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## A Study on Welfare Schemes of ESI

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### ABSTRACT

*Employees' State Insurance is a self-financing social security and health insurance scheme for Indian workers. It is an integrated measure of Social Insurance embodied in the Employees' State Insurance Act and it is designed to accomplish the task of protecting 'employees' as defined in the Employees' State Insurance Act, 1948 against the impact of incidences of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families. It is a statutory compliance within itself which mainly looks into the welfare measures and medical benefits of the employees depending upon the monthly wages. The ESI Scheme is financed by contributions from employers and employees. The rate of contribution by employer is 4.75% of the wages payable to employees. The employees' contribution is at the rate of 1.75% of the wages payable to an employee with effect from 1.1.97. The present study is conducted with the objective of understanding the regulatory framework of ESI, its schemes, allowances and benefits.*

**Key Words – Employee State Insurance, Employee satisfaction towards ESI, Benefits of ESI**

### INTRODUCTION TO EMPLOYEES STATE INSURANCE SCHEME OF INDIA:

The Employees' State Insurance Scheme is an integrated measure of Social Insurance embodied in the Employees' State Insurance Act and it is designed to accomplish the task of protecting 'employees' as defined in the Employees' State Insurance Act, 1948 against the impact of incidences of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families.

The ESI Scheme applies to factories and other establishments viz. Road Transport, Hotels, Restaurants, Cinemas, Newspaper, Shops, and Educational/Medical Institutions wherein 10 or more persons are employed. However, in some States threshold limit for coverage of establishments is still 20. Employees of the aforesaid categories of factories and establishments, drawing wages upto Rs.15000/- a month, are entitled to social security cover under the ESI Act. ESI Corporation has also decided to extend the benefits of the ESI Scheme to the workers deployed on the construction sites located in the implemented areas under ESI Scheme w.e.f. 1st August, 2015.

The ESI Scheme is financed by contributions from employers and employees. The rate of contribution by employer is 4.75% of the wages payable to employees. The employees' contribution is at the rate of 1.75% of the wages payable to an employee w.e.f. 1.1.1997. Employees, earning less than Rs. 100/- a day as daily wages, are exempted from payment of their share of contribution.

### 1.2 NEED FOR THE STUDY:

The present study is conducted to know whether ESI Scheme is implemented appropriately and to know the benefits provided to the employees under the Act.

### 1.3 OBJECTIVES OF THE STUDY:

- To understand regulatory framework of ESI.
- To study the allowances and schemes of ESI.

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- To study the benefits derived by employees through ESI.

#### **1.4 METHODOLOGY OF STUDY:**

The secondary data is collected from

- The material provided by Employees State Insurance Corporation.
- The website provided by Employees State Insurance Corporation.\
- Published Articles, Books , Magazines

#### **1.5 LIMITATIONS OF THE STUDY:**

The study is confined to the past 2-3 years and focuses on present system of the ESI Schemes and its benefits. The data is collected from secondary sources and thus is subject to slight variation than what the study includes in reality. The study to ESI Schemes and Benefits is restricted only to some organizations under ESI Act in Hyderabad.

#### **1.6 SCOPE OF THE STUDY:**

- The scope of the study covers employees working in non-seasonal factories employing 10 or more and 20 or more for an Educational institutions. under various cadets - manual, clerical, supervisory and technical.

### **Literature Review**

#### **STUDY ON REGULATORY FRAMEWORK OF ESIC**

##### **STATUTORY ACT**

The scheme was inaugurated in Kanpur on 24th February 1952 (ESIC Day) by then Prime Minister Pandit Jawahar Lal Nehru. Our first prime Minister was the first honorary insured person of the Scheme and the declaration form bearing his signature is a prized possession of the ESI Corporation.

- The Employees' State Insurance Corporation (ESIC) is a statutory body constituted to administer the ESI scheme.
- ESIC is under the administrative control of Ministry of Labor & Employment, Government of India.
- ESI is one of the Largest social security scheme in Southeast Asia covering
  - ) 1.21 crore insured persons (IP)
  - ) 4.68 crore beneficiaries ( IPs and family members)

##### **ESI ACT [ 19th April,1948]**

In addition to the basic necessities of food, clothing and shelter, man also needs security in times of sickness, disablement etc. The promulgation of Employees' State Insurance Act, 1948 (ESI Act), by the Parliament was the first major legislation on social Security for workers. The act aimed at upholding human dignity in times of crises. Thus, India, took the lead in providing organized social protection to the working class. The ESI Act 1948, with the Preamble "An Act to provide for certain benefits to employees in case of sickness, maternity and employment injury and to make provision for certain other matters in relation thereto" encompasses certain health related eventualities such as sickness, maternity, temporary or permanent disablement, Occupational disease or death due to employment injury, resulting in loss of wages or earning capacity.

