

REPORT

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ON

THE WORKING OF THE EMPLOYEES' PROVIDENT FUNDS SCHEME 1958-59



GOVERNMENT OF INDIA
MINISTRY OF LABOUR AND EMPLOYMENT

Issued by The Central Board of Trustees, Employees' Provident Fund

ANNUAL REPORT
ON
THE WORKING OF THE
EMPLOYEES' PROVIDENT FUNDS SCHEME

for the year 1958-59

ANNUAL REPORT ON THE WORKING OF THE EMPLOYEES' PROVIDENT FUNDS SCHEME FOR THE YEAR ENDING THE 31ST MARCH, 1959.

1. Introductory

The factory workers' wages generally did not allow any scope for saving. The result was that on ceasing to be gainfully employed the workers led a life of penury. In the event of their premature death, the members of their families were left destitute. The Employees' Provident Funds Act with its Scheme of compulsory contributory provident fund has been remedying this state of affairs since 1952.

2. Scope

The Act applies to the whole of India except the State of Jammu & Kashmir. Initially applicable to six industries, it now covers thirty-nine industries including newspaper industry, mines and plantations. A list of these industries is given at the end of this report.

The Act applies to establishments employing 50 or more persons (20 in the case of newspaper establishments) if they have completed

three years of their existence. All the employees in a covered establishment, other than excluded employees, are eligible for membership of the Fund provided

- (i) they have worked in the establishment for a continuous period of one year or have actually worked for not less than 240 days during a period of 12 months or less and
- (ii) their basic wages including dearness allowance and cash value of food concession, if any, do not exceed Rs. 500/- p.m.

3. Improvements and added facilities

Instead of concentrating on the expansion programme, as was but essential in the initial years, attention has been mainly devoted during the period under review, as detailed hereunder, towards consolidating the existing

gains and gearing the present machinery so as to be of more effective service to the subscribers as also the employers:

- (a) Advances from the Fund for serious illness of a member were occasionally being granted under Central Government's ad hoc directions. A specific provision has now been introduced in the Scheme, enabling grant of a temporary advance to a member, to pay expenses in connection with the serious or prolonged illness of the subscriber or a member of his family.
- (b) The Scheme has now been amended permitting an employee to contribute, as his own share, upto 8 1/3% of his basic wages and dearness allowance.
- (c) The Planning Commission recommended in the Second Five Year Plan that the labour laws should apply to public undertakings also. The Act has been amended so that establishments owned by Government or local authority engaged in any of the scheduled

industries now come under its purview.

- (d) The Scheme has also been amended to extend the benefits of the Act to workers employed by a contractor in an operation directly connected with any manufacturing process.
- (e) Another amendment of the Scheme entitles a member, who has not attained the age of 55 years at the time of leaving his service, to receive the full accumulations if he attains that age before withdrawal of his provident fund.
- (f) On the application of the Scheme to an establishment, the transfer of past accumulations in the shape of gilt-edged securities was being accepted as per the provisions of the Scheme, at the face value of the securities. Where securities had been purchased below par, the transfer resulted in gratuitous profit to the employers, etc., as also involved added immediate liability for the Fund in case of securities

quoting at a discount. The Scheme was amended during the period under review and the securities are now accepted only at their purchase value.

4. Further Extensions

During the period under report, the Act was further extended to

- (i) Biscuit making industry including composite units making biscuits and products such as bread, confectionery, milk and milk powder.
- (ii) Road motor transport establishments.

ADMINISTRATION

5. Central Board of Trustees

The Central Government have constituted a Board of Trustees for administering the Fund. The Fund vests in and is administered by the Board, a body corporate, consisting of Government nominated Chairman, nominees of the Central & State Governments and representatives of all India Employers' and Emp-

loyees' organisations. During the period under report, Shri R. L. Mehta, I.A.S., and later Shri K. N. Subramanian I.C.S., Joint Secretaries, Ministry of Labour & Employment, remained the chairmen of the Board. Shri S. N. Mubayi continued as the Central Provident Fund Commissioner and Chief Executive Officer of the Board, with his Central Office at New Delhi. The Central Board of trustees held meetings at New Delhi in March and April, 1959.

6. Regional set up

The Organisation has a regional office in each State except the State of Jammu and Kashmir. The Regional Commissioners, assisting the Central Provident Fund Commissioner, in Bombay, Madras, West Bengal and Kerala regions are whole-time Officers.

