

**ESTIMATES COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

HUNDRED AND TWENTY-THIRD REPORT

**MINISTRY OF LABOUR, EMPLOYMENT & RE-
HABILITATION (DEPARTMENT OF LABOUR &
EMPLOYMENT)**

Employees' State Insurance Corporation



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1970/Chaitra, 1892 (S)

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CORRIGENDA

TO

Hundred & Twenty-Third Report of Estimates Committee (4th Lok Sabha) on the Ministry of Labour, Employment & Rehabilitation (Department of Labour & Employment) - Employees' State Insurance Corporation.

<u>Page</u>	<u>Para</u>	<u>Line</u>	
4	1.7	6	<u>for</u> 'practitionerh' <u>read</u> 'practitioners'.
5	1.12	14	<u>for</u> 'scarse' <u>read</u> 'sparse'.
9	1.14	4	<u>for</u> 'third' <u>read</u> 'fund'.
16	1.28	3	<u>for</u> 'ountry' <u>read</u> 'country'.
22	(c)	2	<u>for</u> 'attenance' <u>read</u> 'attendance'.
27	2.37	6	<u>delete</u> line 6.
36	2.49	3	<u>for</u> 'medi' <u>read</u> 'medical'.
44	3.3(b)	1	<u>for</u> 'Gujhrta' <u>read</u> 'Gujarat'.
45	3.8	Table	<u>for</u> '17.6.69' <u>read</u> '17.6.68'.
83	-	1	<u>for</u> 'Employee's' <u>read</u> 'Employer's'.
84	5.3	Table	Against 1963-64, <u>for</u> '8, 10, 90, 05' <u>read</u> '8, 10, 90, 051'.
84	5.3	Table	against 1965-66, <u>for</u> '11, 67, 12, 838' <u>read</u> '11, 67, 12, 836'.
85	-	5.8.	In sub-heading <u>for</u> 'Employer's' <u>read</u> 'Employee's'.
110	6.17	7	<u>for</u> 'the' <u>read</u> 'its'.
135	7.36	Table	In total, <u>for</u> '33,49,000' <u>read</u> '34,49,000'.
137	7.42	Table	Against Tamil Nadu, <u>for</u> '10' <u>read</u> '23'.
160	7.112	7	<u>for</u> 'make' <u>read</u> 'take'.
164	7.121	Table	Against Sealdah, <u>for</u> '9%' <u>read</u> '89%'.
170	7.137	Table	Before Oct.60, <u>delete</u> '101'.
176	7.155	2	<u>after</u> 'measures' <u>insert</u> 'would'.

245	39	21	<u>for</u> the words' or.....to' <u>substitute</u> 'on account of medical care as stipulated in clause'.
250	52	14	<u>for</u> 'arbulances' <u>read</u> 'ambulances'
250	52	19	<u>after</u> line 19, <u>insert</u> 'beneficia- ries under the scheme. Besides the adminis-'
250	52	21	<u>delete</u> line 21.
256	63	5	<u>for</u> words'taken.....level' <u>substitute</u> 'taking the construction programme'
260	72	7	<u>for</u> 'as' <u>read</u> 'be'.

CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE	(v)
INTRODUCTION	(vii)
I. INTRODUCTORY	I
A. Genesis	1
B. The Employees' State Insurance Act, 1948	8
C. Salient features of the Employees' State Insurance Scheme	10
(i) Coverage	10
(ii) Benefits	11
(iii) Financing	14
(iv) Administration	16
II. ORGANISATIONAL SET UP	17
A. Employees' State Insurance Corporation	17
Standing Committee	19
Medical Benefit Council	21
Tripartite representation	22
Meetings	25
B. (1) Regional Boards and Local Committees	27
(2) Regional & Local Medical Benefit Councils	36
C. Government Control	37
III. ADMINISTRATION	43
A. Administrative structure	43
Principal Officers	44
Organisation & Methods	47
Staffing	47
Vigilance & Inspection	49
Simplification of procedure	50
Training	51
Service conditions of staff	52
Administrative expenditure	54

	PAGES
B. Budget & Finance	55
Budget estimates	55
Financial position	57
Valuation of assets & liabilities	59
C. Annual Reports and Audited Accounts	60
D. Construction of administrative buildings	62
IV. COVERAGE	66
A. Progress of implementation	66
Benefit to families	71
Current programme and future plans	73
Wage ceiling	76
B. Exemption	77
V. CONTRIBUTIONS	82
A. Employees and Employers Contribution	82
Employer's Contribution	83
Employee's Contribution	85
Recovery and arrears of contributions	87
B. Contribution by the Central Government	92
C. Contribution by the State Governments	96
Excess incidence of sickness benefit	101
VI. CASH BENEFITS	106
A. Standard of Benefits	106
Sickness Benefit	106
Maternity Benefit	107
Disablement Benefit	108
Dependant's Benefit	109
Funeral Benefit	110
B. Disbursement	110
C. Malingering	114
D. Waiting Period	118
E. No claim Bonus	119
VII. MEDICAL BENEFIT	121
A. Outdoor Medical Care	122
Panel and Service System	122
Employer's Dispensaries	129

	PAGES
System of medicine	131
Beneficiaries' Complaints	132
B. Specialists' Care	137
C. Administration, Supervision and Control	139
Medical & Para-Medical Staff	140
Supervision	142
Cost Control	145
Dual Control	151
Medical Care in Delhi	153
D. Construction of Hospitals/Dispensaries	155
Reservation/construction of beds	155
Dispensaries	159
Control over construction	159
Occupancy ratio of beds	164
E. Preventive and Restorative Services	167
Health Education	169
F. Rehabilitation Programme	171
G. Family Planning Facilities	175
VIII. GENERAL	177
A. BSIS Review Committee Report	177
B. Publicity	178
C. Employees' Insurance Courts	180
D. Integrated Social Security Scheme	183
APPENDICES	
I. List showing present composition of the E.S.I. Corporation	190
II. List showing present composition of the Standing Committee	194
III. List showing present composition of the Medical Benefit Council	196
IV. Statement showing the number of meetings held by E.S.I. Corporation, Standing Committee and Medical Benefit Council	198
V. Statement showing matters in respect of which power has been vested in the Central Government.	199
VI. List of Periodical Reports and Returns submitted by the ESIC to the Central Government	201
VII. Statement indicating suggestions made by the ESIC for relaxation of Government Control and reasons given by the Government for their non-acceptance	203

	PAGES
VIII. Chart showing administrative structure of the ESI Corporation	208
IX. Standard Agreement to be entered into between the E.S.I. Corporation and the State Governments under section 58(3) of the E.S.I. Act, 1948	209
X. Lists of Hospitals/Annexes under construction and in respect of whom construction work not yet undertaken	224
XI. Statement showing summary of Recommendations/Conclusions	227
XII. Analysis of Recommendations/Conclusions contained in the Report	262

ESTIMATES COMMITTEE

(1969-70)

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Shri Avtar Singh Rikhy—*Joint Secretary.* ..

Shri B. B. Tewari—*Deputy Secretary.*

Shri Y. Sahai—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Twenty-third Report on the estimates relating to the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment)—Employees' State Insurance Corporation.

2. The Committee took evidence of the Director General, Employees' State Insurance Corporation on the 15th and 17th December, 1969 and of the representatives of the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) on the 19th December, 1969.

3. The Committee wish to express their thanks to the Secretary and Officers of the Ministry and the Director General and other Officers of the Employees' State Insurance Corporation for placing before them the material and information desired in connection with the examination of the subject.

4. The Committee also wish to express their thanks to Shri M. T. Shukla of the Indian National Trade Union Congress; Dr. J. N. Vaishnav President National Integrated Medical Association (Maharashtra State Branch), Bombay; and Sarvashri Surotham P. Hutheesing, Santosh Nath, M. Ghose, B. N. Sethi, S. N. Bose and S. C. Agarwal of the Council of Indian Employers, New Delhi, for giving evidence and making valuable suggestions to the Committee.

5. They also wish to express their thanks to all the Associations who furnished memoranda on the subject to the Committee.

6. The Report was considered and adopted by the Committee on the 8th April, 1970.

7. A statement showing analysis of recommendations contained in the Report is also appended to the Report (Appendix XII).

NEW DELHI;
April 13, 1970

Chaitra 23, 1892 (Saka).

M. THIRUMALA RAO,
*Chairman,
Estimates Committee.*

CHAPTER I

INTRODUCTORY

A. Genesis

Labour welfare plays a vital role in industrial economy. The need for improving the material conditions of workers, both from the social view point and from the effect on productive efficiency, is being accordingly appreciated throughout the civilised world. Basically, labour welfare constitutes the provision of such services, facilities and amenities as would help in creating healthy and congenial environment and conditions for work as well as recreation.

1.2. The concept of social security in the sense of security provided to individuals by the society against certain risks is very old, because from ancient times men were exposed to these risks and hence they tried to find out security measures to safeguard themselves against them. An industrial worker faces a number of risks such as employment injury, occupational disease, invalidity or disablement, ill-health or sickness, maternity or child-birth, old age, burial, widowhood and unemployment. During these contingencies it is not possible for the man or the woman either to work or to obtain work. At the same time his need for means of subsistence is greater. These contingencies, which affected man, since he started his economic activities, naturally urged him to find out effective safeguards in mitigating the evils arising out of the contingencies themselves. In India, for example, such a security was provided for centuries by the joint family system. Social security, however, with its modern systematised forms of social assistance and social insurance is a recent development.

1.3. The principle of social insurance was recognised early in Europe particularly in Germany where schemes for sickness and maternity insurance were introduced as early as 1883. The term itself was first authoritatively utilised only in 1935, when the United States Social Security Act was enacted. But now in all the advanced as well as developing countries of the world, it is recognised that contingencies like illness, death and unemployment, which may occur with disastrous effects at any time, cannot be provided against by person in isolation. The risks must be transferred from the individual to a community to which he belongs. The community must possess the financial strength necessary to enable it to honour

all claims that experienced foresight can expect to be presented. Its membership must be numerous enough to keep the average risk fairly stable. The permanence of the community must be assured. These conditions are fulfilled only by social insurance schemes applying to a large number of workers in a wide variety of occupations and by social assistance schemes the solvency of which is guaranteed by the States or other powerful political unit. It is characteristic of these contingencies that they imperil the ability of the working man to maintain himself and his dependants in health and decency. Accordingly, as the State is an association of citizens, which exists for the sake of their general well-being, it is a proper function of the State to promote social security. While all State policy has some bearing on social security, it is convenient to regard in social security services only such schemes as provide the worker with benefits designed to prevent or cure diseases, to support him when unable to earn, and to restore him to gainful activity. Not all such measures, however, can be considered as affording security. For security is a state of mind as well as an objective fact. To enjoy security one must have confidence that the benefits will be available when required and in order to afford security, the protection must be adequate in quality and quantity.

1.4. In India, the idea of social insurance even for certain category of workers took a long time to be translated into a reality. Till twenties of the present century, no statutory provision existed in this country to provide for relief or assistance to wage earners for common hazards of life. The Fatal Accidents Act of 1855 compensated the dependents of a worker for fatal accidents only.

1.5. The First World War gave a considerable fillip to industrialisation in India. With an appreciable increase in the ranks of industrial workers, also grew trade union movement and workers' demands for improvement in their working and living conditions. It was during this period that serious consideration was given to the enactment of measures to provide compensation for disablement or death arising out of an industrial accident or industrial disease. As a first step, provision was made in the Factories Act (Indian Factories Amendment Act, 1922) giving power to a criminal court to order the whole or part of a fine imposed in case of offence causing bodily injury or death, to be paid as compensation to the injured person or in the case of his death, to his legal representative. As this measure did not give much satisfaction to the workers, the Government of India considered the question of enacting the Workmen's Compensation Act on the model of similar legislation in U.K. In July, 1922, a Special Committee was set

up to go into the matter. The scheme drawn by the said Committee ultimately led to the enactment of Workmen's Compensation Act in 1923 and thus a beginning in social security legislation was made in the country. Subsequently, it was followed by the Maternity Benefit Acts in various Provinces. Beginning with the Presidency of Bombay which was first to pass a Maternity Benefit Act in 1929, other Provinces followed suit and enacted Maternity Benefit Acts to provide for cash benefit to women employed in factories, etc., at a daily rate ranging from annas 8 to full daily wage, for 7 to 12 weeks. Some of these Acts also made a provision for free medical care or a cash bonus ranging from Rs. 5 to Rs. 25 towards medical care for confinement.

1.6. The Workmen's Compensation Act as well as the Maternity Benefit Acts, however, placed liability for payments on the employers and were not considered to be measures of adequate security to the workers. There was no statutory provision for compulsory insurance of employers' liability. The insured workers who were left to make their own arrangements for medical treatment, did not have means or resources to do so. One argument against the lump sum payments of compensation was that it was often frittered away leaving the afflicted worker in distress and misery. Similarly, under the State Maternity Benefit Acts also, there was a tendency among the employers to evade payment or not to employ a married woman or to discharge a woman worker at the first sign of pregnancy. There was no uniformity in various States' enactments and there was also no provision for medical aid before or after confinement. It was felt that these defects and deficiencies in the Workmen's Compensation and Maternity Benefit legislations could be remedied only by a Scheme of Social Insurance.

1.7. The question of health insurance as such received the attention of the Government of India as well as of the public for the first time in 1928, when the following Resolution seeking approval to non-ratification of the Conventions and Recommendation relating to health insurance adopted by the International Labour Organization at its Tenth Session in 1927, was moved in the Central Assembly by Sir Bhupendra Nath Mitra, Member for Industries and Labour. The Resolution was discussed and adopted by the Assembly the same day.

