Labour ministry drops the plan to corporatise EPFO

By Yogima Seth Sharma ET Bureau | Updated: Nov 15, 2019, 07.30 AM IST

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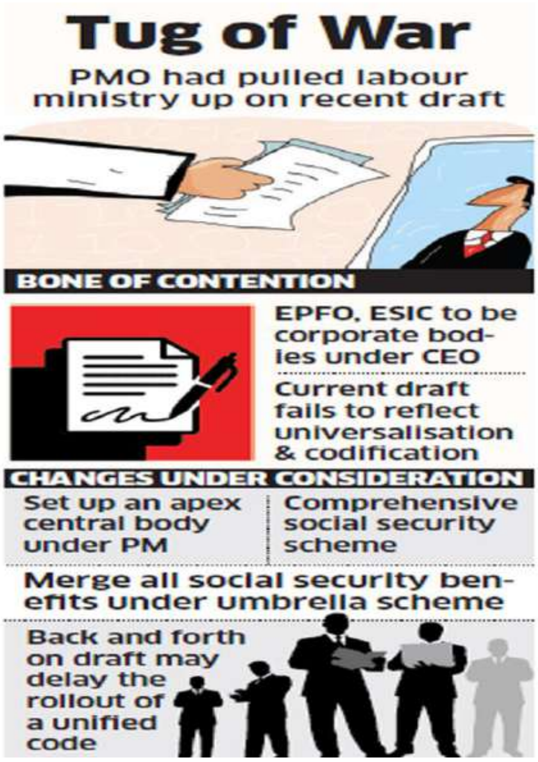
The labour ministry plans to drop its proposal to corporatise the Employees' Provident Fund Organisation (EPFO) and instead dust off its earlier proposal to set up a body headed by the Prime Minister to oversee the social security of nearly 500 million workers. The move comes after it was pulled up by the Prime Minister's Office (PMO).

"We may revert to the earlier proposal of bringing everything under a unified umbrella body to be headed by the PM," a senior government official told ET on condition of anonymity.

The ministry's proposal to corporatise the EPFO had faced severe criticism from labour unions. In its latest draft code on social security released in September, it had proposed a corporate structure, to be headed by a CEO, to manage the provident fund and pension as well as medical insurance for workers.

The redesigning of the code has been fast-tracked following a directive from the PMO and outright rejection from all trade unions at the first tripartite meeting of the labour ministry with all stakeholders on the proposed draft last week, said the official. The third draft of the code on social security, which was released for inviting stakeholder views till October 25, proposed changes to the constitution of both the EPFO and the Employees' State Insurance Corporation (ESIC), saying the two entities would be corporatised and be headed by CEOs.



The proposal sparked apprehensions in several quarters that putting the huge corpus of the EPFO and ESIC into the hands of corporates would risk the hard-earned money of workers and might not yield returns as high as the current. The EPFO has a corpus of Rs 11 lakh crore while the ESIC sits on a cash pile of Rs 75,000 crore. At present, the two entities work more like autonomous bodies run by trustees and a board, respectively, under the administrative control of the labour and employment ministry.

Both bodies were created by an Act of Parliament and labour minister has traditionally been the chairman of the board of trustees of both the organisations.

Though the latest draft proposed to extend the coverage of PF and ESI to temporary workers, it did not outline a comprehensive scheme that would provide social security cover to all. Instead, it merely proposed to amalgamate legislations pertaining to provident fund, pension, medical insurance, maternity benefits, gratuity and compensation.

Besides, it did not provide a uniform definition of social security or suggest any move to create a central fund for it. The existing corpus is proposed to be split into numerous small funds, which could lead to multiplicity of authorities as also confusion, said the official cited earlier. Moreover, he said, under the current proposal there will be no commitment over the government's contribution.