A full time Regional Commissioner for Mysore was appointed on the 23rd December, 1959. In the remaining regions, the Labour Commissioners of the respective State Governments are also functioning as Regional Commissioners. Where the volume of work makes it necessary, part-time Regional Commissioners

would have to be replaced by full time officers, particularly as work at higher levels is increasing considerably due to coverage of additional industries, etc.

7. Strength of Staff

Total authorised strength of staff and Officers of the Organisation as on the 31st March, 1959 was 1,917 as against 1,460 at the end of March, 1958.

8. Inspections

Efforts are being made by the field inspecto-rate to visit covered establishments more frequently. The Inspectors pay special attention to matters like wrong deductions and calculation of period of eligibility for the membership of the Fund, speeding up refunds to outgoing members, and pay visits to marginal units. In the case of exempted establishments, they see that there was no delay in the transfer of funds by the employers and investment thereof in Central Government Securities by the trustees, etc. Recovery of over-dues is engaging the special attention of the field as well as the office staff.

9. Audit

The audit of the accounts of the Fund is conducted by the Comptroller and Auditor General of India with the assistance of various State Accountants General. The audit of Bombay region accounts, conducted previously by a firm of chartered accountants has since been entrusted to the Accountant General, Bombay.

DEPOSITS

10. Contributions

The members of the Fund contribute at the rate of 6½% of basic wages and dearness allowance including cash value of any food concession. An equivalent amount is added by the employers. The proposal to recover provident fund on total emoluments was not considered feasible.

Total amount of contributions received during the year ending the 31st March, 1959, inclusive of past accumulations recovered (in cash) stood at Rs. 14.59 crores.

11. Interest

As in the previous year 3¾% compound rate on the opening balance of the provident fund

accumulations of the members was declared for the year under report. The amount of interest earned each year on investments is given below:

	(in lakhs) Rs.
1952-54	13.39
1954-55	30.75
1955-56	47.42
1956-57	70.77
1957-58	109.09
1958-59	158.03

12. Investments

The Fund is invested exclusively in the Central Government Securities four or five times a month through the Reserve Bank of India. Taking into consideration the requirements for normal refund of claims and to meet conveniently even abnormal rush due to heavy retrenchments resulting from closure of factories without resort to premature sale of securities, the following pattern of investment has been devised.

(1) National Savings Certificates	10%
(2) Medium-dated securities	20%
(3) Long-dated securities	70%

During the year 1958-59, a sum of Rs. 12.90 crores was invested in the above securities, as

against Rs. 11.05 crores during the year 1957-58. As at the close of 31st March, 1959, Rs. 59.15 crores stood invested including securities worth Rs. 10.32 crores received as past accumulations from covered establishments.

13. Refunds

Full amount including the employer's contribution and interest thereon is refunded to a member of the Fund after fifteen years' membership or, on permanent disability, superannuation, retrenchment or to his nominees/heirs in the event of his death.

Full payment of employers' share of contributions is also permitted in the following contingencies:

- (a) where a factory is closed, the employees who are not retrenched but are transferred by the employers to other establishments not covered under the Employees' Provident Funds Act;
- (b) where the office establishment is shifted with its employees from the factory premises; and

(c) where a member is transferred from a covered establishment to another under the same employer but not covered under the Act.

(iii) In other cases, a member receives, besides his own contribution and interest thereon, a proportion of the employer's share of contributions according to the scales given below:—

Period of membership of the Fund	Percentage of employer's contribution and interest thereon refundable.
Less than 3 years	25%
3 years or more but less than 5 years	50%
5 years or more but less than 10 years	75%
10 years or more but less than 15 years	85%
15 years or more	full

14. Claims

The efficient working of the Scheme is gauged by the degree of promptness in the payment of claims to outgoing members or to their nominees. Sustained efforts were made towards this requirement and the normal period for the payment of provident fund was from 10 to 14 days though many claims were paid up within a shorter period. A longer period becomes inevitable where due to closure a large number of claims is received for payment. One of the causes of delay is that some members do not nominate any one to receive the amount of provident fund in the event of their death. Efforts are made to persuade all members to make valid nominations on qualifying for membership.

During the year, over eighty thousand claims involving about Rs. 3 crores were finally paid.

