

EPF and ESIC: Modi government hits brakes on plans to widen cover

The government has developed cold feet on a plan to extend the benefits (provident fund, insurance & pension) under the Employees' Provident Fund (EPF) scheme to unorganised sector workers, who are 90% of the country's 50-crore workforce. A

By: [Surya Sarathi Ray](#) | Published: December 29, 2017 5:56 AM

The government has developed cold feet on a plan to extend the benefits (provident fund, insurance & pension) under the Employees' Provident Fund (EPF) scheme to unorganised sector workers, who are 90% of the country's 50-crore workforce. A similar plan by the Employees State Insurance Corporation (ESIC) to reach informal sector workers may also be put on the back burner. The main hurdle to the plans of the two organisations is the practical difficulty of getting the employers — say, households in the case of domestic helps and truck owners who employ drivers and cleaners — to contribute to the designated funds. Labour minister Santosh Kumar Gangwar told FE that even though Prime Minister [Narendra Modi](#) was “very positive” about bringing the unorganised sector workers under the social security net, the problem lay in unorganised sector units' refusal to give workers the status of regular employees. Labour secretary M Sathiyavathy said, “We will expand the coverage of EPFO and ESIC in phases,” but could not give a time frame.

The ambitious draft Labour Code on Security and Welfare, unveiled in March this year, proposes to use contributions from workers and employers and government outlays (as welfare funds) to create social security funds in each state. These funds, as per the code, would be used to provide assorted benefits to workers such as pension, provident fund, group insurance as well as sickness and maternity benefits, with the government pitching in where the workers themselves are unable to contribute. However, it is almost certain now that code will not be approved by Parliament during the tenure of the current government. The opposition to these proposals from the SME sector is also holding the government back. The ESIC, however, is going ahead with its plan to expand presence to as many as 225 districts hitherto not reached by it. While the Employees' Provident Fund Organisation has an active subscriber base of around 5 crore, a little over 3 crore employees are covered under the ESIC scheme. Under the EPF Act, 1952, an EPF account is mandatory for all employees earning up to Rs 15,000 per month in firms employing more than 20 workers. For ESIC, the eligibility threshold was raised last year to a maximum monthly income of Rs 21,000 per month from Rs 15,000 earlier. Although there are proposals to lower the employee threshold for EPF cover from 20 now and raise the wage ceiling for mandatory EPF to Rs 21,000 per month from Rs 15,000, these are yet to be implemented