"That this Assembly, having considered the Draft Conventions and Recommendation adopted by the Tenth International Labour Conference, recommends to the

Governor-General in-Council that he should not ratify the Draft Conventions nor accept the Recommendation."

(*Vide* L.A. Deb. dated 27-3-1928, pp. 2063—77).

The main argument advanced by the Government in favour of non-ratification of the Convention was that conditions in the country were not sufficiently ripe for adopting and implementing the proposals made therein. Other reasons were such as, migratory nature of labour, preference of indigenous system of medicine by workers, want of qualified medical practitioner, resistance of workers to any compulsory deductions from their remunerations, lack of financial resources, etc. The Government of India, however, did not entirely drop the matter but referred it to Provincial Governments for advice. Many of the Provincial Governments set up special committees for examination of the proposal. The reports of these committees were, however, unfavourable in most of the cases. Though the Punjab Committee favoured the establishment of a sickness insurance scheme, it did not suggest any administrative machinery for implementation. The Madras Committee suggested a scheme of general provident fund to provide for sickness unemployment old-age marriage, funeral rites and other contingencies. The Central Provinces Committee was not in favour of any scheme of sickness insurance. The major difficulties pointed out were the problem of following the workers to their villages, arranging for adequate medical treatment there and providing for medical certification. It was also pointed out that the workers did not have great faith in the modern system of medicine. Another important consideration was the administrative cost on the working of a scheme on a national or even provincial scale on modern lines. The Provincial Governments were generally hesitant in assuming financial responsibility involved in State assistance to any scheme of health insurance. They, therefore, advised against the introduction of a scheme requiring State participation.

1.8. The problem, therefore, came up for consideration before the Royal Commission on Labour set up by the Government of India in 1929. The Commission in its Report (1931) viewing the high incidence of sickness in the country made out a strong case for introduction of health insurance in India and even proposed a tentative scheme for the purpose. Emphasizing the need for health insurance for workers, the Commission observed:—

"The question of making provisions for workers during sickness, even if it had not been previously raised by Government, would have been forced on us by what we found

in every industrial centre. Of the great need of the workers for something of this kind there can be no doubt. By common consent the incidence of sickness is substantially higher than in western countries, the medical facilities are much less adequate and the wages generally paid make it impossible for most workers to get through more than a very short period of illness without borrowing. Indeed sickness is an important contributory cause of indebtedness, with all that debt entails under existing conditions, for, often at this time of great need, the worker may find himself destitute of resources, unable to take proper measures to restore his health and in difficulties regarding even the means of subsistence. This situation calls for the exploration of all methods that may lead to the alleviation of existing hardships."

The salient features of the scheme suggested by the Royal Commission were: (i) that the responsibility for the medical and financial benefits should be separated, the former being undertaken by Government "possibly on a non-contributory basis" and the latter being administered through employers on the basis of contributions by themselves and by the workers; (ii) that cash benefit should be supported by contributions from the worker and by the employer, in equal amounts, "or rather more (from the employer) in the case of the more poorly paid"; (iii) that there should be a qualifying period of one year; (iv) that the maximum limit for sick leave (i.e., period of cash benefit) should be one month in the year; and (v) that the cash benefit should be a proportion of the wages and should be paid by the employer.

The Government of India considered the recommendations of the Royal Commission in consultation with the standing Advisory Committee of the then Labour and Industries Department and Government Actuary's Department in London and decided to drop the matter for the time-being.

1.9. In the late thirties, the Labour Enquiry Committees appointed by the Provincial Governments of Bombay, U.P. and Bihar also recommended the introduction of a contributory sickness insurance scheme.

1.10. In this connection, it may be noted that the labour movement which was growing in stature and effectiveness from early twenties and was forcefully insisting on provision for health insurance schemes, played an important part both for the setting up of Labour Enquiry Committees and also in the evolution of these

schemes. The matter was then considered by the Labour Ministers' Conference held in 1940 and 1941 and also at other tripartite conferences but with no substantial results. At the Third Labour Minister's Conference held in 1942, however, the Government of India placed a tentative scheme of sickness insurance for factory workers. The Conference decided that the details of the sickness insurance scheme for factory workers should be worked out by small committee of experts including an Actuary. Later, however, it was considered expeditious to entrust the work to one expert. It is noteworthy that the renewed interest evinced by the Government of India in putting forward an actual scheme of health insurance for industrial workers was possibly due to various important developments which took place in other countries in regard to social security measures, namely, publication of Beveridge Report (1942) in U.K., the Wagner—Murray Dingell Bill, in U.S.A., and Marshal Plan in 1943 in Canada.

1.11. Accordingly, the Government of India appointed in March, 1943, Prof. B. P. Adarkar as Officer on Special Duty to report on the possibility of providing health insurance for industrial workers in India. Government also appointed a Health Survey and Development Committee with Sir Joseph Bhole as its Chairman to make "a broad survey of the present position in regard to health conditions and health organisation in British India and to make recommendations for future development." Prof. Adarkar submitted his Report on August 15, 1944.

1.12. Prof. Adarkar in framing his scheme considered the three earlier important schemes proposed by the Royal Commission on Labour in 1931, the Labour Department of Government of India in 1941-42 and the Bombay Textile Labour Enquiry Committee in 1940. He had also the benefit of consultations with the Industrial Health Sub-Committee of the Bhole Committee. In addition, he sought the advice of employees' and employers' organisations and of the panel of Actuaries in connection with the financial structure of his proposed scheme. Adarkar's scheme was to cover all perennial factories in the three major groups of industries, namely, textiles, engineering and minerals and metals, exemption being contemplated for employment in armed forces, employment in public departments and public utility concerns having at least equivalent sick pay and medical facilities and in the case of factories in scarce areas. Other important features of the Scheme are mentioned below:—

- (i) The scheme should be enforced on a compulsory and contributory basis—permanent and temporary were to get

cash as well as medical benefits while casual workers were to receive only medical benefits;

- (ii) the workers drawing less than Rs. 200 were to be covered by the scheme;
- (iii) the lower and upper age limits fixed as 12 and 60 respectively;
- (iv) there was to be no non-contributory class although contributions were suggested in such a way that low paid workers paid less than others;
- (v) the principal benefits to accrue from the scheme were cash benefit and medical benefit and also the maternity benefit as an ancillary measure;
- (vi) Creation of Health Insurance Fund out of employers' and workers' contribution, or subsidies or other assistance from Central and Provincial Governments;
- (vii) a statutory corporation* to be called "Central Board of Health Insurance" comprising representatives of various interests including medical profession, at the apex and with Regional Boards and Local Committees to administer the scheme; and
- (viii) disputes should be settled by administrative machinery and only difficult or important matters to be decided by superior judicial appellate bodies.

Professor Adarkar was of the view that certain measures were necessary to keep down the incidence of sickness and to prevent the Scheme from being saddled with burdens legitimately belonging to other branches of social insurance. He, therefore, emphasised the need for simultaneous adoption of schemes of (a) unemployment insurance; (b) old-age pensions; (c) measures like regulation of wages, rigorous enforcement of factory laws, education in health and improvement in environmental hygiene. He was also of the view that medical service organisation under the

*This is in conformity with I.L.O. Sickness Insurance Convention (Art. 6), which enjoins that "Sickness Insurance shall be administered by self governing institutions, which shall be under the administration and financial supervision of the competent public authority....."

health insurance scheme should be fully controlled by the insurance institution itself and should not be entrusted to an outside authority or State Government. He made a strong case for merging maternity benefit laws and the Workmen's Compensation Act with the health insurance scheme and for framing a unified and integrated system of health, maternity and employment injury insurance.

1.13. The Adarkar Scheme was considered by the Tripartite Labour Conference in October, 1944 and later by the Standing Labour Committee in March, 1945. It was further examined by two experts, Messrs. Stack and Rao, from the International Labour Office, who suggested certain important modifications in the light of social insurance principles and practices adopted in other countries of the world. The Chief modifications suggested by them were:—

- (a) Separation of the administration of medical and cash benefits;
- (b) Integration of maternity benefit and workmen's compensation in the health Insurance scheme; and
- (c) Extension of the Scheme to all perennial factories covered by the Factories Act and also to non-manual workers.

Based upon these suggestions, Government of India modified the Adarkar's scheme and published a 'Unified Scheme of Social Security' to cover health insurance, maternity benefit and employment injury.

B. The Employees' State Insurance Act, 1948

1.14. The scheme emerged finally in the form of Workmen's State Insurance Bill, 1946*, which was introduced in the Constituent Assembly (Legislative) on 6th November, 1946. Meanwhile country achieved independence and naturally the attitude and policy of the national Government in regard to labour also underwent a change. On the 21st November, 1947, the Government came forward with a motion to refer the Bill to a Select Com-

*Short title of the Bill as originally introduced was Workmen's State Insurance Bill.

mittee. The Select Committee recommended the following major amendments* :—

- (i) Workers drawing less than Re. 1 per day should be exempted from making contribution to the third instead of annas 10 as provided in the original Bill;
- (ii) The definition of the term 'Employee' should be widened so as to include clerical and other staff working in the establishments to which the insurance scheme was made applicable;
- (iii) The number of representatives of employees, employers and Parliament on the Corporation should be increased to five each in respect of the former two cases and two in case of Parliament instead of three and one, respectively as provided in the original Bill; and
- (iv) The Corporation should have the powers to enhance the scale of benefit admissible under the Act or to contribute towards the cost of medical care for the families of the insured workers if the fund so permits.

1.15. The Bill as amended by the Select Committee was passed on the 2nd April, 1948 and received Governor General's assent on 19th April, 1948. In view, however, of the organisational difficulties involved, including those of securing the services of medical staff and setting up of dispensaries etc. the Act provided that it would come into force on such date or dates as the Central Government may by inclusion in the official gazette appoint and different dates may be appointed for different provisions of the Act and for different States and for different parts thereof. The Government decided that the scheme should first be enforced in Delhi and Kanpur by 1952. Serious objections were, however, raised by the employers particularly those belonging to Kanpur on the ground that the factories situated in other areas and engaged in the manufacture of similar articles would not have to undergo any such burden.

1.16. This objection was considered by the Government and the Act was amended** in October, 1951 with a view to provide for the recovery of employer's contribution from all the owners of factory within the meaning of section 2(12) of the Act irrespective of the

*These amendments were accepted by the House and incorporated in the Act.

**Act No. 53 of 1951.

fact whether the scheme was or was not brought into force in any particular area. The amended provision of the Act, however, further provided that the employer's contribution in the case of factories or establishments situated in an area where the scheme was made applicable, would be fixed at a rate higher than that in case of factories or establishments not brought within the purview of the scheme. These amended provisions were thus, intended to avoid such competitive handicaps to any region by spreading the employers' share of the cost of the scheme quitably to all employers in the country. The Corporation fixed the rate of employer's contribution in respect of factories or establishments where scheme was enforced at a rate of 1½ per cent and where it was not applicable ¾ per cent.

✓ The scheme was inaugurated by the late Prime Minister (Shri Jawaharlal Nehru) in Kanpur on the 24th February, 1952 and on the same day it was also enforced in Delhi.

1.17. With a view to simplify the structure of contributions and to rationalise and improve the benefit provisions, the Employees' State Insurance Act was amended in 1966. Various provisions of the Amendment Act were brought into force in two parts with effect from the 17th June, 1967 and 28th January, 1968.

C. Salient features of the Employees' State Insurance Scheme

(i) Coverage

1.18. The Employees' State Insurance Act, 1948, embodying the Employees' State Insurance Scheme applies to all factories (other than seasonal) employing 20 or more persons and using power, but excluding mines, railway running sheds and Naval, Military and Air Force installations. It covers all employees, including clerical and supervisory staff, employed for wages in or in connection with the work of the factory whether employed directly by the principal employer or through contractor. The Act also contains an enabling provision permitting extension of its provisions to any other establishment or class of establishment, industrial, commercial, agricultural or otherwise.

1.19. The Act originally covered employees whose remuneration did not exceed Rs. 400 per month. The coverage has now been enlarged by the Amendment Act, 1966, the relevant provisions whereof were enforced from the 28th January, 1968, raising the wage limit to Rs. 500 and also including specifically the persons employed for wages on any work connected with administration of the

factory or establishment or any part, departmental or branch thereof or with the purchase of raw materials for or the distribution or sale of the products of the factory or establishment.

(ii) *Benefits*

1.20. Originally, the Act afforded five benefits, four in cash against sickness, maternity, disablement and death, and the fifth in kind by way of medical care. Another cash benefit, *viz.* Funeral Benefit has been provided by Amendment Act of 1966. The Scheme visualises a series of contributions and benefit periods of 25—27 weeks, each contribution period being followed after an interval of 13 weeks by a corresponding benefit period. Title to sickness and maternity benefits is determined with reference to the contributions paid in the corresponding contribution period.

