Course Name: Labour Welfare and Industrial Relations

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Lecture – 28

Hello, learners. Welcome back to the course on labor welfare and industrial relations. Last session, we had touched upon the importance of Provident Fund specifically, and then we had ventured into the Central Government Health Scheme. This session will dig deeper into the Employees Provident Fund, specifically the EPF and the Miscellaneous Provisions Act of 1952, one of the biggest moments when it comes to the welfare of the entire workforce in the case of the Indian legislations and the world of Indian rules and regulations.

I'm Dr. Abraham Cyril Issac. I'm a faculty at the School of Business, Indian Institute of Technology, Guwahati. So, when you look into specifically the Employees Provident Fund Act and the EPF Funds and Miscellaneous Provisions Act 1952, you will understand that EPF has been a game changer. We have tried to bring that into your attention in the previous lecture. But in this lecture, we'll try to bring in more details about what EPF Act is all about, what is the overview, what is the purpose specifically and mainly what are the specificities associated with this particular Act.

Let's look into this from the overview angle. When you look into the overview of EPF Act, the Employees Provident Fund Act 1952, the Employees Provident Funds Act 1952 is a social security legislation aimed at providing financial security and stability to employees through the establishment of a provident fund. When you look into the EPF scheme generally, you will see that there is a mandatory savings that is coming into picture. So it has been, this act has been a foundational pillar within India's social security framework and there is no doubt about it because this legislation serves a critical purpose by promoting long term savings and typically fostering the financial security. When you look into the purpose, the primary purpose of EPF Act is to secure the future of employees by ensuring savings for retirement, financial assistance in emergencies and promoting a culture of long-term financial planning which you have already seen.

The key objectives include the financial stability, facilitating savings for future needs such as children's education, health care and certainly bringing in a financial security net. When you look into the background, the enactment of EPF Act, the EPF Act was enacted in 1952 by the Indian Parliament to regulate the establishment of provident funds for employees in India and to ensure the management of these funds for the benefit. If you look into the The EPF Act, it certainly establishes a comprehensive regulatory framework from the two social security angles. One is the EPF scheme.

This mandatory savings scheme compels eligible employees and their employers to contribute a design portion of the salary towards a designated account, which we have seen. Then there is employee's pension scheme. EPS, which was introduced in 1995. It was introduced as an amendment to the EPF Act in 1995. So this employee's pension scheme is interesting because that's a scheme that provides a pension benefit upon retirement for qualifying employees.

Both employers and employees contribute a portion of their salaries towards the EPS scheme. So the core purpose of EPF Act typically revolves around, you know, as I've already mentioned, long-term savings promotion, the financial security promotion and categorically reducing dependency on family. When you look into the applicability of EPF Act specifically, we'll see that the EPF Act applies to establishments, specified by the government and organizations employing a minimum number of employees, ensuring that a wide range of workers are covered under its ambit. Amendments are happening.

Amendments have happened already, including amendments which take care of the inclusion of diverse categories, amendments related to introduction of Employees Pension Scheme, EPS, as I have already mentioned, and even some amendments which have tried to address the demographic shifts. When you look into the first category, inclusion of diverse categories, the Act's coverage has progressively expanded to encompass. If you look into the evolution of the Act and its amendments, various sectors such as educational institutions, shops, commercial establishments, all are now included.

The current applicability threshold for establishments typically stands at around 20 or more employees with variations for specific sectors. When you look into the landmark judgment or landmark amendment in 1995 that introduced the EPS, the Employees Pension Scheme,

which was introduced as an integral part of the EPF Act. So this scheme certainly provides a pension benefit upon retirement for qualifying employees. And finally, the one which I was talking about, demographic shifts. The amendments have also addressed this issue of retirement age to ensure the scheme's sustainability in the face of an aging population coming up. So these are some of the critical amendments when we consider the EPF Act in general.

So contributions come from both sides. Interest rates on the higher side, withdrawals and advances are possible. Let me take a moment here. Employers can make withdrawals from the Provident Fund for specific purposes, which I've already tried to underscore in my previous lecture. Also, house purchase, medical emergencies.