The ESI Act applies to non-seasonal factories employing ten or more persons in a power using factory and twenty or more persons in a non-power using factory. The provisions have also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. Employees of covered factories and establishments drawing wages only upto

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Rs. 15000/- per month are entitled to health insurance cover. Wageceiling for purpose of coverage is revised from time to time, to keep pace with the rising cost of living and subsequent wage hikes.

### **ESTABLISHMENT OF EMPLOYEES STATE INSURANCE CORPORATION:**

- With effect from such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf, there shall be established for the administration of the scheme of Employees' State Insurance in accordance with the provisions of this Act a Corporation to be known as the Employees' State Insurance Corporation.
- The Corporation shall be a body corporate by the name of Employees' State Insurance Corporation having perpetual succession and a common seal and shall by the said name sue and be sued.

### **STUDY ON SCHEMES, BENEFITS, AND ALLOWANCES**

#### **EMPLOYEES STATE INSURANCE SCHEME:**

The promulgation of the ESI Act by the Parliament in 1948 was the first major legislation on social security for workers in India. The Act envisages protection to workers in the organized sector in the case of sickness, maternity and death or disability due to injury at work. Based on the principle of pooling of risks and resources, this health insurance scheme provides medical facilities to beneficiaries and cash compensation for loss of wages or earning capacity while in service. The ESI Act applies to non-seasonal factories or manufacturing units employing ten or more people in a power using factory and twenty or more people in a non-power using factory. Employees drawing wages of up to Rs.10,000 per month (as on Jan 2009) are currently entitled to a health insurance scheme. However the wage ceiling for the purpose of coverage is revised from time to time. To increase the coverage the ESI Act has also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. The ESI Act however, is not applicable to factories or establishments run by the State Governments/Central Government whose employees receive other social security benefits. Under the ESI scheme, employees contribute 1.75% of their wages and the employers contribute 4.75% of the wages of eligible beneficiaries/employees towards premium payments with effect from 1.1.97. Employees earning less than Rs. 50 per day are exempted from contribution towards premium payments. The contributions made by the employees and the employers are deposited in a common pool known as the ESI Fund, which is used for meeting administrative expenses as well as cash and medical benefits to insured persons (IP) and their dependents. The state governments, as per the ESI Act, contribute 12.5% of the total expenditure (within the per capita ceiling of Rs.1000 per annum) incurred by the ESIC on medical care in respective states.

The objectives of ESIS are to provide benefits in cash and kind which include:

1. Medical Benefit (for self and family);
2. Sickness Benefit (for self);
3. Maternity Benefit (for self);
4. Disablement Benefit, both temporary and permanent (for self);
5. Dependents' Benefit (for family);
6. Funeral Expenses (to a person who performs the last rites of an IP);
7. Rehabilitation Allowance (for self);
8. Vocational Rehabilitation for the IPs;
9. Old age Medicare (for self and spouse);
10. Medical Bonus (for insured women and IP's wife).

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### **ADMINISTRATION:**

The comprehensive and multi-pronged social security program is administered by an apex corporate body called the **Employees' State Insurance Corporation**. It comprises members representing vital interest groups, including, employees, employers, the Central and State Government, representatives of Parliament and medical profession. The Corporation is headed by the Union Minister of Labor, as its Chairman, whereas the Director General, appointed by the Central Government functions as its Chief Executive Officer. The broad-based corporate body is, primarily, responsible for coordinated policy planning and decision making for growth, development and efficacy of the scheme. A **Standing Committee**, constituted from among the members of the Corporation, acts as an Executive Body. The **Medical Benefit Council**, constituted by the Central Government, is yet another Statutory Body that advises the Corporation on matters related to effective delivery of medical services to the Beneficiary Population.

The Corporation, with its Central Headquarters at New Delhi, operates through a network of 52 Regional, Sub-Regional and Divisional Offices located in various States. The administration of Medical Benefit is taken care of by the respective State Government except in case of Delhi and Noida/Greater Noida area in Uttar Pradesh where the Corporation administers medical facilities directly. The Corporation has taken over the administration of 23 ESI Hospitals in various States for developing them as ESIC Model Hospitals.