(1) *Sickness benefit*—is a periodical payment made to an insured person during a period of duly certified sickness. The original Act prescribed as qualifying condition for admissibility of benefit in a benefit period, payment during the corresponding contribution period of weekly contributions for not less than two-thirds of the number of weeks during which an insured person was deemed to be available for employment, subject to a minimum of at least 12 contributions. The benefit was payable for all the seven days of the week, for a maximum duration of 56 days in a continuous period of 365 days. The payment of benefit is also subject to an initial waiting period of two days unless the spell of sickness commences within 15 days of the last spell for which benefit was paid. Under the original Act, the rate of benefit was determined with reference to an assumed average daily wage in the manner specified in Scheduled II of the Act and was about 50 per cent of the average daily wage. The conditions of eligibility and determination of rate of Sickness Benefit have been simplified by the Amendment Act, 1966. An insured person is now entitled to benefit on fulfilment of a simple condition of payment of a minimum of 13 weekly contributions in the corresponding contribution period. The maximum duration of 56 days is now related to any two consecutive period of 365 days. The benefit rate has also been standardised with reference to the relevant wage group to which an insured person belongs. The 'Standard Benefit rate' corresponding to each wage group has been specified in Scheduled I of the Amendment Act, 1966, and is roughly 50 per cent of the average daily wage. In pursuance of section 99 of the Act, the Corporation decided in October, 1954 to grant Sickness Benefit for an extended period upto 18

weeks beyond the normal entitlement of 56 days, (known as **Extended Sickness Benefit**) to insured persons suffering from T.B., and who have been in continuous employment for a period of 2 years. The decision took effect from 1st June, 1956. The extended sickness benefit has been extended from time to time thereafter to a number of other specified long-term diseases. The qualifying conditions for eligibility have been liberalised and the duration of the benefit has also been extended upto an additional period of 309 days after availing normal entitlement of 56 days. The rate of **Extended Sickness Benefit** which was half the rate of **Sickness Benefit** or As. 12 per day, whichever was greater, until 31st December, 1963, has also been raised to full sickness benefit rate with effect from 1st January, 1964. From 15th April 1969, the various diseases for admissibility of **Extended Sickness Benefit** have been rationalised and divided into two groups—one group of those diseases for which **Extended Sickness Benefit** will now be payable for a period upto 309 days and the other group of those diseases for which extended sickness benefit will be payable for a period upto 124 days only.

(2) **Maternity Benefit**—is a periodical payment to an insured woman in case of confinement certified by duly appointed doctor. Under the original Act. the qualifying contributory condition for admissibility of maternity benefit was the same as that for sickness benefit, but with an additional requirement that at least one contribution should have been paid between 35 and 40 weeks before the week in which confinement took place or in which notice of pregnancy was given before confinement, whichever was more advantageous to the insured woman. The benefit is payable for a period of 12 weeks of which not more than 6 weeks shall precede the expected date of confinement. The daily rate of maternity benefit which was fixed at As. 12 in the original Act. was modified by the Amendment Act of 1951. to be the rate at which the insured woman could have claimed **Sickness Benefit** for any period of sickness during the benefit period in which the confinement occurred or was expected to occur if she had been qualified to claim sickness benefit during that period, or As. 12, whichever was greater. This was later on enhanced with effect from 1st June, 1958, by a resolution of the Corporation adopted in exercise of powers under Section 99 referred to earlier, to twice the **Sickness Benefit** rate or As. 12, whichever was greater.

By Amendment Act of 1966, the **Maternity Benefit** is now also payable for a period of 6 weeks in the event of miscarriage, and for an additional period upto one month for sickness arising out of

pregnancy, confinement, premature birth of child or mis-carriage. The benefit also continues to be payable to the nominee in the even of death of the insured woman occurring during her confinement or during the period of 6 weeks immediately following her confinement, leaving behind the child, for whole of the period and if the child also dies during that period, until death of the child. Contributory conditions for eligibility to maternity benefit has been equated with those for sickness benefit *viz.* payment of a minimum of 13 weeks contributions during the corresponding contribution period. The rate of benefit has been fixed at twice the "Standard Sickness Benefit Rate" as specified in Schedule I of the Amendment Act, 1966 *i.e.* about full daily wage.

(3) *Disablement Benefit*—comprises periodical payments to an insured person suffering from disablement as a result of an employment injury sustained as an "employee". The only condition for admissibility of benefit is that the disable person should have been in insurable employment on the date of accident resulting in employment injury. Disablement Benefit may be either temporary or permanent.

Temporary disablement benefit is paid as long as the temporary disability lasts. The temporary disablement is admissible if the incapacity extends beyond 3 days, to be paid from the very first day of incapacity. The rate of temporary disablement benefit which was originally about 7/12th of the average daily wage of the insured person, has been raised by 25 per cent by 1966 Amendment Act.

Permanent disablement benefit which is payable for life is paid at such percentage of the temporary disablement benefit rate (called the "full rate") as is proportionate to the assessed loss of earning capacity permanently caused.

(4) *Dependants' Benefit*—is a periodical payment to dependants (specified in the Act) of an insured person who dies as a result of an employment injury. The provisions of the original Act relating to employment injury and the disablement and dependants' benefits have been considerably modified and the rate of benefit has been enhanced with effect from 28th January, 1968 by the Amendment Act 1966. The Dependents' benefit is payable to widow for life or until remarriage at 3/5th of 'full rate'; to each legitimate or adopted son until age 18 and in case of legitimate infirm son till infirmity

lasts at 2½th of 'full rate'; to each legitimate or adopted daughter until age 18 or until marriage if earlier, and if infirm, till infirmity lasts at 2½th of 'full rate'.

(5) **Funeral Benefit**—is a lump sum payment of an amount not exceeding Rs. 100 towards the expenditure on the funeral of the deceased insured person. The benefit is payable to the eldest surviving member of the family of the deceased insured person or where the insured person did not have a family or was not living with his family at the time of his death, to the person who actually incurs the expenditure on his funeral.

(6) **Medical Benefit**—Medical Benefit consists of medical treatment for and attendance on an insured person or to his family where it has been so extended. Title to medical benefit exists so long as a person is in insurable employment or is qualified to claim sickness, maternity or temporary disablement benefit. There is a free insurance period for treatment after a person has been in employment for 13 weeks or more which ranges from 6 months to 9 months, depending upon his contribution record. In the case of an insured person suffering from specified long-term disease like T.B. etc. the title to medical benefit is extended if he satisfies the prescribed qualifying conditions, for another 12 months from the date on which he would otherwise cease to be entitled to such benefit. The responsibility for the provision of medical care has been entrusted under the Statute to the State Governments. The Act however, also provides that the Corporation may, in consultation with the State Government, undertake the responsibility of directly administering the medical benefit in that State.

The Medical benefit under the Scheme originally consisted of out-patient and domiciliary treatment only. Now it also includes pathological and radiological investigations, specialists' care and hospitalisation. Medical care of restricted type or expanded medical care of out-door variety, short of hospitalisation, is now being provided to families of insured persons. Full medical care including hospitalisation has also been extended to families at three centres i.e. Hyderabad and Sirpur-Kagaznagar in Andhra Pradesh and at Indore in Madhya Pradesh. Out-door medical care is provided either through the services system or the panel system.

(iii) *Financing*

1.21. The Scheme is financed mainly by contributions from the employers and employees at the rates specified in the First Schedu-

le to the Act. Under the Schedule the employees were originally divide into 8 wage groups with rates of contribution ranging from zero paise to a maximum of Rs. 1|4|- per week, the average incidence being about 2.3 per cent of the wages. By the Amendment Act of 1966, which came into effect from 28th January, 1968, the rates of contribution specified in the First Schedule, have been revised. The number of wage-groups of employees has now been increased to 9 and the rates of contribution from zero paise to Rs. 1.75 p. per week, the average incidence continuing to be the same. The exemption limit for payment of employees' contribution has also been raised from Re. 1 to Rs. 1.50 p. per day.

1.22. The rates of employers' contribution under the said Schedule, which originally ranged from as. 7 to Rs. 2|8|- per week (i.e., about double the employees' contribution), have now been revised to range from 45 p. to Rs. 3.50 per week. These rates will, however, become operative only when the Transitory Provisions of Chapter V-A of the Act are withdrawn. As also mentioned earlier, under the Transitory Provisions of Chapter V-A which were inserted by the Amendment Act of 1951, the rates of employers' contribution as specified in the First Schedule, were replaced by Employers' Special Contribution leviable from employers, in both the areas, whether the benefit provisions under the Scheme had been enforced or not, the rate of special contribution being higher in the former case. In pursuance of these transitory provisions, the rates of employers' special contribution were originally fixed at 1¼ per cent of the wage bill for implemented areas and at ¾ per cent for non-implemented areas. The rate for implemented areas was revised to 2½ per cent from 1st April, 1952, to 3 per cent from 1st April, 1968 and to 3½ per cent from 1st January, 1970. It has also been decided to raise it further to 4 per cent from 1st April, 1970. The rate for non-implemented areas continues to be unchanged.

1.23. As required under the Act, during the initial five years, the Central Government met two-thirds of the administrative expenses of the enforcement of the Scheme.

1.24. The State Governments are required to contribute towards the cost of medical care in a ratio agreed to between them and the Corporation. Initially the ratio was fixed as 1:2; in 1954 it was revised to 1:3. Subsequently in 1958 when the medical care was allowed to families of insured persons in certain areas, the ratio was further revised to 1:7 for these areas. For areas where medical care to families has not been extended, the ratio of 1:3 conti-

nues. Besides, the State Governments are also required under section 58 of the Act to share in an agreed ratio the expenditure on sickness benefit if it is found in excess of all India average.

1.25. All the contributions under the Act as also any other money received by the Corporation are paid into a fund known as the Employees' State Insurance Fund which is expended only for the purposes of the Act.

(iv) *Administration*

1.26. The administration of the scheme is vested in a corporate body, *viz.*, the Employees' State Insurance Corporation. Under the general superintendence and control of the Corporation, a representative Standing Committee acts as an executive body. A Medical Benefit Council advises the Corporation on the administration of medical benefit. All these three bodies are constituted by the Central Government as provided under various provisions of the Act. Their composition, functions etc. are given in detail in the next Chapter of the Report.

1.27. Under the Act, five Principal Officers, *viz.*, the Director General, the Insurance Commissioner, the Medical Commissioner, the Financial Adviser and the Chief Accounts Officer & Actuary are appointed by the Central Government in consultation with the Corporation. The Director General is the Chief Executive Officer of the Corporation.

1.28. The Committee are glad to observe that the enactment of the Employees' State Insurance Act conferring social security benefits on the industrial workers in the country has been a landmark in the history of labour welfare programme undertaken by the popular Government during the post-independence period. While it is true that in a developing country like India, social security problems cannot be accorded the same priority as the fundamental problems of economic development, the Committee would like to emphasize that their priority should be fairly high in economic planning, for it is widely recognised all the world over that development of social security does make a major contribution to increasing productivity. They have no doubt that the scheme embodied in the said Act can form a valuable foundation for building on further social security promotion programme according to national needs and possibilities.

CHAPTER II

ORGANISATIONAL SET UP

A. Employees' State Insurance Corporation

2.1. The administration of the Employees' State Insurance Scheme vests in the Employees' State Insurance Corporation. The Corporation is a body corporate having perpetual succession and a common seal with powers to sue and be sued.

2.2. The Corporation is a tripartite body consisting of Government nominees as also the representatives of the employers and employees. Medical care being the king-pin of the insurance scheme, representation has also been given to the medical profession in the Corporation. The existing constitution of the Corporation in accordance with the provisions contained in Section 4 of the Employees' State Insurance Act, 1948 (herein-after referred to as Act) is as given below:—

Members	To be nominated by the
(1) to (7) a Chairman, a Vice-Chairman and not more than five other persons (who are always officials).	Central Government.
(8) to (22) one person each representing each of the States in which the Act is in force.	State Governments concerned.
(23) one person to represent the Union Territories.	Central Government.
(24) to (28) five persons representing employers.	Central Government in consultation with such organisations of employers as may be recognised for the purpose.
(29) to (33) five persons representing employees.	Central Government in consultation with such organisations of employees as may be recognised for the purpose.
(34) to (35) two persons representing the medical profession.	Central Government in consultation with such organisations of medical practitioners as may be recognised for the purpose.
36) to (38) three Members of Parliament (two elected by members of Lok Sabha and one by members of Rajya Sabha).	
(39) Director General, <i>ex-officio</i> .	..

A list showing the present composition of the Corporation is at Appendix I.

2.3. The term of office of members of the Corporation representing employers, employees and the medical profession and the Members of Parliament is four years commencing from the date of notification of their nomination or election as the case may be. The other members who are nominated by the Central or State Governments hold office during the pleasure of the Government nominating them. An outgoing member is, however, eligible for re-nomination or re-election as the case be.

2.4. Till the amendment of the Act in 1966, the Act itself provided that the Union Ministers of Labour and Health would be respectively the Chairman and Vice-Chairman of the Corporation. Similarly, at least three out of five representatives to be nominated by the Central Government were to be officials, number of M.Ps. on the Corporation was only 2, the Director General of the Corporation was not a member and the number of employers' and employees' representatives on the Standing Committee was only 2 each.

2.5. So far, since establishment of the Corporation, the Central Government has consistently nominated the Union Labour Minister as the Chairman and Union Health Minister as the Vice-Chairman of the Corporation. The other five persons nominated by the Central Government include Union Minister of State and Deputy Minister of Labour, Union Labour Secretary and other officials belonging to Union Ministries of Labour, Finance or Health.

2.6. The I.L.O's. model plan for the administration of social insurance scheme envisages two alternative forms of organisational set up (1) 'a Social Insurance Board to be responsible for the general administration and control of the scheme', (2) to have 'the scheme within the general organisation of public administration under the control of the Minister directly responsible for the scheme to Parliament'. The first 'method of control is chosen because it gives to the employers and employees, who have thus to collaborate in the administration, a certain degree of autonomy through their representatives on the Board'. In some cases this authority (Social Insurance Board) may be answerable through a Minister. In the second alternative the Minister himself being the controlling authority as the plan says, "there would probably be no need for a Social Insurance Board, although it might be considered necessary that a statutory committee should be set up to advise the Minister on specific matters relating to the scheme and its administration'.

2.7. The State Governments usually nominate the Secretary of the Department which is incharge of the Employees' State Insurance Scheme in the State. At present, all the State nominees are Secretaries or Labour Commissioners of the Departments except Maharashtra whose Health Minister is their nominee. It has been stated by the Ministry that in some States the Scheme is looked after by the Labour Departments while in other by the Health Departments. It has also been stated that in actual practice the State Governments manage to coordinate the matter and sometimes do send the other Secretary also as an observer if the subject matter requires his presence.

