

Employee State Insurance (ESI)

1. What is ESI?

Employees' State Insurance (ESI) is a social security and health insurance scheme introduced by the Government of India to provide medical care and financial protection to employees working in the organised sector. The scheme is administered by the Employees' State Insurance Corporation (ESIC) under the Employees' State Insurance Act, 1948. The main objective of ESI is to protect employees against loss of income due to sickness, maternity, disability, employment injury, or death. Under this scheme, both the employer and employee make regular contributions, and in return, the employee and their dependents are entitled to various medical and cash benefits. ESI ensures that workers do not face financial hardship during health-related emergencies and promotes overall employee welfare by providing access to hospitals, dispensaries, and other healthcare facilities.

2. Applicability

- ✓ The Employees' State Insurance Act, 1948 applies to factories and notified establishments employing 10 or more persons. It covers factories engaged in manufacturing activities with or without the use of power.
- ✓ It also extends to establishments such as shops, hotels, restaurants, cinemas, road transport undertakings, private educational institutions, and medical institutions, as notified by the appropriate government.
- ✓ The scheme applies to employees drawing wages up to ₹21,000 per month (₹25,000 per month in case of employees with disabilities). Employees earning within this prescribed wage limit are mandatorily covered under the ESI scheme.
- ✓ Once an establishment is covered under the Act, it continues to remain covered even if the number of employees falls below the prescribed limit later.
- ✓ The implementation and administration of the Act is carried out by the Employees' State Insurance Corporation (ESIC), and compliance with registration and contribution requirements is compulsory for covered establishments.

3. ESI Contribution

The Employees' State Insurance (ESI) scheme is a contributory scheme, meaning both the employer and the employee are required to make regular contributions. The contribution is calculated as a percentage of the employee's wages and is payable every month.

At present, the contribution rates are:

- ✓ **Employer's Contribution:** 3.25% of wages
- ✓ **Employee's Contribution:** 0.75% of wages

Thus, the total contribution towards ESI is 4% of the employee's wages.

The employer is responsible for deducting the employee's share from the salary and depositing the total contribution (employer + employee share) with the Employees' State Insurance Corporation (ESIC) within the prescribed time limit.

4. Benefits of ESI

✓ **Medical Benefit**

Medical benefit under the Employees' State Insurance (ESI) scheme provides comprehensive medical care to insured employees and their dependents from the very first day of employment. This benefit includes free consultation, diagnosis, treatment, medicines, specialist services, hospitalization, and surgery through ESI dispensaries, hospitals, and authorized medical institutions. The medical benefit is available not only during the period of employment but also during periods of sickness and unemployment arising out of insurable contingencies.

Dependents such as the spouse, children, and in certain cases parents are also entitled to medical facilities. The cost of medical treatment is borne by the scheme and administered by the Employees' State Insurance Corporation (ESIC), ensuring quality healthcare without financial burden on the employee.

✓ **Sickness Benefit**

Sickness benefit under the Employees' State Insurance (ESI) scheme provides cash compensation to insured employees during periods of certified sickness when they are unable to attend work. This benefit is paid at a prescribed rate of wages for a specified number of days in a year, subject to fulfillment of contribution conditions. The objective of sickness benefit is to ensure income security for employees during temporary illness and to prevent loss of earnings while recovering from health-related issues. The benefit is payable only when the sickness is duly certified by an authorized medical officer under the scheme.

✓ **Maternity Benefit**

Maternity benefit under the Employees' State Insurance (ESI) scheme provides paid leave and medical care to insured women employees during pregnancy and childbirth. This benefit is granted to ensure financial security and proper healthcare to women employees during the maternity period. An insured woman is entitled to maternity benefit for a prescribed period before and after delivery, subject to fulfillment of contribution conditions. The benefit is paid in the form of cash compensation at the prescribed rate of wages, along with complete medical care including delivery, and before and after treatment through ESI hospitals and authorized medical institutions. In case of miscarriage, medical termination of pregnancy, or confinement-related complications, maternity benefit is also payable as per the provisions of the Act. This ensures both income support and healthcare for insured women employees.

✓ **Injury / Disability Benefit**

Disablement benefit under the Employees' State Insurance (ESI) scheme is provided to insured employees who suffer an employment injury or occupational disease arising out of and in the course of employment. This benefit is paid in the form of cash compensation to compensate for loss of earning capacity due to injury. Disablement benefit is classified into temporary disablement benefit and permanent disablement benefit, depending on the nature and extent of disability. Temporary disablement benefit is payable as long as the employee remains unable to work due to the injury, whereas permanent disablement benefit is payable for life, based on the percentage of loss of earning capacity as assessed by a medical board. In addition to cash benefits, full medical care is provided to the injured employee.

✓ **Dependent's Benefit**

Dependents' Benefit under the Employees' State Insurance (ESI) scheme is provided to the family members of an insured employee who dies as a result of an employment injury or occupational disease. In such cases, the dependents are entitled to receive a monthly pension in the form of cash compensation to support them financially after the death of the earning member. The benefit is generally payable to the widow, children, and in certain cases, dependent parents, as prescribed under the Act. The amount of pension is calculated as a percentage of the deceased employee's wages and is distributed among eligible dependents according to prescribed rules. This benefit ensures long-term financial protection to the family.