Reduced PF Contribution for Women Employees

What is the issue?

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- The Budget proposal to reduce the provident fund (PF) contribution of women employees is a welcome move.
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- But the real need is addressing the employer's concerns in hiring women employees, to bring in gender balance in workplace.
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What is the budget proposal?

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- The Budget proposes to reduce the provident fund (PF) contribution of women employees to 8% from the standard 12%.
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- This will be for the first three years.
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- The move comes without any change in the employer’s contribution.
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- In general, both the employer and the employee pay an equal contribution towards provident fund.
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What are the shortfalls in the approach?

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- As stated in the Budget speech, PF relief is targeted at improving women’s participation in the workforce.
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- However, the reasons for the steady fall in female workforce participation rates are varied.

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- So, how far will the move appreciably effect gender balance in workplace is uncertain.
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- **Workplace** - Absence of a conducive workplace environment for women is a major reason for low participation.
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- This ranges from providing the infrastructural facilities to protection from sexual harassment.
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- This prime issue is little to be addressed by PF contribution.
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- **Maternity leave** - Government recently expanded the provision for paid maternity leave from 12 weeks to 26 weeks.
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- It also mandated the provision of crèche facilities in firms employing 50 or more employees.
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- Multinational IT subsidiaries offer these facilities.
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- State-owned entities also follow the mandates as they have the wherewithal to sustain such costs and are bound to follow the law.
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- However, for many Indian companies, costs of meeting out these regulations may be burdensome.
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- This acts as strong disincentive for hiring more women.
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- **MSME** - This is particularly true with the medium and small scale (MSME) sectors.
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- MSMEs remain the critical employment generators in India.
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- Notably, many remain outside the formal employment arena.
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- Embedding the incentive only in the organised sector would thus produce only a little change.
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- As, this account only for a minuscule proportion of employment in India.
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What should be done?

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- Incentivising women to join the workforce addresses only a part of the problem.
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- When it comes to gender balance in the workplace, the issue at stake is about incentivising companies.
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- This is essential in the first place to encourage them to hire more women.
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- The monetary and non-monetary costs on companies for the payment of maternity and childcare benefits must be recognised.
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- The government can thus consider offering subsidies to minimise this burden.
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- Offering tax breaks for the companies on maternity benefits and expenditure on crèche facilities is also another viable option.
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Source: Business Standard

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