2.8. The ESIS Review Committee in their Report has suggested that in view of the main functions of State Governments i.e. administration of medical care, the Scheme should be handled in the States by the Health Department and not the Labour Department and accordingly the State Governments should nominate the Secretary of the Health Department on the Corporation. In the opinion of the Review Committee, this would make the representation of States more realistic and also eliminate duplication in routing of all correspondence through the State Labour Department. This suggestion of the Review Committee would be placed before the Standing Labour Committee for consideration at its next meeting, the date of which has not yet been fixed.

Standing Committee

2.9. The Standing Committee of the Corporation constituted from amongst its members under section 8 of the Act acts as its executive organ. The present constitution of the Standing Committee is indicated as under:—

- (1) a Chairman, nominated by the Central Government.
- (2) to (4) three members of Corporation nominated by the Central Government.
- (5) to (7) three members of the Corporation representing State Governments, as specified by the Central Government.
- (8) to (15) following eight members elected by the Corporation from amongst its members—
 - (a) 3 employers' representatives;
 - (b) 3 employees' representatives;

- (c) 1 medical profession representative;
 - (d) 1 Member of Parliament.
- (16) the Director general, *ex-officio*.

A list showing the present composition of the Committee is given at Appendix II.

2.10. At present, the Union Minister of State for Labour is the Chairman of the Standing Committee. He was nominated as such with effect from 1st March, 1969. In the past, however, except for brief periods from 20th November, 1964 to 15th August, 1965, 21st March, 1966 to 11th September, 1966 and 11th April, 1967 to 16th November, 1967, when either the Minister of State for Labour or Deputy Labour Minister held that office, the Central Government always nominated the Union Labour Secretary as the Chairman of the Standing Committee.

2.11. It has been suggested to the Committee by the representative of a Employees' Organisation that the Chairman of the Standing Committee should be the representative of the workers as 'he knows where the shoe pinches and also how to get it removed'.

2.12. The term of office of an elected member of the Standing Committee is two years from the date of notification of his election. Such a member may, however, continue beyond the period of two years till the election of his successor is notified. The members who are nominees of Central or State Governments, hold office during the pleasure of the Central Government. If a member ceases to be the member of the Corporation, his membership of the Standing Committee automatically comes to an end.

Powers and Functions

2.13. The Standing Committee has been given powers to administer the affairs of the Corporation and exercise any of the powers and perform any of the functions of the Corporation, subject to the general superintendence and control of the Corporation. In addition to the matters which require decision of the Corporation under any provision of the Act or the Rules framed thereunder or which may be placed before the Corporation by the Standing Committee in its discretion, matters like extension of medical benefit to families of insured workers, proposal to set up hospitals, to grant exemptions to establishments, to enhance benefits, etc. as specified in the regulations are to be brought up by the Standing Committee before the Corporation for its decision.

Medical Benefit Council

2.14. Section 10 of the Act provides for a Medical Benefit Council to be constituted by the Central Government. The Council at present consists of—

- (1) the Director General, Health Services *ex-officio*, as Chairman;
- (2) a Deputy Director General, Health Services, nominated by the Central Government;
- (3) the Medical Commissioner of the Corporation, *ex-officio*;
- (4) to (18) one member representing each of the State where Act is in force, nominated by the State Government;
- (19) to (21) three members representing employers nominated by the Central Government in consultation with such organisations of employers as may be recognised for the purpose;
- (22) to (24) three members representing employees nominated by the Central Government in consultation with such organisations of employees as may be recognised for the purpose.
- (25) to (27) three members, including at least a woman, representing the medical profession, nominated by the Central Government in consultation with such organisations of medical profession as may be recognised for the purpose.

A list showing the present constitution of the Council is at Appendix III.

2.15. The term of office of members representing employers, employees and medical profession is four years from the date of notification of their nomination or till the nomination of their successor is notified. Other members, namely, the Deputy Director General, Health Services and the nominees of State Governments hold office during the pleasure of Government nominating them.

2.16. Under Section 22 of the Act, the Medical Benefit Council has the following duties and powers:—

- (a) to advise the Corporation and the Standing Committee on matters relating to the administration of medical benefit, the certification for purposes of the grant of benefits and other connected matters;

- (b) to make investigation as may be prescribed in relation to complaints against medical practitioners in connection with medical treatment and attendance; and
- (c) to perform such other duties in connection with medical treatment and attendance as may be specified in the regulations.

2.17. In addition to above, the following powers and duties of the Council have been laid down in Rule 14 of the Employees' State Insurance (Central) Rules, 1950 (herein-after referred to as 'Rules') framed under the Act:—

- (1) to advise the Corporation in regard to the constitution, setting up, duties and powers of the Regional and Local Medical Benefit Councils;
- (2) to make recommendations to the Corporation in regard to—
 - (i) the scale and nature of medical benefit provided at hospitals, dispensaries, clinics and other institutions and the extent of the medicines, staff and equipment to be maintained at such institutions and the extent to which these fall short of the desired standard;
 - (ii) the medical formulary for use in connection with the medical benefit provided under the Act;
 - (iii) medical certification, including the procedure and the forms for such certification, statistical returns, registers and other medical records;
 - (iv) measures undertaken for the improvement of the health and welfare of insured persons and the rehabilitation and re-employment of insured persons, disabled or injured,
- (3) to advise the Corporation on any matter relating to the professional conduct of any medical practitioner employed for the purpose of providing medical benefit under the Act.

Tripartite Representation

2.18. It has been represented to the Committee both by the employees' as well as employers' Organisations that the representation of the workers and employers is not adequate and that a better balance is required to be observed between the representation of Central and State Governments and the employers and employees.

2.19. The question of adequate representation of various interests concerned with the Scheme on the Corporation and the Standing Committee was also considered by the ESIS Review Committee. The Review Committee had suggested that the employers, employees and the Government including other interests should be represented in the ratio of 1 : 1 : 2 respectively. It had accordingly desired the strength of the Corporation should be raised to forty, out of which the employers and employees should have ten representatives each and the rest may be distributed between the Central and the State Governments, medical profession and Members of Parliament. Following the same principle, the Review Committee had suggested an increase in the number of seats for employers and employees from three to five each and ten members representing the Central and State Governments and other interests concerned on the Standing Committee.

2.20. The Committee have been informed that the recommendation of the Review Committee for increase in the representation of the employers and employees on the Corporation and the Standing Committee has since been accepted by the Corporation and the Central Government. Draft amendment to the Act has also accordingly been forwarded by the Corporation to the Central Government on the 4th August, 1969. However, the basic principle of bringing parity in the representation of workers and employers *vis-a-vis* Central and State Governments and other interests by maintaining the ratio of 1 : 1 : 2 has not been accepted by the Corporation and the Central Government.

2.21. Asked what are the criteria followed by the Central Government in nominating the representatives of the Employers' and Employees' Organisations and the medical profession, it has been stated by the Ministry in a written reply that the employers' representatives are nominated in consultation with such organisations of employers as may be recommended by the Ministry of Industry. The workers' representatives are nominated in consultation with Central Organisations of employees on the basis of their verified membership figures as provided by the Central Labour Commissioner (Central). The representatives of the medical profession are nominated from the two organisations of medical practitioners *viz.* the Indian Medical Association and the All India Medical Licentiates Association, as recommended by the Ministry of Health.

2.22. The National Integrated Medical Association and the Insurance Medical Practitioners' Association have represented to the Committee that the Integrated Medical Practitioners and Ayurvedic Prac-

titioners should be given representation on the Corporation, the Standing Committee and the Medical Benefit Council. Justifying their demand for representation, the representative of the National Integrated Medical Association (Maharashtra Branch) informed the Committee during the course of his evidence that there were about 50,000 qualified integrated medical graduates in the country recognised by various State Governments and the Employees' State Insurance Scheme in Bombay and Calcutta. He added that Integrated Practitioners on the panel system were very popular among workers as being able to prescribe Ayurvedic as well as Allopathic medicines.

2.23. Giving their reaction to the said representation from the Integrated and Ayurvedic Medical Practitioners, the Ministry have pointed out that "the Indian Medical Association and the All India Medical Licentiates' Association have been given representation on the Medical Benefit Council on the advice of the Ministry of Health. A representation was received in 1962 from the Maharashtra State Integrated Medical Association that another organisation known as the National Medical Association of India to which Integrated Medical Associations in certain States are affiliated may also be given representation on the Medical Benefit Council. The matter was taken up with the Ministry of Health who advised that it was not necessary to give representation to Organisations of Medical Practitioners other than the two already represented as only a very few Ayurvedic dispensaries had been recognised for the purpose of giving medical relief to some of the beneficiaries under the Employees' State Insurance Scheme. Besides, the Medical Benefit Council is already very widely represented. The Ministry have also mentioned that no such representation has been received from the Insurance Medical Practitioners Association (Ayurvedic) by them."

2.24. The Committee consider the association of Ministers as Chairman, Vice-Chairman or Members of the Corporation and the Standing Committee, which are composed largely of officials, as unusual. An anomaly is created when the same Minister in his capacity of the head of the Administrative Ministry overrules the decision of the Corporation which also is presided over by him. Obviously, therefore, the practice does not fit in with the general supervisory powers vested in the Central Government under the Employees' State Insurance Act. The Committee recommend that Government should adopt practice of appointing a prominent publicman with necessary knowledge and experience of promoting labour welfare to fill the office of Chairman of the Corporation for a fixed term to be specified in the Act.

2.25. The Committee further recommend that the Chairman of the Standing Committee should be nominated from amongst the workers' and employers' representatives to hold office for a period of two years by rotation.

2.26. The Committee note that except the State of Maharashtra all other State Government nominees on the Corporation are officials. They hope that all State Governments will follow the uniform practice of nominating the head of the Department mainly concerned with the administration of Employees' State Insurance Scheme in the State, as their representative on the Corporation.

2.27. The Committee further note that the State of Nagaland has not yet been represented on the Corporation. They suggest that necessary steps may be taken in that regard without further delay.

2.28. The Committee are happy to note that Government propose to bring forward an amending legislation to enhance the representation of employers and workers on the Corporation as well as the Standing Committee. They have no doubt that a corresponding increase will be made in their representation in the event of any increase in the number of official nominees so as to keep a parity between officials and non-officials.

2.29. As for the representation of medical profession on the Corporation, Standing Committee and the Medical Benefit Council, the Committee do not appreciate the reasons for ignoring the claim of National Integrated Medical Association and Insurance Medical Practitioners (Ayurvedic) Association when a good number of their members are serving under the ESIS as panel or service doctors and have been recognised by the Corporation at par with other practitioners of modern system of medicine. The mere fact that the Associations consist of those who practice integrated or indigenous systems of medicine should not be regarded as a disqualification for their representation on the said bodies. The Committee are of the view that the question of according recognition to these Associations should be examined de novo on merits in the light of the above observation.

Meetings

2.30. Rule 6 of the Employees' State Insurance (Central) Rules, 1950 provides that the Corporation shall meet at least twice a year and the Standing Committee and the Medical Benefit Council shall meet at least four times each year. In practice however, upto the year 1957, the Corporation met only once a year except in 1951 and 1955 when it met twice and in 1949 when it did not meet at all. From 1958 onwards the Corporation has been holding its minimum number of meetings or sometimes even more. The Standing Committee held its minimum number of four meetings only in 1960 and

1968. In other years it held either only one meeting, or two meetings or at the most three meetings. Similarly, the Medical Benefit Council since inception never met four times a year as prescribed. In fact, in six out of twenty-two years, the Council did not meet at all. During the remaining sixteen years, it had three meetings each during 1963 and 1966, two meetings each in 1949, 1960 to 1962, 1965 and 1968 to 1969 and one meeting each in 1954 to 1956, 1958-59, 1964 and 1967. A consolidated statement showing the number of meetings held by these bodies is at Appendix IV.

2.31. The meetings of the Corporation, Standing Committee and the Medical Benefit Council were held during the preceding three years on the following dates indicated against each:—

	1967	1968	1969
Corporation .	12-4-67 18-11-67	17-2-68 9-12-68	22-3-69 17-9-69
Standing Committee	11-4-67 16/17-11-67	16-2-68 24-5-68 20-9-68 7-12-68	21-3-69 24-6-69 16-9-69
Medical Benefit Council .	12-6-67	4-5-68 25-9-68	21-2-69 24-10-69

2.32. Questioned as to why the required minimum number of meetings of the Standing Committee and the Medical Benefit Council could not be held, it has been stated in a written note that Government of India *vide* Memo. No. F. 4(6)-E.II(A) 66 dated the 3rd August, 1966 advised that periodical meetings of the Committees should be reduced to the minimum and these be held when considered absolutely necessary.

2.33. From the figures furnished by the Ministry, it is gathered that the attendance at the meetings of the three bodies on an average taken for the period 1965-69 was 60 per cent. At some of the meetings the attendance was less than 50 per cent.

2.34. The percentage of members representing State Governments also was about sixty on average. At two out of ten meetings of the Corporation, the percentage was 44 and at one 33. Similarly out of 14 meetings held by the Standing Committee, at three meetings the percentage was 33 and at one meeting the attendance of State representatives was nil. The average percentage of attendance of the State representatives at the meetings of the Medical Benefit Council held during the years 1965 to 1969 was 54. At some meetings, the attendance ranged from 21 to 33 per cent.

