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# Employment India: Important reforms to social security legislation

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**In the recent Union Budget 2015, the Indian Government proposed important reforms to the country's social security legislation for employees.**

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF Act) and Employees' State Insurance Act, 1948 (ESI Act) are the key social security legislation for employees in India. The various schemes of the EPF Act provide for benefits to employees in relation to the provident fund, pension fund and life insurance. Currently, the employer and eligible employees need to make monthly contributions of 12% each of basic salary (plus certain allowances) to the Employees' Provident Fund Organization (EPFO) which manages the provident fund. The Employees' State Insurance Corporation, set up by the ESI Act, covers hospitalisation costs and expenses incurred by eligible employees in case of sickness, maternity and employment injury.

In the Union Budget 2015, the Government has proposed certain changes including:

1. Employees shall be allowed to choose between making provident fund contributions under the EPF Act or the National Pension System;
2. Eligible employees who receive a salary up to a certain threshold may be exempted from making provident fund contributions. However, their employer will continue to be required to make its share of contributions; and
3. Allowing employers the option of obtaining private health insurance coverage (approved by the Government) for eligible employees instead of the current insurance scheme implemented by the Government under the ESI Act.

**Comment**

The proposed changes to the EPF Act and ESI Act are likely to have far-reaching implications. There is a possibility that a large number of employers may shift to the National Pension System and provide private insurance coverage. For these budget proposals to become a law, amendment bills to the relevant legislation will need to be introduced and passed in both houses of the Indian Parliament and thereafter receive the President's assent. While certain trade union organisations are likely to resist these proposals, it seems that the Government has taken initial steps towards providing greater flexibility to employees within the social security regime in India.