fund, let's look into the evolution from that angle. The history says that the evolution of Provident Fund legislation in India

dates back to the pre-independence era. As I've already mentioned, around the 20s, it started with roots in British influence and definitely early schemes aimed at providing the financial security for workers. So this was something which was very critical when it came to the Provident Fund. The purpose was simple. The objective of a Provident Fund is to encourage workers

Saving for the future financial security of employees, ensuring a safety net for retirement, emergencies and other life events. Now, I would like to take 30 seconds of your time and discuss this. See, there is a possibility that you are paid, you are getting salary on a day-to-day basis, you are happy enough that all your expenses are met and you still might have some particular income to save. So, Irrespective of what is your average propensity to save, we or the people who are actually getting money on a regular basis, they might or might not save.

Now, this would actually lead to a consumerist culture. There is no doubt about it. But then there is an issue, an underlying problem associated with this. What happens when some emergency comes? What happens when there is some critical need where you are not able to take care of your family member?

You are not able to take care of yourself. Some health care benefit or some health care emergencies, urgencies, all these things, accidents. Anything can come in at any point in time and that is what life is. It is unpredictable. In that background, we have to understand that humanly there is

lack of possibility of saving the money there is possibility but the probability of saving that would be slightly low so what you generally do is that you whatever you get the extra money you train to spend so even economics or even economic theories have stated that as your income increases your expenditure also keeps on increasing so when you're looking into a job which pays you but In the end, savings might be almost negligible or equivalent to zero. Then a concept of provident fund is very critical. Employer is contributing something. The employer, the entity is taking some part of your salary and also may be equally contributing if not more.

and a lump sum is created, there is a compounding effect also going in. So this will ensure that even after a certain period in time, you might have a certain amount of money to look at, something like a savings fund, or maybe in terms of financial issues or financial insecurity that arises suddenly, maybe with respect to some accidents or maybe with respect to some emergencies, whatever the sudden life events are, This fund could be handy or could come handy in that particular situation. So this is something which you have to understand when you look into provident fund. So I wanted to set the background of provident fund.

So when you look into the evolution, please understand the thought process of saving was pretty new when you look into the early 20s or the pre-independence era. But still... It has a colonial impact when people try to bring in the concept of Provident Fund. It is definitely good for the worker. It is also beneficial for the organization or for the employer because at some point, they are also taking up the responsibility of ensuring a certain financial security for that particular individual or for that particular worker.

Looking into that, we'll understand that the benefits, employee benefit from the Provident Funds through long-term savings growth Tax benefits are there nowadays. You'll see that, you know, recently we had the budget session. So we see the tax benefits associated with that financial stability and the assurance of a secure retirement income. This is more critical because what will you do once you retire?

So this is the answer to that particular question. When you look into the early provident fund systems. especially the pre-independence era. Let's look into something like the 1952 Act. When you look before 1952 Act, in fact, the early provident fund schemes emerged around the 20s, as I've already mentioned.

So these schemes, however they were limited in the reach, primarily benefited the specific groups, especially people like the government employees or those working in educational institutions, etc., So, recognizing a need for more of an inclusive approach, specifically, the Indian government took the 1952 step, which I'll detail it. But before that, when you look into the initial schemes, you have to understand there was an underlying British influence. British colonial rule played a significant role in shaping the early provident fund systems in India, which actually laid the foundation. When you look into, you know, the critical aspects before 1952, things were very clear.

One was the limited coverage, which I'll explain in the coming slides. And the second one was voluntary participation. So when you look into the limited coverage, the early provident fund schemes lacked the universality. Catering only to say select professionals as I have already mentioned or some government departments. So this technically left a vast segment of people or workforce particularly in the private sector without any actual social security precaution.

