

ESTIMATES COMMITTEE (1970-71)

(FOURTH LOK SABHA)

HUNDRED AND THIRTY-SECOND REPORT

**MINISTRY OF LABOUR, EMPLOYMENT & REHA-
BILITATION (DEPARTMENT OF LABOUR &
EMPLOYMENT)**

Action taken by Government on the recommendations contained in the Hundred and Sixteenth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Labour, Employment and Rehabilitation (Department of Labour & Employment)—Employees' Provident Fund Organisation.



**LOK SABHA SECRETARIAT
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CORRIGENDA

To

132nd Report of the Estimates Committee (1970-71) on Action taken by Government on the recommendations contained in the 116th Report on Employees' Provident Fund Organisation.

Page	Sl.No. of rec.	Line	Correction
3	71	4 & 5	<u>for</u> 'recom-Employees' Provident Fund Scheme and' <u>read</u> 'Recommended by two expert bodies viz. the'.
28	53	1 (Rel. of Govt.)	<u>for</u> 'Permissible' <u>read</u> 'permissible'.
29	58	last (Rel.of Govt.)	<u>for</u> 'certificates Within' <u>read</u> 'certificates within'.
37	11	5 (Rel. of Govt.)	<u>for</u> 'represented' <u>read</u> 'represented'.
39	21	8 (Rel.of Govt.)	'The administration' <u>read</u> 'the administration'.
42	64	1 (Rel.of Govt.)	<u>for</u> "this Fund are more than the incomings. This Fund which theoreti-" <u>read</u> "The Special Reserve Fund has been built up out of the amount".
42	64	4 (Rel.of Govt.)	<u>for</u> 'Finacing' <u>read</u> 'Financing'
43	64	8 (Rel.of Govt.)	<u>for</u> 'is' <u>read</u> 'in'.
43	64	26(Rel.of Govt.)	<u>for</u> 'anticipated' <u>read</u> 'anticipated'.
45	67	(Line 2 of sub-Para 4)	<u>for</u> 'reconciliation' <u>read</u> 'reconciliation'.
48	12	19 (Rel. of Govt.)	<u>read</u> 'as' after <u>Board</u> .
48	54	First	<u>for</u> 'at' <u>read</u> 'an'.

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(1970-71)

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(ESTIMATES COMMITTEE)

(1970-71)

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INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Report of the Estimates Committee on action taken by Government on the recommendations contained in the Hundred and Sixteenth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Labour, Employment, and Rehabilitation (Department of Labour and Employment)—Employees' Provident Fund Organisation.

2. The Hundred and Sixteenth Report was presented to the Lok Sabha on the 20th April, 1970. Government furnished their replies indicating action taken on the recommendations contained in that Report on the 4th November, 1970. The replies were examined by the Study Group 'E' of the Estimates Committee (1970-71) at their sitting held on the 18th December, 1970.

The draft Report was adopted by the Estimates Committee (1970-71) on the 23rd December, 1970.

3. The Report has been divided into the following Chapters:—

I. Report.

II. Recommendations which have been accepted by the Government.

III. Recommendations which the Committee do not desire to pursue in view of the Government's replies.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Sixteenth Report of the Estimates Committee (Fourth Lok Sabha) is given in Appendix. It would be observed therefrom that out of 74 recommendations made in the Report, 56 recommendations i.e. 76 per cent have been accepted by Government; the Committee do not desire to pursue 10

(vi.)

recommendations i.e. 13.5 per cent in view of Government's replies; replies of Government in respect of the 3 recommendations i.e. 4 per cent have not been accepted by the Committee; while final replies of the Government are still awaited in respect of the remaining 5 recommendations i.e. 6.5 per cent.

NEW DELHI;

December 26, 1970.

Pausa 5, 1892 (Saka).

K. N. TEWARI,

Chairman,

Estimates Committee.

CHAPTER I

REPORT

Government Control over the Provident Fund Organisation (Serial No. 12, Paras Nos. 3.12 and 3.13)

The Committee had, in para 3.12 of their 116th Report on the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment)—Employees' Provident Fund Organisation, noted that apart from the control exercised by the Central Government on the Central Board of Trustees in regard to various other matters, Government exercised over all control in respect of (i) Modification of the Scheme under Section 7 of the Act, (ii) Delegation of powers under Section 5E *ibid*, (iii) Appointment of Inspectors under Section 13 *ibid*, (iv) Transfer of Accounts under paragraph 28 of the Scheme and Section 17-A, (v) Opening of Regional and other offices under paragraph 21 of the Scheme, (vi) Appointment of the Secretary to the Central Board and to a Regional Committee under paragraph 22 of the Scheme. It appeared to the Committee that the powers of supervision and control exercised by the Central Government over the Provident Fund Organisation not only extended to policy issue but also to matters of executive nature. Even in matters of day-to-day administration such as appointment of inspectors, opening of regional and other offices and maintenance of forms of accounts, there was overall control of the Central Government. Under Section 7 of the Act, the Central Government was empowered to amend the Scheme without even consulting the Central Board of Trustees who were required to administer the Fund in such manner as was specified in the Scheme. The Committee further noted that the Secretary of the administrative Ministry, namely, the Ministry of Labour and Employment was the Chairman of the Central Board of Trustees and the Central Provident Fund Commissioner, who was the Secretary of the Board of Trustees and was appointed by the Ministry, was not even a member of the Board. The Committee had, therefore, in para 3.13 of the Report suggested that more powers should be delegated to the Central Board of Trustees so that it had sufficient flexibility in the day-to-day working while the Ministry might retain the power to guide and, if necessary, to intervene in matters of policy.

2. Government have in reply stated that even at present, considerable autonomy vests in the Central Board of Trustees enabling it to function on its own in all matters of day-to-day administration.

According to them, the Board has been vested with financial powers in certain respects higher even than those enjoyed by the Departments of the Central Government. Government have further pointed out that all important matters including proposals for amendment of the Employees' Provident Fund Act or the Employees' Provident Funds Scheme are first placed before the Central Board of Trustees as a matter of convention. It has been added that requests for delegating further powers to the Board as and when received will be considered by the Central Government on merits.

3. The Committee are unable to agree to the Government's view that the present delegation of powers in day-to-day administration and in other matters is adequate for the efficient and smooth functioning of the Organisation. They would, therefore, urge upon the Government to amend the Act suitably and take other necessary steps with a view to allow the Central Board of Trustees the maximum autonomy in administrative matters and confine their own jurisdiction to the matters of policy alone. The Committee have no doubt that this will obviate delays in taking decisions and add to the efficiency.

Investment Committee

(Serial No. 54, para No. 5.22)

4. The Committee had, in para 5.22, suggested that an Investment Committee might be constituted for the purpose of advising the Central Board of Trustees in matters relating to the investment of its funds. The aforesaid Committee might consist of persons having special knowledge and experience in financial and banking matters, particularly matters relating to investment of funds.

5. In reply, Government have stated that the investment pattern is laid down with the approval of the Government after a detailed and thorough scrutiny from all relevant considerations with the object of adopting such pattern as may bring in the optimum yield. It has been argued that "since the fund investment's have to be mainly covered under the provisions of the Trusts Act, the range within which the investment could take place is limited and is confined to the Government's securities, as also approved securities such as Government guaranteed securities. The investments in industrial securities, Unit Trust of India etc. are completely excluded from the above scope. Once the pattern is laid down, the investments of the Fund moneys are made by the Reserve Bank of India under the standing arrangements. The Reserve Bank of India as part of open market operations deal with Government securities worth crores of rupees and have the necessary expertise to handle

work of the Organisation with utmost efficiency and to the best advantage of the Board. They keep in touch with the day-to-day trends in the Government securities market and make the investments as regards Central Government securities from their own holdings at prices ruling from time to time and as regards Government guaranteed securities in such securities only as conform to the guidelines laid down by the Organisation yielding on an average a return of 6 per cent. Investment instructions in Government guaranteed securities at the time of their floatations are issued by the Organisation. Broadly the issues conform to a set pattern and investments are made in such securities which give the maximum marginal benefits such as discount and under-writing commission. The scope for flexibility being limited in view of the restricted range within which the investments have to be made, the setting up of an Investment Committee to handle the Organisation's day-to-day investments will not serve any useful purpose".

6. The Committee are not convinced with the reasoning advanced by the Government against the suggestion for having an Investment Committee to advise the Central Board of Trustees in matters relating to investment of its funds. They feel that such a Committee consisting of experts in financial and banking matters would be of great help to the Central Board of Trustees in devising a pattern of investment of the Organisation's funds keeping in view the twin considerations of security and maximum return. The Committee would like to reiterate their earlier recommendation and urge that an Investment Committee may be constituted as early as possible.

Merger of ESI and EPE Schemes

(Serial No. 71, para No. 7.17)

7. In para 7.17, the Committee were constrained to note that in spite of the fact that the proposal for administrative merger of Employees' Provident Fund Scheme and Employees' State Insurance Scheme was mooted as far back as in 1962 and has been recommended by the Employees' Provident Fund Scheme and Employees' State Insurance Scheme Review Committee and the National Labour Commission, Government had not taken any concrete steps in that regard. The Committee felt that the merger of the two Schemes would not only lead to substantial economies in the cost of administration through reduction in overhead costs, elimination of duplication in Inspectorate and Supervisory staff etc. but would also add to the convenience of the managements and the workers who would be required to deal with a single authority for all matters concerning the two

Schemes. They, therefore, recommended that Government should lay down a target date by which the merger of the two Schemes should be completed and all legal and administrative steps required for that purpose should be finalised.

8. Government have, in reply, stated that they had appointed a Working Group with the Director General, Employees' State Insurance Corporation, as the Chairman to examine the question of integration of social security schemes. It is stated that the Report of the Working Group has since been received and the proposal for merger of the Employees' State Insurance and Provident Fund Schemes has been accepted in principle. Government have further stated that as a first step towards the merger, it is proposed to appoint a Special Officer to consider the practical issues and to work out the essentials of an Integrated Scheme. Further action will be taken after the report of the Special Officer becomes available.