2.35. The Committee regret that since the inception of the scheme, the meetings of the Corporation, the Standing Committee and the Medical Benefit Council have not been held as required under the Rules. During the first decade of its life—a formative period which could indeed be devoted to provide initiative, planning and direction for the speedy and efficient implementation of the scheme—the Corporation did not meet at all in 1949 and except in 1955 when it met twice, it held only one meeting during the rest of the years. From 1958 onwards while the Corporation had had its scheduled meetings, the Standing Committee has been able to meet as per schedule only in 1960 and 1968. The record of Medical Benefit Council, which is charged with the important function of advising the Corporation on matters relating to the administration of medical benefit, has been no better. The Committee would like to stress that the minimum number of meetings of these bodies as prescribed must be held regularly.

2.36. The Committee find that the meetings of the Corporation and the Medical Benefit Council are held in an erratic manner. They suggest that the meetings should be spaced with more or less fixed intervals so as to ensure maximum attendance of members.

B. (1) Regional Boards and Local Committees

2.37. Under section 25 of the Act, the Corporation is empowered to appoint Regional Boards and Local Committees in such areas and in such manner, and delegate to them such powers and functions as laid down in Regulations. The Regulations provide that a Regional Board may be set up for such area as may be considered appropriate by the Chairman up for such area as may be considered appropriate by the Chairman of the Corporation and that a Local Committee may be set up for such area as may be considered appropriate by the Regional Board.

2.38. The Regulations also lay down the constitution and functions of the Regional Boards and Local Committees. The Chairman and Vice-Chairman of the Regional Board are to be nominated by the Chairman of the Corporation in consultation with the State Governments or the Administration of the Union Territory who are usually Ministers of Labour and Health of the State in which the Regional Headquarters is situated. Its other members include one representative each of the employers and employees from each of the States in the area to be nominated by the Chairman of the Corporation, one representative each of the States covered under the

jurisdiction of the Regional Board, Chief Administrative Officer of each State and members of the Corporation and the Medical Benefit Council residing in the area. The Chairman of the Corporation may, if he considers it to be expedient, nominate such additional representatives of employers and employees, not exceeding three from each side with a view to providing for adequate representation of important organisations not included in the nominations of the State Government concerned, and to maintaining the parity between the number of representatives of such employers and employees. The Regional Director or the Officer-in-charge of the Regional Office functions as a member-Secretary of the Board.

2.39. In written reply to a question as to the existing number of representatives of employers and employees on the Regional Board the Ministry have stated that in most of the Regional Boards now reconstituted|constituted, 2 to 3 members from each side have been nominated. However, the ESIS Review Committee in their Report has suggested that the Regulations should provide that where the number of employers and employees representatives on the Regional Board is less than three each including the *ex-officio* members, the Chairman shall nominate additional representatives of employers and employees to bring their number upto three. It has been stated that the Regulation 10 is being amended to give effect to the above recommendation.

2.43. The functions to be performed by a Regional Board in relation to the Region for which it is set up are as given below:—

- (a) Such administrative and|or executive functions as may, from time to time, be entrusted or delegated to it by a resolution, by the Corporation or the Standing Committee.
- (b) To make recommendations from time to time in regard to changes which may in its opinion be advisable in the Act, Rules and Regulations and forms and procedure to be followed in the running of the Scheme.
- (c) To refer such complaints as it may consider necessary to the Director-General with its recommendations.
- (d) To advise the Corporation on such matters as may be referred to it for advice by the Standing Committee or the Director-General.

2.41. The Chairman of a Local Committee who is to be either an official of the Corporation or of the State concerned is nominated by the Chairman of the Regional Board. Other members include equal

representatives of employers and employees (whose number is to be not less than two nor more than four) nominated by the Chairman, Regional Board, the Administrative Medical Officer-in-Charge of the Scheme in the area concerned or any other medical officer nominated by him, an official of the State to be nominated by the State Government and an official of the Corporation to be nominated by the Director-General. The Chairman, Regional Board, may nominate additional representatives of employers and employees not exceeding two each with a view to providing for adequate representation and maintaining parity between them. The functions of a Local Committee are:

- (a) to discuss local problems in regard to the Employees' State Insurance Scheme so as to secure its efficient working with the full co-operation of all parties concerned and to make recommendations;
- (b) to refer such complaints as it may consider necessary to the Regional Director concerned or in the case of complaint concerning medical benefit, to the State Government or such authority as that Government may nominate for the purpose; and
- (c) to advise the Corporation or the Regional Board concerned on such matters as may be referred to it for advice.

2.42. The Committee have been informed that the Regional Boards are functioning in all the States except in Bihar, Haryana and Punjab. For Haryana and Punjab the Regional Boards have not been constituted after re-organisation of the erstwhile State of Punjab. In Bihar it was not functioning due to President's Rule. The Regional Board for Delhi is under constitution. Questioned during evidence as to what were the reasons owing to which the Regional Boards in Punjab and Haryana could not be constituted so far, the Director General stated that after the imposition of President's Rule, there had been a prolonged correspondence and hence the delay. About Union Territories, he stated that in Delhi there was an ad hoc body and only recently Regulations were amended to make provision for the establishment of Regional Boards in Union Territories also. He added that the Regional Boards in Haryana, Punjab and Delhi would be set up in the course of next month or so.

2.43. The number of Local Committees constituted in various States is as under:—

Sl. No.	Name of the State	Nos. of Local Committees constituted
1	Andhra Pradesh	9
2	Assam	4
3	Bihar	7
4	Gujarat	1
5	Kerala	8
6	Madhya Pradesh	8
7	Maharashtra	13
8	Mysore	7
9	Orissa	2
10	Punjab & Haryana	19 (not reconstituted after 1966)
11	Rajasthan	13
12	Tamil Nadu	29
13	Uttar Pradesh	15
14	West Bengal	5
15	Delhi	1 <i>Adhoc</i>

2.44. The Regional Boards functioning in various States have held the following number of meetings during the last three years:—

	1966	1967	1968
1	2	3	4
Andhra Pradesh	3	2	2
Assam	1	1	
Bihar	1	1	..
Gujarat	3	2	1
Haryana	..		..
Kerala	..	..	1

(reconstituted on 8-12-67)

1	2	3	4
Madhya Pradesh	2	1	2
Maharashtra	2	1	2
Mysore	2	1	2
Orissa	..	1	2
Punjab	1	..	..
	(not yet reconstituted after State reorganisation in 1966)		
Rajasthan	2	2	2
Tamil Nadu . . .	1	2	2
Utter Pradesh	1	..	..
	(Reconstituted on 8-8-69)		
West Bengal	2	1	2

2.45. The functioning of the Regional Boards was reviewed at great length by the ESIS Review Committee. The Review Committee inter-alia had observed:—

“Views have been expressed that Regional Boards and Local Committees have not achieved the objectives for which they were constituted because the functions expected to be performed by them were never entrusted or delegated to these bodies nor referred to the mby the Corporation. It was complained that they were not informed about the deliberations at the meetings of the Standing Committee and the Corporation ;they were not consulted with regard to any amendment to the Act or Regulations and that there was no proper liaison between the Corporation and the Regional Boards. It was also stated during oral evidence at some places that the recommendations made by these bodies were not implemented. Employees’ organisations complained that the beneficiaries did not have sufficient representation on the Regional Boards. It was suggested that there should be decentralisation of the administration of the Corporation and more functional powers should be delegated to the Regional Boards. Government of India, Ministry of Labour and Employment. had also received suggestions in this regard which were referred to us for examination.

The question of decentralisation of the administration of the Scheme and the delegation of executive powers to the Regional Boards was first considered by the Corporation in the year 1952-53. At its meeting held on 11th December, 1952 the Corporation set up a sub-Committee to examine, inter-alia, the extent to which, within the framework of the Act, economy and efficiency could be increased by decentralisation of administrative functions to the regional levels. The Committee recommended that the Regional Boards should be vested with certain executive powers (financial and administrative powers under the Fundamental Rules, Supplementary Rules and General Financial Rules etc.) apart from playing an effective advisory role on major issues such as settlement of fees for panel doctors, utilisation of medical facilities provided by certain employers, nature and extent of hospitalisation for insured persons and medical care for families of the insured persons.

In accordance with the recommendations of the sub-Committee, the Corporation at its meeting held on 27th November, 1953, adopted a resolution delegating certain administrative and financial powers and certain advisory functions to the Regional Boards. The Corporation also resolved that "a Regional Board may delegate, for any specific period such of its powers as it deems fit to the Chairman or Vice-Chairman of the Regional Board under intimation to the Director General or with the consent of the Director General to the Regional Director."

In pursuance to this decision of the Corporation, the Regional Boards assumed powers as delegated to them and re-delegated certain powers and functions to their respective Chairman or Vice-Chairman and to the Regional Directors with a view to facilitate day-to-day administration. While this process was going on, doubt was raised as to the legality of re-delegation of certain powers by the Regional Board to its Chairman, Vice-Chairman or the Regional Director. Section 99-A of the Employees' State Insurance Act empowered the Corporation and the Standing Committee to delegate any of their powers and functions to any officer or authority subordinate to the Corporation but

did not, it was realised, ipso facto give to such authority power of redelegation. The matter was once again examined by the Standing Committee and the Corporation at their meetings held in July, 1956, when it was decided that for carrying on day to day work, essential powers be delegated directly by the Standing Committee to the Regional Directors or to the Regional Directors in consultation with their Regional Assistant Accounts Officers.

The provisions regarding the exercise of executive and administrative functions by the Regional Boards, have, therefore, remained inoperative. We have given the matter careful thought and we feel that it is not necessary to delegate to the Regional Boards, powers relating to routine day to day administrative matters e.g. the appointment of clerical staff; grant of leave; approval of tour programmes; sanction of T.A.; purchase of small items of stationery; equipments and stores; payment of rents and taxes etc. which can safely be entrusted to the local executives. In a national scheme, uniformity is of great importance. So long as the funds are centralised, a certain amount of financial control from the Centre is clearly desirable. This is possible only if there is one final control authority for all the regions. Exercise of administrative powers by a Chairman of the Regional Board may lead to embarrassing situations in cases where the Director General holds a different view or issues directives to the Regional Directors which are not in conformity with the decision of the Regional Board Chairman. We think that the Regional Boards should not be encumbered with the day to day administration. There is no doubt, however, that in the working of a Scheme as vast and far-flung as this, the Regional Boards and the Local Committees can make a very positive contribution. They are much closer to the field than the Corporation itself or its Standing Committee. They can, therefore, have a better feel of the actual operation of the various aspects of the Scheme, the difficulties experienced by the insured persons, employers, doctors and other connected with the operation of the Scheme, the requirements of the region or centre as regards extension of the Scheme, the availability of various facilities that are needed for extension, and so on. Further, since all the interests connected with the Scheme are represented in these bodies, they are eminently capable of taking prompt decisions regarding most questions relating to the

operation of the Scheme in their respective areas and thereby to promote the process of genuine decentralisation.

We feel that so far the potentialities of the Regional Boards and the Local Committees have not been properly utilised by the Corporation. Even under the present Regulations, they are supposed to advise the Corporation on such matters as may be referred to them by it. It is surprising, however, that the Corporation has at no time referred any matter to any Regional Board for advice. It is difficult to believe that during more than twelve years, no occasion or question arose on which the advice of a Regional Board might have been usefully sought."

The Review Committee had recommended that the Regional Boards should be entrusted with the following specific functions:—

- (i) Deciding, within the broad framework of the general decisions of the Corporation, questions like geographical extension of the Scheme; any special measures to meet peculiar conditions in the area or Region; improvement in benefits; extension of medical care to families; provision of indoor medical treatment; rehabilitation arrangements for partially disabled insured persons, ensuring compliance by employers and so on.
- (ii) Exercise general supervision, without interfering with day-to-day administration over the operation of the Scheme including work of local offices, processing of permanent disablement benefit cases etc.
- (iii) Look into general grievances and difficulties of insured persons, employers, medical personnel, Corporation staff etc., and promote healthy relations among them.

2.46. These functions would be in addition to those already mentioned in the Regulations at present. The Regional Boards may set up suitable sub-Committees for carrying out the different functions and they may also take assistance of Local Committees. Taking note of certain measures initiated recently by the Corporation such as apprising the Regional Boards about the important decisions of the Corporation and the Standing Committee and also circulating the recommendations of the Regional Boards to the Standing Committee

for information, the Review Committee felt that those measures were not sufficient. It further observed:—

“This does not appear to be sufficient. There should be a systematic consideration of the recommendations of the Regional Boards in the Corporation. The suggestions received from the Regional Boards should be placed before the Standing Committee for consideration and decisions thereon should be communicated to them without delay. Depending on the frequency and volume of such recommendations, the Standing Committee may have a screening Committee which could meet more frequently to consider suggestions from the Regional Boards and Local Committees before they are referred to the Standing Committee. Suggestions which are clearly unacceptable should be referred back to the Regional Boards explaining why they are not being placed before the Standing Committee.”

2.47. In a written note submitted to the Committee, the Ministry have stated that so far as the specific functions which have been suggested by the Review Committee for being entrusted to the Regional Boards, the Regulations are being amended accordingly. As regards the recommendation for setting up of a screening committee of the Standing Committee to consider suggestion from Regional Boards and Local Committees, it is proposed to place it before the next meeting of the Standing Labour Committee.

2.48. Asked whether any other steps have been taken to vitahse the Regional Boards and Local Committees, the Ministry have described the following steps taken in that direction:—

- (i) The minutes of the Regional Board meetings are now being circulated to all members of the Standing Committee so as to focus attention of the Standing Committee itself on the points that may be of interest in these proceedings.
- (ii) The Regional Directors have been directed to ensure that Local Committees meet more frequently so that all important local problems are brought to notice.
- (iii) The State Governments have been requested to associate the Regional Boards and Local Committees and their members in keeping a check at certification and incidence of cash benefits.

