

समीरेन्द्र चटर्जी, भा.प्र.से.

केन्द्रीय भविष्य निधि आयुक्त

**S. Chatterjee, IAS**

Central Provident Fund Commissioner



कर्मचारी भविष्य निधि संगठन

(श्रम मन्त्रालय, भारत सरकार)

मुख्य कार्यालय : भविष्य निधि भवन,

14, भीकाएजी कामा प्लेस, नई दिल्ली-110066

दूरभाष : 011-26172671, फैक्स : 011-26189910

Employees' Provident Fund Organisation

(Ministry of Labour, Govt. of India)

Head Office : Bhavishya Nidhi Bhawan,

14, Bhikaiji Cama Place, New Delhi-110 066

Phone : 011-26172671, Fax : 011-26189910

D.O. No. CPFC/PS/(Com)/Misc./2010

December 20, 2010

**Sub:-Critical Appraisal of claim settlement vis-à-vis EPFO Mandate.**

E.P.F.O. has been mandated to extend and manage old-age income security programs and it has to carry out dual role of **Regulator** and **Service Provider** of Provident Fund, Pension and Deposit Linked Insurance Schemes, for largest number of workers in India. For this purpose, it has to carry out various activities such as coverage of establishments detection of evasion, determination and collection of dues, investment of funds, settlement of claims, updation of members account etc.

With increasing job migrations over last few years, claim settlement activity has increased phenomenally and it has overshadowed all other activities of the Organisation. The ever increasing volume of claims has compelled us to divert all our resources to this activity. In view of unusually high volume of claims, an analysis of claim settlement figures was carried out at Sub-Regional Office, Karnal. This analysis has revealed stunning facts and a few are cited below:

- 88.89% of the EPF claims pertain to category wherein reason of leaving service is "resignation".
- 46.5% persons get up to meager Rs.10,000/- as PF settlement.
- Payment to mere 4.2% subscribers is above Rs.1 lac.
- 30.2% subscriber withdraws P.F. within 1 year of service and this figure reaches 54.3% by the end of 2<sup>nd</sup> year.
- Age of 37.9% subscribers, at the time of P.F. withdrawal is up to 30 years only.
- Majority of claimants withdraw their P.F. balance with every job change.
- Mere 5.82% subscribers render minimum service of 10 years, primary eligibility condition for pension.

These facts are indicative of highly inflated workload of claim settlement: on account of pre-mature withdrawal. Not only that, the very purpose of EPF & MP Act 1952 has been defeated as only a minuscule portion of subscribers have sufficient balance in PF account at the time of superannuation.

The analysis carried out at SRO, Karnal indicates an immediate need of legislative changes to contain pre-mature withdrawals. However, before we move ahead in that

direction, there is a need to broaden the data base, to arrive at a representative sample of population. It has been decided to carry out this analysis for your office also. For this purpose, detailed guidelines on 'how to carry out the analysis is enclosed. Analysis paper prepared by SRO, Karnal is also enclosed for your ready reference. You are required to go through these directions carefully and carry out the analysis. The analysis must be completed **and mailed electronically to jainoida@yahoo.com latest by 31.12.2010.** For any clarifications on carrying out this analysis, you may contact RPF, Karnal at 09467800700.

**Timeline must be strictly adhered to.**

  
(S. CHATTERJEE)

**Central Provident Fund Commissioner**

To

Officer-in-Charge

1. Delhi (North)
2. Gurgaon
3. Amritsar
4. Chennai
5. Jamshedpur
6. Nagpur
7. Ahmedabad
8. Vatwa
9. Jabalpur
10. Chandigarh
11. Indore
12. Raurkela
13. Hyderabad

Copy to:- NDC for uploading in website.