9. The Committee are extremely unhappy to observe that no serious attempts have been made yet in the direction of merger of the two Schemes. With the leisurely manner in which things are moving, the actual merger would appear to remain only a remote possibility. The Committee would urge upon the Government to lay down a target date by which the merge of the two Schemes should be completed after finalising all the required legal and administrative steps.

Pending Replies to Recommendations included in Chapter V.

10. In response to Committee's recommendations contained in paras 1.27, 2.28, 4.52, 4.59 and 7.24, Government have furnished interim replies. The Committee hope that final replies in regard to these recommendations will be submitted to them expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2, Para 2.6)

In the light of what has been stated in the foregoing paragraphs, the Committee are constrained to observe that measures taken so far, since the public sector undertakings were brought within the purview of the Act in 1958, have failed to yield any substantial results in the matter of ensuring compliance of the provisions of the Act by the public sector undertakings. Since public sector undertakings are directly under the control of Governments, there appears hardly any justification for non-compliance. The Committee, therefore, urge that Government should lay down a target date by which all such public sector undertakings should apply for exemption under Section 17 of the Act or comply with the provisions of the Act. In the event of their failure to do so by the stipulated date, Government should enforce the provisions of the Act by taking recourse to Section 7A and other penal provisions of the Act.

Reply of Government

As on the 31st March, 1970, out of 1565 public sector establishments, 1135 (73 per cent) were complying with the provisions of the Act and the Scheme. In regard to the remaining establishments, the Regional Provident Fund Commissioners have been making efforts in consultation with the State Labour Secretaries to secure compliance. It may be pointed out in this connection that by and large all the establishments which are yet to comply with the Act and the Scheme are already providing retirement benefits to their workers in one form or the other and the problem is primarily one of formalising the arrangements either through grant of exemption or by covering them under the Scheme.

2. The progress of implementation of the Act and the Scheme in public sector undertakings is also reviewed by the Central Board of Trustees at its meetings. At its last meeting held on the 30th July, 1970, the Board has set 31st December, 1970 as the target date for compliance by all the public sector undertakings. In the event of their failure to do so by the stipulated date, the Provident

Fund authorities will enforce provisions of the Act by taking recourse to section 7A and initiate action under other penal provisions of the Act.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 3, Para 2.8)

The Committee are unhappy to note that even though discussions between the Railway Board and the Ministry of Labour, Employment and Rehabilitation have been going on over such a considerably long period, no final decision has been reached in the matter. The Committee, therefore, recommend that this issue between the Railway Board and the Ministry of Labour, Employment and Rehabilitation should be settled without any further delay and steps taken to extend the provisions of the Act to Railway establishments and to grant them formal exemption under Section 17 if they apply for it.

Reply of Government

Railway establishments have since been granted exemption from the Employees' Provident Funds Scheme by the Central Government subject to the usual conditions. A notification exempting Railway establishments under section 17 of the Act was issued on 12th March, 1970.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 4, Para 2.12)

The Committee hope that Government would favourably consider the suggestion to curtail the qualifying period in the case of employees who are made permanent in less than a year of their joining service and bring in a suitable amendment to that effect in the Employees' Provident Funds Act and the Scheme, if necessary.

Reply of Government

The recommendation has been accepted and necessary amendment to this effect will be made in the Employees' Provident Funds Scheme.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 5, Para 2.14)

The Committee are glad that the question of extending the Act to Jammu and Kashmir is already under the consideration of the Government. They hope that, in the interest of uniformity, a final decision in the matter would be reached soon and a uniform Employees' Provident Funds Scheme made applicable throughout India.

Reply of Government

There is already a State Provident Fund Act applicable to industrial employees in Jammu and Kashmir. The employment limit for coverage under the State Act is 10 or more persons. It has been decided that the Central Act (Employees' Provident Funds Act, 1952) should be extended to Jammu and Kashmir when the employment limit under the Central Act is also reduced from 20 to 10 or more persons as recommended by the National Commission on Labour.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 6, Para 2.20)

The Committee would like that the survey of Beedi industry should be completed by the Employees' Provident Fund Organisation at an early date but not later than by the middle of 1970 and thereafter speedy action may be taken to bring it within the purview of the Act, so as to cover a considerable body of workers under this benevolent scheme.

Reply of Government

The Employees' Provident Fund Organisation has already completed the survey of Beedi Industry and submitted a report to Government. The matter is now being processed further in consultation with the interests concerned.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 7, Para 2.22)

The Committee are not sure if agricultural farms maintained by the Central and State Governments are covered by the Employees' Provident Funds Act. They would like to point out that during the

recent years a large number of model agricultural seed and demonstration farms have been set up by State Governments and the Administrations of the Union Territories. The Committee had occasion to visit a number of such farms during their recent tour to Andaman and Nicobar Islands. Apart from agricultural farms, there are a large number of fruit orchards, botanical and zoological gardens where an appreciable number of labourers are employed on an organised basis.

The Committee regret that after 1962 when the question of coverage of agricultural farms was first mooted and later dropped, no further survey has been undertaken to assess whether these can now be appropriately brought under coverage. The Committee, therefore, recommend that survey of agricultural farms/fruit orchards/botanical gardens/zoological gardens should be undertaken without any further delay with a view to assess the feasibility of applying the Act to the agricultural labour employed therein.

Reply of Government

A survey of the Agricultural Farms, Fruit Orchards, etc. has already been undertaken. Soon after completion of the survey, the feasibility of applying the Employees' Provident Funds Act to the agricultural farms etc. would be considered.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated the 4th November, 1970.]

Comments of the Committee

The survey may be expedited and decision taken quickly.

Recommendation (Serial No. 9, Para 3.5)

The Committee consider that as the Fund is made up of contributions of both the employers and employees exclusively, there should be parity of representation between the officials and non-officials on the Central Board of Trustees and for this purpose suggest that the representation of employers and employees on the Board might be suitably increased.

Reply of Government

The recommendation has been accepted. The Act, however, requires amendment before the number of representatives of employ-

ers and workers on the Central Board of Trustees can be increased. This will be taken up as early as possible.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 10, Para 3.6)

The Committee are surprised to find that the Central Provident Fund Commissioner is not even an *ex-officio* Member of the Board although he is its Secretary and Executive Head of the Organisation. He is responsible for the enforcement of the Act and the Scheme in the entire country and has to implement the decisions of the Central Board of Trustees. He also act as the liaison officer between the Central Government and the Central Board of Trustees. In order that he is able to effectively implement the decisions of the Central Board of Trustees and discharge his duties properly, the Committee consider that he should be made *ex-officio* Member-Secretary of the Central Board of Trustees. They accordingly suggest that Government may take immediate action to statutorily provide for making the Central Provident Fund Commissioner an *ex-officio* Member Secretary of the Central Board of Trustees.

Reply of Government

Government agrees that the Central Provident Fund Commissioner should be made *ex-officio* Member-Secretary of the Central Board of Trustees. This however, requires amendment of the Employees' Provident Funds Act; this will be taken up shortly.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 13, Para 3.17)

As the provisions of Section 5-B of the Act regarding constitution of State Boards have remained a dead letter so far and Government do not intend to implement them in future also, the Committee recommend the deletion of this aforesaid section from the Statute Book.

Reply of Government

The recommendation has been accepted. Section 5B of the Employees' Provident Fund Act will be deleted as early as possible.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 14, Para 3.23)

The Committee are constrained to observe that Government have not cared to implement the recommendation of the Estimates Committee (1959-60) which they had accepted regarding the frequency of the meetings of the Regional Committees. They would now recommend that Government should take early steps to insert a provision in the Scheme for holding meetings of the Regional Committees at least twice a year.

Reply of Government

The recommendation has been accepted. Necessary provision for this purpose will be made in the Employees' Provident Funds Scheme.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 16, Para 3.29)

The Committee are distressed to note the absence of continuity in the post of the administrative head of the Organisation who is responsible for the enforcement of the Scheme in the entire country. The Committee consider that in the interest of efficient and smooth functioning of the Organisation, it is not only desirable but essential that the office of the Central Provident Fund Commissioner is not subject to frequent changes. They, therefore, recommend that once appointed, the Central Provident Fund Commissioner should continue for a minimum period of four years.

Reply of Government

Government agrees that the office of the Central Provident Fund Commissioner should not be subject to frequent changes but it is difficult to lay down that there would be no change for 4 years after appointment so long as officers are taken on deputation for appointment as Central Provident Fund Commissioner. It may be necessary to transfer an incumbent in the public interest. However,

while taking officers on deputation, it will be stipulated that their services should be made available for a minimum period of 4 years.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 17, Para 3.32)

The Committee are not averse for the present to the selection of incumbent to the post of Central Provident Fund Commissioner by deputation but at the same time feel that in due course of time as the Organisation grows and gains in maturity, it should be possible for Government to appoint persons to this post from within the Department itself, if found suitable.

Reply of Government

The recommendation is accepted in principle.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 18, Para 3.33)

The Committee also suggest that the field of selection of officers on deputation to this post and other posts in the Organisation should not be confined to officers belonging to I.A.S. and Central Services Class I only but should be enlarged to include officers of equivalent status belonging to other Central offices.

Reply of Government

The recommendation is accepted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 20, Paras 3.42 and 3.43)

The Committee are distressed to observe that Government have incurred an infructuous expenditure to the tune of Rs. 27,300 on this private Efficiency Experts Firm of Consultants, the recommendations of which ultimately did not prove beneficial.

The Committee further observe that while the Report of the firm of Efficiency Experts did not prove of much benefit, the study of the

working of the Organisation entrusted to the Department of Administrative Reforms later on, on the contrary, was fruitful.

The Committee are of the view that any study required to be undertaken in regard to the reorganisation of Regional Offices should not be entrusted to any private firm of consultants who are not fully equipped and competent enough to undertake such studies. They, therefore, suggest that such a study, whenever undertaken, should be made by a body consisting of actuaries, auditors and O.M. experts who have direct knowledge of the working of the Organisation.

Reply of Government

Noted.