Educational expenses or during periods of unemployment, ensuring financial support during critical life events. There is also pension scheme that is elaborated by EPS, which came up as an amendment in 1995. We have looked into the EPF, we look into the EPS. When you look into the pension scheme under the EPF Act, The eligibility is that employees meeting the specified service criteria, they are eligible to receive pension benefits under the scheme.

The employees and employers make regular contributions. So when you look into the contribution level, again it is equal contribution from the employees and employers towards the pension scheme with the accumulated amount utilized to generate the pension benefits during retirement. So this essentially reflects a long-term savings objective of the scheme. When you look into the benefits of the pension scheme, the pension scheme as already mentioned offers regular income post-retirement. So something...

which is critically otherwise undermined, is being taken care of here with respect to the benefits of pension scheme. It ensures a financial security for pensioners and their dependents by providing a steady stream of funds or sustenance. And when you look into pension, there is a possibility of commutation of pension, which means pensioners have the option to commute a portion of their pension. into a lump sum payment upon retirement. So that is giving them a certain flexibility in managing financial needs and priorities after exiting regular employment.

So if there is a sudden requirement, maybe If you look into the growth pattern of the Indian society, the moment somebody reaches the age of retirement or maybe when the pension is required, that is a time period when the children would be going for higher studies or when there would be a requirement of a house or something like that, which requires a larger amount of money. And this commutation of pension will certainly help to achieve that target. So these were some of the aspects when you look into the miscellaneous provisions under the EPF Act, the Employees Provident Fund Act miscellaneous provision has a certain element of insurance coverage. When you look into insurance coverage specifically, this is interesting because there are schemes of deposit-linked insurance scheme.

When you look into the EPF Act, it mandates a deposit-linked DLI scheme. Deposit-linked insurance scheme, which provides life insurance coverage for EPF members up to a specific amount in case of their unfortunate demise while in service. So the employer and the central government contribute towards the premium for this insurance. a bit of safety net across the employee and it comes handy when the need arises. When you look into the inspection and audit part, the Act certainly empowers the authorities to conduct inspections of establishments covered under the EPF scheme.

These inspections verify compliance with the Act's provisions regarding contributions required Record keeping and even to a certain extent account management. So regular audits are also conducted to ensure the financial integrity. which is the most important factor when it comes to public funds. So financial integrity of the scheme is monitored.

When you look into the nominee nomination rules, the EPF Act mandates that every EPF member nominate a beneficiary to receive the accumulated balance in their account in the event of their debt. So this particular nomination process is ensures that the member's family receives the Provident Fund corpus amount promptly and without any illegal hassle. So this smooth transition is what is being facilitated by the nomination rules. And finally, there are also penalties for non-compliance.

If you look into the EPF Act, it outlines... Strict penalties for employers who fail to comply with its provisions. So, these penalties may include anything like, let's say, damage, recovery of dues along with damage for the period of default or even imprisonment. In severe cases of non-compliance, imprisonment might be also imposed and even there is threat of prosecution. Employers can be prosecuted under the Act for Non-Compliance.

So, all these miscellaneous provisions play a critical role in safeguarding employee interests and ensuring the smooth functioning of EPF system. So, when you look into this miscellaneous provision, certainly you have to understand three things. One is the timely payment or the timely prompt payment of the amount, the timely settlement and the the timely accountability. So when you are looking into accountability these days, timely accountability is a new concept.

When you want to be accountable, you have to be accountable. And this is what is ensured by the miscellaneous provisions in the Act. So this adds on to transparency, this adds on to the credibility of the entire Act and it adds on to the credibility of the entire scheme. So that is what miscellaneous provisions under EPF Act is all about. Let's now look into the Provident Fund scheme components.

When you look into the PF scheme components, we have components of records maintenance, we have components of compliance with EPF Act, we have employer obligations and employee responsibilities specifically. So when you look into the records maintenance, employers are obligated to maintain meticulous records pertaining to the EPF scheme for each eligible employees. So these records should technically include employee details, you know, like the name, the designation, etc. The salary details, basic wages, the DNS elements, etc. What are the monthly deduction details?