2.49. The Ministry were also asked to comment on a suggestion made to the Committee that with a view to achieve efficiency the

Regional Boards should be vested with administration as well as financial powers to operate an earmarked budget by the Corporation for each State for the administration of medical benefit etc. In reply it has been stated that "in the interest of uniformity of standards it seems desirable that the functioning of the Scheme should continue to be directed centrally as hitherto. Even otherwise it seems doubtful whether a large body like a Regional Board would be able to exercise administrative and/or financial powers as efficiently as is necessary. Such a Body is necessarily of a deliberative nature and can certainly help the Corporation in formulating policies and taking decision on broad issues relating to the working of the Scheme in the State. It seems, however, that it is not suited to taking specific decisions on individual cases which have to be considered according to the same yardstick and criteria. The size of the body would, moreover, make it difficult for it to meet more than few times in the course of an year while administrative and financial matters arise in the course of the day to day work need to be disposed of expeditiously. This can best be done by officers who have the necessary training and experience. Moreover, the interposition of another authority between the headquarters of the Corporation and the Regional and Local Offices may add to the delay and administrative expenditure."

2.50. The aim of setting up Regional Boards and Local Committees, as contemplated in the Act, was clearly to keep a constant liaison between the field and the Central authority i.e. the Corporation. The Committee are constrained to observe that it is evident that the potentialities of the institution of Regional Boards and of Local Committees have not been exploited. They find that even at places where these bodies have been set up, they do not appear to be functioning effectively. The Committee recommend that their meetings should be held regularly and their suggestions communicated for the consideration of the Standing Committee. Whatever decisions are taken by the Standing Committee should invariably be transmitted to the Regional Boards for information. As also suggested by the ESIS Review Committee, a small sub-Committee may be set up to conduct a preliminary examination of the suggestions made by the Regional Boards before these are placed before the Standing Committee.

B. (2) Regional and Local Medical Benefit Councils

2.51. The Act also empowers the Corporation to appoint Regional and Local Medical Benefit Councils in such areas and in such manner, and delegate to them such powers and functions as specified in Regulations. No such Regional or Local Councils have been set up

so far by the Corporation. Provision has also not been made in the Regulations with regard to their powers and functions as will be delegated to them.

2.52. The ESIS Review Committee had recommended that these expert bodies should be set up at least at regional level and suitable regulations be framed in respect of their powers and functions.

The Committee have been informed that the said recommendation is to be placed before the Standing Labour Committee.

2.53. In the view of the Committee, the Regional and Local Medical Benefit Councils have an important role to play so as to ensure provision of efficient medical service to the beneficiaries of the Scheme. They are surprised that no attention has been paid all these years to set up these bodies even though there existed a statutory provision in that regard. The Committee recommend that these bodies may be set up and necessary regulations specifying their functions etc. be framed without further delay.

C. Government Control

2.54. Both the Employers' as well as Workers' Organisations have, in their memoranda submitted to the Committee, represented that there is excessive control and interference of the Central Government in the working of the Corporation. It has been suggested that with a view to achieve efficiency, the interference of the Central Government in the day to day working of the Scheme should be eliminated and the Corporation should function as an autonomous body responsible to Parliament. The point was also stressed by the representatives of a workers' organisation when he appeared for oral evidence before the Committee.

2.55. The powers of the Central Government under the Act with regard to affairs of the Corporation include extension of the Act, nomination of Chairman, Vice-Chairman and other members of the Corporation, constitution of the Standing Committee and the Medical Benefit Council, appointment of the Principal Officers, sanction for creation of posts carrying a monthly salary of Rs. 500 or above and approval regarding methods of staff recruitment, pay and allowances and other matters, prescribing limits on incurring of expenditure on measures for health, welfare, rehabilitation and re-employment of insured persons, approval of budget estimates, investment of moneys, fixing the employers' special contribution, supersession of Corporation and Standing Committee, framing of rules, etc. A

statement showing these and various other matters in respect of which power has been vested in the Central Government together with relevant provisions in the Act is at Appendix V.

2.56. In a written note furnished to the Committee it has been stated that the nature of cases as are normally referred by the Corporation to the Ministry is as given below:—

1. Creation and continuance of posts carrying a maximum monthly salary of Rs. 500/- and above.
2. Conversion of temporary Class I and II posts into permanent ones.
3. Revision of scales of pay attached to various posts.
4. Creation of new category of post and a new scale of pay.
5. Constitution of E.S.I. Corporation, Standing Committee, Medical Benefit Council and Regional Boards.
6. Clarification regarding House Building Advance Rules, Pension Rules, etc.
7. Amendment of ESIC (Staff and conditions of Service) Regulations, Recruitment Regulations, Conduct Rules, Central Rules, Provident Fund Regulations.
8. Grant of loans to the State Government for Capital construction programme.
9. Proposals relating to Capital constructions and Office buildings, staff quarters and other expenditure not covered under Section 28(i) to (xi) of the ESI Act.
10. Measures relating to improvement of health, welfare and rehabilitation and re-employment of insured persons who have been disabled or injured as required under Section 19 of the ESI Act.
11. Audited Statement of Accounts together with Audit Report on the accounts of the E.S.I. Corporation, Budget of the Corporation, Banking Arrangements with Scheduled Banks other than State Bank of India.
12. Payment of House Rent Allowance, City Compensatory Allowance which are not covered under normal Rules of the Central Government.

13. Payment of leave travel concession, reimbursement of tuition fee, merger of dearness allowance as dearness pay, advance of pay to Corporation employees on account of natural calamities.
14. Implementation of E.S.I. Scheme in the new areas, sanction of staff and payment of advance allowance to the Presiding Officers and staff of E.I. Courts.
15. Grant of exemption under Section 73F, 90, 87 and 88 of the E.S.I. Act.
16. Joint Consultative Machinery.
17. Payment of Gratuity along with Provident Fund.
18. Protection of special pay to Cashiers, U.D.C, In-charge, Record Sorters, etc.
19. Facilities to the Co-operative Societies, Canteens formed by the employees.
20. Verification of membership of Unions.

2.57. The average number of cases referred to the Ministry per month is approximately 50. This excludes the references received from the Ministry and the replies to them.

In addition to above, the Corporation is required to submit to the Central Government 18 periodical returns and reports (Appendix VI) pertaining to activities of the Corporation.

2.58. During evidence, the Director General conceded that the Corporation did not possess sufficient power to act as a statutory body should have. While describing the various powers enjoyed by the Central Government in relation to the Corporation, he stated as under:—

“...Section 17—this is a very important section, because without the sanction of the Central Government, we cannot create posts and cannot fix the pay and allowances of the Staff...Section 29—investment of moneys, raising of loans, acquisition of properties, etc. This is also a serious impediment. We have got to invest whatever surplus we do have according to the direction of the Central Government, even though by investing elsewhere we could get higher returns....”

2.59. In reply to a written question as to the existing pattern of investment, it has been stated that under Rule 27(1) of the E.S.I. (Central) Rules, 1950, the Director General, subject to the approval of the Standing Committee, can invest the surplus funds (i) in Government securities including Treasury Deposit Receipts, or (ii) in securities mentioned or referred to in clause (a) to (d) of section 20 of the Indian Trusts Act, 1882, or (iii) as fixed deposit in the Reserve or the State Bank of India. In reply to a further question as to what are the alternative avenues which the Director General had in mind while giving evidence before the Committee and whether those suggestions were ever considered by the Corporation and taken up with the Central Government, it has been stated that 'in order to evolve a broad-based investment policy which may give freedom for investing a specific proportion of available funds in other channels so as to earn a maximum rate of interest compatible with security of funds, the ESIC Review Committee recommended to have a small Investment Committee of the Corporation to advise the Director General in this regard. This recommendation was examined but not accepted by the Corporation'. It has been further mentioned that 'the investment policy of the Corporation was also reviewed by the Central Government with a view to modify the existing pattern of investment of surplus funds of the Corporation as laid down in Rule 27 of the Employees' State Insurance (Central) Rules, 1950, so as to restrict the investment in the Central|State Governments securities only irrespective of the yield. But since the Corporation has no surplus funds for investment at present, decision in the matter has been deferred for the present.'

2.60. The Director General was questioned during evidence whether the Corporation ever felt any need for greater freedom of action on his part, untrammelled without too much control from the Ministry. The Director General in his answer pointed out that some suggestions were made to the Central Government in 1962 when the question of making amendment in the Act was taken up but the Central Government did not agree to these suggestions. The said suggestions sought amendment in Sections 17(2), 19, 97, T9, 89, and 90 of the Act so as to eliminate the prior approval of Central Government in matters of making regulations regarding method of recruitment etc. of the employees of the Corporation, provision of additional benefits for the improvement of health etc of insured persons and grant of exemptions from the scheme in certain cases. Broadly, the Government while rejecting the said suggestions are understood to have maintained that the provisions as they stood, provided useful safeguards and any change such as suggested in

regard to exemptions might lead to complications. A statement indicating the suggestions made by the Corporation and the reasons given by the Government for their non-acceptance is at Appendix VII.

2.61. The Ministry were also asked to indicate on how many occasions since inception of the Scheme, the Central Government did not agree to the decisions of the Corporation. The instances furnished include the suggestions for modifications in the Act as mentioned above and other establishment matters like recommendations of the Pay Fixation Sub-Committee, payment of gratuity, allowances, etc.

2.62. The question of autonomy of the Corporation *vis-a-vis* Control of the Government was also discussed during evidence with the representative of the Ministry. He stated as follows:—

“I do not concede that autonomy of the Corporation is in any way restricted, by the powers which are vested in the Government. I will enumerate the subjects on which powers are vested in the Government. One is, extension of the scheme, that is, coverage of the scheme. That is done by the Government by a notification. Secondly, all exemptions are given by the appropriate Government. These are functions which should be exercised by the Government, not by the Corporation. Regarding staff matters Government has got a say. There is the question of pay and allowances. The Corporation has agreed that the terms and conditions of its employees should be largely modelled on that of the Government.

Barring these things—the Corporation, I would say, enjoys full autonomy and Government cannot issue direction to the Corporation. In so many other organisations Government can issue directive to the Corporations but not so here. Only in these limited fields, the powers are there for the Government.”

2.63. The ESIS Review Committee had also examined this aspect. After analysing the statutory provisions, it came to the conclusion that the Central Government should concern itself only with the following matters:—

- (i) Constitution of the Corporation, the Standing Committee and the Medical Benefit Council, their functions and conduct of their business;

- (if) Appointment of the Director-General.
- (iii) Prescribing the form for maintenance of accounts and appointment of auditors;
- (iv) Publication of accounts and audit reports;
- (v) Approval of budget estimates.

2.64. While conceding the need of general supervision and control of the Central Government over the working of the ESIC, the Committee feel that after setting up a tripartite body to administer the scheme certain degree of autonomy is essentially required for its effective functioning. It is quite understandable that in the initial stages of the scheme, the Central Government thought it fit to exercise a greater caution and hence to retain both the financial and administrative control in various ways in regard to the functioning of the Corporation. Now that the Corporation has come of age the two main parties—workers and employers—should have sufficiently grown in consciousness and maturity to manage the scheme to their best interests without the Central Government having to play the same predominant role in the affairs of the Corporation. It is also to be remembered that unlike other Statutory Bodies and Public Undertakings where the Government may justifiably seek to have a greater financial as well as administrative control, the ESIC is a non-commercial organisation meant to administer a scheme of social security financed mainly out of the funds contributed by workers and employers themselves. The Committee urge that the power exercisable by the Central Government should be scrutinised thoroughly to confine them only to matters of broad policy requiring specifically their guidance, direction and control, leaving the rest to the decisions of the Corporation. The ESI Act may also be amended suitably, if considered necessary, in course of time.

CHAPTER III

ADMINISTRATION

A. Administrative Structure

3.1. The administrative structure of the Employees' State Insurance Corporation has a three-tier set up viz., the Headquarters Office, the Regional Offices and primary units i.e., Local Officers, Inspection Offices and State Insurance Dispensaries|Panel Doctors. The administration of medical benefit being carried on by respective State Governments, except in Delhi where it has been taken over by the Corporation, the State Insurance Hospitals|Dispensaries and Panel Doctors are under the control of respective State Governments. In Delhi, Director (Medical) looks after the provision of medical benefit. An illustrative chart is enclosed at Appendix VIII.

3.2. In the Headquarters Office, the Director General is assisted by four other Principal Officers, viz., the Insurance Commissioner, the Medical Commissioner, the Financial Adviser and Chief Accounts Officer, and the Actuary. The work regarding the administration and O&M and Training are looked after by two Directors who function directly under the Director General. The Principal Officers head their own divisions and are assisted by their Deputies and other Officers and ministerial staff. The main function of the Headquarters Office is to lay down policies, issue instructions on policy matters and exercise supervision and control over the Regional Offices and Local Offices.