Wherever any review of the working of the Employees' Provident Fund Organisation is considered necessary in future, it will be got done through Central Government's expert agencies e.g. Administrative Reforms Department, Staff Inspection Unit of the Ministry of Finance etc.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 22, Para 3.47)

In the opinion of the Committee, the Inspectors are the king-pins of the whole Organisation. The success or otherwise of the Organisation hinges on the efficient discharge of their duties. The Committee, therefore, have no doubt that the Organisation will make sure that not only the number of Inspectors is adequate to conduct proper inspection but that they perform their job meticulously and thoroughly.

Reply of Government

The Administrative Reforms Department of the Ministry of Home Affairs had recommended a work norm for the Provident Fund Inspectors and also suggested re-allocation of the duties of P.F.Is. (Gr. I) and P.F.I. (Gr. II) on a functional basis vide recommendation No. 79 to 84 in Volume I of their report of 1968. The work-norm has been accepted provisionally by the Board, pending receipt of the report of the Staff Inspection Unit. The Staff Inspection Unit is expected to conduct a study of the job of the inspectors shortly and recommend appropriate work-norms. The re-organisation of allotment of duties suggested by the A.R.D. provided for supervision of the work of Junior P.F.Is. (Gr. II) by the Senior P.F.Is. (Gr. I) and

also periodical check-up of the latters' work by the Assistant Provident Fund Commissioner (Gr. I). This suggestion has been accepted by the Board and also implemented in most of the regions from 1-4-70 and it has had a salutary effect on the quality of performance of duties by the Inspectors. The task of making the inspectorate a more potent and effective instrument of administration is therefore already engaging the active consideration of the Organisation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 23, Para 3.48)

The Committee also suggest that a study of the norms and performances of Inspectors may be undertaken at an early date with a view to examine and improve the working of the Inspectorate.

Reply of Government

The norms and performances of the Provident Fund Inspectors have already been studied by the Administrative Reforms Department and the recommendations made by them in regard to the re-allocation of their duties have since been implemented. In regard to work norms the Staff Inspection Unit of the Ministry of Finance, which has also been conducting a study of their working, is expected to fix suitable norms. Those norms would be considered for adoption when finally accepted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 25, Para 3.52)

The Committee also suggest that, to the extent possible, efforts should be made by the Organisation to put up staff quarters for their staff at all regional centres in a phased manner and in close proximity to office buildings wherever possible and for that purpose lay down a time schedule. Early construction of staff quarters, apart from effecting substantial saving in expenditure and ensuring a good return in the shape of rentals, will also be conducive to greater efficiency on the part of the staff.

Reply of Government

The Organisation has already a regular programme for the construction of staff quarters for its staff at all the Regional Headquarters in a phased manner. The building Sub-Committee set up by the

Central Board of Trustees, Employees' Provident Fund for this purpose scrutinises and considers all the proposals for construction. So far, adequate number of staff quarters have been constructed in the U.P. Region at Kanpur and most of them have already been occupied by the eligible members of the staff. In Delhi, Andhra Pradesh, Punjab, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu, West Bengal Regions plots of land have been purchased and further necessary action is in progress. In the other Regions except in Assam, efforts are being made by the Regional Commissioners to secure suitable plots of land, and to secure sufficient number of flats from the State Housing Boards. It will thus be seen that the recommendation is already being implemented by the Fund.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 26, Para 3.56)

The Committee are unhappy to note the wide divergence in Budget Estimate and Actuals during successive years. The savings thus effected are unnecessarily blocked and could otherwise, by drawing up realistic budget estimates be invested profitably. The Committee feel that it should not be difficult for Government or the Organisation to anticipate the estimates on officers and establishments particularly in regard to the posts which have been abolished or which are not proposed to be filled up as a measure of economy and to prepare the estimates more realistically.

Reply of Government

In future every effort will be made to frame realistic budget proposals as far as possible. To achieve this end, suitable instructions have been given to all concerned.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 27, Para 3.57)

The Committee would also suggest that the Organisation should assess the requirement of posts required to be filled up in consultation with the Union Public Service Commission or through direct recruitment or promotion during a particular year well ahead of the preparation of Budget Estimates for that year so that all the formalities required to be completed for filling up of these posts are completed as far as possible before the commencement of the Budget

year. This will further enable the Organisation to bridge the wide gap between the Budget estimates and actuals for any year.

Reply of Government

In future the suggestion of the Estimates Committee will be kept in view and will be acted upon as far as possible.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 28, Para 3.62)

The Department of Administrative Reforms in their Report (December, 1968) on Study of the Employees' Provident Fund Organisation *inter-alia* have also stated that the reasons for cumulative arrears of work might be that the output of the existing staff is less than the average that one could expect of them or the staff employed is actually inadequate to the load of the work. The Committee are inclined to agree with the above observations of the Department of Administrative Reforms. The backlog of work particularly on the Accounts side would appear to be attributable to the absence of any efforts to evolve scientific standards and norms of work for different categories of staff which are essential to streamline the administration and to make it function efficiently and effectively. The Committee, therefore, suggest that the Staff Inspection Unit of the Ministry of Finance, who have agreed to conduct a study of this Organisation with a view to suggest norms of sanctioning various posts, may be requested to undertake this task immediately and complete the studies and submit their report within six months.

Reply of Government

The Staff Inspection Unit of the Ministry of Finance have nearly completed their study and it is expected that their final report will be available shortly.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 30, Para 3.66)

The Committee note with satisfaction that there is a healthy trend in the liberalisation of recruitment rules in regard to certain categories of staff inasmuch as adequate provision for departmental promotion has been made. This is not only desirable but necessary if

the staff serving in the Organisation is to get incentive and encouragement. The Committee hope that in due course of time, it should be possible for Government to man the posts of Accounts Officers Departmental Accounts Service examinations which may be held periodically henceforth and thrown open to all suitable departmental candidates.

Reply of Government

Recruitment Rules, for filling up the posts of Accounts Officer from amongst the departmental candidates who would qualify in both parts of the Accounts Service Examination with requisite qualifying service have since been amended. The results of the Part II examination have since been announced. Steps would be taken in due course to fill up the available posts of Accounts Officers from amongst the qualified departmental employees subject to fulfilment of other prescribed conditions.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 31, Para 3.67)

The Committee also hope that in time to come, it should be possible for Government to appoint a major proportion of its senior Executives in the Organisation from amongst suitable departmental candidates.

Reply of Government

The recommendation is accepted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour and Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 32, Para 3.71)

The Committee endorse the recommendations of the Department of Administrative Reforms in regard to modifications etc. of forms and returns. They are of the view that the recommendations, if implemented, will considerably simplify the work and lessen the load of clerical and accounting work. They desire that Government should examine and take decisions on the recommendations of the Administrative Reforms Commission at an early date so as to enable the Employees' Provident Fund Organisation to implement them as expeditiously as possible. Not only will it lead to simplifying the

procedure it will also curtail expenditure on printing of forms. The Committee also recommend that the O&M Unit recently set up in the Central Office should also periodically review the forms and returns in vogue with a view to assess which of them could be eliminated, amalgamated or modified *inter-alia* to ensure that columns asking for unnecessary details are omitted.

Reply of Government

(i) The recommendations with suitable modifications in the light of the discussions on these recommendations at the Conferences of Regional Commissioners and Accounts Officers and of the A.R.D. in regard to the modifications and simplification of the various forms| returns have already been accepted by the Central Board of Trustees, Employees' Provident Fund, and they have been implemented by the Regional Offices of the Organisation from 1st April, 1970.

(ii) The O&M Unit of the Organisation is already engaged in reviewing periodically the forms and returns in vogue and suggesting improvement in their format and contents and keeping only the minimum essential columns.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)|70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 33, Para 3.76)

The Committee have no doubt about the usefulness of the International Business Machines Equipment in the accounting work. Mechanisation of accounts is bound to result in the saving of manpower, time and money. The Committee note that even though the system of mechanised accounting was introduced six years back and has on the whole proved satisfactory, no firm decision has yet been taken by the Organisation to extend it to other centres. The Committee are of the view that a decision on the subject is overdue. In case it is decided to switch-over to the mechanised system of accounting, the Committee suggest that Government should draw up a phased programme extending over a period of five years for the operation to be completed. They trust that the staff rendered surplus as a result of switch-over will not be thrown out but will be suitably deployed in other types of work without detriment to their employments and status within the Organisation.

Reply of Government

At the 45th meeting of the Central Board of Trustees, Employees' Provident Fund held on 29-1-1970, the Board reviewed the

result of the machine processing of accounts in the Maharashtra Region during the past 5 years and took a decision to continue the machine system in the said Regional Office on a permanent basis. The question of its extension to the other regions will have to be examined in more detail taking several connected factors into account. The recommendation of the Committee regarding the absorption of staff rendered surplus would be borne in mind, should such contingency arise. The matter is the concern of the Central Board of Trustees, Employees' Provident Fund, and not of the Government.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 34, Para 3.80)

The Committee find that Internal Audit has proved quite useful in detecting financial irregularities and toning up the Administration. They would recommend speedy action to eliminate the deficiencies pointed out by the Internal Audit.

Reply of Government

Recommendation is accepted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 35, Para 3.81)

The Committee also recommend that the Regional Provident Fund Commissioners might be instructed to take immediate steps to rectify the defects pointed out so far by Internal Audit and to submit periodic Report to the Central Provident Fund Commissioner indicating the action taken to remove the lacunae.

Reply of Government

The Regional Commissioners have been instructed to concentrate on the deficiencies pointed out by the Internal Audit and to endeavour not only to rectify the defects of the past but also ensure strict avoidance of those irregularities in future.

The Regional Commissioners have instructions to submit periodical returns to the Central Office, indicating details of the corrective action taken. These reports are examined in detail by the Central

Office with a view to ensuring that all the deficiencies pointed out in the report are properly rectified. Besides, the more important irregularities are listed out and circulated with suitable comments to the Regions periodically in the form of 'Digests'.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 36, Para 3.84)

The Committee would like to impress upon Government the desirability of taking immediate action to set right the irregularities pointed out in the audit reports and take such other corrective measures as may be considered necessary to eliminate the recurrence of such lapses or irregularities.

Reply of Government

This recommendation calls for action on the part of Government on the Audit Reports. In some cases action may be required on the part of Government but in many cases it will be for the Employees' Provident Fund Organisation to take action in the matter.

