DAWN

Workers' Profit Participation Fund

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ACCORDING to the Companies Profits (Workers' Participation) Act, 1968, the business entities contribute 5pc of their pre-tax profits yearly to the fund, which only covers workers drawing minimum wages. The maximum amount that can be given to an individual worker is also limited. As a result, only around 25pc of the fund is distributed among the eligible workers and around 75pc goes to the government to be utilised for welfare projects for workers like schools, housing colonies, and health centres.

To an individual 5pc of a company's profit might seem like a small amount but when one considers that there are more than 67,000 registered companies in Pakistan you will be surprised by the amount that can be collected through each and every contribution annually. In the light of that information the welfare opportunities available for the workers today are in shockingly pitiable conditions.

Even though a major bulk of the fund goes to the government, the workers are still suffering from lack of social security. The funds contributed by the employers are severely needed and should be paid off to the workers or spent towards providing social safety for them to diminish their exposure to risk and vulnerability.

The fund's management is inefficient and has failed to achieve its goal. Therefore, the government should clean up the system and improve the framework to provide for more accountability and start acting more responsibly towards the funds.

Under the 18th Amendment, funds now lie with provincial governments. Some companies are trans-provincial and their collection and disbursement of funds varies from province to province. The Sindh government has enacted the Sindh Companies Profits Act, 2015 and Punjab has followed suit but others are still following the federal system.

The federal and provincial governments should pay attention to this issue.

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