Azadi Ka Amrit Mahotsav

Ministry of Labour & Employment emphasizes benefits of EPFO Reforms for Ease of Living for crores of members

Thirteen complex provisions merged into three categories, ensuring faster, simpler and more transparent withdrawals

Eligible number of years in an employment for withdrawals reduced from up to seven years to one year for all categories

75% of eligible amount now withdrawable at any time without any documentation; full withdrawal also allowed under special situations

Premature final settlement period extended to 12 months to prevent erosion of Retirement Savings: move aims to discourage hasty withdrawals and promote long-term financial well-being

Withdrawal benefit rules under EPS revised to encourage continuity and secure future pension benefits

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A social media post has made misleading claims regarding recent reforms and provisions under the Employees' Provident Fund Organization (EPFO). The post distorts facts related to withdrawal rules, eligibility conditions, and access to members' provident fund balances, creating confusion among subscribers. It is clarified that the claims being circulated are factually incorrect and grossly misleading.

The EPFO plays a crucial role in ensuring **long-term social security** for millions of workers in the organized sector. The recent decision of the Central Board of Trustees (CBT) reflects a fine balance between very **liberal & simplified withdrawal options** for various needs with **a decent corpus at the time of retirement** and ensures **Ease of Living for members**. The proposed changes were recommended by the Finance & Audit Committee of EPFO, which is a **tripartite committee** consisting of employer and employee representatives. These changes were approved by CBT, which has employee, employer and state representatives. So, the changes have been made after **extensive consultation** with all stakeholders.

Earlier, there was complex eligibility criteria in terms of differing minimum service period leading to rejection/delays. Too many provisions for partial withdrawals led to confusion for members and frequent rejection of withdrawal claims. The existing **13 types of partial withdrawal provisions have now been merged into one** unified and simplified framework. Prior to the simplification of norms, the member was allowed to withdraw only the employee contribution and interest ranging from 50-100%. **Now, the withdrawable amount will also include employer contribution besides employee contribution and interest**. As a result, 75% of the eligible amount that can now be withdrawn will be much higher than the amount he/she could withdraw under the previous provisions. There were varying eligibility periods of up to seven years that existed earlier, which have now been uniformly set at 12 months for all kinds of withdrawals, creating ease of understanding and facilitating early withdrawal.

So now the employee can withdraw more and earlier after just a period of 12 months.

Further, repeated withdrawals routinely led to insufficient PF balance at the time of retirement. 50% of PF Members had less than Rs 20,000 in the PF balance and 75% had less than Rs. 50,000 at the time of final settlement. Due to repeated withdrawal, the workers with lower salaries did not realize the benefits of compounding @8.25% and thereby losing out on higher social security at the end of their working life. **That is why, as per CBT's decision, 25% of the contribution needs to be retained to ensure respectable corpus at retirement as a safety net and to provide long-term social security.**

In case of unemployment, 75% PF balance (that includes employer and employee contribution and interest earned) can be withdrawn immediately. Remaining 25% can also be withdrawn after one year. Full withdrawal of the entire PF balance (including the minimum balance of 25%) is also allowed in case of retirement after attaining 55 years of service, permanent disability, incapacity to work, retrenchment, voluntary retirement or leaving India permanently etc.

The Pension entitlement at the age of 58 years is completely unaffected by the proposed changes. A member can withdraw the accumulation in pension account before completing 10 years of service at any point of time in these 10 years. However, to qualify for a pension at retirement, a member must complete at least 10 years of EPS membership. About 75% of Pension Members withdraw their entire pension amount within four years of service, i.e. in less than 10 years, ending their membership and making the member ineligible for future pension and social security benefits. Additionally, if the pension fund is not withdrawn, the member's family remains eligible for pension benefits for up to three years even after contributions stop—in case of the member's death. Once withdrawn, this benefit is lost.

In order to encourage members to meet the 10-year eligibility for getting pension and to allow his/her family to be eligible for benefits in case of his/her death, the proposed provision allows the member to withdraw pension accumulation after 36 months instead of 2 months. This will ensure long-term social security in the form of pension for the member and his family.

EPFO offers long-term protection in terms of social security and EPFO funds are not supposed to be used as a bank account. Further, the EPF & MP Act, 1952, has always mandated EPF coverage for establishments employing 20 or more persons earning wages up to ₹15,000 per month. Despite this, around 35% of EPFO members earning above ₹15,000 and 15% establishments (nearly 1.06 lakh) have voluntarily joined EPFO, reaffirming their trust and confidence in the organization.

The claim circulating in social media posts that new rules reflect the Government's expectation of a rise in unemployment is baseless. As per official data, over 1.29 crore workers were added to the payroll in 2024–25, and the unemployment rate declined to 3.2% in 2023–24, down from 6% in 2017–18.

The EPFO maintains nearly Rs 28 Lakh Cr Corpus and has earned the trust of Crores of Members due to its robustness, security and higher returns (tax free in many cases). The organization remains committed to safeguarding the social security interests of over 30 crore members, while continuing to simplify procedures and strengthen digital access for transparency and efficiency.

Members and the public are advised to rely only on official communications and circulars issued by the Ministry of Labour & Employment and EPFO for accurate information and not rely on unsubstantiated misleading social media posts.

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Rini Choudhury

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