The recommendation has been noted by Government. As regards the Employees' Provident Fund Organisation, the Regional Commissioners are being advised from time to time to set right the irregularities pointed out by the Accountants General in their audit reports and also to introduce measures strictly to avoid such deficiencies in future. The responsibility for ensuring the above systematically has been entrusted to the Internal Audit party.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 37, Para 3.87)

The Committee are unhappy to note that as on 31st March, 1969 there were 9.56 lakhs of Annual Statements of Accounts pending for issue and as many as 20,000 accounts for monthly postings. They are constrained to observe that no serious effort has so far been made by the Organisation to tackle this problem which has assumed such a gigantic magnitude. The Committee hope that an all-out effort would be made by the Organisation to adhere to the target date of 31st March, 1970 to wipe out the arrears by deputing their Inspectors to contact the defaulting establishments and persuading them to submit all the wanting returns immediately.

Reply of Government

Out of the 9.56 lakhs of Annual Statements of Account and 20,000 postings pertaining to the years upto 1967-68 which were pending on 31st March, 1969, 7.26 lakhs on Annual Statements of account and all the 20,000 postings have since been cleared (as on 30th June, 1970. The balance of the Annual Statements of Account which are still pending I. e., 2.30 lakhs accounts relate to the establishments of the following types:—

- (i) establishment which have failed to submit returns in Form 12 despite repeated efforts made by the Provident Fund Inspectors to secure the same, or which had closed down without submitting the related returns in Form—12;
- (ii) establishments which have contested the applicability of the Act from the date of coverage and have not been submitting any returns in respect of the remittances made in protest;
- (iii) establishments which have obtained Civil Rules from High Courts for not complying with the provisions of the Employees' Provident Funds Act/Scheme and have not submitted any returns in respect of certain remittance made to the Fund.

Every effort is being made with the assistance of the Provident Fund Inspectors to obtain all the wanting material and finalise the accounts of the members of the above establishments as early as possible.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33)/70-PF II dated 4th November, 1970.]

Comments of the Committee

The pending Annual Statements of Accounts may be finalised expeditiously and the Committee may be informed.

Recommendation (Serial No. 38, Para 4.9)

The Committee are glad that Government have now decided to circulate proposals regarding application of higher rate of contributions to any class of establishments, to the organisations of employers and workers also. The Committee feel that, in a tripartite scheme of this nature it is better to take into confidence all the interests concerned as far as possible before taking such a vital decision. They are not able to appreciate why it should be difficult to lay down a definite procedure for making the enquiry. In

their opinion, the demand for laying down a definite procedure for the purpose is justified and deserves favourable consideration.

Reply of Government

The procedure of consulting the Ministries, State Governments and Organisations of employers and workers before increasing the rate of provident fund contribution, is being followed in all cases. This procedure fulfils the essential requirement laid down by the Estimates Committee "that in a tripartite Scheme of this nature, it is better to take into confidence all the interests concerned as far as possible before taking such a vital decision". This procedure has been working well and it does not appear necessary to evolve any other procedure for the object in view."

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 39, Para: 4.10)

The Committee are further inclined to think that uniformity in rate of contributions is neither practicable nor desirable since any criterion placing the better placed industries/bigger establishments on the same footing as smaller industries with limited financial resources would lead to the latter complaining about discrimination in favour of bigger industries. Therefore all, Taxation laws of Government also do prescribe different graded rates. Hence the Committee agree that rates of contributions should be based on the capacity of the industry to pay as is the case at present.

Reply of Government

The Committee's observations have been noted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 40, Para 4.15)

The Committee note that the substantial growth in the arrears is by and large attributable to adverse economic conditions on account of recession in the "Textile" and "Engineering" industries. Now that these industries are picking up the Committee urge the Employees' Provident Fund Organisation to intensify their efforts in realising the arrears by persuasive and legal measures where necessary.

Reply of Government

The Regional Provident Fund Commissioners have already been asked to intensify their efforts to recover the provident fund dues from these categories of establishments.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 41, Para 4.16)

The Committee also recommend that with this end in view, the Organisation might enlist the co-operation of public men including Members of Parliament, Members of Legislative Assemblies in States, of the Regional Committees, leading Members of the Employers' Organisations as well as employers' representatives on the Central Board of Trustees, of the respective regions.

Reply of Government

The recommendation is accepted. The Employees' Provident Fund Organisation is already enlisting the support of Organisations of Employers and Workers, members of Regional Committees and Central Board of Trustees in the matter of realisation of arrears.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 42, Para 4.25).

The Committee observe that inspection reports and submission of returns are the only operating devices for ensuring regular remittance of contributions by employers. They, therefore, suggest that a very close and strict watch may be kept on the timely submission of the prescribed returns. The Committee also feel that if inspections of defaulting establishments are made frequent, the tendency to default would be curbed.

Reply of Government

The procedure suggested by the Estimates Committee is already being followed in the Employees' Provident Fund Organisation. However, instructions are being issued again to the Regional Provident Fund Commissioners to keep a close and strict watch on the

timely submission of returns and to arrange for more frequent inspections of defaulting establishments.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF II dated 4th November, 1970.]

Recommendation (Serial No. 43 Para 4.38)

The Committee find that in an effort to compel defaulting establishments to comply with the provisions of the Act and the Scheme the primary role is to be played by the State Governments. The Committee recommend that it should be the utmost endeavour of the Regional Commissioners to secure close co-operation of the State Governments and keep a constant liaison with the concerned officers in the States. At the same time they are expected to utilise methods of persuasion and personal contacts with the establishments with a view to recover dues to the maximum extent possible.

Reply of Government

The suggestion of the Estimates Committee is already in force. It will again be brought to the notice of all the Regional Provident Fund Commissioners and they will be directed to enlist the cooperation of the State Governments towards effective implementation of the Scheme in all respects.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF dated 4th November, 1970.]

Recommendation (Serial No. 44 Para 4.39)

The Committee realise that the punishment provided for under Section 14 of the Act is not an adequate and sufficient deterrent against habitual defaulters. From the facts furnished to the Committee, it is clear that in the majority of cases, fines of nominal amounts have been imposed by courts. It would appear that a defaulting establishment would rather prefer to pay nominal fines and/or suffer simple imprisonment instead of paying up the arrears in default. The Committee, therefore, recommend that the penal provisions should be made more stringent and effective as early as possible.

Reply of Government

The recommendation has been accepted and the question of making the penal provisions more stringent and effective is under consideration of the Government.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF dated 4th November, 1970.]

Recommendation (Serial No. 45, Para 4.47)

The Committee feel that these coercive processes can be successfully applied in cases of establishments which are financially sound but deliberately withhold payment. However, the legal apparatus has proved ineffective in dealing with units which are financially weak—the sick textiles mills being a notable example. In such cases, the appropriate Governments have been found to be reluctant to take steps when they result in premature closure of the establishments leading to the unemployment of workers. This approach too, responsible for accumulation of provident fund arrears for which the Act itself has no power. The prospects of realisation of provident fund arrears from such weak units will, to some extent, depend upon the revival of the industry concerned. It is encouraging to note that economic conditions in trade and industry is now improving. This will have a wholesome effect on realisation of arrears also.

Reply of Government

The two major industries which were defaulters to the extent of 76 per cent in remittance of Employees' Provident Fund dues were the Textile and Engineering. These are gradually emerging or have emerged out of recession and all-out efforts are being made by the Employees' Provident Fund Organisation to realise the dues from them.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70—PF dated 4th November, 1970.]

Recommendation (Serial No. 46, Para 4.48)

The Committee also note that legal processes are not very effective in the case of some of the hardened defaulters who though few in number account for a large part of the arrears. The Committee

suggest that Government should consider the feasibility of providing compulsory imprisonment in the case of prosecutions under Section 14 of the Act and the imposition of more stringent penalties including fines for every day of continued defaults.

Reply of Government

This Department has been advised that it is feasible to provide for compulsory imprisonment as a punishment in the case of prosecutions under Section 14 of the Act. Proposals providing for compulsory imprisonment and imposition of more stringent penalties including fines for every day of continued defaults will be processed further in consultation with the Ministries concerned so that legislation may be undertaken to amend the Employees' Provident Funds Act suitably as early as possible.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 47, Para 4.49)

The Committee agree with the recommendation of the National Commission on Labour that defaults should be made cognizable under the Indian Penal Code.

Reply of Government

The National Commission on Labour's recommendation is that defaults in the payment of contribution should be made cognizable. This Department accepts the recommendation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 48, Para 4.50)

The Committee feel that the Central/Regional Commissioners should have sufficient powers for sanctioning prosecutions vested in them, as also the power to issue recovery certificates and recommend that Section 19 of the Act might be suitably amended immediately to delegate the powers of appropriate Government to the Central Provident Fund Commissioner and other officers of the Organisation. They would, however, urge that the powers so delegated might be used with caution in close co-operation with the State Government.

Reply of Government

The *Ad-hoc* Committee of the Central Board of Trustees and the National Commission on Labour have also recommended delegation of adequate executive powers to the Central/Regional Commissioners to enable them to sanction prosecutions and issue recovery certificates in time and enforce recovery of dues more effectively. The question of suitable amendment of section 19 of the Employee's Provident Funds Act, 1952, is under Government's consideration.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 49, Para 4.51)

The Committee further recommend that the State Governments may be persuaded to specify adequate number of Magistrates to deal exclusively with enforcement and prosecutions under the Act.

Reply of Government

The recommendation has been accepted and the State Governments are being addressed accordingly.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 51, Para 4.55)

The Committee are of the view that in case a mill or establishment is unable to pay up the arrears and is on the verge of closing down or falls sick, the Central Government/State Government should consider providing all possible assistance to the mill by way of loans and/or advances or take such other suitable steps as may be considered necessary with a view to rehabilitate it and to safeguard the interests of the workers.