15. Coverage

During the year, there was an appreciable increase in the number of subscribers in un-exempted establishments, i.e., those covered under the statutory Scheme. The number of

such establishments has also gone up as will be evident from the following table:—

Year ending	No. of un-exempted establishments	No. of subscribers
31-3-58	5,787	13,93,475
31-3-59	6,260	15,21,316*
Increase	473	1,27,841

The appreciation of the benefits of the Scheme was by no means restricted to the workers; quite a few employers also recognised the inherent value of the Provident Funds Scheme. Even when the Scheme was not statutorily applicable, they volunteered for coverage of their establishments under the Act with the consent of their employees. In all, by the close of the year, 53 establishments with about 3,000 subscribers were thus covered on a voluntary basis.

16. Forfeitures

Where the employer's contribution is not payable to the subscriber in full, the unpaid part is credited to the forfeiture account of the Fund. During the year 1958-59, a sum of Rs. 11.77 lakhs was received by the Fund. This amount was utilized for the following two purposes:—

- (i) Payment of money order commission

on remittance of provident fund to outgoing members or to their nominees: Rs. 3.21 lakhs.

- (ii) Grant of some financial assistance to the outgoing members of the Fund or their heirs where inadequate deposits have been made by the employers: Rs. 0.01 lakhs.

Regional Commissioners have been advised to make a more liberal use of the latter facility.

17. Advances and Loans

Loans aggregating Rs. 12.65 lakhs were sanctioned to defray expenses in 6,855 cases of serious illness of subscribers and members of their families. Advances, within the limit of their contributions, were also sanctioned as a special case to the workers rendered unemployed without any compensation as a result of factories closing down. Loans are given much more freely to the workers in exempted establishments according to their own rules.

A member is also permitted to finance his life insurance policy out of his provident fund amount. 26,100 members availed of this facility and a sum of Rs. 15.21 lakhs was advanced for the purpose during the year.

* These constitute 78% of the employees in these establishments.

18. Recoveries

Among the problems that continue to be faced, the recovery of outstandings and overdues from defaulter-employers is the most difficult. Efforts were made to effect the maximum possible recovery. Coercive measures of both types provided under the Act and the Scheme, viz., recovery of overdues as arrears of land revenue and prosecution of defaulter-employers, continued to be fully utilised. Personal contacts with the State Government officials and Collectors were established in order to speed up coercive processes and make the measures more effective. Quite a few of the employers, however, continued to default in the payment of provident fund contributions and other charges, thus necessitating legal action. The fines imposed by the courts have generally consisted of small sums of money and have not proved sufficiently deterrent. The Central Commissioner has accordingly proposed that

- (a) non-payment of provident fund dues should be made continuing offence.
- (b) provident fund amount should get over-riding priority over other prior-

ity creditors in the event of an establishment being wound up or going into liquidation.

These suggestions are under consideration.

The table below shows the position as regards prosecutions till the 31st March, 1959.

Total No. of prosecutions.

Launched	Disposed of	Pending in courts	Pending with State Govts. for sanction
	Convicted	603	
	Acquitted	57	
	*Withdrawn	401	
	Dismissed/Discharged	11	
1,490		1,072	418 172

Apart from the prosecutions, 1,881 cases involving about rupees two crores of overdues were referred to the Certificate Officers in all the regions, during the year, for recovery as arrears of land revenue. Against these and the overdues of the preceding years, recoveries aggregating about Rs. 98.76 lakhs were

* Withdrawn mainly on payment of dues along with incidental expenses in case of first offenders, or due to non-applicability of the Act according to certain High Court decisions.

EMPLOYEES' PROVIDENT FUND
NUMBER OF SUBSCRIBERS (Progressive)