### **INFRASTRUCTURE:**

Ever since its inception in 1952, the infrastructural network of the Scheme has kept expanding to meet the social security requirements of an ever increasing worker population. ESI Corporation has so far set up 151 hospital and 42 hospital annexes for inpatient services. Primary and out-patient medical services are provided through a network of about 1418/140 ESI dispensaries/ AYUSH units, and 1017 panel clinics. The Corporation has also set up five Occupational Disease Centers, one each at Mumbai (Maharashtra), New Delhi, Kolkata (W.B.), Chennai (T.N.) and Indore (M.P.) for early detection and treatment of occupational diseases prevalent amongst workers employed in hazardous industries. For payment of Cash Benefits, the Corporation operates through a network of over 627/ 185 Branch Offices/ Pay Offices, whose functioning is supervised by 61 Regional/ Sub-Regional and Divisional offices.

### **BENEFITS PROVIDED IN ESI SCHEME:**

#### **MEDICAL BENEFIT TO FAMILIES:**

Medical benefit to families of insured persons.

- (1) Medical benefit may be extended to the families of insured persons from such date as the Corporation may in consultation with State Government, notify.
- (2) The family of an insured person shall become entitled to medical benefit from the day the insured person himself becomes entitled to medical benefit and shall continue to be so entitled so long as the insured person is entitled to receive medical benefit for himself, or in the case of death of the insured person till such date upto which the insured person would have remained entitled to medical care, had he survived.
- (3) The nature and scale of medical benefit to which the family of an insured person shall be entitled shall be such as may be specified by the State Government in consultation with the Corporation from time to time.
- (4) The appropriate office shall arrange to add in Form 4, Form 4-A, the particulars of the family entitled to medical benefits.

#### **DISABLEMENT BENEFIT:**

Under the Disablement Benefit, the insured person who becomes disabled due to employment injury is paid 90% of the average daily wages as long as temporary disablement lasts. For permanent or total disablement, 90

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% of the average daily wages is paid for whole life and for permanent partial disablement; the Insured Person is paid proportionate to the loss of earning capacity as determined by the medical board.

#### **MATERNITY BENEFIT:**

The Maternity Benefit is paid at the rate of 100% of the average daily wages up to 12 weeks in case of confinement, up to 6 weeks in case of miscarriage. This can be extended by one month on medical advice in case of sickness arising out of pregnancy, confinement and miscarriage. The total Expenditure incurred during 2013-14 on cash benefit payments is Rs.598.69 crores from which one can assess the huge support extended by ESIC to its IPs at the time of distress, which otherwise should have put extra burden on the low income bracket of the workforce of the country.

#### **DEPENDANTS BENEFIT:**

Dependants' Benefit is paid at the rate of 90 % of the average daily wages sharable in fixed proportion among all dependents if the insured person dies due to employment injury. This is payable to the widow for life or until her re-marriage and also to the dependent children till the age of 25 years and also to the dependent parents, subject to conditions. In an endeavor to reach out to the beneficiaries and make the system more customer friendly, long-term benefits such as Permanent Disablement and Dependants Benefits are being credited to the bank account of the beneficiaries through ECS System.

#### **RETIREMENT BENEFIT:**

Retirement Benefit when an insured person who leaves the insurable employment on attainment of the age of superannuation or retires under a voluntary Retirement Scheme or takes premature retirement, after being an insured person for not less than 5 years, shall be eligible to receive medical benefit for himself and his spouse subject to production of proof thereof, and payment of a nominal contribution of Rs.120/- (rupees one hundred and twenty only) for one year. In case, the insured person expires, his spouse is entitled to the medical benefit for the remaining period for which the contribution was made, and she can continue to receive the medical benefit on payment of the contribution of Rs.120/- (rupees one hundred and twenty only) per annum for further period.

#### **FUNERAL BENEFIT:**

Rs. 10,000/- is paid as Funeral Expenses in case of death of an insured person.

#### **CONTRIBUTIONS:**

E.S.I. Scheme being 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 employer's contribution and employee's contribution at a specified rate. The rates are revised from time to time. Currently, the employee's contribution rate (w.e.f. 1.1.97) is 1.75% of the wages and that of employer's is 4.75% of the wages paid/payable in respect of the employees in every wage period. Employees in receipt of a daily average wage up to Rs.100/- are exempted from payment of contribution. Employers will however contribute their own share in respect of these employees.