Reply of Government

Attention of all concerned is being drawn to this recommendation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 53, Para 5.15)

The Committee understand that interest to the tune of Rs. 13.84 crores accrued on investment during 1967-68 as against Rs. 11.84 crores in 1966-67. They are happy to note that the rate of interest has steadily grown over the years rising from 4.75 per cent to 51 per cent for 1968-69. The Committee further learn that the Central Board of Trustees had decided to raise the rate of interest for the 1970-71 to 5.7 per cent. This is a matter for gratification. It is thus evident that this higher return on accumulations is the direct result of the liberalisation of investment pattern during 1967-68.

While appreciating Government's concern in not taking any risk in the matter of investment of Provident Fund monies in the private sector securities and debentures, the Committee consider that there is scope for further diversification of the pattern of investment with a view to obtain greater return on investments. The Committee recommend that Government should consider the feasibility of investing a portion of provident fund accumulation in the Unit Trust of India, gilt-edged securities, Municipal Corporations, Housing Boards and similar bodies where Government guarantee is provided.

Reply of Government

In actual practice the major portion of the recommendation of the Estimates Committee has already been implemented by the adoption of the following investment pattern with effect from 1-4-1970:—

- (i) In Central Government securities Not less than 50%
- (ii) The balance in securities created and issued by State Governments, small savings and other securities guaranteed by the Central or State Governments and in one year, three year and five year time deposits of post offices.

The question of permitting investment of a portion of the provident fund amount in the Unit Trust of India was taken up with the Ministry of Finance sometime back but was not agreed to by them mainly on account of the reason that such investment will not fall in any of the categories of securities specified under section 20 of the Indian Trusts Act 1882. The Board of Trustees, Employees' Provident Fund, however, are fully alive to their trust obligations and the pattern prescribed remains constantly under review with a view to diversifying the investments of the Fund in such a manner as to obtain the maximum possible yield within the frame work

of pedmissible field of investments as laid down in the Trust Act. The investment already extends to Housing Boards and other bodies where Government guarantee is provided. The pattern of investment is prescribed by Government after taking into account the views of the Board of Trustees, Employees Provident Fund, from time to time.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 55, Para 5.4)

Having regard to the fact that the Employees' Provident Fund Scheme is basically a scheme for Retirement Benefit, the Committee consider that further liberalisation of the Scheme for non-refundable advances is not desirable. If most of the savings of an employee are exhausted in the shape of advances before actual retirement, the primary objective of the scheme will be defeated. This apart, further liberalisation would mean further loss of money to the Fund, reduction of investment capacity and the need for devising a system for checking misuse involving a heavy burden on the administration. More-over liberalisation encourages spend-thriftness among employees. A further factor militating against liberalisation is the scope for the misuse of the provisions of advances as has been already evidenced in the case of house building loans.

Reply of Government

The observation has been noted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 56, Para 6.5)

The Committee, are therefore, of the view that, for the time being, the existing provisions in the Scheme in regard to sanction of non-refundable advances adequately meet the purposes for which they were framed. The Committee would, however, suggest that the operation of the present scheme for such advances may be closely watched and the position reviewed after a period of 5 years, with a view to examine whether there is any case for further liberalisation.

Reply of Government

The recommendation has been accepted.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 57, Para 6.6)

With a view to check the abuse of the facility regarding grant of advances for house construction, the Committee recommend that whenever, after sanction of the advance, the case turns out to be suspicious, physical verification at site may be carried out by the Inspectors at periodic intervals and reports made to the Regional Office.

Reply of Government

The abuse of the facility of grant of advances for house building purposes comes to the knowledge of the Organisation as soon as the member defaults in submitting the required documents etc. As and when found necessary a responsible Officer of the Regional Office is deputed to the site of the construction work to verify the stage of construction etc. and such other measures are also taken like recovering the amounts from those who are found to have misused the facility as may ensure proper use of the facility by others.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) Q.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 58, Para 6.12)

The Committee are concerned to note that there is no time limit prescribed for grant of advances. The Committee recommend that specific time schedules should be evolved by the Employees' Provident Fund Organisation for grant of the various advances depending on the nature of the advance applied for. The Committee would suggest a maximum limit of 2 months for sanction of heavy sums of money for house construction etc. and graded lesser periods for other advances. They also feel that for small advances, the applications should be disposed of within 7 days. Such a self-imposed limit, except in exceptional circumstances would cut administrative delays largely.

Reply of Government

The Regional Offices have instructions to dispose of all applications for advances which are complete in all respects and are supported by all the required certificates. Within 7 days. The delays is

not caused by the largeness of the amount of advance applied for but by the need to obtain all the above required documents and details particularly through correspondence or through the Provident Fund Inspectors. So long as the requisite documents and details are not forthcoming, it would not be possible to dispose of the applications within the stipulated period. However further ways and means as to ensure that the applications for advance are handled with utmost promptness and the advance sanctioned with least possible delay will be considered and suitable time limits for the disposal of loan applications are also being laid down.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 59, Para 6.12)

As regards applications for medical advances, the Committee would like that these are scrutinised and promptly disposed off normally within seven days. In emergent cases, where the applicant is seriously ill, provisional advances should be made after verifying the available balances at his credit, if formal sanction is likely to entail delay. In this connection the Committee would like to draw the attention of the Government to the recommendation made by the Department of Administrative Reforms regarding introduction of a coloured application form for Medical advances, which they are inclined to endorse.

Reply of Government

The Regional Offices have already instructions to dispose of all applications for the grant of advances which are complete in all respects and are supported by all the required certificates, within 7 days. Instructions are again being issued that applications for medical advances should be disposed of within 7 days. However, it would not be advisable to grant provisional advances in cases of illness. The recommendation of the Administrative Reforms Department regarding the use of coloured application forms for the grant of medical advances is already being implemented in all the Regions since 1-4-1970.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 61, Para 6.17)

The Committee appreciate the views of the Government that the sanction of refundable advances would involve administrative difficulties as a watch will have to be kept on the refunds of loans taken by the Member of the Fund. They would also not like the Organisation to be burdened with additional financial difficulties. In their opinion, the present restrictions in this behalf are desirable. However, the Committee would like to stress that the Scheme of channelling refundable loans through credit cooperatives might be expedited and finalised at an early date.

Reply of Government

The financial and legal implications of the Scheme of channelling refundable advances through Credit Cooperatives are being considered in consultation with the Labour Secretaries and Registrars of Cooperative Societies of selected State Governments. Every effort is being made to finalise the Scheme at an early date.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF dated 4th November, 1970.]

Recommendation (Serial No. 62, Para 6.23)

The Committee, while appreciating that 90 per cent of cases of settlement of claims are settled with expedition, are unhappy to note that there are as many as 21,321 claims outstanding for settlement as on 31-3-1969. The Committee feel that the Organisation should make the maximum efforts to clear the backlog of these arrears by the end of 1970 at the latest.

Reply of Government

All the 21,321 claims which were pending during the quarter ended on the 31-3-1969, have since been disposed of.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 63, Para. 6.24)

They feel that when the delay is solely due to the non-submission of contributions and returns by the employers they should be asked to submit them within a stipulated time-limit. Over and above that, Inspectors should be deputed to get the required returns from the employers with a view to make expeditious settlement of claims.

The Committee also feel that where the delay in settlement of claims is due to delay in obtaining death certificates by heirs|nominees. of the deceased persons, from the Civil|Revenue authorities, the Government should examine the desirability of giving adequate discretion to the Regional Provident Fund Commissioner to decide issue of succession on the available evidence and not to insist on their formally obtaining family membership and guardianship certificates from Civil|Revenue authorities, in cases when the amount of claim does not exceed Rs. 5000|-

Reply of Government

(i) Time limits have already been laid down in the Employees' Provident Fund Scheme for submission of returns and payment of contribution. For expeditious settlement of claims the employer is required to be up-to-date in submission of various returns and also in payment of both shares of contributions by the prescribed dates. Both are absolutely necessary and in the absence of one no claim can be settled. The Provident Fund Inspectors are deputed to the defaulting establishments as and when necessity arises for obtaining the wanting returns and|or for payment of contributions in order to arrange settlement of cases as also in connection with other matters affecting subscribers accounts.

(ii) Generally in most of the places death certificates can be had from the competent authority by the nominee|heir of the deceased member without any difficulty or delay. The real difficulty in settlement of a claim arises where nomination does not exist or is found to be defective or where the member did not leave behind a family. In such cases the Regional Commissioners, in order to safe-guard the interest of the Fund have to call for succession certificate/ Letters of Administration/guardianship certificate and other legal documents such as indemnity bond etc. before the payment is made. These requirements are mandatory under the laws relating to succession of property in order to ensure that the payments are received by the rightful claimants and the acquittances given by them are valid legally.

However, within the above limitations the Employees' Provident Fund Organisation will examine whether any further checks with regard to periodic review of the nominations could be prescribed as to ensure.

(i) that nominations are received in all cases

(ii) that the same are free from all defects

- (iii) that the establishments notify periodically amongst the subscribers the need to make revised nominations in such cases where earlier nominations may have become invalid on account of the subscriber's acquiring family or due to some other reason.
- (iv) that the missing nominations if any are suitably dealt with and the lacuna got rectified appropriately.

The above measures may help to bring about expeditious settlement by obviating avoidable delays inherent in obtaining legal documents in the absence of valid nominations.

[Ministry of Labour, Employment and Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated the 4th November, 1970.]

Recommendation (Serial No. 65, Para 6.38)

The Committee regret to note that the Organisation have not prescribed a maximum time limit within which payment should be made to the nominee (of a deceased subscriber) whose needs would naturally be emergent. Since the Death Relief Fund is a benefit primarily for those survivors of employees who expire during their term of employment in an establishment, the Committee feel that the payment of the sums from this Fund should be made with the utmost expedition. The Committee, therefore, recommend that payment from the Death Relief Fund to the nominee|heir of the deceased should be made within 15 days of the death of the Member.

