Matching Grant or Payment of Contribution by the Government?

There was no provision for the Government's Contribution in the Employees' Old-age Benefits Act, 1976. It was the first time that a provision for Government's Contribution (Section 9A) was added in the EOB Act, 1976 through the "**Finance Act, 1986". This amendment** provides that on and from the first day of July, 1986, contribution shall be payable every quarter by the Federal Government to the Institution in respect of every insured person at the rate of 5% of his wages in the prescribed manner: Provided that no contribution shall be payable on so much of an insured person's wages as in excess of Rs. 3,000: Provided further that no contribution shall be payable in respect of an insured person who is in receipt of pension under this Act or has attained the age of 60 year, or 55 years in the case of woman.

It is very clear from the plain reading of the section that this was not a **"matching grant"** or even "grant" at all. This was contribution payable by the government exactly on the rates on which it was payable by the employers and the insured persons. The procedure for calculating the government's share of contribution was adopted that the EOBI was obliged to submit a statement of collected contribution in previous quarter to the government and the government would pay the amount to the EOBI. Probably, this was the reason that the Government's contribution was taken as "matching grant".

However, interestingly the amount collected as "increase of unpaid contributions" from the employers was also included in the statement submitted by the EOBI to the government, although under section 13 of the EOB Act, the increase was/is payable only on the contribution payable under section 9, in case of delayed monthly payments.

Section 9A, originally introduced under the Finance Act 1986, was amended through **"Finance Act, 1995"** which now provides that the Federal Government may make such contribution to the institution as it may determine from time to time. The Federal Government is paying contribution to the Institution as it may determine from time to time. Now it is for the institution to approach the government and get a lions share for the betterment of the poor, downtrodden insured persons and their survivors.

However, there might be question regarding legality of section 9A which was added through the Finance Act of 1986 and amended by the Finance Act 1995 in the light of decisions of superior courts, though 1986 and 1995 amendments have never (and should never) questioned in any petition.

The plea of the Institution that due to stoppage of matching grant, non-registration of establishments and insured persons by the employers and payment of contributions on the outdated rates are the basic reasons for financial crunch of the Institution is not correct. I respectfully disagree. I feel that Institution cannot put the blame for inefficiency of its officer to the government and the employers. The loss of contribution is due to the following basic reasons:

- Less registration of establishments and insured persons. Till date not a single case has been filed u/s 38 for non-registration. Only three cases were filed u/s 33 of the Act on non-registration of establishment.
- Absence of proper data
- Non-linkage between contribution receipts with names of insured persons
- Callous attitude of staff
- Absence of meaningful inspection system of establishments, although proper regulations have been framed
- Posting of irrelevant officers in operational offices (from the than the General Cadre, Finance, Office & even IT)
- No pre induction and on job regular training regarding law/rules and regulations
- Noncompliance of and disparity between main law and rules/regulations made thereunder. Rules and regulations are very old and never been amended as provided by the law
- Increase in pension without considering findings of actuarial study. In fact, the pension has never been increased since it requires amendment in schedule, on political basis pensioners are being given additional amount as “other payment”
- Increase in amount payable to pensioners without equitable increase in contribution or investment
- No proper plan to correct the law with respect to the decisions of Appex Court and High Court regarding amendments in the law through Finance Acts. Due to these judgements, the contribution is stuck at the June 2005 level. (5% of 3,000 + 20= 170 rupees per person per month)

It is high time that the Institution/government should take action to get promulgate altogether new law repealing and re-enacting the law of 1976.