

EPFO may okay plan to cut mandatory contribution

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Trade unions have opposed the proposal saying this will dilute these social security schemes

New Delhi, May 26:

Trustees of retirement fund body EPFO may approve a proposal tomorrow to reduce the mandatory contributions toward social security schemes run by it to 10 per cent for workers as well as employers.

Now, employees and employers contribute 12 per cent of basic wages each towards Employees Provident Fund Scheme (EPF), Employee Pension Scheme (EPS) and Employee Deposit Linked Insurance Scheme (EDLI).

The proposal to reduce the contributions by employers and employees to 10 per cent of basic wages, including basic pay and dearness allowance, is listed on the agenda for meeting of the Employees' Provident Fund Organisation (EPFO) scheduled on May 27, 2017 in Pune, a source said.

The source said the labour ministry received several representations stating that the move will leave more money with workers for expenditure and reduce employers liability, which will eventually perk up economy.

However, trade unions have decided to oppose the proposal saying this will dilute these social security schemes.

An EPFO trustee and Bharatiya Mazdoor Sangh leader P J Banasure said, "We will oppose this proposal. This is not in workers interest."

Another trustee and All India Trade Union Congress Secretary D L Sachdev said, "The reduction of contributions will reduce the benefits for workers by four percentage point.

At present, employer and employee contribute 24 per of basic wages. This will be reduced to 20 per cent."

At present the employees' entire 12 per cent contribution is deposited into his EPF account.

Besides, 3.67 per cent is also contributed to the EPF account by the employer who also contributes 8.33 per cent of basic wages to the EPS account.

That apart, the employer also contributes 0.5 per cent of basic wages towards the EDLI for insurance benefit. Thus the employer eventually contributed 12.5 per cent of basic wages.

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