EXEMPTED

4,00,000 SUBSCRIBERS

UNEXEMPTED



2,00,000 SUBSCRIBERS

YEAR

NOV. 1952-54



1954-55



1955-56



1956-57



1957-58




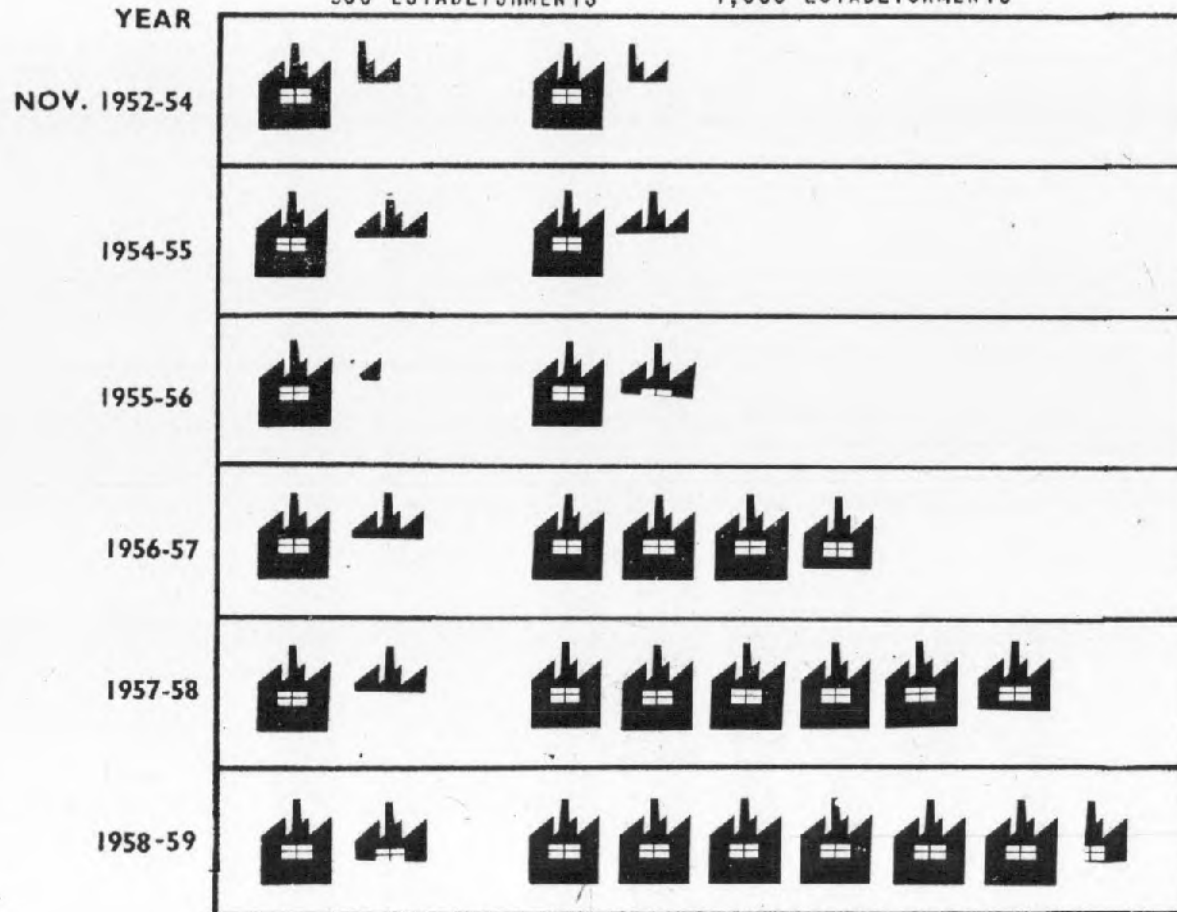
1958-59





EMPLOYEES' PROVIDENT FUND
ESTABLISHMENTS COVERED (Progressive)