Now, voluntary participation in these early schemes was there, but since it was voluntary, it hindered the creation of a very great or a substantial corpus for the retirement needs. So, this is where you have to understand the specificity of the 1952 Act in general. When you look into the Employees Provident Fund scheme, the role of Indian government was critical. It took proactive measures to reform the Provident Fund systems, focusing on enhancing the employee welfare, the social security and the financial inclusion. Post-independence, you will see that there has been legislative changes which strengthened or which at least aimed to strengthen the regulatory framework of the PF ensuring better governance, transparency and compliance with evolving economic conditions and social needs.

Now, when you look into the 1952 Act, it was a turning point. It marked a significant milestone in the formalizing all the Provident Fund regulations, whatever are the rights, obligations, the structure of Provident Fund schemes, etc. So what was critical here was that there was a principle of mandatory coverage. The Act made participation in EPF scheme compulsory for all establishments employing a minimum number of workers. The threshold has been categorically revised over and over time.

So this was critical. This ensured broader coverage and a more secure financial future. for a larger segment of society. When you look into the entire PF, the contributory model, the scheme adopted a contributory model, specifically. requiring both the employers and employees as I have already mentioned.

So there was some level of skin in the game that came in part or they came in from the employer also. Maybe a specific percentage of the employee's salary was given towards Provident Fund and that created a sense of ownership or a sense of responsibility. So this shared responsibility typically fostered a sense of collective ownership and it ensured that there was a substantial balance corpus accumulation so when you look into the emergency needs the you know urgent health care attention required and all those things we have to also acknowledge that there might be some benefits beyond retirement the act envision this the epf scheme specifically as more than just a retirement savings plan it allowed for partial withdrawals under specific circumstances as i've already mentioned like house purchases or medical emergencies or even offering a safety net during unforeseen situations.

So this is what the 1952 Act's legacy is. This 1952 Act laid the foundation for the modern EPF system in India. I repeat, this 1952 Act laid the foundation for the modern EPF system in India. It established a framework for promoting a culture of savings among employees, which facilitated... undoubtedly long-term financial planning for retirement and offered a measuring or a measurement of financial security during all the financial emergencies so this

Certainly was a landmark legislation and it continues to be a cornerstone of social security for millions and millions of Indian workers, saving as a testament to the government's commitment and its well-being. So when you look into the role of Indian government, it has been phenomenal when you look into the PF Act. Now let's look into the Central Government Health Scheme, another important aspect which I wanted to discuss in today's lecture. The Central Government Health Scheme established in 1954, it again is, I should say, is one of the most critical or maybe one of the most fundamental health schemes that the government has come up. So this program, categorically designed and administered by the Ministry of Health and Family Welfare, it offers a comprehensive medical benefit package to a specific group.

Now, when you look into the objectives, the CGHS, so you see that maybe your uncle or aunt or whoever was in government service, they might be making use of the CGHS or they might be procuring medicines from a CGHS affiliated facility or they might be seeking treatment in a hospital which is empaneled with the CGHS. The central government health scheme has been revolutionary. No doubt about it. CGHS aims to ensure the well-being and health security of government personnel by offering accessible medical facilities, preventive care and treatment options at MPanel hospitals and health care centers. If you look into the objectives in a very narrow sense, If you look into the objective with a bigger lens, you will understand that it certainly reduces the financial burden. It promotes preventive care. It improves health outcomes. So this should be what the objectives of this is what is understood or underscored as the objective of central government health scheme. When you look into coverage, who can avail the benefits?

The central government employees, typically current and retired employees. working under the central government are categorically eligible for the enrollment of the CGHS. When you look into the coverage, even the dependent, specifically spouses, unmarried dependent children, and in some cases dependent parents of the beneficiary, can also be included under this scheme. So central government health scheme has been phenomenal in giving a health care net, health care security for the government personnel working or retired. When you look into the contribution and benefits of this particular scheme, I have already mentioned that there is a sense of shared responsibility.

There is affordable participation that is coming in. When you look into the employees' contribution specifically, employees contribute a percentage of their salary towards the Provident Fund account, building a fund for retirement emergencies, which we have seen. When you're looking into employer contributions, we see that the employers also match. There are withdrawal options also. But when you specifically look into the shared responsibility, the scheme which I was talking about, the central government health scheme, actually operates on a contributory model.