#### **COLLECTION OF CONTRIBUTION:**

An employer is liable to pay his contribution in respect of every employee and deduct employee's contribution from wages bill and shall pay these contributions at the above specified rates to the Corporation within 21 days of the last day of the Calendar month in which the contributions fall due. The Corporation has authorized designated branches of the State Bank of India and some other banks to receive the payments on its behalf.

### **CONTRIBUTION PERIOD AND BENEFIT PERIOD:**

There are two contribution periods each of six months duration and two corresponding benefit periods also of six months duration as under.

#### **Contribution period Corresponding Cash Benefit period:**

<b>Contribution Period</b>	<b>Cash Benefit Period</b>
1st April to 30th Sept.	1st Jan of the following year to 30th June
1st Oct to 31st March of the year following.	1st July to 31st December.

### **ANNUAL BONUS:**

Bonus paid to the employees could not be treated as wage for the purpose of charging of contribution under Sec.2(22), provided the periodicity of the payment is more than 2 months. The said issue was also considered in the meeting of the ESI Corporation held on 19.12.1968 and the Corporation agreed to the recommendations of the Standing Committee that bonus may not be treated as wage. Hence no contribution is payable on annual Bonus.

### **INCENTIVE BONUS:**

As per the decision of the Supreme Court delivered on 8.3.2000 in the case of M/s. Whirlpool India Ltd. Vs. ESIC in civil appeal No.1903 of 2000, additional remuneration to become wages has to be paid at intervals not exceeding two months as distinguished from being payable. Thus, there has to be actual payment and the payment of production incentive does not fall either under the 1st part or last part of the definition of the term wages as defined in Sec.2(22) of the Act, hence no contribution is payable on the incentive bonus, provided the periodicity of payment is more than 2 months.

### **PRODUCTION BONUS:**

Production Bonus like incentive bonus is paid to the workers as additional remuneration and hence like incentive bonus such additional remuneration in order to become wages has to be paid at intervals not exceeding 2 months as distinguished from being payable. Thus, there has to be actual payment and hence no contribution is payable, provided periodicity of the payment is more than 2 months.

### **WAGES PAID DURING LAYOFF:**

During the period of layoff though the employee is not given actual work and is also not given full remuneration but certain wages are paid to the employee by way of remuneration for remaining attached to the factory/establishment of the employer, therefore, such payments paid for the period of layoff are also wages for the purpose of Sec.2(22) of the ESI Act and hence contribution is payable on such payments.

### **HOUSE RENT ALLOWANCE:**

House Rent Allowance is wage in cases where it is being paid. Notional amount of house rent can not be presumed as wages for deciding the coverage. In cases where an employee is being paid house rent allowance, the same will be included both for coverage and contribution. In cases where the staff quarters have been allotted the amount of salary and wages paid will count for coverage and contribution and no notional house rent allowance is to be presumed in such cases.

### **MEDICAL ALLOWANCE:**

The employees working in factories/establishments are being provided medical services in kind by the employer but in certain factories/establishments instead of providing medical services in kind, the amount spent by the employees on medical care is reimbursed while in some other organizations, employees are being paid monthly cash allowance in lieu of medical aid/reimbursement of medical expenses. Where such payments are made by the employer in lieu of the medical benefit, the same are to be treated as wages under Sec.2(22) of the ESI Act and the contribution is chargeable.

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## EDUCATION ALLOWANCE:

Employees are being paid monthly Education allowance for the children studying in the Schools/Colleges. Where such education allowance is being paid monthly, the same is to be considered as wages under Sec.2(22) of the ESI Act and the contribution is chargeable on the said amount. However, in such cases where instead of paying the education allowance on monthly basis, the amount spent as fee is reimbursed to the employees and booked under education allowance, in such cases no contribution is payable.

## ESIC'S LATEST INITIATIVES – ESIC 2.0:

### A. Extending coverage of ESI Scheme for extending its social security net to the whole country:

1. Extending the social security benefits of ESI Scheme in the remaining **North-East States** Arunachal Pradesh, Mizoram, Manipur and Andaman & Nicobar Island. It has been implemented in Mizoram w.e.f. 1.12.2015 and in Port Blair w.e.f. 01.01.2016.
2. At present, ESI Scheme is being implemented in industrial/commercial clusters within districts. Now, the target is to cover **whole of the 393 districts** of the States by 31.03.2016, where these clusters are located.
3. Opening Health Scheme for **selected group of unorganized workers** like rickshaw pullers/auto rickshaw drivers in selected urban/metropolitan areas, on pilot basis.
4. **ESI Coverage has been extended to Construction workers** in the implemented area. Construction site Workers has been covered to avail benefits under the ESI Scheme w.e.f. 1st August, 2015.