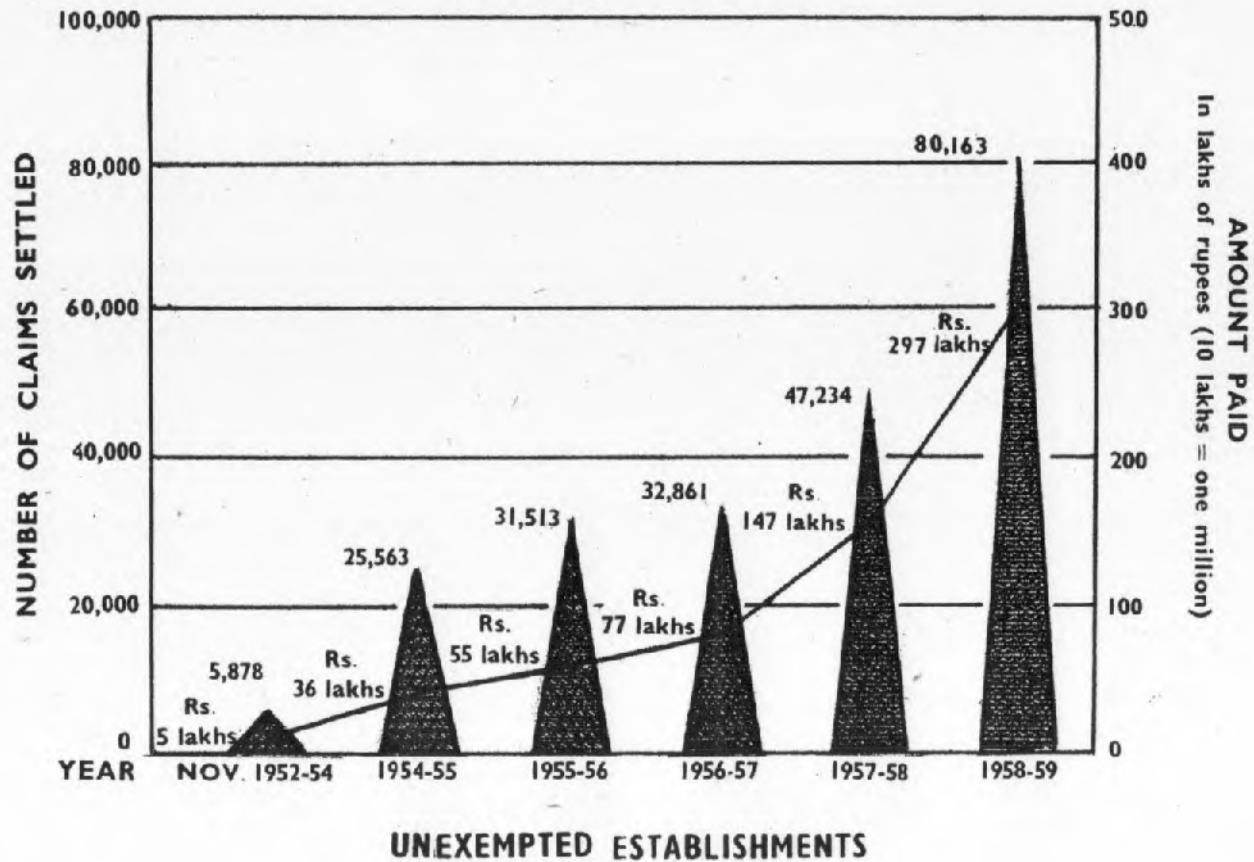
EXEMPTED 
500 ESTABLISHMENTS

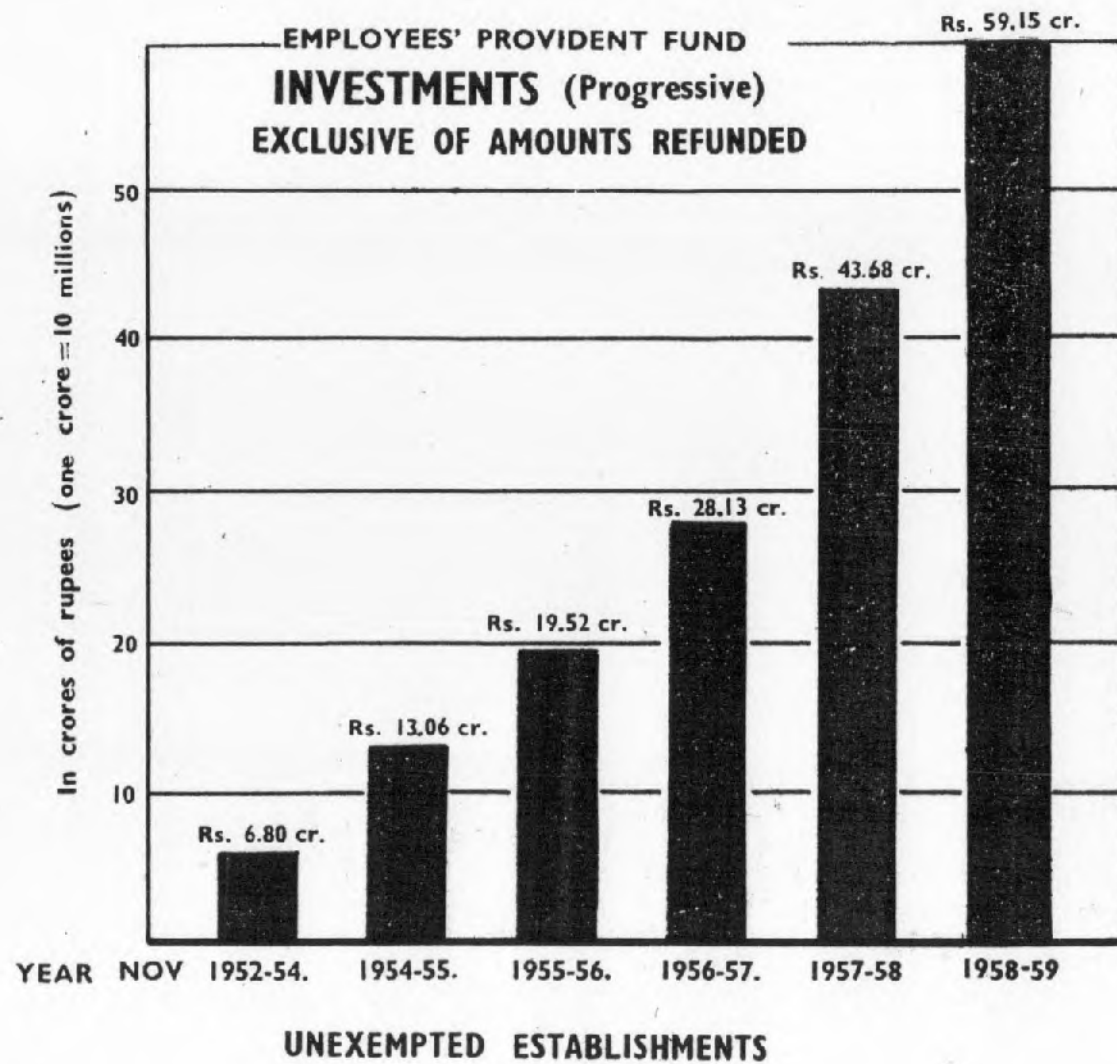
UNEXEMPTED 
1,000 ESTABLISHMENTS



EMPLOYEES' PROVIDENT FUND
REFUND CLAIMS SETTLED AND AMOUNT PAID
 each year

REFUND CLAIMS SETTLED 
 AMOUNT PAID..... 





effected. At the close of the year under report, 1,141 revenue recovery cases were pending involving a sum of about Rs. 2.19 crores.

19. Resistance to Coverage

Some of the major problems that had lately to be faced in interpreting or implementing the various provisions of the Act and the Scheme were enumerated in the preceding annual report, to wit:

(a) The Division Bench of the Bombay High Court at Nagpur decided that the Employees' Provident Funds Act was applicable only to that section of the establishment which was engaged in one of the industries to which the Act had been applied.

(b) Absence of a provision in the Act authorising the Provident Fund authority to estimate the provident fund amounts due in cases where employers do not submit necessary returns.

(c) Evasion of application of the Scheme by splitting up the factory into small units.

A decision on the appeal filed in the first case is awaited, while the amendment of the Act suitably to remove the other two lacunae are under consideration.

In view of some doubts having lately arisen it is also proposed to amend the Act suitably in order to make it clear that the provision exempting establishments for the first three years is intended to protect only new establishments and not establishments that were in existence more than three years back but have subsequently undergone a change of ownership.

20. Study Group Report

The Study Group on Social Security set up by the Government of India, submitted its report on the 10th December, 1958. The Report of the Group is being examined by the Government in consultation with the representatives of the employers and workers.

21. Exempted Establishments

Many an establishment has its own provident fund, gratuity and pension scheme and on the application of the Scheme, the establishment, if it so applies, is exempted provided the total quantum of benefits is not less than the benefits accruing under the Scheme. The power to grant exemption to establishments even in the Central Government sphere has been delegated to the State Governments. Conditions are imposed in

these exempted establishments in order to safeguard the workers' interests. The more important of these conditions are noted below:

- (a) investment, exclusively, in Central Govt. securities
- (b) vesting the fund in a board of trustees with equal representation for workers
- (c) expenses of the administration to be met by the employer and not charged against the fund, etc.

On failure to comply with these conditions, the exemption granted is cancelled and the employers/trustees are required to transfer the due accumulations to the statutory fund.

The following figures show the number of exempted establishments and the number of subscribers, etc.