## GUIDELINES FOR CARRYING CALIM SETTLEMENT ANALYSIS

- Go to Reports Module in New Application Software.
- Navigate to Payment and select Payment Cash Book.
- Select Account No 1 – EPF Contribution Account.
- Select Cheque date from date of start of new application software to current date.
- Save file in two modes viz PDF and XLS.
- Navigate to last page of PDF file wherein summary of payments under various para provisions in tabulated.
- Take a print out and preserve it for exhibiting as Annexure of the Analysis.
- Navigate to last page of .XLS file. Club details of payments under various para provisions into five categories viz Transfer, LIP, Advance, settlement other than resignation and resignation cases.
- Calculate percentage of each category vis-à-vis total payments and average payment per case in each category.
- The table thus obtained provides data for analysis page 1 as reproduced below:

S. No	CATEGORY	No. of	%age	Average payment
1	Transfer Cases	174	0.80	89891
2	LIP Cases	1100	5.04	10989
3	Advance Cases	771	3.53	62347
4	Settlement cases other than resignation	380	1.74	73534
5	Resignation Cases	19410	88.89	27400
6	Total	21835	100	29108

- Contact Sh. Dinesh Dharni, AD(IS), H.O. at 09868107089 and obtain query to be run to extract data from New Application Software and run same.

- The data extracted will provide claim ID wise details of settlement during the period defined. The period should be same for which Payment Cash Book report is generated. This date will provide Date of Birth (DOB), Date of Joining (DOJ), Date of Leaving (DOL\_EPF) and Payment released in respect of each case.
- It must be ensured that the cases pertain to only PARA\_CODE 12, which are resignation cases.
- This will a DBF IV file which should now be saved as Excel file.
- After DOB column, insert one column and copy paste Date of Exit (DOE\_EPF).
- Insert one more column after copied and pasted DOE for calculating Age. Use formula for subtracting DOE from DOB which will provide age in number of days at the time of exit.
- Insert one more column and use formula for dividing age by 365 to yield Age in no. of years.
- This will provide Age in years at the time of exit.
- You will notice two adjacent columns for DOJ & DOE\_EPF. Insert column for Tenure after it. Use formula for subtracting DOE from DOJ. Tenure in days will be the output.
- The tenure in days should be divided in another column using formula, by 365 to yield tenure in years.
- While carrying out this exercise, it must be ensured that DOB, DOJ and DOE are selected as general and not as numbers in cell formatting.
- Go to Age in years column and sort it in ascending order. Tabulate the no. of cases in each category as provided below.

Age	Frequency	%age	Cumulative Frequency	Cumulative %age
upto 20	73	0.4	73	0.4
20.1-25	2502	12.7	2575	13.1
25.1-30	4886	24.8	7461	37.9
30.1-35	4014	20.4	11475	58.3
35.1-40	2989	15.2	14464	73.5

40.1-45	2189	11.1	16653	84.7
45.1-50	1373	7.0	18026	91.6
50.1-55	736	3.7	18762	95.4
55.1-60	607	3.1	19369	98.5
Above 60	300	1.5	19669	100.0

19669

- Go to Tenure in years column and sort it in ascending order. Tabulate the no. of cases in each category as provided below.

Tenure	Frequency	%age	Cumulative Frequency	Cumulative %age
0.1- 6 m	1722	9.3	1722	9.3
6.1-9 m	1913	10.3	3635	19.6
9.1- 1yr	1973	10.6	5608	30.2
1.1-2 yr	4468	24.1	10076	54.3
2.1.3 yr	2788	15.0	12864	69.4
3.1-4 yr	1733	9.3	14597	78.7
4.1-5 yr	1143	6.2	15740	84.9
5.1-10 yr	1937	10.4	17677	95.3
10.1-15 yr	394	2.1	18071	97.4
15.1-20 yr	172	0.9	18243	98.4
Above 20 yr	302	1.6	18545	100.0

18545

- Go to payment released column and sort it in ascending order. Tabulate the no. of cases in each category as provided below.

EPF Payment	Frequency	%age	Cumulative Frequency	Cumulative %age
Up to 2000	846	4.3	846	4.3

2001-5000	3586	18.1	4432	22.4
5001-10,000	4777	24.1	9209	46.5
10,001-15,000	3083	15.6	12292	62.0
15,001-20,000	1804	9.1	14096	71.1
20,001-30,000	2062	10.4	16158	81.6
30,001-50,000	1793	9.1	17951	90.6
50,001-1,00,000	1025	5.2	18976	95.8
1,00,001-5,00,00	717	3.6	19693	99.4
Above 5,00,001	119	0.6	19812	100.0

19812

Your data is ready for analysis. It is important to note that some fields may contain incomplete data and such fields should not form part of the analysis. However number of invalid data fields in each category should be duly provided.