Both the central government and the beneficiary, the employee, contribute a fixed monthly percentage of the employee's contribution. Basic salary towards the scheme. The shared financial responsibility ensures long-term sustainability and program stability. Also, as I mentioned, it gives an affordable participation. The contribution typically amounts are typically predetermined and relatively low.

When you look for a private insurance, this will be a different rate altogether. Maybe the healthcare schemes might cost you more. But when you look into the CGHS specifically, the predetermined cost is relatively low. And when you look into the benefits specifically, you have the benefits of cashless treatment as well as comprehensive medical coverage associated benefits. Thank you very much.

When you look into where there are no particular centers, there are reimbursement options also. Where treatment is unavailable at MPANEL facilities or during emergencies, the CGHS offers reimbursement for medical expenses incurred at non-MPANEL hospitals. So one particular thing which I would like to emphasize is the comprehensive medical coverage when you come to the CGHS part. This is not only with respect to the OPD, the outpatient department service, all the consultation with specialists, diagnostic tests and prescribed medications are free. Apart from that, there are provisions for inpatient hospitalization, which would include definitely the coverage for the room charges, the surgeon fees and other associated costs during hospitalization at MPANEL facilities.

There is also the inclusion of Ayush treatment, coverage for traditional Indian systems of medicine like Ayurveda, Yoga, Naturopathy, Unani, Siddha and Homeopathy. And even there are provisions for maternity and child health care services, prenatal care, childbirth, postnatal care for mothers and well-being services for women. So this makes the central government health scheme a very comprehensive health scheme. When we specifically look into the legal framework and compliance of the PF Act, provisions of the PF Act, we see that the PF Act lays down the rules and regulations governing provident funds, which includes the details of the contribution, the withdrawals, interest rates and compliance requirements for employers.

So when you are looking into the equal contribution, there might be certain compliance requirements. Employers are mandated to comply with the provisions of the PF Act. ensuring timely contributions, accurate record keeping and adherence to prescribed guidelines to protect employee interest. When you look into the PF Act, it has gone through different amendments over the year and it is changing and adapting. When you are looking into PF as an investment option,

There is comparison with savings schemes. Provident Fund offers a secure and tax-efficient savings option compared to other investment schemes, providing guaranteed returns and long-term financial stability. And when you look into the tax implications, contributions to PF enjoy tax benefits under the Income Tax Act, making it a popular choice for both employees and employers to save for the future. while reducing the liabilities accounted with respect to that. When you look into certainly the tax implications, we have to understand that there are certain tax benefits also that come in picture when you are going for the PF.

So a couple of things I wanted to remind you. There are different schemes when you are looking into the present day economic scenario. There are different schemes that are there to save money for a health care benefit. Systematic investment plans are there. There are compounding plans.

There are term insurances. All facilities are available at your fingertips. You can just take a plan like that. But when you look into the PF as a government-backed service, there are certain, you know, most of the services have gone. But whichever has still the PF or the employers which still go with PF, you know, the comparison with savings scheme, this is more, you know, trustworthy.

And you look into the tax implications, most of the tax benefits over around the PF are And this is something which is actually motivating people to go for the traditional schemes rather than the newer models and the newer schemes. When you look into the challenges, reforms specifically and digital initiatives, there are certain implementation challenges which I would like to underline. Organizational and regulatory hurdles are there. Some organizations, they keep a deliberate check on these contributory mechanisms whereby they don't have to shell out money.

There are issues of awareness, there are lack of awareness that organizations or sometimes the employees are having. There are compliance complexities which pose challenges in effective implementation of the provident fund system. So all these aspects actually in fact employ benefits certainly and to a certain extent satisfaction. When you look into the recent changes, there are certain recent reforms in the Provident Fund sector which categorically aims to address the inefficiencies, improve transparency, enhance the digital space. access and streamline process for smoother fund management and employee engagement and finally if you look into the changing you know technology arena there are a lot of digital initiatives the integration of digital platforms online portals mobile apps have revolutionized the provident fund management system altogether offering all the employees a very very convenient access to

to their accounts, all the real-time updates are coming in and also there are capabilities which are seamless nowadays when you come to transaction. Now let's look into the employer responsibilities and compliance challenge when you are looking into the PF. Employer responsibilities, as I already mentioned, the employers have a duty to ensure their timely contributions because they are also a stakeholder in this. Compliance with regulatory norms is must. You have been regulated to contribute X percentage.