Year ending	No. of exempted establishments	No. of employees	No. of subscribers	Percentage of membership
		(in lakhs)	(in lakhs)	
31-3-58	741	11.88	10.34	87
31-3-59	764	11.82	10.22	86

The position in respect of these 'exempted' funds during the year is appended below:—

	(in crores Rs.)
(a) Balance in hand as on 1st April, 1958.	1.40*
(b) Provident Fund Contributions due.	15.29
(c) Contributions received (excluding other receipts of Rs. 7.07 crores, such as interest earned on investments, refund of loans, etc.).	15.02
(d) Investments made in Central Government Securities.	12.85
(e) Amount paid to employees on account of final settlement and loans	9.19
(f) Balance in hand as on 31st March, 1959.	1.54*

*NOTE—Represents the amount to be paid for investments ordered, the authorised fluid cash to meet terminal claims of provident funds & loans, etc.

The position of total investments made by these 'exempted' funds as on the 31st March, 1959 is given below:—

	(in crores) Rs.
(a) Total investments made in Central Govt. Securities	70.26
(b) Earlier investments made in securities other than Central Government	2.17
(c) Amount already invested in business or elsewhere	0.96

ACCOUNTS

22. Administration and Inspection Charges

Administration and Inspection charges are collected from the employers of non-exempted and exempted establishments at the rate of 3% & $\frac{3}{4}$ % respectively on the total amount of provident fund contributions. All the expenditure of the Organisation and cost of running the administration is met with from this levy and the interest earned on investment of provident fund amount, is not charged with these costs. Surplus funds are invested in Central Government securities to enhance the earnings in this respect.

23. Income and Expenditure

The total income from Administrative and Inspection charges, on investment of these funds and penal damages for the year 1958-59 is given below:—

	Income	Expenditure
	(in lakhs) Rs.	(in lakhs) Rs.
(a) Adm. & Inspection charges	54.58	29.39
(b) Interest on investments	2.62	
(c) Damages realised on delayed remittance of Adm./Insp. charges.	0.06	
TOTAL	57.26	29.39

A comparative table showing income and expenditure from inception till 1957-58 is given below:—

	Income, Admini- stration Inspection charges (in lakhs) Rs.	Interest on investments (in lakhs) Rs.	Penal damages (in lakhs) Rs.	Total (in lakhs) Rs.	Expen- diture (in lakhs) Rs.
	1	2	3	4	5
1952-53 .	4.23	..	..	4.23	3.57
1953-54 .	30.46	..	..	30.46	15.54
1954-55 .	25.68	..	..	25.68	20.29
1955-56 .	27.39	0.55	0.06	28.00	19.03
1956-57 .	33.55	0.91	0.03	34.49	20.44
1957-58 .	47.74	1.55	0.03	49.32	24.97

24. Banking arrangements

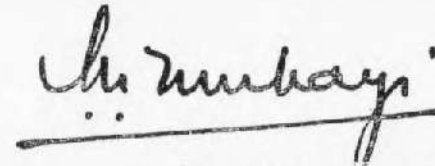
The State Bank of India are the Bankers of the Fund. Contributions and other Provident Fund monies can be tendered at any of the Bank's branches throughout the country, for credit of the Fund's accounts at various regional centres, at par. The employers are thus saved the consequential remittance

charges. The investment of the Fund continues to be entrusted to Reserve Bank of India.

A classified summary of the Assets of the Fund for the period ended 31st March, 1959 is enclosed.

25. Conclusion

The Scheme continued to be popular with the workers. The Board wishes to place on record its appreciation of the efficient manner in which the officers and staff discharged their duties.

A handwritten signature in cursive script, reading 'S. N. Mubayi', is written over a horizontal line.

S. N. MUBAYI,

Secretary, Central Board of Trustees.