### **EPF&MP ACT, 1952: A CRITICAL ANALYSIS OF CLAIM SETTLEMENT**

The Constitution of India in Part IV under the Chapter " Directive Principles of State Policy, Inter-alia, enjoins upon the State to strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which equity and justice- social, economic and political,-prevail in all the institutions of the national life.

The Government of India has, through various enactments endeavored to give effect to the ideas and objective enshrined in the Constitution. In the filed of Social Security, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the three Schemes framed thereunder support these directive principles of state policy. These social security schemes are pivoted on the concept of regular compulsory saving from current earnings to meet future liabilities of the working class. It is provision to meet expenditures in future when earning stream dries up or to cop up with heavy financial requirement for house, marriage, education and illness etc.

A report has been generated from Payment Module of New Application Software of SRO, Karnal, providing payment Cash Book A/C-I (EPFS, 1952 payments) for the period 01.04.2010 to 23.11.2010. Last page of this report reflects summary of cases settled and amount disbursed under various para provisions of the EPF Scheme, 1952 (Annexure 'A'). The data generated has been analyzed to arrive at %age disposal under each para provisions and average payment made per case (placed at Annexure 'B')

For clarity the data has been summed up in five categories as below:

S. No	CATEGORY	No. of	%age	Average payment
1	Transfer Cases	174	0.80	89891
2	LIP Cases	1100	5.04	10989
3	Advance Cases	771	3.53	62347
4	Settlement cases other than resignation	380	1.74	73534
5	Resignation Cases	19410	88.89	27400
6	Total	21835	100	29108

It is observed that out of total 21835 cases settled, settlement cases due to resignation stand at Staggering high of 19410, accounting for 88.89% of the total settlement. Settlement cases other than resignation account for mere 380 cases (1.74%), Transfer cases are lowest at 174(0.8%). On the contrary average payment made per transfer case is Rs. 89,890 compared to Rs. 27399 of resignation cases (3.28 times). Even in advance cases average payment of Rs. 62347 is 2.27 times of resignation cases. It is pertinent to mention here that this sample is representative of universe as establishments covered at SRO, Karnal is blend of old and new economy. It also has mix of both, seasonal and perennial industries. These wide variations and abnormally high ratio of resignation cases compel a closer look at statistics of resignation cases.

To enable detailed analysis of resignation cases, claim settlement data for the period 1.4.2010 to 25.11.2010 was obtained for EPF payments. 19812 cases of EPF payment wherein reason of leaving was "resignation" were tabulated for analysis. The data was tabulated for Age, Tenure and quantum of Payment in these cases and the same is reproduced on next page:

QUANTUM OF PAYMENT RELEASED

EPF Payment	Frequency	%age	Cumulative Frequency	Cumulative %age
upto 2000	846	4.3	846	4.3
2001-5000	3586	18.1	4432	22.4
5001-10,000	4777	24.1	9209	46.5
10,001-15,000	3083	15.6	12292	62.0
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20,001-30,000	2062	10.4	16158	81.6
30,001-50,000	1793	9.1	17951	90.6
50,001-1,00,000	1025	5.2	18976	95.8
1,00,001-5,00,00	717	3.6	19693	99.4
Above 5,00,001	119	0.6	19812	100.0

19812

TENURE FOR WHICH WITHDRAWAL SOUGHT

Tenure	Frequency	%age	Cumulative Frequency	Cumulative %age
0.1- 6 m	1722	9.3	1722	9.3
6.1-9 m	1913	10.3	3635	19.6
9.1- 1yr	1973	10.6	5608	30.2
1.1-2 yr	4468	24.1	10076	54.3
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3.1-4 yr	1733	9.3	14597	78.7
4.1-5 yr	1143	6.2	15740	84.9
5.1-10 yr	1937	10.4	17677	95.3
10.1-15 yr	394	2.1	18071	97.4
15.1-20 yr	172	0.9	18243	98.4

