

153,500 cos return to EPFO fold in signs of recovery

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- The resumption of payments also means a growth in active EPFO subscribers' base.
- In February, nearly 549,037 companies and establishments were contributing to the EPFO.

NEW DELHI: At least 153,500 companies and establishments have resumed their contributions to the Employees Provident Fund Organization (EPFO) after pausing payments after the national lockdown, indicating a gradual economic recovery.

About 64,000 establishments that were making the contributions in February are, however, still to resume payments to the retirement fund manager.

While 549,037 establishments were contributing to EPFO in February, the number dropped sharply to 332,773 in April, according to official data accessed by Mint.

Establishments with 20 or more employees have to mandatorily contribute to EPFO. Every month 12% of the basic salary of employees of these firms is deducted as EPF dues and a matching contribution is made by the employer. While the employees contribution of 12% goes directly as EPF deposit, of the employers share, 8.33% goes to the employees' pension kitty and rest to the EPF corpus.

"The rebound of 153,500 firms by end July-early August is an indication of revival," said a government official requesting anonymity.

The revival in some sectors is happening gradually and many companies have started to ramp up production, said experts. Maruti Suzuki India Ltd and Hyundai Motor India Ltd are among companies that aim to boost vehicle production back to the peak levels of FY18, Mint reported on 4 August.

"The economic revival is going to be a slow process. It will take time for companies to come out of the woods, but some sectors such as construction, e-commerce, and textiles are showing a positive trend. The demand in the real estate and textile segments are visible from the fact that migrants have started coming back to cities gradually. Besides, the manufacturing sector is also slowly opening up," said K.R. Shyam Sundar, a labour economist and professor at XLRI.

Data released by the National Statistical Office last week showed the index of industrial production (IIP) contracted 16.6% in June from a 34% contraction in May. In June, manufacturing activity improved the sharpest with contraction in output coming down to 17.1% from 38.4% in May while the contraction in mining (19.8%) and electricity (10%) sectors recovered only marginally.

The return of these companies as contributing members also means a growth in active EPFO subscribers' base, which had slumped to a low in April, said the first government official cited above. Between end-April and early August, companies have submitted the EPF dues of 8 million more workers.

There were little more than 38.4 million active contributing subscribers with EPFO in April and this has climbed to 46.42 million by end-July, according to official data. To be sure, this is still below the pre-covid levels.

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