Employee and employer contributions, dates and amounts deposited into the employee's EPF account, nomination details, which is beneficiary nominated by the employees. All these aspects will come under record maintenance typically. When you look into the compliance with EPF Act, again, both employees and employers are expected to comply with the provisions of EPF Act, including, as I've already mentioned, timely contribution, accurate record keeping and adherence to fund management guidelines. We have to understand this from the point of view of employee registration. Once we go deeper into this, we'll understand that there are certain responsibilities associated with employers for ensuring compliance with the various provisions of the EPF Act, which includes but not limited to employee registration.

When you look into registering eligible employees with EPF authority. So first one is employee registration. Second would be timely deductions. Third one, as I already mentioned and written here, maintaining accurate records. And finally, the filing of returns.

Filing of returns. So these are some of the critical factors when it comes to compliance. When you look into the employer obligations and responsibilities, beyond core compliance, employers have certain additional obligations and broader responsibilities. You look into the employee awareness and facilitation. Employers should raise categorically awareness about the EPF scheme among their employees, familiarizing them with their rights and responsibilities.

They can also assist employees in opening EPF accounts and accessing online portals for account management if applicable. There will be tax benefit documentation. Employers need to provide employees with necessary documentations such as Form 16, which is a right of the employee and the employer should be giving it, reflecting the deducted EPF contribution during the financial year. and this document is critical. If you look into, if you are the person who is filing return for yourself, or you are somewhere involved in ITR filing, you'll understand that Form 16 is a document which is critical for employers to claim tax benefits under Section 80C of the Income Tax Act, which it gives because it gives a detail about all your contributions and all your investments.

It also helps to streamline process and technological integration. Employers should Categorically implement efficient processes for deductions, deposits and record keeping to minimize errors and typically ensure timely processing. So leveraging payroll software with built-in EPF functionalities can significantly streamline the process and reduce the administrative burden. And finally...

There are some challenges that can be addressed. Employers should be proactive in addressing challenges such as employee awareness or navigating complexity. So these are some of the critical aspects concerning the Provident Fund scheme and its different components. Now you look into the claim and withdrawal process. The claim process overview hovers around the eligibility assessment and the form completion and submission.

If you look into the eligibility assessment, typically the initial step involves determining whether you meet the eligibility criteria for the specific type of claim you intend to file. Common claim types include settlement upon retirement, partial withdrawal for specific needs or housing or even claiming the pension components, the EPS part. Form completion would include the claim form, specifically with respect to this Act, I think Form 31, Form 19 and Form 10C. So, this versatile form caters to various purposes. You can utilize it for filling a full settlement claim upon retirement.

There is this Form 10D. This form is specifically designed for claiming retirement. the EPS amount in the unfortunate event of a member's death. There is this transfer request form. If you change jobs, you can utilize this form to seamlessly transfer your EPF account to your new employer.

When you look into the claim process overview, you have to also look into the documents attached to support your claim application. Ensure you attach the necessary documents. So this typically include your bank account details, Bancard and any other documents specified to the type of claim you are filing. There could be online tracking that is possible.

The EPFO offers an online portal that allows you to conveniently track the status of your claim application. So this online facility. categorically provides transparency and keeps you informed about the progress of your claim. And finally, if you look upon settlement processing and approval of your claim, the EPFO will electronically transfer the sanctioned amount directly to your designated bank account. So these are some of the critical aspects when it comes to the claim.

When you look into the settlement timeframe specifically, you'll see that the timeframe for claim settlement can vary depending upon several factors. So these factors might include the complexity of your claim, may include the current workload at the EPF office to be very practical, the verification processes involved. So it is recommended to consult the official at the EPF website or relevant resources for the most up-to-date information concerning the settlement timeframes. When you look into the EPF compliance and audit process,

The EPFO conducts audits of establishment. All organizations which are covered under the EPF Act to safeguard all the employee interests and uphold the Act's integrity. So there are cases of routine audits. There are special audits. Now very quickly, when you consider these two, we'll try to understand these two in a very comparative manner.

Routine audits are those regular inspections typically conducted by the regional EPFO offices. It assesses the adherence to the core compliance areas. Common areas of scrutiny include, let's say, timely deductions from employee salaries. Are the deductions happening on a timely basis? Deposits into employee accounts, record keeping, are they meticulous enough to keep that?