Above 20 yr	302	1.6	18545	100.0
18545				

#### AGE AT THE TIME OF LEAVING JOB

Age	Frequency	%age	Cumulative Frequency	Cumulative %age
upto 20	73	0.4	73	0.4
20.1-25	2502	12.7	2575	13.1
25.1-30	4886	24.8	7461	37.9
30.1-35	4014	20.4	11475	58.3
35.1-40	2989	15.2	14464	73.5
40.1-45	2189	11.1	16653	84.7
45.1-50	1373	7.0	18026	91.6
50.1-55	736	3.7	18762	95.4
55.1-60	607	3.1	19369	98.5
Above 60	300	1.5	19669	100.0
19669				

It is pertinent mention here that 143 data fields in respect of “age” and “1267” data field pertaining to “Tenure” were incomplete and thus this data has been treated invalid and not a part of the analysis to make it more meaningful. *Category-wise* analysis is given below.

#### PAYMENT

Highest bracket of payment with 24.1% is Rs. 5001-10,000. Almost one fourth of the claimants get mere Rs. 5001-10,000. It is followed by 18.1% in Rs. 2001-5000 category and payment upto Rs. 10,000 accounts for 46.5 (almost half) of the payments. Further 62% of the claimants get upto Rs. 15,000 only and cumulative payments of Rs. 30,000 cover 81.6% claimants. Provident Fund was instituted to induce thrift by means of compulsory savings from the present earnings. The basic premise was compulsory saving for old age when person is not able to earn. With almost half of the claimants taking home Rs. 10,000/- old age financial security remains a distant dream. This payment is marginally above two months minimum wages. It is note worthy that in payments above 1 lacs accounts for mere 4.2%.

## TENURE

The data provides length of service rendered for which claim was preferred. Tenure of 1.1 to 2 years accounts for 24.1% followed by 15% for 2.1-3 years. Surprisingly 9.3% claimants had tenure of upto six months only and with a service of mere one year 30.2% claimants preferred their claim. More than half (54.3%) persons had tenure of upto 2 years only. With tenure upto 5 years this figure escalates to incredible 84.9%.

It is a known fact that market today is characterized by frequent job migrations, leading to shorter tenures. However EPF&MP Act, 1952 and the scheme framed there under provides for transfer of funds to new account number .On the contrary, above analysis reveals withdrawal with termination of tenure, defeating the very objective of social security.

## AGE

Largest portion of subscribers preferring claims fall in age bracket of 25.1-30 years, pegged at 24.8% of total claimant .This is followed by 30.1-35 years accounting for 20.4%. Cumulatively, 58.3%of total claimants have withdrawal provident fund by the time they reach 35 years of age. This figure reaches shocking 84.7% upto the age of 45 years. It is deplorable to observe that 13.1% of claimants are only upto 25 years of age. It is also note worthy that claimants above 55 years of age, reaching age of superannuation, account for there 4.6%.

From the above analysis, it is evident that majority of the claimant withdraw their PF balance with every job change, irrespective of their age and rule provision on transfer of fund to the new establishment code on re-employment is not followed.

Further, to get one single value that describes the characteristics of the entire data, arithmetic mean was not found suitable due to open ended class intervals in all three categories. Arithmetic Mean would have also been unduly affected by the presence of extreme values. Therefore Median was calculated to arrive at the measure of central tendency. Median appears in the middle of an ordered sequence of value. The median for each of the category is:

Age:	31.33 years
Tenure:	2.73 years
Payment:	Rs. 10001.22

From the median figures above , it is inferred that 50% of the claimants prefer their claims for PF withdrawal after a tenure of 2.73 years , at the age of 31.33 years and take home there Rs. 1,0001. Obviously they are still in productive age and money saved for unproductive years is withdrawn when they are yet to work for minimum 25 years more. Thus, the very purpose of EPF &MP act, 1952 , one of the worlds social security enactment with largest coverage , is defeated . Even courts have been liberally interpreting the act for furtherance of its objectives. On the contrary, workers themselves have behaved against the spirit of the act. Impact of premature withdrawal is described below:

