

AP-22/4/2026-NAPS (E-80730)
Government of India
Ministry of Skill Development & Entrepreneurship
(Apprenticeship Training Division)

New Delhi, 21-10-2026

OFFICE MEMORANDUM

Subject: Clarification on the Applicability of Provident Fund and ESI Acts to Apprentices – regarding.

Various representations have been received from industry and Sector Skill Councils, particularly from export-oriented sectors such as apparel, seeking clarity on the applicability of Provident Fund (PF) and Employees' State Insurance (ESI) to apprentices engaged under the National Apprenticeship Promotion Scheme (NAPS). It has been stated that buyer compliance standards expect every person on the factory floor to be covered under PF and ESI, which creates uncertainty for establishments wishing to engage apprentices.

2. In this regard, the undersigned is directed to refer to **Section 18 of the Apprentices Act, 1961**, and to inform that an apprentice is treated as a **trainee and not a worker**, and therefore, the laws related to regular employees do not apply to them.

3. Further, The Code on Social Security, 2020, which subsumes, among others, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948, has come into force with effect from 21 November 2025 (Ministry of Labour & Employment notification S.O. 5319(E) dated 21.11.2025). The provisions relating to Provident Fund (Chapter III) and Employees' State Insurance (Chapter IV) are now governed by the Code. Section 2(26) of the Code defines "employee" as any person, other than an apprentice engaged under the Apprentices Act, 1961, employed on wages by an establishment, directly or through a contractor, for any kind of work.

4. Therefore, Apprentices engaged under the Apprentices Act, 1961, including under NAPS and the National Apprenticeship Training Scheme (NATS), are not "employees" within the meaning of the Code. The provisions of the Code relating to PF and ESI are therefore not applicable to them, and no enrolment or contribution is required in respect of the stipend during the period of apprenticeship.

(b) The above applies only to persons engaged as apprentices under the Apprentices Act, 1961, with a contract of apprenticeship registered on the apprenticeship portal. Persons engaged as trainees or apprentices otherwise than under the Act, including under standing orders of the establishment, are not covered by this clarification, and the Code shall apply to them in accordance with its provisions.

(c) If an apprentice is subsequently engaged as a regular employee, the provisions of the Code shall apply from the date of such employment.

(d) The exclusion from PF and ESI does not dilute the obligations of establishments under the Apprentices Act, 1961 and the Apprenticeship Rules, 1992, including payment of the prescribed stipend, provision of health, safety and welfare measures, and the other terms of the contract of apprenticeship.

5. While apprentices are not considered employees under the social code, establishments are encouraged to voluntarily extend certain benefits to them as a part of good HR practices, industry standards, or training policies.

6. This issues with approval of the competent authority.



(V.S. Arvind)
Director (AT)

To,

All establishments engaging apprentices under the Apprentices Act, 1961.

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Copy to:

- 1) Sr PPS to Secretary (MSDE) – for kind information please.
- 2) PPS to Additional Secretary, MSDE – for kind information please.
- 3) OSD to Director General, DGT, New Delhi – for kind information.
- 4) DDG (Hqrs)/ DDG (ER)/ DDG (SR), DGT.
- 5) Director / Deputy Secretary dealing with Board of Apprenticeship Training, Dept of Higher Education, New Delhi
- 6) All apprenticeship advisers (Regional Central Apprenticeship Adviser, State Apprenticeship Advisers, Assistant Apprenticeship Advisers, etc.) – Requested to bring to the notice of all establishments falling under your jurisdiction.
- 7) CEO, NSDC, New Delhi
- 8) GM/ DGM, Apprenticeship Training, NSDC – With a request to (i) take forward this communication to all CEOs / Joint Apprenticeship Adviser (JAA), Sector Skill Councils (ii) Third Party Aggregators (TPAs) and (iii) upload this OM on the apprenticeship portal.