And, of course, the filing of returns within the stipulated deadlines. The special audits triggered by specific situations. Maybe there's a complaint lodged by employees or there is a suspicion of noncompliance from an outsider or a transfer of ownership within a business. Special audits involve a more. in-depth examination.

So during a special audit, what happens is that the EPFO officials may extensively scrutinize employee records, financial transactions and certainly adherence to various EPFO regulations. So these are some of the typical EPFO audit processes involved. There are certain compliance checks which include registration and coverage, timely deduction and deposits, accurate record keeping, filing of returns and The most important aspect, nomination and claim settlement. And if you are looking into the act and the recommendations for employers, categorically we can bring out a list of recommendations.

One is maintaining meticulous records. Implementing a robust system for maintaining accurate and up-to-date employer records pertaining to EPF contributions is a paramount activity. This certainly would ensure ready availability of information for scrutiny and other audit details. When you look into the other recommendations that we can give with respect to the EPF would be investment in payroll software. So consider incorporating payroll software with built-in EPF functionalities as I have already touched upon.

This can significantly improve streamline the process of deductions, deposits and record keeping and certainly enhance efficiency and accuracy. So other recommendations include employee awareness, organizing workshops or let's say informative sessions to educate employees regarding the EPF scheme and their associated rights and finally it will be always good if there is a designated competent and responsible individual within the organization who to handle all epf related matters which is very vital when it comes to this epf act and the proper and efficient uh you know running of this or compliance of this act when you look into the updates as i've already mentioned in our course the one of the most beautiful things is the update We look into the recent status of the Act, we look into the amendments of the Act and specifically when you look into the recent amendments and their impact, what we understand is that recent changes in EPF Act have focused on enhancing the benefits for employees, improving fund management practices, addressing emerging challenges in the workforce and ensuring alignment with evolving economic and social dynamics.

So there has been a critical impact on the stakeholders. Both the employees and employers are having or facing an impact for employees. The reduction in contribution rates resulted in a slight increase in take home pay for the new employees joining specifically the establishments covered by the amendment. So it also meant that we should acknowledge this part also. However, this also meant a potential decrease in the long-term retirement corpus because you cannot have both things.

So, though they are saved at this point in time because of the reduced contribution, but their corpus also substantially gets reduced. The employers side, the impact on employers would be employers in the particular establishment falling under the purview of this amendment typically enjoyed reduced payroll costs because the contribution has also reduced. So this potentially led to increased hiring activity or improved financial flexibility within these businesses. So there are certain typical impacts on the stakeholders. And when you look into other critical aspects of NPS as an option, which has come up in budget 2016, specifically the union budget of 2016 proposed an amendment that would offer employees with the option to choose the national pension scheme.

So in lieu of the traditional EPF scheme. So this is what you should understand in a present day scenario. what has happened with respect to nps so the potential impact would be both again for the stakeholders who are essentially the employees and employers the introduction of choice would provide employees with greater flexibility in managing their retirement services they would potentially have access to a wider range of investment options offered by nps that's it from the employer's part Employers might face additional administrative complexities if employees choose different schemes. So managing contributions to both EPF and NPS could potentially increase their workload.

When you look into finally the compliance requirement, when you are enduring compliance requirements, registering all eligible employees under the EPF scheme is critical. Deducting the designated employee contributions from the salary at source is vital and Making matching employer contributions as mandated by the Act is part of the compliance. Depositing both employer and employee contributions into the employee's EPF account within the stipulated time frame is critical. And finally, maintaining accurate and up-to-date employee records pertaining to EPF contribution is also vital.

So, we in this class have understood or we tried or attempted to understand what is EPF all about. What are the different facets or elements associated with EPF and how this EPF has become a success? Please understand. Again, I would like to bring in the understanding of the previous lecture that when there is a contribution coming in from the side of the employer, there is an equal contribution that you are giving and it is equally being, you know, complimented by the employer.

There is a certain skin in the game. There is a sense of ownership. There is a sense of collective responsibility coming into picture. And this is what is thriving or, you know, driving the entire EPF process or the provident fund process or the pension schemes ahead, because there is a sense of sharing responsibility. responsibility.

That's all from today's class. We'll come up with greater details in the next class. Till then, take care. Bye-bye.