## 1. SOCIAL SECURITY COVER DEPLETED

- Amount of settlement, due to repeated withdrawals with each tenure, is too meager to meet requirements of rainy day or old age.
- For eligibility under Pension Scheme, minimum service required is ten years. Unfortunately **94.18% members** withdraw their accumulations within tenure of nine years and thus, rendered **ineligible for pension** on retirement.
- EDLI benefits are also linked to deposits in provident fund account. When accumulation for 50% of members at the time of withdrawal is maximum 10,000, **EDLI benefits their family gets in case of death would be pittance.**
- **85% subscribers** quit within 5 years of service and they are **not eligible for Gratuity.**

Evidently, the social security cover to the workers gets fully eroded due to frequent withdrawals.

## 2. ADVERSE IMPACT ON FUND

The fund is invested in accordance of investment pattern and the yield usually hovers around 8.5% per annum. This yield is obtained by investments in long term bonds of time horizon of 15 years or more. Ironically, funds belonging to 50% of the subscribers are available for mere 2.73 years. **Funds belonging to 30.2% subscribers are available for investment only upto 1 years and figures reaches to shocking 69.4% by the end of 3<sup>rd</sup> year cumulatively.** Owing to availability for very short period, our earnings on these investments are quite low. Despite that, these claimants are paid interest @ 8.5% (ignoring additional 1% this year), in accordance of the scheme provision, incurring loss to the fund. Subscribers with more than 6 months service but less than 10 years service **withdraw Pension Fund accumulations also**, affecting Pension Fund adversely.

## 3. LOST MANDATE

Mission statement of EPFO states *“Our mission is to extend the reach and quality of publicly managed old-age income security programs through consistent and ever-improving standards of compliance and benefit delivery in a manner that wins the approval and confidence of Indians in our*

*methods, fairness, honesty and integrity, there by contributing to economic and social well- being of Indians “.*

- EPFO has been mandated to manage old age income security programs. While carrying out this mandate, the organization has **dual role of Regulator and Service Provider**. With almost 70% persons preferring withdrawal every third year, 10 claims are received from a person through his productive life. This has saddled EPFO with huge workload of claims settlement. In such circumstances, EPFO staff is compelled to handle 10 time of the normal workload. Complications are further aggravated with fact that owing to abnormally inflated workload of claim settlement, very little time is left for updation of accounts. Consequent to huge pendency in updation of accounts, settlement of claims, wherein payments have to be released for the entire tenure, becomes tedious. Contributions from Form 3A data has to be entered for all years for which updation of accounts is pending. **EPFO has thus entered a vicious circle, badly affecting service.**
- With a period limitation of 30 days, field formations are focused only on claims settlement, which are preferred by 30.2% of the subscribers within 1 year of service and almost 85% of the claimants have maximum service of 05 years. Thus the mandate of extending and delivering old age income security is lost. As of now, **EPFO is rather carrying out mandate of banks wherein people keep money and withdraw on their whims & fancies.**
- Prevailing circumstances are dangerous as due to heavy workload of claims basic activities, such as updation of form 9(R) from Form 5&10 are not being carried out. Form 9(R) is updated at the time of settlement of claims which may lead to wrong payments or even frauds can occur. Further Accounts branch is too heavily over burdened to examine Form 12(R) and draw defaulters list for compliances action. Role of EPFO as a regulator also has been paralyzed. **The most important activity of account branch viz. audit and scrutiny of Returns is missing altogether.**

#### 4. MOUNTING DEFAULTS

In prevailing circumstances, **Accounts branch is not in a position to timely detect and report default of payment or returns submission.** The Compliance branch has skeleton staff and by the time the matter comes to their knowledge, it becomes difficult to curb the menace. In a sizeable no. of cases, **defaulters have already fled**, by the time action by Compliance branch is initiated. Owing to the very set up of field formation, only account branch can track defaults on monthly basis. Unfortunately, overtime flow of claims has increased to unmanageable level throwing primary function of Accounts branch out of gear.

