EPFO’s New Centralised IT System (EPFO 3.0)

Mains: *GS II – Governance*

Why in News?

Recently, the Employees’ Provident Fund Organisation (EPFO) announced a planned database consolidation and software upgradation under the Centralised IT-Enabled System (CITES) project.

What is Employee Provident Fund Organisation (EPFO)?

- **Definition –** EPFO is a statutory body under India's *Ministry of Labour and Employment.*
- **Role –** It is responsible for managing mandatory retirement savings, pensions, and insurance schemes for salaried workers in the organized sector.
- **Established –** Established in 1952, under the *Employees’ Provident Funds and Miscellaneous Provisions Act.*

What are the core schemes administered by EPFO?

- **Employees' Provident Fund (EPF) –** A retirement savings scheme that accumulates a corpus which is paid out with interest upon retirement which currently yields *8.25% annual interest.*
- **Employees' Pension Scheme (EPS) –** Provides regular monthly pensions to employees after superannuation, or to their families in case of the member's death or disability.
- **Employees' Deposit-Linked Insurance (EDLI) –** Provides a lump-sum insurance benefit (up to a prescribed limit) to the nominee in case of the employee's death during service.

How does EPFO work?

- **Employee’s contribution –** *12%* of employee’s basic salary + Dearness Allowance is deducted straight from pay check and goes into employee’s EPF account.
- **Employer's contribution –** Your employer also contributes 12%, which is split into two parts:
  - **3.67% -** Goes directly into employee’s EPF.
  - **8.33% -** Goes into the Employees' Pension Scheme (EPS) to fund employee’s post-retirement pension.
- **Coverage –** Mandatory for establishments with 20+ employees, voluntary coverage also allowed.

What is EPFO 3.0?

- **Definition –** EPFO 3.0 refers to the *Centralised IT-Enabled System (CITES)*, a unified digital platform replacing the earlier decentralised system.
- **Objective –** To provide seamless, transparent, and member-centric services through automation and rule-based processing.
- **Developer –** Designed by the *Centre for Development of Advanced Computing (C-DAC).*

What are the key features of EPFO?

- **Quick withdrawals –** Provident fund, money can be taken instantly using UPI or ATM, claims now settle in 2–5 days.
- **One digital system –** All provident fund accounts linked under one national database with Universal Account Number login.
- **Easy services –** KYC updates, claims, transfers, pension records, and balance checks online.
- **Transparency –** Members can see all IDs linked to UAN and fix errors; transfers (including death claims) made simple.
- **Smart tracking and future upgrades –** Real-time claim status via SMS/app, future UPI link for faster transactions.

What are the significant reforms in EPFO?

- **Faster claims –** Small claims up to Rs. 5 lakhs are settled automatically within 3 days, without waiting for employer approval.
- **Digital services –** One login for all PF accounts; you can check balance, update KYC, and download certificates yourself.
- **Portable pension –** Pension continues smoothly across any bank or location, no transfer needed.
- **Smart withdrawals –** Withdrawal for personal needs, but at least 25% is saved for retirement.

What are the challenges in EPFO?

- **Cybersecurity risks –** ATM/UPI withdrawals and centralised databases increase chances of fraud and data theft.
- **Data mismatches –** Errors in Aadhaar, PAN, or bank details cause claim delays.
- **Employer issues –** Payroll errors, late updates, and duplicate UANs complicate transfers.
- **Retirement security –** Easy withdrawals risk premature depletion of savings.
- **Digital divide –** Rural and less tech-savvy users struggle with online systems.
- **System challenges –** Data migration errors, downtime, and need for staff training.

What are the initiatives taken by the government with respect to EPFO?

- **PM Viksit Bharat Rozgar Yojana (PM-VBRY) –** Wage incentive up to Rs.15,000 for first-time employees, plus employer subsidies to boost jobs.

- **Employees' Enrolment Scheme (EES) 2025 –** 6 month amnesty for employers to declare workers, waiving past PF dues and reducing penalties.
- **EPFO 3.0 AND CITES –** Unified national IT system for seamless PF transfers, single KYC, and access at any office.
- **Digital life certificates (jeevan pramaan) –** Pensioners submit life certificates online using facial authentication.
- **International social security agreements –** Allow Indian employees abroad to contribute to home PF instead of host-country schemes

What is the way forward?

- **Better infrastructure –** Upgrade systems so migration happens smoothly without service breaks.
- **Teach members –** Provide digital training so workers can use online services easily.
- **Strong cybersecurity –** Protect centralised data from hacking and fraud.
- **Feedback system –** Collect member suggestions to improve services.
- **Inclusive access –** Make sure rural and informal workers benefit equally.
- **Future vision –** Build EPFO 3.0 into a transparent, efficient, and universal social security platform for Viksit Bharat 2047.

To take mains test click *here*

Reference

The Hindu | EPFO

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