

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.

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Reference

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