#### 5. INCREASING EXPENDITURE

Claims settlement involves expenditure in terms of time, manpower stationary etc. With higher no of claims, this expenditure is bound to increase. Over last few years, we have been **adding staff just to handle mounting load of claims.**

To sum up these **premature withdrawals have jeopardized the whole set up and are biggest stumbling block on the path of stabilizing EPFO as a Regulator and Service Provider of old age income security scheme in India.**

The premature withdrawals are today a big threat to the very existence of EPFO and we must delve into provision as contained in other social security scheme on settlement of claims.

## 1. NEW PENSION SCHEME

The NPS offers two accounts: tier I and tier II. Currently only tier I account is available which is a non-withdrawal account and investment into this keep accumulating **till one turns 60**. Withdrawal is allowed only in case of death, critical illness or for building first house. In case of death the nominee can get 100% of NPS wealth in a lump sum. He can however continue with the NPS in can be wishes to.

## 2. PUBLIC PROVIDENT FUND

- The withdrawal is possible only **after 15 years** from the close of financial year in which initial subscription was made.
- Partial withdrawals are allowed only after five financial years from the end of the year in which the initial subscription was made. This is also limited to 50% of the balance in account at the end of fourth year.
- Loans are also allowed from third year of opening the account to six year restricted to 25% of balance. This is to be repaid within 24 months. However the value of interest on the loan taken will be 2% above the value of interest earned on the deposits in PPF.

## 3. COALMINE PROVIDENT FUND

### **Para 63. Circumstances in which accumulations in the Fund are payable to a member –**

(1) A member may withdraw the full amount standing to his credit in the Fund –

(a) on permanent retirement from service in the Coal Mining Industry at any time after the attainment of the age of 50 years 1[or]

a[(b) On being rendered permanently and totally incapacitated for work in the coalfields due to bodily or mental infirmity, notwithstanding the date- on which he ceases to be employed.]

\*[(c) On being transferred to a cadre in a coal mine to which this Scheme does not apply.]

(2) The Board 4[or where so authorised by the Board, the Commissioner, or where so authorised by the Commissioner, any other officer subordinate to him] may permit a member, who has not attained the age of 50 years to withdraw the amount standing to his credit in the Fund [

(a) 6[if] he has migrated from India for permanent settlement abroad or 8[being a national of a country other than India and having ceased to work in or in connection with a coal mine declares his intention of leaving India for at least a year or,

9 [(b) after expiry of a period of six months from the date of termination of his service if in the meanwhile he does not inform the commissioner in writing that he has been re-employed in any coal mine to which the said Scheme or the Scheme published with the notification of the Government of India in the late Ministry of Labour No. SRO 657 dated the 12th March, 1956 or the Scheme published with the notification of the Government of India in the Ministry of Labour and Employment No. SO 32 dated the 11th February, 1958, apply.]

2[Provided that the Commissioner or where so authorised by the Commissioner, any [Regional Commissioner or]9 Assistant Commissioner may, in case of hardship, reduce the period of six months prescribed under this clause to such extent as he may consider necessary, subject to instructions laid down in this regard by the Commissioner with the approval of the Board] or

(c) 3[if] in the case of a member employed on fixed term contract he does not continue to work in the coalfields after the expiry of his contract :

(2A). When a member withdraws any amount under sub-paragraph (2), the following provisions shall apply, namely :—

(i) seventy five percent of the employer's contribution and interest thereon shall be forfeited to the Fund if the period of his membership of the Fund is less than 3 years; or

(ii) fifty percent of the employer's contribution and interest thereon shall be forfeited to the Fund if the period of membership is 3 years or more but less than 5 years; or .

(iii) twenty five percent of the employer's contribution and interest thereon shall be forfeited to the Fund if the period of membership is 5 years or more but less than 10 years; or

(v) no forfeiture shall be made if the period of membership is 10 years or more.

#### **4. SEAMEN'S PROVIDENT FUND ACT**

##### **Para 59. Circumstances in which accumulations in the Fund are payable to a member**

(1) A member may withdraw the full amount standing to his credit in the Fund –

(a) On retirement from seafaring profession on attaining the age of superannuation.

