# Employees' State Insurance

## Why in news?

The Government of India has decided to reduce the rate of contribution under the Employees' State Insurance (ESI) Act, 1948.

## What is ESI scheme about?

- It is a **self-financed** comprehensive social security scheme.
- It functions under the **Ministry of Labour & Employment**.
- It protectsthe employees against financial distress arising out of events of **sickness, disablement or death** due to employment injuries.
- ESI provides for direct cash compensation for the above cases.
- Employees' State Insurance Corporation (ESIC) is responsible for the administration of ESI Scheme.
- ESIC is a statutory corporate body set up under the ESI Act, 1948.

## What are the benefits?

- **Medical Benefit -** Full medical care to the insured person and his family members with no ceiling on expenditure of the treatment.
- **Sickness Benefit -** In the form of cash compensation at the rate of 70 per cent of wages.
- **Maternity Benefit -** For confinement/pregnancy is payable for 26 weeks, which is extendable by further one month on medical advice.
- **Disablement Benefit -**
    1. Temporary disablement benefit (TDB)
    2. Permanent disablement benefit (PDB)
- **Dependants Benefit -** Paid in the form of monthly payment to the dependants in cases where death is due to employment injury or occupational hazards.
- **Other Benefits -**
    1. Funeral Expenses
    2. Confinement Expenses
    3. Vocational Rehabilitation
    4. Physical Rehabilitation

5. Old Age Medical Care

## What is ESI rate?

- ESI rate is fixed under the ESI Act, 1948.
- It is**contributory** in nature.
- All the **employees** in the factories or establishments to which the Act applies shall be **insured** in a manner provided by the Act.
- The contribution **payable** to the Corporation in respect of an employee shall comprise of
    1. Employer's contributionand
    2. Employee's contribution.
- Payable **monthly** at a fixed percentage of wages paid.

## What is the recent move?

- The Government has decided to reduce the rate of contribution under the Employees' State Insurance (ESI) Act, 1948 from 6.5% to 4%, of which,
    1. Employers' contribution being reduced from 4.75% to 3.25% and
    2. Employees' contribution being reduced from 1.75% to 0.75%.
- The reduced rates will come into effect from July 1, 2019.

## What will be the impact of the rate cut?

- It will bring about a substantial relief to workers.
- It will facilitate further enrolment of workers under the ESI scheme and will increase the workforce of the formal sector.
- Reduction in the share of employers' contribution will reduce the financial liability of the establishments leading to improved viability of these establishments.
- May lead to enhanced Ease of Doing Business.
- May lead to improved compliance of law

**Source: The Indian Express**

SHANKAR IAS PARLIAMENT
Information is Empowering