Labour reforms ESI

June 21, 2019
Manifest pedagogy

Labour reforms has been one of the sticky points, both with respect to industry and trade unions. a comprehensive law will not only help ease of doing business but also promote organisation of industry along formal lines with adequate opportunity for rekilling of the workforce.Mains exam would focus on the effects of labour reforms in era of globalisation 4.0 and industry 4.0, safeguards and government policy where prelims would be more about institutions, programmes, policies and schemes

This topic has a updated article. Read here…

In news

Recently centre reduced contribution rate for **Employees State Insurance(ESI).**

Placing it in syllabus

Labour reforms- ESI (Industry)

Static dimensions

- What is ESI
- Eligibility criteria

Current dimensions

- Unemployment insurance
- Change in contribution ratio
- Labour codes in India

Content

About ESI

- ESI is a **self-financing** social security and health insurance scheme for Indian workers managed by the Employees' State Insurance Corporation (ESIC) according to rules and regulations stipulated in the **ESI Act 1948**.
- ESI scheme is a type of social security scheme for employees in the **organised sector.**
- ESIC is an autonomous corporation under Ministry of Labour and Employment, Government of India.
- In addition to insured workers, poor families eligible under the **Rashtriya Swasthya Bima Yojana** can also avail facilities in ESI hospitals and dispensaries.
- The employees registered under the scheme are entitled to medical treatment for themselves and their dependents, **unemployment cash benefit in certain contingencies** and maternity benefit in case of women employees.
- If the insured person dies or is rendered disabled to earn due to employment related injury, they are eligible for pension benefits (for the dependents) and disablement benefit, respectively.
- Every worker enrolled under the ESI scheme will be given a magnetic, smart identity card which is called as a 'Pehchan card' or ESI card. This card has to be produced while availing benefits at the ESI network hospitals or dispensaries.
- The ESI Act applies to factories with 10 or more workers and it is also applicable to shops, hotels, restaurants, cinemas and road transport undertakings.

Eligibility to enrol under ESI

The ESIC raised the **monthly wage limit to Rs. 21,000,** from the existing Rs. 15,000, for coverage with effect from 1 January, 2017. This implies that all industrial workers who pull in a salary of up to Rs.21,000 will be at a benefit. This includes benefits for medical and hospitalisation facilities which will be made available at more than 1,550 clinics and hospitals.

Changes in the contribution ratio

Recently government announced **reducing the total rate of contribution** made by workers and employers towards the Employees' State Insurance (ESI) scheme **from 6.5 per cent to 4 per cent.** This move is benefits around 1.3 million employers who will see a 40 per cent reduction in the rate of contribution they make for their employees, as per the provisions of the ESI Act, 1948.

Now, 3.25 percent will be the employer's share and 0.75 percent the employee's towards ESI against the earlier 4.75 percent and 1.75 percent respectively. This will be effective from July 1, 2019. Though ESIC had recommended decreasing the total rate of contribution of workers towards the insurance scheme from 6.5 per cent to 5 per cent, the labour and employment ministry decreased it to 4 per cent.

Benefits

The reduced rate of contribution will bring about a substantial relief to workers which will facilitate further enrolment of workers under the ESI scheme and bring more and more workforce into the formal sector.

- Financial liability of the establishments will be reduced leading to improved viability of the establishments and increases the ease of doing business.
- Reduce the annual burden of over 1 million employers.

Unemployment insurance

Unemployment Insurance is the most common public income support program for the unemployed in developed countries, where it typically offers enough income protection. It usually covers the majority of employed persons, irrespective of the nature of occupation or industry. Increased exposure to foreign markets and fearing the future global crisis, more and more developing countries are contemplating to introduce unemployment insurance. Unemployment insurance can be a great **social security measure** which provides an excellent opportunity to bolster both workers protection and economic efficiency.

Unemployment Insurance related measures in India

International Labour Organization (ILO) has adopted the Employment promotion and protection against Unemployment convention, 1988 for promotion of employment against Unemployment and social security including Unemployment Insurance benefit. The ILO predicts India will have 18.9 million jobless people in 2019.

Taking into consideration the "changing employment pattern" in India, ESIC in 2018 approved a scheme for providing unemployment allowance to workers rendered jobless. The scheme **Atal Bimit Vyakti Kalyan Yojana**, will be applicable for employees covered under the ESI Act, 1948. Workers who are left unemployed for whatsoever reasons will be paid money, from their own contribution towards the ESI scheme, in cash through bank account transfer.

Workers who are 'insured persons' under the ESI Act for a period of two years continuously will be eligible to be a part of it. Workers will be able to draw 47 per cent of their total contributions towards ESIC after remaining unemployed for at least three months from the date of leaving their previous jobs. The employees' insurance scheme applies to all factories and establishments employing at least 10 workers.

The new scheme is in addition to the **Rajiv Gandhi Shramik Kalyan Yojana (RGSKY)** under which ESIC subscribers are provided unemployment allowance. However, persons who have become unemployed after being insured for at least three years, only for **three reasons** – closure of factory, retrenchment or permanent invalidity are entitled to be a part of the RGSKY scheme. Unemployment allowance equal to 50 percent of wage for a maximum period of two years is provided, along with medical care for the worker and her family during the period of unemployment.

Labour codes

In line with **recommendations of Second National Commission on Labour,** the Ministry of Labour and Employment have formulated **four Labour Codes** on

- Wages
- Industrial Relations
- Social Security & Welfare
- Occupational Safety, Health and Working Conditions

by amalgamating, simplifying and rationalising the relevant provisions of the existing Central Labour Laws.

So far, only one of them , the code on wages has been tabled in Parliament as a Bill. It is currently receiving final recommendations from the Standing Committee on Labour. The remaining three codes – on social security, industrial relations and occupational safety, health and working conditions are yet to be tabled in the Lok Sabha and are currently being discussed by different panels set up by the Ministry of Labour and Employment.

Recently, to accelerate growth and help investors, the government has planned a new labour legislation that would merge 44 labour laws under four categories – wages, social security, industrial safety and welfare, and industrial relations. A new Labour Bill would be introduced regarding the same.