3.3. For administrative convenience, the Corporation has established 15 Regional Offices—one in each State where the Employees' State Insurance Scheme is in force and Director (Medical) in the Union Territory of Delhi where the administration of medical care has been taken over by the Corporation. The Regional Offices are headed by Regional Directors and the Directorate (Medical) by the Director (Medical) to whom appropriate powers have been delegated for the day-to-day administration of the Scheme. Regional Directors function also as Secretaries of the Regional Boards. By the very nature of the scheme, the Regional

Officers are of different sizes—the size depending upon the number of Insured Persons and centres covered by the Employees' State Insurance Scheme in the State concerned. The following are the sizes of the Regional Offices:—

- | | |
|--|--|
| (a) Grade I Regions having a coverage of more than four lakh Insured persons. | Maharashtra and West Bengal Regions. |
| (b) Grade II Regions having a coverage between two lakh and four lakh Insured Persons. | Gujhrta, Madras and Uttar Pradesh. |
| (c) Grade III Regions having a coverage between one lakh and two lakh Insured Persons. | Kerala, Madhya Pradesh, Mysore Punjab, Delhi and Andhra Pradesh. |
| (d) Grade IV Regions having a coverage of less than one lakh Insured Persons. | Bihar, Orissa, Assam and Rajasthan. |
| (e) Sub-Regional Office having a coverage of less than one lakh Insured Persons. | Nagour (Maharashtra). |

The Regional Director is the Chief Executive Officer of the Corporation in his region and deals with all problems relating to the scheme there. The Regional Director is assisted by other Officers in the insurance, administration and inspection side. The Accounts in the Regional Office are looked after by the Accounts Officer|Deputy Accounts Officer who is under the direct control of the Financial Adviser and Chief Accounts Officer of the Corporation. On the medical side, Medical Referees exercise check on the administration of medical care and are directly under the supervision and control of the Medical Commissioner.

3.4. The Corporation has also established a net-work of Local Offices, each under the charge of a Local Office Manager, for payment of claims and other allied work. It has also set up Sub-Local Offices with smaller staff (supervised by the Manager of the parent Local Office to which the Sub-Local Office is attached) in areas with a relatively smaller number of Insured Persons. In addition, there are Pay Offices set up in areas where the number of Insured Persons is very small. Payment to Insured Persons, attached to a Pay Office is made by a Cashier from the parent Local Office who visits the Pay Office once or twice a week. Recently an experiment has been started by setting up Mini-Local Office in places where there is enough work for a Head Clerk designated as Local Office Manager Grade III and a Class IV employee. The total number of Local Offices, Sub-Local Offices, Mini-Local Offices and Pay Offices is 502.

Principal Officers

3.5. Section 16 of the Act provides that the Central Government shall, in consultation with the Corporation, appoint five Principal

cadre of its own trained personnel specialised in the respective divisions. The Committee are, therefore, of the view that Government while appointing Principal Officers should not normally ignore the claims of senior officers of the Corporation who have rendered long and dedicated service in the Organisation, to hold the charge of Principal Offices if they are found otherwise equipped with the required knowledge, ability and experience. This would inculcate a sense of belonging to the Organisation in the minds of those who are down below in the management hierarchy.

3.10. The Committee find that since the inception of the Corporation the post of Actuary has been held independently only for a period of about 10 years. During the other 10 years, the post was lying vacant or had been held by the Insurance Commissioner or Financial Adviser & Chief Accounts Officer in addition to their respective duties. At present too the Financial Adviser & Chief Accounts Officer is performing the duties of Actuary. It is thus evident that there is not sufficient justification for having a separate post of Actuary. The Committee recommend that the post of Actuary may be abolished henceforth and its functions and duties merged either with the Insurance Commissioner or Financial Adviser & Chief Accounts Officer as may be considered more appropriate from the practical point of view.

3.11. The Committee do not find any justification either for creating post of Deputy Director General or the Financial Adviser as suggested by the ESIS Review Committee. It need hardly be added that the Organisation has already come of age and much of the procedure and practices are now well-settled. Besides, it would mean an additional burden on the already strained finances of the Corporation which are so badly needed for the extension of the scheme. The Committee have already recommended the creation of a separate post of Principal Officer to hold charge of administrative Division with a view to relieve the Director General of his duty of looking after directly the administration of the Corporation and thereby to enable him to discharge his main supervisory and coordinating functions.

3.12. The Committee would also like that Government should examine the desirability of suitably modifying the statutory provision relating to the Principal Officers so that in future any increase or decrease in their number which is bound to occur with changed conditions and exigencies, may not require an amendment in the Act. This would ensure flexibility and avoid the lengthy process of amending the Act for the purpose.

Organisation & Methods

3.13. The O&M division at the Headquarters Office was set up in June, 1968 presumably in pursuance of the recommendation of the ESIS Review Committee made in February, 1966. It is an integrated division looking after the work of Organisation and Methods, training of ESI Staff, recommendations of ESIS Review Committee and Research and Investigation undertaken by the International Social Security Association.

Staffing

3.14. As stated earlier, the Headquarters Offices controls the Regional Offices which are responsible for administration of the scheme in their respective regions. The payment to benefits claims are made by the Local Offices.

3.15. The staff in the Headquarters Office is provided on the basis of number of receipts and issues. The staff in the Regional Offices is provided on the basis of number of employees attached to the region and to Local Offices on the basis of number of Benefit payments made.

3.16. The staff position in Headquarters Office and its Regional and Local Offices during the period from 1956-57 to 1967-68 has been as shown below:—

	1956-57		1961-62		1967-68		1968-69	
	Hqds.	RO/ LO	Hqds.	RO/ LO	Hqds.	RO/ LO	Hqds.	RO/ LO
Class I (excluding P.O.S.)	8	36	21	48	31	90	24	98
Class II	3	30	12	57	21	94	19	99
Class III	102	1336	150	2623	230	4387	210	4711
Class IV	42	430	72	885	93	1440	86	1452
TOTAL	155	1832	255	3613	375	6011	339	6360
GRAND TOTAL	1987		3868		6386		6699	

3.17. In reply to a written question, it has been stated that 'the staffing pattern at the Regional Offices and Local Offices was internally reviewed and yard-stick formulated in 1955-56. No regular review of the yard-stick was done thereafter except on *ad hoc* basis on the individual merits of a case'.

3.18. In reply to another question, it is stated that after the O&M division came into being in June, 1968, it undertook study of workload in Local Offices. The study is stated to have been completed and the changes suggested have been circulated to the Regional Directors and the Federation for their comments. The main changes suggested are:—

- (i) separate yardstick has been framed for the Local Offices having benefit file system and for those having ledger system. As against the provision of an LDC for every 25 payments per day under the current yardstick, the revised yardstick lays down the provision of one LDC for every 35 payments per day under the benefit file system and for every 40 payments per day under the ledger system.
- (ii) Provision of LDCs for miscellaneous items of work, which is sanctioned at present at the rate of 50 per cent of LDCs sanctioned for claims payments has been revised to 60 per cent for Local Offices making upto 100 payments per day and to 40 per cent for Local Offices making on an average above 100 payments per day under the benefit file system, the corresponding provision under ledger system being 75 per cent up to 100 payments per day and 50 per cent for every 100 payments per day.
- (iii) UDCs are being sanctioned under the current yardstick on the basis of 1/3rd of the total strength of LDCs in a Local Office, whereas the yardstick formulated on the basis of the work study suggests a UDC equivalent to 30 per cent of the total strength of LDCs under the benefit file system.
- (iv) Whereas under the current yardstick, a UDC i|c is provided for every local office, which has less than 7 class III staff, the proposed yardstick suggests the provision of UDC i|c only in Local Offices making an average of at least 50 payments per day.
- (v) Whereas under the current yardstick, a record sorter is provided for every 40 payments per day, the revised yardstick suggests the provision of a record sorter for every 75 payments per day and above under the ledger system.
- (vi) Out of the above work study in respect of the benefit file and the ledger system, a tentative yardstick has been extracted for the teller system which has been enforced for the duration of the experimental stage.

3.19. The Committee are unhappy to observe that no systematic attempts were made since the inception of the ESIC in October, 1948 to review the norms and standards for the staffing pattern in an expanding organisation like E.S.I.C. They are all the more unhappy that even after the recommendation of the ESIS Review Committee made to that effect in February, 1966, it took more than two years to set up an O&M division—a step so essential to keep a constant watch on efficient administration and personnel management. The Committee consider that the increase in staff strength in Headquarters and other offices of the Corporation since its inception has been phenomenal and cannot be justified on any score. They hope that O&M study will help not only in realistic assessment of manpower required but also in evolving a suitable staffing pattern on the lines suggested by the ESIS Review Committee. The Committee have no doubt that after completion of the study in hand, a similar work study will be undertaken and expeditiously completed in respect of the remaining offices and necessary steps taken to effect economy consistent with efficiency of service to the insured workers.

Vigilance and Inspection

3.20. During evidence the Director General was asked if there was any Intelligence Cell to check corruption in the payment of cash benefits. In reply, he stated as under:—

“We haven’t got intelligence system as such because in the normal course, the cash benefits that we give are of very small nature and do not offer much opportunity for corruption. Unfortunately, whenever money is disbursed, some ingenious persons can find some way of harassing a claimant and collect the money. But it is not a thing where he can get away with it for long, because the man who is being harassed by a clerk can always go to the local office Manager and Regional Director, and the man cannot harass him for long. So I do not think it is necessary for us to have a regular system or agency for collecting this. But we have to be vigilant of course, and odd cases of ingenious methods adopted by some clerks have come to notice and they have been circulated to all the Regional Directors for suggestions as to how best those opportunities could be reduced.”

3.21. It is noted that the ESIS Review Committee in their Report suggested that each Regional Office should have a Survey Branch

under the control of an officer of the rank of a Deputy or an Assistant Regional Director to arrange a periodical survey of each Local Office in the region by a team of officers, the Chief of which should be of a status equal to or higher than that of Local Office manager whose work is to be inspected. The recommendation is yet to be implemented.

3.22. The Committee are not convinced by the statement of the Director General that there is not much scope for corruption in view of the small amount of claims and the claimants' right to approach Local Office Manager or the Regional Director. In their opinion, for offices having direct public dealings, particularly cash payments in pursuance of public claims, there should be some kind of vigilance to keep a check on corrupt practices which may result in harassment to the claimants and sometimes in the denial of payments even. They recommend that a Vigilance and Inspection Cell under the charge of an officer of a rank not less than Local Office Manager should be created in each Regional Office to investigate into the complaints of corruption and also pay surprise visits to Local Offices for on the spot enquiries from the claimants if they are encountering any difficulty in getting payments. The officer may also discharge the function of survey of Local Offices as suggested by the Review Committee.

Simplification of procedure

3.23. In so far as the work procedures are concerned, it is stated that these have been amended from time to time as the need arose and were last revised in August, 1959. Consequent upon amendments to the E.S.I. Act, the procedures were reviewed in the light of new requirements and brief manuals on modifications etc. were circulated to the regions in November, 1967. Thereafter claims payment procedures in the Local Offices were reviewed in December, 1968 at the time of introduction of the ledger system with a view to conform them to new pattern. It is further stated that a further detailed review of the manuals of procedures is currently in progress.

3.24. At present there are about 45 forms for use by insured persons, 50 forms for employers and 125 other forms. Recently, O&M has carried out the following studies to simplify the working and rationalise some of the forms in use:—

- (a) Study of the Stock and Issue Registers for duplicate identity cards maintained in Local Offices for the purpose of combining them into a single register;

- (b) Combination of the existing Identity Card and Family Identity Card issued to the Insured persons into a single identity card;
- (c) Combination of the various certificate forms, claims forms and form of payment docket into certificate-cum-claim-cum-payment docket and claim-cum-payment docket for convenience of record keeping in Local Offices;
- (d) Simplification of the present system of preparation of monthly pay bills/supplementary bills of gazetted and non-gazetted staff of the Corporation;
- (e) Formulation of a procedure for payment of employees' contribution in cash instead of existing contribution stamp card system;
- (f) Utility of forms ESIC-34 and ESIC-55 in use of Local Offices;

It is stated that a study of other Forms, Registers, Reports etc. has also been undertaken.

3.25. The Committee note that since August, 1959 the work procedures were reviewed in November, 1967 and thereafter in December, 1968. They further note that a detailed review of procedures has also been undertaken. The Committee need hardly emphasize that the administration of social insurance scheme is a complex process involving as it does on the one hand the collection of contributions on which depends the financing of the scheme and on the other hand the task of providing benefits of different kinds to the millions of beneficiaries bulk of whom may not even be knowing how to read or write their own mother tongue. The Committee, therefore, suggest that the detailed review currently in progress should aim at evolving such procedures at various levels, especially in Local Offices which deal with payments of claims, as are capable of resulting in prompt service to the beneficiaries. Such a review should now onwards be a continuous process so that the system may be equipped with modern techniques and methods obtaining in other countries having similar insurance schemes.

3.26. The Committee further suggest that various forms to be filled up by beneficiaries should be printed also in other Indian languages than English/Hindi so as to make them easily understandable.

Training

3.27. The training programme has been started by the O&M Division from December, 1968 and is initially intended for officers at

the intermediary level, viz. Inspectors and Local Managers. So far five training courses have been held for officers of various regions, each training course comprising about 20 trainees. Thus the total number of Inspectors|Local Office Managers trained so far is about 100.

3.28. It has been mentioned that lecture notes on about 25 different aspects of the scheme, were distributed to the trainees. In addition, notes for the purpose of an abbreviated training programme for these Inspectors explaining the salient features and the procedural changes consequent upon the enforcement of the Amendment Act were sent out for circulation. As regards the lower staff, it is expected that the trained Inspectors/Local Office Managers would in their turn impart on-the-job training after the recruitment of new staff and in course of day to day work to the existing staff.

3.29. It is stated that fellowships and training facilities in the field of social security offered by the United Nations and its specialised Agencies and other foreign Governments have also been availed of in the past. Certain criteria have been laid down for selection of candidates for these fellowships and training programmes abroad. Final selection is made by the Central Government. The Services of officers on return from training are utilised in the administration of the scheme.

3.30. The Committee regret to note that although the Corporation came into being more than a couple of decades back, no attention was paid till December, 1968 to create facilities for imparting formal training for job knowledge and attitude to the staff, the need and importance of which cannot be overemphasised particularly in a social security organisation like ESIC which have to extend a helping hand to the people belonging to poorest section of the society. Now that a beginning has been made, they hope that the training programme will be carried on regularly and systematically. The Committee also recommend that a suitable curricula be formulated for the different courses of training for different grades of officers. They further recommend that measures should be devised to make a periodical appraisal and evaluate the results of the training programme.