You have to contribute X percentage. You cannot think of any other amount. Accurate record keeping is a must and must. Most importantly, transparent communication is vital. When you look into most of the criticality of the schemes and funds which are actually governed or actually motivated by director and instructed by the particular authorities, especially the employer, the main concern is always the lack of transparency in communication with employees certainly.

And when it comes to Provident Fund, it is their money which is also at stake. And so is employer. So employer's money and employee's money both at stake. There should be transparent communication and that is what is required as part of a compliance. When you look into the role of PF management, employers play a critical role in facilitating the provident fund operations.

including the fund disbursal, the grievance redressal, regulatory adherence and promoting employee engagement with the savings. Let's quickly understand this. When you are looking into, let's say, the role of government or role of the employer specifically, you have to understand that there is a certain promptness that is required from the part of the authorities or the employers in fund disbursal. If that promptness is not there, every month, let's say, before the 10th of the month or before, let's say, 15th of the month, if that part is not done.

There are some grievances coming in. If those grievances are not addressed properly, there are certain regulatory adherences. You know, you have to, as I've already mentioned, you have to contribute this much percentage. The employer tacitly, tactfully... actually reduces the percentage or some other way is not contributing in an equal way, then all these issues actually become a challenge for the compliance of the PF Act.

So please understand, ladies and gentlemen, when you are looking into the PF Act from the employer perspective, there are certain employer challenges. There are certain employer responsibilities and compliance challenges. So when you are looking into the compliance challenges, I've already mentioned because there should be promptness. There should be, you know, grievance redressal proper mechanisms. There should be regulatory adherence.

And you have to ultimately, you know, increase the employee engagement. If the employee is not engaged, In sync with your understanding of the of the contribution, then he or she might not be actually, you know, proactively coming in and contributing to the fund. So please understand there are certain employer responsibilities and compliance challenges when you're looking into the employee side. There are certain employee engagement strategies.

Very quickly we will look into that. The first one is the awareness program. Educational initiatives, workshops, seminars aimed to enhance employee understanding of provident fund benefits, contribution mechanisms, withdrawal procedures, etc. There are certain benefits, communication, where clear and effective communication channels should facilitate transparent exchange of information about the Provident Fund updates, policy changes, investment returns, etc. And finally, if you look into employee participation, it encourages active involvement and ownership of Provident Fund contributions and benefits through interactive sessions, feedback mechanisms and certainly recognition programs that promotes a culture of

financial literacy and security among employees so this is what I wanted to paint a picture of the critical acts when it comes to welfare we have looked into some of the specificity of PF. We have also looked into the central government healthcare schemes.

So, when you are looking into all these aspects, there is a significant factor coming in, which is the contribution of the government, the contribution of the employer. Now, what makes it significant is the skin in the game.

It is the A statement that you contribute this much percentage, we are going to equally contribute this much. So that means that there is a sense of collective wisdom coming in. There's a sense of collective ownership that is pitching in. The employer is sensitive to the needs and requirements of you as a worker on a day-to-day basis.

The government of the day is sensitive to the requirements and needs of you as a worker on a day-to-day basis. And this is what makes the welfare all the more equally contributory and more participative and people get involved voluntarily. Now, this is what is required for greater compliance. There should not be any coercion. There should not be any pressure.

There should not be any force. But the fact that people come and contribute voluntarily, the employer equally contributes voluntarily, this makes the whole mechanism running like a well-lubricated tool or equipment. That's all from today's class. We'll look into greater details of welfare in the next class. Till then, take care.

Bye-bye. Thank you.