Reply of Government

The Regional Offices have been issued instructions that if a claim application is received complete in all respects, the claim should be settled within 10 days of its receipt. However, for receiving payment of provident fund accumulations the member or his nominee|heir concerned has to submit his claim application first and then only the Regional Offices can authorise payment. No payment can be authorised in the absence of a claim from the person concerned. In the case of a deceased member, if he had executed his nomination in proper form etc. no difficulty is found in settling the claim; if it is in order otherwise and the employer has paid all the amount. In the absence of proper nomination, difficulties arise in settling a claim and this takes time. The measures proposed to be taken with regard to conducting

periodical reviews of the "nominations" (reply against recommendation No. 63 refers) may go a considerable way in helping prompt settlement of cases involving relief from the Death Relief Fund.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 66 (Para 7.4))

The Committee are unhappy to note such long delays in laying the accounts of Income and Expenditure on the Table of Parliament. Annual Reports without the accounts of income and expenditure included therein are prone to give a distorted picture of assessment of the actual working of the Organisation in all its perspective.

The Committee, therefore, recommend that suitable steps may be taken by Government to remove the lacunae found in the working of the Organisation in regard to preparation and consolidation of Accounts with a view to adhere to the time schedule laid down in this regard. Government should also take up the matter of expeditious auditing and certification of accounts with the Comptroller and Auditor General.

Reply of Government

Compilation and consolidation of annual accounts relating to this Organisation calls for a coordinated and concerted action on the part of various agencies both internal as well as external such as Regional Offices, Central Office, Reserve Bank of India, State Bank authorities and the Audit Offices. In view of the switch-over to the system of maintenance of accounts on accrual basis from cash basis, difficulties were experienced in the matter of getting the accounts reconciled, compiled, consolidated and audited as per the prescribed Schedule. It is expected that once the Regional Offices get accustomed to the compilation of accounts on accrual basis and once the time-lag between the submission of compiled accounts to the State Accountants General and their receipt back after audit is reduced in consultation with the Comptroller and Auditor General of India, it will be possible to accelerate the whole process of consolidation and getting final certification from the A.G.C.R. to enable their incorporation in the Annual Report. Appropriate steps are being constantly taken towards that end.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 68, Para 7.6)

The Committee would also suggest that the practice of laying the Annual Reports of the Organisation on the Table of the House should be given statutory recognition as is the case with the Annual Reports of Employees' State Insurance Corporation and steps may be taken to amend the Employees' Provident Funds Act accordingly.

Reply of Government

The recommendation is accepted. Government are already considering a proposal to incorporate a suitable provision in the Employees' Provident Funds Act, 1952, requiring the laying of Annual Reports of the Employees' Provident Funds Organisation on the Table of Parliament.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 69, Para 7.9)

While appreciating the efforts made by the Organisation to publicise the Scheme, the Committee feel that the steps taken so far are not adequate enough to bring home to the workers, who are generally uneducated, the objectives and the utility of the Scheme which is primarily meant for their benefit.

The Committee, therefore, suggest that the following measures may be taken with a view to give wider publicity to the Schemes:—

- (i) The brochures and pamphlets etc. should be printed more frequently with attractive get-up and should be distributed to all the workers particularly the new subscribers at the time of their enrolment.
- (ii) Cinema shows on the pattern of Family Planning shows may be shown to the workers from time to time.
- (iii) Documentary films may be made in collaboration with All India Radio and shown to employees from time to time.

Reply of Government

(i) It may be difficult to supply brochures and pamphlets to each new member. They can, however, be supplied to the workers' unions, employers etc. so that they could be publicised among all new members. A special attempt would be made to enlist the cooperation of Trade Unions and employers in this regard.

(ii) Documentary films will be got prepared in consultation with the Ministry of Information and Broadcasting for display in cinema houses, establishments etc.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 70, Para 7.12)

The Committee welcome the idea of periodical Conferences of Regional Commissioners for discussing matters of common interest and evolving measures and procedures for dealing with common problems. They, therefore, suggest that such conferences may be held by rotation at different regional centres, if considered feasible.

Reply of Government

The recommendation of the Estimates Committee has been noted. Holding the Conference at Delhi, however, has the added advantage that Regional Commissioners get an opportunity to discuss and settle any of their longstanding cases by reference to the papers in the Central Office.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment & Rehabilitation).]

Recommendation (Serial No. 72, Para 7.18)

They would further suggest that a Coordination Committee consisting of representatives of both the Organisations should be constituted to implement the Scheme so drawn up in this regard and to watch its progress.

Reply of Government

The recommendation has been noted. A Co-ordination Committee will be set up to watch the progress of implementation after the Integrated Scheme has been drawn up.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment & Rehabilitation).]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Serial No. 11, Para 3.8)

Apart from the three Ministries of Finance, Industrial Development, Company Affairs and Internal Trade and Steel and Heavy Engineering, there are other Ministries which have an appreciable number of public undertakings and departmental undertakings under their control e.g. Ministry of Defence, Communications, Health and Supplies etc.

The Committee suggest that if it is not possible to add to the representation of Central Government on the Central Board, all the other important Ministries concerned with public undertakings and departmental undertakings may be represented by rotation.

Reply of Government

It is not necessary that every Ministry which controls a number of Public Sector Undertakings or Departmental Undertakings, should be represented on the Board for the purpose of ensuring full compliance by those undertakings. The three principal Ministries are already representd. Representation for all employing Ministries, even though by rotation, will further increase Governmental representation of the Board of Trustees and make that body rather unwieldy.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 15, Para 3.24)

The Committee are also unhappy to note that the vacancies in the Regional Committee take an unduly long time to be filled in by Government resulting in delays in holding the meetings of Regional Committees. They would, therefore, recommend that a vacancy in a Regional Committee should be filled up within one month of its arising by completing all formalities required for the purpose.

Reply of Government

The vacancies are required to be filled up by the Central Government after due consultations with the State Government and the workers' and employers' Organisations. Although Government have been trying to reduce delays in this regard to the minimum, it may not be possible in all cases to complete the process within one month. The notifications making necessary changes in the Regional Committees, have also to be vetted by the Ministry of Law. All this takes time.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970.]

Recommendation (Serial No. 19 Para 3.39)

The Committee feel that establishing of Regional Offices with all their paraphernalia in States having less than 1,00,000 subscribers leads to heavy drain on the finances of the Organisation. The Committee, therefore recommend that, in the interest of economy, the criterion to open a regional office should not be a State but the strength of subscribers in a particular area with a minimum of 1,00,000 subscribers therein. They suggest that, in the due course of time Government may review the position of amalgamating some of regional offices on the basis of the above criterion keeping in view the contiguity and proximity of areas.

Reply of Government

In actual practice, the recommendation of the Estimates Committee is being implemented by the Organisation to the extent feasible. Similar States (Union Territories) like Pondicherry, Goa, Diu, & Daman, Tripura, Andaman & Nicobar Islands, Himachal Pradesh, Haryana, Punjab have been tagged to the neighbouring States. It is only in the States of Assam and Rajasthan where the number of subscribers (both exempted and unexempted) is less than one lakh that separate Regional Offices have been set up and are functioning. The clubbing of these States with the contiguous States will lead to geographically large units of administration, apart from creating other difficulties in administration on account of peculiarities of topography as in the case of Assam. It is likely that in these two States also the number of subscribers may go up appreciably after lowering down the present employment limit to 10 or more persons. Once having set up independent Regional Offices in these two States, it may be difficult to alter the position. There would be stiff opposition from various interests like the workers and employers to any proposal of readjustment of the Regional Offices which, in effect leads

to the creation of bigger units and runs counter to the principle of decentralised administration of viable units. The concerned State Governments are also likely to oppose any such proposal; the successful operation of the Scheme requires the co-operation and assistance of the State Governments at every stage. In these circumstances, the balance of advantage lies in maintaining the *status quo*.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Recommendation (Serial No. 21, Para 3.44)

The Committee also suggest that a full-fledged Organisation and Methods Division should be set up with the Organisation itself to constantly review *inter alia* the working procedure.

Reply of Government

In considering this issue, it is felt that the fact that the size of the Organisation is comparatively small, consisting of about 4,500 employees in all cannot be kept out of view. Constantly the existing procedures etc. are reviewed in consultation with the Regional Provident Fund Commissioners and suitable instructions are issued from the Central Office where one Section, called 'O&M Section', is entrusted with the task of follow-up action. As Regional Offices are made responsible for the administration of the Act and the Scheme, normally suggestions for modifications of the existing procedure etc. originate from them and are finalised in consultation with other Regional Offices. Apart from this, it is proposed to hold Regional Commissioners' Conferences periodically to thrash out matters of common interest to all the Regions and to consider improving upon the existing procedures with a view to bring about better efficiency. Therefore it is felt that the existing set up in the Central Office may be adequate for the Organisation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Recommendation (Serial No. 24 Para 3.51)

The Committee are constrained to observe that even though the Employees' Provident Fund Organisation has been in existence for over 18 years now, they have not been able to house their Regional offices in their own buildings so far and have to pay a large rental of Rs. 10 lakhs per year on this account. In the context of the proposed Scheme for merger of the Employees' Provident Fund Organi-

sation and Employees' State Insurance Corporation, the Committee recommend that Government may re-examine the programme of further construction of office buildings for Employees' Provident Fund Organisation and Employees' State Insurance Corporation in coordination and draw up a revised schedule keeping in view the requirement of both the Organisations and consider the feasibility of having a common building for both or constructing separate building in close proximity to one another as the exigencies of the situation may demand.

Reply of Government

The Employees' Provident Fund Organisation has its own office buildings at Trivandrum, Bangalore, Madras and Kanpur. One office building is under construction at Bombay. Similar proposals in respect of other places are under consideration. The Employees' State Insurance Corporation is having its own office building at most of the places. Further both the Organisations may have different considerations in locating their offices. The construction programme in view of the high incidence of rental is dictated by the imperatives of requirements of each Organisation which cannot be deferred to a future date pending the adoption of a coordinated policy of construction and execution. Apart from this, the impending enlarged scope of the Organisations is bound to increase the space requirements of both and the constructions even if undertaken separately by the two Organisations at times when the exigencies of requirements so warrant may always perhaps meet barely the requirements of each. Co-ordinated approach may for reasons stated above not be feasible and practical till the merger actually comes through. The matter will be examined after Government take a decision to merge the Employees' State Insurance and Employees Provident Fund Organisations.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated 4th November, 1970].

