

Chapter-III: Coverage and Enrolment

3.1 Coverage of establishments

The EPF Act is applicable to every establishment, which is engaged in any one or more of activities specified in Schedule-1 of the Act or any activity notified by the Central Government in the official Gazette; and employing 20 or more persons. Also an establishment which is not otherwise covered under the Act can be included voluntarily with the mutual consent of the employer and the majority of its employees under Section 1(4) of the Act.

Under the EPF Scheme, 187 classes of industries and establishments were covered (March 2012). During 2006-07 to 2011-12, EPF Scheme was extended to industries and establishments dealing with computers, companies offering life insurance, private airports, electronic media, lodging houses, service apartments, condominiums, municipal councils or corporations, etc.

6,91,237 establishments were covered under EPF Scheme (as on 31 March 2012). These included 6,88,487 un-exempted¹ and 2750 exempted² establishments. The employees in the un-exempted establishments are serviced by the EPFO and those of the exempted establishments are serviced by the establishments themselves.

Out of the total work force of about 459 millions in India, 27.55 (six *per cent*) million workers are in the organised sector (17.67 million in public sector and 9.87 million in private sector) and the remaining 94 *per cent* are in the unorganised sector. As on 31 March 2012, 8, 55, 40, 324 members were covered under the EPF Scheme which was 18.64 *per cent* of total work force.

Of the total number of members, 64.45 *per cent* are concentrated in five States namely Tamil Nadu, Maharashtra, Karnataka, Delhi and Haryana.

¹ Un exempted establishments are those to whom the EPF Scheme has been extended. (Sec.1)

² Exempted establishment means an establishment in respect of which an exemption has been granted from the operation of the Scheme (Sec.2(ff)).

3.2 Compulsory coverage - Surveys

As stated earlier, the provisions of the Act are applicable to every establishment which is a factory engaged in any industry specified in Schedule I and in which 20 or more persons are employed and also to any other establishment employing 20 or more persons which the Central Government may, by notification in official gazette specify.

The Provident Fund Inspector is expected to keep constant vigil over uncovered establishments in his/her area and recommend coverage as soon as the Act becomes applicable to them. Surveys are conducted by Enforcement Officer of the EPFO to assess coverage potential of new establishments.

The EPFO Headquarters fixed (January 2009) target for coverage as five establishments for each Enforcement Officer per month under his jurisdiction and overall increase of 15 *per cent* in the number of establishments covered as compared to last year, for each office.

During the year 2009-10 to 2011-12, shortfalls ranged between 47 *per cent* and 58.82 *per cent* against the targets prescribed, in sampled ROs/SROs in the States of Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Odisha, Kerala, Tamil Nadu, Rajasthan, Goa and Delhi as per details given below. In respect of other regions/States complete data/details were not available. Shortfalls in inspection would have adversely affected inclusion of new establishments.

Table 3.1: - Details of Coverage and Enrolment

Year	Number of Establishments at the beginning of year	Target for enrolment of fresh establishment (15 Per cent)	Number of Establishments fresh enrolled	Number of Establishments at the end of the year	Shortfall	Per cent of Shortfall
2009-10	198463	29769	15777	214240	13992	47.00
2010-11	214240	32136	15925	230165	16211	50.44
2011-12	230165	34525	14219	244384	20306	58.82

No response on the above issue was received from EPFO (November 2013).

3.3 Voluntary coverage

An establishment can be covered voluntarily with the mutual consent of the employer and the majority of the employees (Section 1(4) of the Act). In such cases, the CPFC issues a notification in the official gazette and the social security benefits as per the EPF Scheme are available to employees. However, there was no time frame for issue of such notification.

Audit noted that a large number of requests for voluntary coverage were pending with the Central Office and ROs. Between 2006-07 and 2011-12, of the total 1352 cases of request for voluntary coverage from Chhattisgarh, Delhi, Haryana, Jharkhand, Punjab and Uttar Pradesh, only in 79 cases (5.84 *per cent*), notifications were issued. As on 31 March 2012, 314 cases were pending with Central Office for issue of gazette notification and 959 cases pending with ROs.