### B. New Initiatives under Health Reforms Agenda of ESIC 2.0, for improving the medical care:

Aimed at providing better health services, Hon'ble Prime Minister of India had launched a series of Health Reforms Agenda of ESIC on 20.07.2015 which includes-

- Online availability of **Electronic Health Record** of ESI Beneficiaries (Insured Persons and their family members).
- **Abhiyan Indradhanush:** Ensuring the change of bedsheet according to VIBGYOR pattern during the week i.e. to be changed everyday
- **Medical Helpline No.** 1800 11 3839 for emergency and seeking guidance from casualty/emergency of ESIC Hospitals.
- **Special OPD** for Sr. Citizens and differently-abled persons in ESIC hospitals.

### Other initiatives for Improving Patients/Attendant Care:

- (i) ESIC has now resolved to adopt **two Model Hospitals, in each State.**
- (ii) Providing appropriate cancer detection/treatment facilities, cardiology treatment facilities, dialysis facilities on PPP Model at different levels of hospitals.
- (iii) For facilitating the practice of **telemedicine**, the RFP for pilot run has already been floated and the project is expected to go live in the next three months.
- (iv) Special focus has been paid for upgradation of Dispensaries, 24 Dispensaries in ESIC buildings have been identified for up-gradation to 30 bedded set up to provide 24x7 services.
- (v) **Pathological & X-ray facilities will be provided on PPP model** in all the dispensaries in phases. Pathological services in all dispensaries of Delhi has been started from 30th November, 2015. Laboratory and ECG Services has been started in ESI Dispensary of Delhi/Noida area.
- (vi) **Tracking of every pregnant mother & new born:** With a view to ensure 100% immunization as well as safe delivery, every mother and new born child of Insured Person, a pilot project for tracking every pregnant mother and new born is to be started in Delhi, for which coordination will be done with the State Programme Officer under Ministry of Health and Family Welfare.
- (vii) **Mother and Child Care Hospital in every State:** ESIC has constituted a committee to prepare the norms for setting up a Mother and Child Care Hospital in every State.

(viii) **AYUSH:** Besides Allopathic treatment, ESIC hospitals also provide treatment under AYUSH (Ayurveda, Yoga, Unani, Siddha and Homeopathy). Facilities of AYUSH are to be extended to all dispensaries in phases by December, 2015 and Yoga in all ESIC Hospitals by 30th November, 2015.

#### **C. Digital India – e - initiatives of ESIC:**

- **E-Biz Platform:** ESIC is the first organization of Central Government, to integrate its services (Registration of Employers via e-Biz portal of Department of Industrial Policy and Promotion of DIPP) to promote ease of business and curb transaction costs.
- **Under its flagship digital project ‘Panchdeep’ ESIC has facilitated Online payment of ESI Contribution** by the Employer, via the payment gateway of State Bank of India and 58 other banks with launch on 01st April, 2015.
- ESIC has launched independent **Public Grievance Module 2.0** from 15.08.2015 for lodging ESIC related Grievance online through ESIC website ‘www.esic.in’ or ‘www.esic.nic.in’.

#### **FINDINGS:**

- The benefit schemes of Employees State Insurance Corporation of India play a great role in influencing the subscribers to of such benefits.
- Benefits from ESI schemes create Social security among employees and their dependents.

#### **SUGGESTIONS:**

- The basic infrastructure of the existing facilities could be improved to provide higher quality of service to the beneficiaries; this includes making basic diagnostics equipments available, nursing personnel and laboratory services etc.
- As maximum numbers of employees have a positive feeling towards the ESI Schemes and Benefits which are going to minimize the hardships of labourers and workers, hence Employees State Insurance Corporation can implement more number of schemes and benefits for the employees of various organizations in the upcoming period.
- It is also suggested that to the government that such welfare schemes to be implemented not only for government employees, like Greater Hyderabad Municipal Corporation employees and Man power agencies, it should also implement these benefits and schemes to all private sector employees irrespective of income levels, so as to protect the employees for the sake of security from being cheated by the private organizations.

#### **CONCLUSION:**

It can be concluded that Employee state Insurance schemes are beneficial to employees and they have a positive impact on the employees. It also provides social security to the lives of Employees. The Government has taken an appropriate and satisfactory steps towards the welfare of the employees but it should also take necessary steps to extend the benefits to all private sector employees.

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