Recommendation (Serial No. 29, Para 3.63)

The Committee would also recommend that immediate steps may be taken to ensure that the existing O&M Unit is manned by requisite number of trained personnel capable of reviewing the work procedures. The unit should study and lay down the norms of work from time to time and scrutinise all proposals for increase in staff. This would also make the Organisation self-reliant in this regard without depending upon any outside agency, Government or private.

The staff required for this Unit may in the beginning be taken on deputation from other Organisations and Departments of Government for specified periods and gradually a cadre of trained personnel from amongst the staff in the Organisation may be built up to man this unit by in-training programme drawn up for that purpose and by availing the facilities provided by the Ministry of Finance and other expert bodies in this behalf.

Reply of Government

In considering this issue, it is felt that the fact the size of the Organisation is comparatively small, consisting of about 4,500 employees in all cannot be kept out of view. Consequently the existing procedures etc. are reviewed in consultation with the Regional Provident Fund Commissioners and suitable instructions are issued from the Central Office where one Section, called 'O&M SECTION', is entrusted with the task of follow-up action. As Regional Offices are made responsible for the administration of the Act and the Scheme, normally suggestions for modifications of the existing procedure etc. originate from them and are finalised in consultation with other Regional Offices. Apart from this, it is proposed to hold Regional Commissioners' Conferences periodically to thrash out matters of common interest to all the regions and to consider improving upon the existing procedures with a view to bring about better efficiency. Therefore it is felt that the existing set up in the Central Office may be adequate for the Organisation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated 4th November, 1970].

Recommendation (Serial No. 60, Para 6.13)

The Committee would like to point out that while the main cause of delay in the expeditious payment of advances is the filling up of incomplete applications the Organisation has so far taken no corrective measures in this regard. The Committee would therefore, suggest that the following steps may be taken by the Organisation to minimise delays arising out of filling up of incomplete applications:—

- (i) An Employees' Guide on Advances may be prepared and printed in Hindi and in all the regional languages with standard forms of applications for each kind of admissible advance and distributed free of cost to all the subscribers for their guidance.

- (ii) It should be made incumbent upon the Employers to arrange for checking at the spot whether the applications are complete in all respects and in the event of any lacunae to get them rectified by the applicants then and there before forwarding them.

Reply of Government

The recommendations are accepted. It does not, however, appear necessary to distribute copies of the proposed guide on advances to all members. It will serve the purpose if copies of the guide are kept in establishments and are made available to workers when they ask for them or they can be seen by workers when they propose to apply for advances.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated 4th November, 1970].

Recommendation (Serial No. 64, Para 6.33)

The Committee are happy to note that the amounts paid out from the Special Reserve Fund has been physically decreasing from 48.2 per cent in 1964 to 5.9 per cent (of total amounts forfeited) in March, 1969. The Committee also note that the percentage of such relief granted in 1968-69 as employers' share to the total accumulations in the Reserve and Forfeiture Account *viz.* Rs. 3.93 crores would be less than 1/30th of total accumulations in the account. The Committee, therefore are not inclined to favour the decision to confine payments from Special Reserve Fund only to the extent of employees' share. They feel that payment of both employers' and employees' share from the Special Reserve Fund would not deplete the resources to such an extent as to wipe it out altogether, particularly when the majority of employers are stated to be paying regularly their and employees' share of contributions. The Committee would, therefore, like to suggest that both employer's and employees' share of contributions should be paid from the Special Reserve Fund in cases where the employers fail to pay their contribution in future.

Reply of Government

this Fund are more than the incomings. This Fund which theoretically available in the Forfeiture Account of Employees' Provident Fund. The amount available in the Forfeiture Account is also utilized in financing the Death Relief Fund. The trend of the transactions relating to the Special Reserve Fund indicates that the outgoing from

this Fund are more than the incomings. This Fund which theoretically is in the nature of an "Imprest Account" results in actual practice, in considerable draft on the Forfeiture Account. The pattern of Reserve and Forfeiture Account which is mainly built up from the forfeiture effected in accordance with the provisions of the Scheme can also not be envisaged fairly correctly. In fact with the picking up and stabilising, the incidence of migration amongst the workers as between one industry and another which, is the main, contributes to forfeitures may also show a downward trend. It may be possible in course of time to think of diversifying the objects on which the amounts held in the Reserve and Forfeiture Account could be spent for the general welfare of the subscribers or to extend the scope of the existing benefits. This would further impose a burden on the already depleted Reserve and Forfeiture Account. Recently, the scale of assistance admissible from the Death Relief Fund which is also financed from the Reserve & Forfeiture Account, has been increased from Rs. 500/- to Rs. 750/- entailing an additional estimated expenditure of about Rs. 8 to 10 lakhs. Besides, the possibility of the liberalisation tending to encourage employers to default cannot be ruled out. Considering the extent of arrears which are over Rs. 14 crores, the acceptance of the suggestion would commit the Fund to a liability the acceptance of which, the comparatively small amount in the Forfeiture Account would not commend.

2. In view of the above reasons, it is not considered that the past trends reflected in the working of the Special Reserve Fund as also the additional anticipated draft on the Reserve Fund which the Death Relief Fund is likely to entail, constitute any happy foreboding to consider enlargement of the scope of Special Reserve Fund as to provide for payment of employer's share as well from this Fund. In this connection it may also be stated that this matter was considered in detail by the Central Board of Trustees, Employees' Provident Fund, at its meeting held on the 27th October, 1969 and the Board also came to the conclusion that only the workers' share of contribution deducted from their wages, but not deposited in the Employees' Provident Fund, may continue to be paid from the Special Reserve Fund.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70 PF II dated 4th November, 1970].

Recommendation (Serial No. 67, Para 7.5)

The Committee further recommend that the Annual Report of the Employees' Provident Fund Organisation should be cast on the

same pattern as that of the Annual Report of Employees' State Insurance Corporation and include therein the audited income and Expenditure Statement and the balance sheet for the earlier year as also the unaudited income and expenditure Statement and balance sheet for the year under Report with a note indicating that they are still to be audited.

Reply of Government

Regarding the feasibility of incorporation of the audited Income and Expenditure account and Balance Sheet for the earlier years in the Annual Report for the current year, efforts are being made for the expeditious consolidation and audit of the annual accounts. The result would, however, depend to a large extent on the ability on the part of the State Bank authorities to submit the monthly statements to the Regional Offices and Central Office of the Organisation in time.

(ii) As regards inclusion of the *unaudited* Income and Expenditure account and the Balance Sheet of the year under report, it has to be pointed out that whereas the Employees' State Insurance Corporation is required to submit their accounts to Audit by 31st May each year, Employees Provident Fund has to do so by 30th September in the case of Regions and 31st January in the case of consolidated Accounts. So far as the submission of the Annual Report to Executive bodies is concerned, the provisions in the Employees' State Insurance Rules and Employees' Provident Funds Scheme are broadly similar. Such report is required to be approved by the Standing Committee of the Employees' State Insurance Corporation and the Central Board of Trustees of Employees' Provident Fund before 15th October following the close of the financial year concerned. So far as the Employees Provident Fund is concerned, it will be observed that the schedule for submission of Annual Report *vis-a-vis* compilation and consolidation of Accounts is, in comparison very tight. Whereas a time of 4½ months is allowed between the compilation of accounts and their incorporation in un-audited forms in the Annual Report in the case of Employees' State Insurance Corporation such time-lag in the case of Employees' Provident Fund is hardly about a fortnight at the maximum in the case of Regional Accounts whereas the scheduled date of consolidation falls after the 30th September each year. Consolidation takes at least six weeks and the Schedule in this respect a strict adherence to which, even now, presents practical difficulties, does not admit of any further compression.

(iii) Apart from this, there are certain peculiar features of Employees' Provident Fund accounting which stand in the way of preparation of even unaudited consolidated accounts for incorporation in the Annual Report by the 15th October. Briefly these are:—

- (1) Detailed individual ledger accounts of lakhs of subscribers have to be maintained by the Organisation in the Regional Offices and the posted balances therein at the end of each year have to be reconciled with the figures in the Cash Book and with Balance Sheet.
- (2) Reconciliation of Income and Expenditure figures in the case of Employees' Provident Fund with the figures of the Bank is complicated.
- (3) The accounts under Employees' Provident Fund are on 'accrual' basis rather than on Cash basis. Maintenance of accounts on accrual basis is much more complicated, as the accrued figures have to be assessed in respect of each item of transaction.
- (4) The investment transactions under Employees' Provident Fund are very large and their reconciliation with Reserve Bank of India figures is quite complicated.
- (5) The Scheduled date for final consolidation of audited Regional accounts is 31st January which falls after 15th October, the date fixed for submission of Annual Report to Central Board of Trustees. This schedule cannot be compressed further, as it is already very tight.
- (iv) In the light of the foregoing it is submitted that the inclusion of unaudited accounts in the Annual Report of the year to which the accounts pertain would present serious difficulties and may not be insisted upon. In this connection it is relevant to note that the calendar for compilation and Audit of Accounts in both the Employees' Provident Fund Audit of Accounts in both the Employees' Provident Fund Organisation and the Employees' State Insurance Corporation had been finalised in consultation with the Comptroller and Auditor General and the deviations in the two cases have been prescribed, keeping in view the peculiar features of each Organisation.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13 (33) | 70-PF II dated 4th November, 1970].

Recommendation (Serial No. 73, Para 7.20)

The Committee hope that an early decision in the matter (i.e. regarding introduction of Unemployment Insurance Scheme) would be taken by Government and steps taken to implement the pilot Scheme as early as possible.

Reply of Government

The Working Group which was set up to consider the proposal for integration of Social Security Schemes has also examined the question of introduction of an Unemployment Insurance Scheme. The Group has observed in its Report that in the pattern of a Comprehensive Social Security Scheme, the Unemployment Insurance should come last in the order of priorities, particularly as the social objective and purpose of Unemployment Insurance to compensate for loss of wages suffered as a result of involuntary unemployment is, to some extent, taken care of already under the provisions of the Industrial Disputes Act, 1947.