APPENDIX 'A'
THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952

[Paragraph 52 (3)]

*Classified Summary of the Assets of the Employees' Provident Fund for the period ended
31st March, 1959*

Serial No.	Class of Assets	Book Value	Market value upto 31st March, 1959	Remarks
(1)	(2)	(3)	(4)	(5)
1	<i>Government of India Securities :</i>			
	(i) Securities in respect of investment made centrally	48,59,55,878	49,57,45,811	(a)
	(ii) Past accumulations received in shape of Government of India Securities from Regional Offices (Face Value)	9,56,70,080	9,25,84,768	(a)
	(iii) Past accumulations received in the shape of debentures of companies (Face Value)	1,44,700	1,44,700	(b)
	(iv) Investment from Administration Account	90,59,363	91,47,824	(a)
2	State Government Securities (Face Value)	32,91,670	31,56,502	(a)
3	Indian Municipal Port & Improvement Trust Securities including debentures (Face Value)	3,20,900	2,93,500	(a)
4	Cash on deposit in Banks	Nil	Nil	
5	Cash in hand and on current Account in Banks	47,16,170	47,16,170	(c)
6	Other assets (Purchase Price)	8,26,927	4,16,577	
	TOTAL	59,99,85,688	60,62,05,852	

(a) Based on quotations obtained from Reserve Bank of India, Bombay.

(b) Quotations not available.

(c) Cash on current Account in Banks.

App. 1£ = Rs. 13.33

App. 1\$ = Rs. 4.80

S. N. MUBAYI
Central Provident Fund Commissioner.

APPENDIX 'B'

The Act applies to the following 39 industries :—

(The figures against each industry show the number of subscribers as on 31st March, 1959.)

		(In thousands)
From 1st Nov., 1952 (1 to 6)	(1) Cement	35
	(2) Cigarettes	14
	(3) Electrical, mechanical or general engineering products.	2,81
	(4) Iron and steel	85
	(5) Paper	31
	(6) Textiles	11,83
From 31st July, 1956 (7 to 13)	(7) Edible oils and fats	26
	(8) Sugar	1,31
	(9) Rubber and rubber products	26
	(10) Electricity including the generation, transmission and distribution thereof.	22
	(11) Tea (except in the State of Assam where the Government of Assam have instituted a separate provident funds scheme for the Industry including plantations).	1,13
	(12) Printing, including the process of composing types for printing, printing by letter press, lithography, photogravure or other similar process or book-binding but excluding printing presses, covered under "newspaper establishments" to which the Employees' Provident Funds Act has separately been extended under section 15 of the Working Journalists (Conditions of Service) and Miscellaneous provisions Act, 1955.	32
	(13) Stone-ware pipes.	2

		(In thousand)
	(14) Sanitary wares.	2
	(15) Electrical porcelain insulators of high and low tension.	2
	(16) Refractories.	13
	(17) Tiles.	19
	(18) Match factories having a production of over 5 lakhs gross boxes of matches a year.	8
	(19) Sheet glass factories, glass shell factories and other glass factories having an installed capacity of over 600 tons per month.	4
From 30th September, 1956 (20 to 23)	(20) Heavy and fine chemicals, including:	63
	(i) Fertilizers.	
	(ii) Turpentine.	
	(iii) Rosin.	
	(iv) Medical and pharmaceutical preparations.	
	(v) Toilet preparations.	
	(vi) Soaps.	
	(vii) Inks.	
	(viii) Intermediates, dyes, colour lakes and toners	
	(ix) Fatty acids	
	(x) Oxygen, acetylene and carbondioxide gases industry. The Act was actually enforced in this industry with effect from the 21st July, 1957.	
	(21) Indigo.	Nil
	(22) Lac including shellac.	2
	(23) Non-edible vegetable and animal oils and fats.	(0.3)
From 31st December, 1956	(24) Newspaper establishments.	21
From 31st January, 1957	(25) Mineral oil refining industry	10

		(In thousand)
From 30th April, 1957 (26 to 30)	(26) Tea plantations (other than the tea plantations in the State of Assam).	*3,26
	(27) Coffee Plantations.	*(In respect of five classes of plantations-items 26-30)
	(28) Rubber Plantations.	
	(29) Cardamom Plantations.	
	(30) Pepper Plantations.	
From 30th November, 1957 (31 to 37)	(31) Iron-Ore Mines.	4
	(32) Lime-stone Mines.	11
	(33) Manganese Mines.	40
	(34) Gold Mines	20
	(35) Industrial and Power Alcohol Industry.	2
	(36) Asbestos Cement Sheets Industry.	3
	(37) Coffee Curing Establishments.	7
From 30th April, 1958	(38) Biscuit making industry including composite units making biscuits and products such as bread, confectionery and milk and milk powder.	2
	Voluntary coverage	3
From 30th April, 1959	(39) Road Motor Transport establishments.	21