BID TO SPUR CONSUMPTION

Save Less, Spend More is New Social Security Mantra

New Bill gives employees option to reduce their PF contribution, resulting in higher take-home pay

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New Delhi:

Millions of organised sector employees may soon have the option of reducing their provident fund contribution — currently at 12% of basic salary — and therefore increase their takehome pay. Labour ministry officials said this provision is part of the Social Security Code Bill, 2019, approved by the Cabinet and expected to be tabled in Parliament this week.

The rationale for allowing lower employee PF contribution is that higher take-home pay may boost consumption, which has been falling, dragging growth down. The Bill, however, retains employers' PF contribution at 12%. Details on how low employees' PF contribution can be brought down will be worked out after the passage of the Bill, officials said.

Also, as per the Bill, fixed-term contract workers will be eligible for gratuity on a pro rata basis. Currently, workers are not entitled to gratuity before completing five years of continuous service, as prescribed in the Payment of Gratuity Act, 1972.

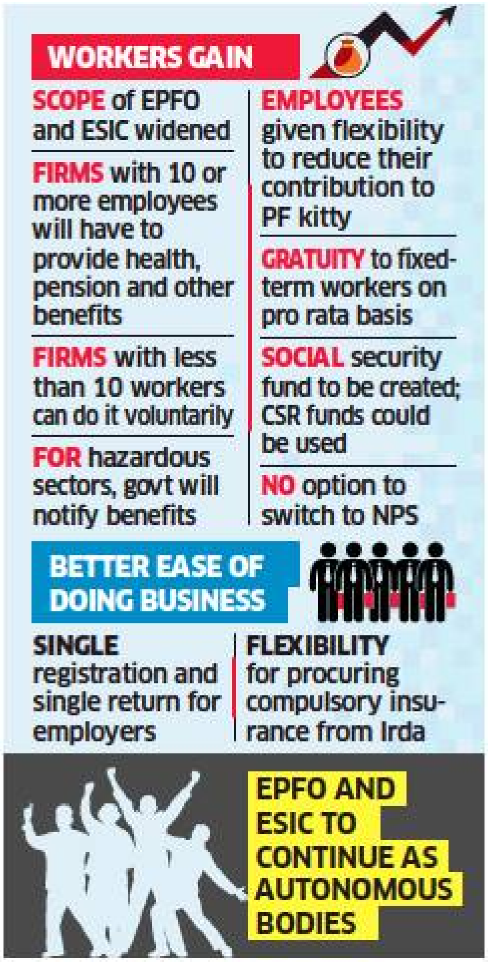
The labour ministry has also done away with its earlier proposal to give subscribers of the Employees' Provident Fund Organisation an option to switch to the National Pension System vis-à-vis the Employee Pension Scheme under EPFO. It said the current arrangement provides multiple benefits such as higher rate of return and exempt-exempt-exempt status to funds invested in EPFO.

Bill Proposes Social Security Fund

The ministry also decided to retain the existing autonomy of EPFO and Employees' State Insurance Corporation (ESIC), rejecting the proposal to corporatise them.

The Bill proposes setting up a social security fund using corpus available under corporate social responsibility. This fund will provide welfare benefits such as pension, medical cover, and death and disablement benefits to all workers, including gig workers.

"We have dropped all controversial proposals and kept our focus intact on the welfare of workers as well as improving the ease of doing business in India through amalgamation of existing laws under the Social Security Code," a senior government official told ET on the condition of anonymity.



As per the Bill, all establishments employing at least 10 workers will have to provide multiple benefits to employees under ESIC, while it would be mandatory for all workers employed in hazardous sectors. Companies with less than 10 workers can voluntarily opt to provide benefits under the ESIC scheme to their workers. The Social Security Code subsumes eight central labour laws. They are the Employees' Compensation Act, 1923, Employees' State Insurance Act, 1948; Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; Payment of Gratuity Act, 1972; Cine Workers Welfare Fund Act, 1981; Building and Other Construction Workers Cess Act, 1996; and Unorganised Workers' Social Security Act, 2008.

As part of its reform initiatives, the labour ministry has decided to amalgamate 44 labour laws into four codes — on wages, industrial relations, social security and safety, and health and working conditions.

The Social Security Code is the last of the four labour codes that have been approved by the Cabinet.

The labour code on wages was approved by Parliament in August while the code on occupational safety, health and working conditions has been referred to the parliamentary standing committee on labour.