The National Commission on Labour has also recommended *inter-alia* enhancement of the rate of Provident Fund contribution from 8 per cent to 10 per cent of pay and suggested that the additional contribution may be used, with marginal adjustment, to finance new benefits like pension and unemployment insurance. The Central Government have already announced a Scheme of Family Pension-cum-Life Assurance for Industrial Workers. It, therefore, seems desirable to await a decision on the recommendation of the National Commission on Labour to enhance the rate of Provident Fund contribution before deciding finally how the Scheme of Unemployment Insurance may be financed.

In the circumstances explained above, it is proposed that the introduction of a Scheme of Unemployment Insurance may wait for some time.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 12, Paras 3.12 and 3.13)

The Committee note that apart from the control exercised by the Central Government on the Central Board of Trustees in regard to matters stated above, Government exercise overall control in regard to the following matters also:—

- (i) Modification of the Scheme under Section 7 of the Act.
- (ii) Delegation of powers under Section 5E of the Act.
- (iii) Appointment of Inspectors under Section 13 of the Act.
- (iv) Transfer of Accounts under paragraph 24 of the Scheme and Section 17-A.
- (v) Opening of Regional and other offices under paragraph 21 of the Scheme.
- (vi) Appointment of the Secretary to the Central Board and to a Regional Committee under paragraph 22 of the Scheme.

It appears to the Committee that the powers of supervision and control exercised by the Central Government over the Provident Fund Organisation not only extend to policy issue but also to matters of executive nature. Even in such matters of day-to-day administration as appointment of Inspectors, opening of regional and other offices, maintenance of forms of accounts, there is the overall control of the Central Government. Under Section 7 of the Act, the Central Government is empowered to amend the Scheme without even consulting the Central Board of Trustees who are required to administer the Fund in such manner as is specified in the Scheme. The Committee also observe that the Secretary of the administrative Ministry, namely, the Ministry of Labour and Employment is the Chairman of the Central Board of Trustees and the Central Provident Fund Commissioner, who is the Secretary of

the Board of Trustees and is appointed by the Ministry is not even a member of the Board.

The Committee consider that more powers should be delegated to the Central Board of Trustees so that it has sufficient flexibility in the day-to-day working while the Ministry may retain the power to guide and, if necessary, to intervene in matters of policy.

Reply of Government

Even at present, considerable autonomy vests in the Central Board of Trustees enabling it to function on its own in all matters of day-to-day administration. In fact, the Board has been vested with financial powers in certain respects higher even than those enjoyed by the Departments of the Central Government.

2. All important matters including proposals for amendment of the Employees' Provident Funds Act or the Employees' Provident Funds Scheme are first placed before the Central Board of Trustees as a matter of convention. Requests for delegating further powers to the Board and when received, will be considered by the Central Government as merits.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Comments of the Committee

The Committee are not satisfied with the reply of Government. Please see comments in paras 1—3 of Chapter I of the Report.

Recommendation (Serial No. 54, Para 5.22)

The Committee suggest that an investment Committee may be constituted for the purpose of advising the Central Board of Trustees in matters relating to the investment of its funds. The aforesaid Committee may consist of persons having special knowledge and experience in financial and banking matters, particularly matters relating to investment of Funds.

Reply of Government

The investment pattern is laid down with the approval of the Government after a detailed and thorough scrutiny from all relevant considerations with the object of adopting such pattern as may bring in the optimum yield. Since the Fund investments have to be mainly governed under the provisions of the Trusts Act, the

range within which the investments could take place is limited and is confined to the Government securities as also approved securities such as Government guaranteed securities. The investment of industrial securities, Unit Trust of India etc are completely excluded from the above scope. Once the pattern is laid down, the investments of the Fund monies are made by the Reserve Bank of India under standing arrangements. The Reserve Bank of India as part of open market operations deal with Government securities worth crores of Rupees and have the necessary expertise to handle work of the Organisation with utmost efficiency and to the best advantage of the Board. They keep in touch with the day to day trends in the Government securities market and make the investments, as regards Central Government securities, from their own holdings at prices ruling from time to time and as regards Government guaranteed securities in such securities only as conform to the guidelines laid down by the Organisation yielding on an average a return of 6 per cent. Investment instructions in Government guaranteed securities at the time of their floatations are issued by the Organisation. Broadly the issues conform to a set pattern and investments are made in such securities which give the maximum marginal benefits such as discount and under-writing commission. The scope for flexibility and manoeuvrability being limited in view of the restricted range within which the investments have to be made, the setting up of an Investment Committee to handle the Organisation's useful purpose.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Comments of the Committee

The Committee are not satisfied with the reply of Government. Please see comments in paras 4—6 of Chapter I of the Report.

Recommendation (Serial No. 71 Para 7.17)

The Committee are constrained to note that in spite of the fact that the proposal for administrative merger of Employees' Provident Fund Scheme and Employees' State Insurance Scheme was mooted as far back as in 1962 and has been recommended by two expert bodies *viz.* the Employees' State Insurance Scheme Review Committee and the National Labour Commission, Government have not taken any concrete steps in this regard

They feel that the merger of the two Schemes would not only lead to substantial economies in the cost of administration through reduction in overhead costs, elimination of duplication in inspectorate and supervisory staff etc. but would also add to the convenience of the managements and the workers who would be required to deal with a single authority for all matters concerning the two Schemes.

The Committee, therefore, recommend that Government should lay down a target date by which the merger of the two Schemes should be completed and all legal and administrative steps required for that purpose should be finalised.

Reply of Government

The Central Government had appointed a Working Group with the Director General, Employees' State Insurance Corporation, as the Chairman to examine the question of integration of Social Security Schemes. The Report of the Working Group has since been received and the proposal for merger of the Employees' State Insurance and the Provident Fund Schemes has been accepted in principle. As the first step towards the merger, it is proposed to appoint a Special Officer to consider the practical issues and to work out the essentials of an Integrated Scheme. Further action will be taken after the Report of the Special Officer becomes available.

Comments of the Committee

The Committee are not satisfied with the reply of Government. Please see comments in paras 7-9 of Chapter I of the Report.

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 1, Para 1.27)

The Committee note with interest that in the developing countries of Asia and Africa, quite a few countries have set up Provident Fund Schemes broadly on the same lines as India's own scheme with different types of coverage. The Committee note that in some of the developing countries of Asia and Africa, (i.e. Malaysia and Ghana) the coverage is wider than in India. In some of these countries the coverage extends to even 15 or 10 employees and in a small country as Ceylon, it even extends to 3. The Committee have no doubt that, in India also, the benefits of the Provident Fund Scheme will be extended in due course to workers employed in smaller establishments.

Reply of Government

The National Commission on Labour has recommended that the Employees' Provident Funds Act, 1952, should be extended to establishments employing between 10 and 20 persons. The matter is under consideration.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Recommendation (Serial No. 8, Para 2.28)

The Committee appreciate that the extension of the Scheme to establishments employing 10 but less than 20 persons may impose an administrative burden on the Organisation and increase the cost of administration. They consider that gradually Government should evolve suitable means to extend the social security benefits to the employees of these establishments who are not only low paid but have no old age and survivorship benefits whatsoever. The Committee recommend that presently Government may examine the feasibility of applying very early the Employees' Provident Funds Scheme to establishments with strength of 15 workers but less than 20 in pursuance of the proviso to Section (3) of the Act.

Reply of Government

This recommendation is covered under recommendation No. 1.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970].

Recommendation (Serial No. 50, Para 4.52)

The Committee also suggest that Government might consider the feasibility of inserting provision similar to Section 221 of the Income Tax Act, 1961, in the Employees' Provident Fund Act as this would have considerable effect in enabling speedy liquidation of arrears.

Reply of Government

This recommendation will be considered alongwith certain other proposals for stringent penalties which are already under consideration.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)|70-PF II dated 4th November, 1970].

Recommendation (Serial No. 52 Para 4.59)

The Committee, while noting the difficulties pointed out by the Government in adopting the course of recovery of employees' contribution directly from them, would like to emphasise that Government should give serious thought to the problem of default by employers in regard to the payment of employees' contribution already deducted from their wages but not deposited and devise some effective method to ensure that employees' contributions are invariably deposited in the Employees' Provident Fund by the employers regularly. They would like Government to examine, in this connection, the feasibility of providing by law the collection of employees' contribution from the employers as customs or excise duty or alternately the desirability of taking advance deposits from the employers or bank guarantees in favour of Central Board of Trustees from them with a minimum fixed percentage of the total contributions (both of employers and employees) required to be remitted by them to the Fund as a measure of security against default. The quantum of advance deposits or the amount of bank guarantee may be worked out by actuarial experts.

Reply of Government

The matter is being examined in consultation with the Ministries concerned.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

Recommendation (Serial No. 74, Para 7.24)

The Committee hope that an early decision in the matter would be taken by Government. The Committee are also glad to know from the Budget Speech of the Prime Minister that Government propose to supplement contribution of employers and employees by a contribution from the Government to make up a separate fund from which family pensions as well as a lump sum payment will be made to the beneficiaries of an employee in the event of his death.

Reply of Government

The recommendation has been noted. The proposal is under Government's consideration.

[Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) O.M. No. 13(33)/70-PF II dated 4th November, 1970].

K. N. TEWARI,

Chairman,

Estimates Committee.

NEW DELHI;

December, 26, 1970.

Pausa 5, 1892 (S).

APPENDIX

(Vide Introduction)

*Analysis of the action taken by the Government on the recommendations contained in the 116th report of the Estimates Committee
(Fourth Lok Sabha)*

I. Total Number of recommendations	74
II. Recommendations which have been accepted by Government (<i>vide</i> recommendations at S. Nos. 2, 3, 4, 5, 6, 7, 9, 10, 13, 14, 16, 17, 18, 20, 22, 23, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 51, 53, 55, 56, 57, 58, 59, 61, 62, 63, 65, 66, 68, 69, 70, and 72)	
Number	56
Percentage to total	76
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 11, 15, 19, 21, 24, 29, 60, 64, 67 and 73)	
Number;	10
Percentage to total	13.5
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 12, 54 and 71).	
Number	3
Percentage to total	4
V. Recommendations in respect of which final replies of Government are still awaited : (<i>vide</i> recommendations at S. Nos. 1, 8, 50, 52 and 74).;	
Number;	5
Percentage to total	6.5

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	70
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jains & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatral Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			



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