Significant pendencies were also noticed in other States test-checked in audit as given below:

- In West Bengal (RO Kolkata) during the period from 2006-12, 466 establishments applied for voluntary coverage, out of which only in three cases notifications were issued. The ROs did not recommend 448 cases to their Headquarters reportedly owing to non-receipt of Final Applicability Report from the Enforcement Officer, and the remaining 15 cases were pending with the Central Office.
- In Kerala (RO Thiruvananthapuram) in 177 voluntary coverage cases, issue of notifications was pending. Out of these, in 39 cases, the Enforcement Officers had not conducted inspection and the remaining 138 cases were pending at the Central Office.
- In Odisha, although 83 establishments applied for voluntary coverage, but notification was issued only to 14 establishments during 2006-12.
- In Haryana, 95 cases of voluntary coverage were pending as on 31 March 2012 for periods ranging from 60 to 120 months. No notifications were issued during 2010-11 to 2011-12.

Thus, EPFO was not very encouraging regarding voluntary coverage of its schemes.

EPFO did not comment on the issue (November 2013).

3.4 Inspections

Para 11 of Inspector Manual provides that every establishment covered under the Act should be inspected as often and as thoroughly as necessary to ensure effective and prompt implementation of the Act and schemes. In general, routine inspection of an establishment (exempted or un-exempted) should be conducted at least once in 4 months and a minimum of 45 inspections in a month should be maintained by Inspectors.

During test check of records in the ROs/SROs it was noticed that desired number of inspections of establishments were not conducted. Inadequate inspections were noticed in following States.

State	Audit observation
Karnataka	SRO, Bangalore – 36 establishments were not inspected since coverage, out of which seven establishments have defaulted.
Uttar Pradesh	The target for inspection of covered establishments was not fixed in RO Kanpur, SROs Varanasi and Bareilly for the year 2006-07 to 2011-12.
Chhattisgarh	RO, Raipur - no inspection of covered establishments was conducted during 2006-09 and the percentage of shortfall in inspection was 82 to 84 <i>per cent</i> during 2009-12.
West Bengal	In Kolkata Region out of 14,129 inspections targeted during 2009-12 only 27 <i>per cent</i> inspections were conducted. Further, in the case of SRO, Jangipur the percentage of shortfall was 86 <i>per cent</i> , 87 <i>per cent</i> and 96 <i>per cent</i> for the years 2009-10, 2010-11 and 2011-12 respectively.
Haryana	No targets for inspection of covered establishments were fixed by RO Faridabad, during 2006-10. Target of inspections of 7818 establishments was fixed by RO Faridabad for the year 2010-11 against which inspection of 1668 (34 <i>per cent</i>) establishments were conducted. No target was fixed for 2011-12. RO Gurgaon fixed targets of 5544 establishments for inspection for the year 2009-10 to 2010-11. Against the target only 1782 (32 <i>per cent</i>) establishments were inspected. No target was fixed for the year 2011-12.
Rajasthan	In RO Jaipur and SROs Udaipur, Jodhpur and Kota, out of 6960 inspections targeted, only 2212 (31.78 <i>per cent</i>) were conducted during 2011-12.

Case study: Inadequate inspections

In RO, Kolkata, SROs Park Street and Barrackpore 4357 new establishments were added during the period of audit. However, after obtaining code numbers, 1035 newly covered establishments disappeared, either without making any contribution at all or after making contribution for just one or two months. Despite being sought by audit, the RO, Kolkata could not produce any evidence in support of inspection carried out in these establishments.

Thus inspections of establishments were less than targets, which led to insufficient controls over establishments regarding implementation of provisions of the Act.

Recommendation: *The EPFO should closely monitor targets and ensure compliance for conducting regular surveys and inspections of establishments. Further, it needs to welcome establishments opting for voluntary coverage and ensure that notifications are issued in a time bound manner.*