(b) On retirement on account of permanent and total incapacity for work due to bodily or mental infirmity duly certified by the medical authority or by such other medical officer as the Board may prescribe.

(2) In cases other than those specified in sub-paragraph (1) the Board, or where so authorised by the Board, the Commissioner or where so authorised by the Commissioner any

officer subordinate to him, may permit a member to withdraw, subject to the provisions of sub-paragraph (3) the amount standing to his credit in the Fund if -

(a) he being a national of a country other than India leaves seafaring profession under intimation to the Seamen's Employment Officer; or

(b) voluntarily leaves the seafaring profession under intimation to the Seamen's Employment Office in the case of a seaman registered with such office or to the Shipping Master of the Port in the case of a seaman not so registered, or

(c) his registration with the Seamen's Employment Office is cancelled on his failure to present himself for employment on a ship on receipt of such number of call letters from that office as may be prescribed under the provisions of Rules framed under sub-section (3) of section 95 of the Merchant Shipping Act, 1958 (44 of 1958).

(d) his registration with the Seamen's Employment Office is cancelled for any offence specified in paragraph 61 of the Scheme or for any other reason and the seaman as a result is no longer eligible to serve as a member of the crew of a ship under Merchant Shipping Act, 1958.

(3) When a member withdraws any amount under sub-paragraph (2) the following provision shall apply, namely :-

(i) 75% of the employer's contribution and interest thereon shall be forfeited to the Fund if the total of the period of membership in the fund is less than 2.1/2 years; or

(ii) 50% of the employer's contribution and interest thereon shall be forfeited to the Fund if the total of the period of membership is 2.1/2 years or more but less than 5 years; or

(iii) 25% of the employer's contribution and interest thereon shall be forfeited to the Fund if the total of the period of membership in the Fund is 5 years or more but less than 6 years; or

(iv) No share of the employer's contribution and interest thereon shall be forfeited to the fund if the total period of membership is 6 years and more.

(4) Any sum forfeited to the Fund under this paragraph shall not be returned to the employer but shall be credited to the 'Forfeiture Account' of the Fund. The amounts so credited to the 'Forfeiture account' shall be utilised for such purposes conducive to welfare of seamen and their families as the Board may decide from time to time.

(5) Notwithstanding anything contained in sub-paragraph (3), a member may withdraw the full amount standing to his credit in the Fund, on termination of his service in the case of retrenchment, redundancy and without any prospect of further scope of employment duly certified by the employer, Seamen's Employment Officer and the Shipping Master.

PROVIDED that at least a period of six months has elapsed his last employment, preceding the date on which the member makes the application for final withdrawal with the appropriate supporting documents to the Commissioner.

## THE WAY OUT

It is observed that cardinal principle of social security schemes is to allow withdrawal only when the earning stream dries up and heavy penal restrictions have been provided for premature withdrawals. Following changes are proposed in the scheme:

1. Process of transfer of funds from previous account number to the current one must be streamlined as it takes a long time presently. The educated class prefers withdrawal over transfer of funds owing to tedious process and uncertainty of time to be taken.
2. Usually subscribers take another employment right after quitting a job. As informally gathered, a sizeable number of persons continue with the same employer but declare resignation to withdraw their accumulations. This obviously is not possible without involvement of the employer and he plays equal culprit. **Premature withdrawals must be altogether stopped barring exceptional cases.** The EPF Scheme provides for various types of advances which can come to rescue in need. However, even these advances should not be sanctioned liberally and number of **advance** of any category should be restricted to only **once in ten years**.

3. Premature withdrawal should be permitted **only in case of death, permanent and total disablement, mental infirmity and in case of leaving country for good.**
4. Premature withdrawal may also be allowed in case of persons quitting job for good and **taking up self employment.** Subscriber should produce documentary evidence to satisfy EPFO on his self employment. However there should be a minimum lock-in period of 3 years to establish that the subscriber continues in self employment only and does not switch back to service with a covered establishment. The lock-in period of 3 years has been envisaged as we have decided to not to credit interest on inoperative accounts.

Need of the hour is to muster enough administrative and political courage and save one of the largest social security set up from getting swept into flood of premature withdrawals.