Service conditions of staff

3.31. Under section 17(2) of the Act, the Corporation is empowered to make, with the approval of the Central Government, regulations

regarding the method of recruitment, pay and allowances, discipline, superannuation benefits and other conditions of service of the members of its staff.

3.32. In pursuance of this provision, the Corporation has since framed the Employees' State Insurance Corporation (Staff and Conditions of Service) Regulations, 1959, which are practically identical to those applicable to the employees of the Central Government.

3.33. The point that the terms and conditions of the Corporation employees have been largely modelled on that of the Government has been stressed both in the written information furnished to the Committee as well as by the representative of the Ministry in the course of his oral evidence.

3.34. The Director General in his evidence particularly raised the question of status of the employees of the Corporation. In this connection, he informed the Committee as under:—

“.....our employees are considered to be industrial workers as in any industry. I for one do not know yet what we are producing. Of course we provide certain services. But the fact remains that they are being described as industrial workers and are subjected to the Industrial Disputes Act. They do not want to work; they want to trouble the officers. In every respect more than half of my work has been on absolutely useless type of having to deal with the routine letters and things of that sort.”

3.35. The Committee learn that the Corporation has been declared as an industry under the Industrial Disputes Act which entitles the workers to certain rights in the matters of disputes provided under that Act. These rights of Corporation employees; which are in addition to those available to other Central Government employees, seem to have created some discipline problems for the administration. It has been suggested to the Committee that since the terms and conditions of service of Corporation employees are at par with other Central Government employees it would be worthwhile to exclude the employees of the Corporation from the purview of the Industrial Disputes Act.

3.36. The Committee are not aware of the circumstances in which the Corporation is regarded as an 'industry' under the Industrial Disputes Act, while its employees are treated as Central Government

employees for all practical purposes. They suggest that Government should examine this question and take suitable steps so as to remove the anomaly, if any.

Administrative expenditure

3.37. It has been represented to the Committee that the cost of administration of the scheme per insured worker is almost constantly rising since 1960-61 while it could reasonably be expected to go down with the progressive extension of the scheme.

3.38. The figures relating to administrative cost per insured worker and as a percentage of the income from contributions since 1960-61 to 1967-68 are as given below:—

Year	Cost per Insured worker	Cost as percentage to income from contributions (%)
	Rs.	
1960-61	6.11	11.48
1961-62	6.23	12.01
1962-63	6.83	10.43
1963-64	7.33	10.23
1964-65	7.07	9.86
1965-66	7.43	10.08
1966-67	8.29	10.72
1967-68	8.75	11.01

3.39. The comparative rise in administrative expenditure, coverage of employees, contributions collected and expenditure on benefits during the period 1960-61 to 1967-68 is as under:—

	1960-61	1967-68	Percentage of increase
Administrative cost	Rs. 1.0043 crores	Rs. 2.87 crores	185.9%
Coverage	16.77 lakhs	33.91 lakhs	102%
Contributions collected	Rs. 8.75 crores	Rs. 28.08 crores	196%
Expenditure on benefits	Rs. 5.97 crores	Rs. 23.90 crores	300%

3.40. Explaining the reasons for the abovementioned increase in the administrative expenditure, the Ministry have stated that 'it is mainly due to rise in the cost of living, rise in the costs of material and equipment and the age of the Corporation. For example, the amount of allowances paid per employee in the Corporation which was about Rs. 500 in the year 1960-61 went upto ever Rs. 1600 in the year 1967-68. In spite of these increase, the administrative expenditure has been curbed.' They have also stated that compared to the percentage increase in contributions collected and the expenditure on benefits, the corresponding rise in administrative expenditure has been relatively lower.

3.41. The Ministry were asked to indicate how the level of administrative expenditure in India compared with other countries having similar social security schemes. In reply they have stated that the figures are not readily available.

3.42. The Committee feel that with the extension of coverage under the scheme it should have been possible for the Corporation to effect economy in its overhead expenses. Instead, the Committee find that the level of administrative expenditure has gone up three times in 1967-68 as compared to 1960-61. Even after giving due allowance to rise in general price level, cost of equipment and pay and allowances of officers and staff, in their view the steep rise in administrative cost can hardly be justified. They suggest that an integrated plan which may *inter alia* include measures such as review of staffing pattern and rationalisation of work processes and procedure at all levels, austerity in office furnishings and equipments etc., may be drawn up for effecting necessary economy consistent with the efficient execution of the insurance scheme.

B. Budget and Finance

Budget estimates

3.43. Expenditure on Revenue Account of the Corporation is classified as under:—

1. Expenditure on benefits.
2. Administrative expenses.
3. Hospitals and Dispensaries.

3.44. The expenditure on benefits to Insured Persons consists of mainly Medical Benefit, Cash Benefits (Sickness Benefit, Maternity, Disabament and Dependants' Benefits) and other minor Benefits.

The expenditure on Medical Benefit forms Corporation's share of expenditure on providing Medical treatment to the Insured Persons and their families. It is stated that the estimates on this account are framed with reference to (a) the average *per capita* expenditure incurred/payments made during the last 3 years and provisions made as per the trend thereof and (b) availability of funds. For framing the budget estimates for cash benefits, average *per capita* expenditure for the last three years is worked out as also the trend of expenditure during first 6/7 months of the current year is kept in view, alongwith the proposals, if any for liberalising of rates of addition to these cash benefits. The estimates for expenditure on minor miscellaneous benefits e.g. for provision of artificial limbs to amputated Insured Persons, grant-in-aid to institution imparting Yoga Education to Industrial Workers, besides cost of Medical Boards and payment to Insured Persons on account of conveyance charges and/or loss of wages including incidental charges under family planning etc., are made as per actuals during the past three years and trend of actual expenditure during 6/7 months of the current year, keeping in view also fresh commitments.

3.45. The estimates of administrative expenses are based on the number of sanctioned posts and the actual pay of the incumbents of such posts. As regard the Travelling Allowance and contingencies, requirements of various offices of the Corporation are taken into account. Contributions to Provident Fund/Pension Reserve Fund are made as per the usual rates notified by the Government of India from time to time.

3.46. The head 'Hospitals and Dispensaries' includes expenditure on Depreciation charges of hospital buildings and equipment as also their repair and maintenance charges. The depreciation is worked out with reference to the Sinking Fund method whereas repairs and maintenance are provided at the percentage rates fixed for the purpose.

3.47. The Corporation has undertaken construction of office buildings (including staff quarters), Hospital/Dispensary Buildings. The estimates in that regard include anticipated payments against approved plans and estimates of various projects.

3.48. From the Budgetary figures for the years 1965-66, 1966-67, and 1967-68, it is noticed that there has been notable variations bet-

ween the original and revised estimates and revised estimates and actual expenditure in respect of certain items as indicated below:—

		Variations between		
		1965-66	1966-67	1667-68
Expenditure on Revenue Account				
Dependants/Benefit	Original & revised	+3.7%	-14.1%	+2.0%
	Revised & actual	-13.9%	+8.8%	-6.1%
Expenditure on Capital Account				
Hospitals and Dispensaries	Original & revised	-31.2%	-26.0%	20.8%
	Revised & actual	-5.5%	-22.3%	..
Equipments of Hospitals etc.	Original & revised	-68.91%	-44.4%	+16.6%
	Revised & actual	-10.3%	-92.4%	-56.3%
Buildings for officers and staff quarters.	Original & revised	+73.3%	+20.0%	-30%
	Revised & actual	-0.8%	-8.5%	-12.4%

3.49. The Committee consider that the percentage of variations under the above-mentioned sub-heads is on the high side. The Committee trust that effective steps will be taken to ensure that the estimates framed are realistic, thus avoiding both budgeting on low as well as on the safe side.

Financial position

3.50. While considering its financial position at a meeting held on the 22nd March, 1969, the Employees' State Insurance Corporation found that income was not sufficient to meet the expenditure. At the same meeting the Corporation decided to set up a Sub-Committee with the Union Labour Minister as its Chairman, to examine the matter and to suggest ways and means to meet the situation.

3.51. The terms of reference of the above sub-Committee were:—

- (i) to recommend measures to secure better management of resources;
- (ii) to make recommendations how to raise resources to meet the needs of the Employees' State Insurance Scheme; and
- (iii) to recommend economies in the working of the Scheme.

3.52. It is stated that the Sub-Committee considered the possible avenues of economy in regard to benefits and expenditure. About

capital construction programme the Sub-Committee appreciated that until now, the construction of E.S.I. Hospitals and annexes, etc. was made possible because of accumulated excess of income over expenditure over a long period of years since the inception of the scheme in 1952. It also appreciated that the current resources of the Corporation would not permit spending on capital expenditure on the same scale as in the past.

3.53. The main conclusions of the Sub-Committee which have been accepted by the Corporation are briefly summarised below:—

- (i) The present income of ESIC is not sufficient to wipe off the current arrears, to remedy the present regional imbalances in the matter of construction of Hospital/Dispensaries and to meet other minimum obligatory expenditure;
- (ii) It is necessary to rectify the existing regional imbalance in the operation of scheme and ensure certain uniformity of standards between the States;
- (iii) The rate of Employers' special contribution may be raised from 3, to 3½ per cent w.e.f. 1st January, 1970 and 3½ per cent to 4 per cent w.e.f. 1st April, 1970 in areas where the benefit provisions of the Act are in force. (This has since been done).
- (iv) The overall ceiling on expenditure on medical benefit should be Rs. 50 per annum per employee including State Government's share. Any excess expenditure is to be borne by the concerned State Government.
- (v) Efforts should be made to effect economy in the administration of medical benefit by streamlining the staff pattern, use of standard pharmacopoeia etc.
- (vi) Further construction of hospitals may be allowed only to make up any shortage within the yardstick of 4 beds per thousand employees. Spare beds in excess of the above yardstick should be given up.

3.54. The Committee enquired whether any long term planning had been thought over to tackle the financial difficulties of the Corporation. In a written reply it is stated that the revenue deficit of Rs. 41.04 lacs arose during 1967-68 only against an anticipated deficit

of Rs. 91.74 lacs. When the Revised Estimates for 1968-69 and Budget Estimates for 1969-70 also anticipated the deficit of Rs. 15.74 lacs and Rs. 93.92 lacs respectively, the Standing Committee/Corporation appointed the said sub-Committee. It has been further stated that it is expected that the implementation of the above decision would have a long term effect in tacking the financial difficulty of the Corporation and the expenditure on Revenue and Capital Account is likely to be confined from time to time to the available resources of the Corporation.

3.55. In the opinion of the Committee the vital problem of raising adequate resources to finance an expanding scheme like the present one need be tackled not on an *ad hoc* but on a long term basis. With the growing awareness among workers, fortified by the changed concept of social justice, their expectations would naturally be high and the Corporation would have to rise to the occasion to come up to that extent. On medical benefit side alone, even the present standards are not uniform in all the areas where the benefit provisions are in force. This situation itself underlines the need of a long term solution. The Committee would like to suggest that another Committee consisting of a few Members of the Corporation, representatives of the Finance and Labour Ministries and other experts be set up to go into all aspects of the problem including the present as well as future needs of the scheme and suggest suitable ways and means in that regard.

Valuation of assets and liabilities

3.56. Under section 37 of the Act, the Corporation is required to have, at intervals of five years, a valuation of its assets and liabilities by a valuer appointed with the approval of the Central Government. The Central Government may also direct a valuation to be made at such other times as it may consider necessary.

3.57. In pursuance of the above provision, three quinquennial valuations as on 31st March, 1954, 31st March, 1959 and 31st March, 1964, respectively were made by the valuers appointed by the Central Government. For the fourth valuation, it is understood that a valuer has been appointed by the Government on the 23rd June, 1969.

3.58. The reports of the valuation made in 1954, 1959 & 1964 were submitted in 1959, 1962 and 1967, respectively.

3.59. The Committee are unhappy to note that all the three valuation reports were made available after the lapse of a period

of three to five years. Even with regard to valuation for the five-years ending on 31st March, 1969, the valuer has been appointed only recently. The Committee trust that such delays would be avoided in future. They suggest that valuation Report should be laid on the Table of the House and a provision to that effect made in the Act in due course.

C. Annual Reports and Audited Accounts

3.60. Under Section 36 of the Act, the annual report, the audited accounts together with the auditor's report thereon and the budget as finally adopted by the Corporation are required to be laid on the Table of Lok Sabha.

3.61. The position about the processing of the Annual Report, the Budget Estimates and the Audit Report as furnished to the Committee is given below:—

(Annual Reports)

Year of Report	Date of approval by		Date of submission to Govt.	Date of laying on the Table of Lok Sabha
	Standing Committee	Corporation		
1964-65	21-3-66	22-3-66	4-4-66	20-4-66
1965-66	11-4-67	12-4-67	31-5-67	14-6-67
1966-67	16-2-68	17-2-68	6-8-68	29-8-68
1967-68	7-12-68	9-12-68	16-12-68	20-2-69

The Annual Report for the year 1968-69 has been laid on the Table of Lok Sabha on the 2nd April, 1970.

(Budget Estimates)

Year to which Budget Estimates relate	Date of approval by		Date of submission to Govt.	Date of laying on the Table of Lok Sabha
	Standing Committee	Corporation		
1964-65	24-2-64	25-2-64	11-3-64	28-3-64
1965-66	15-2-65	16-2-65	24-2-65	15-3-65
1966-67	21-3-66	28-3-66	28-3-66	18-4-66
1967-68	11-4-67	12-4-67	17-4-67	14-6-67
1968-69	16-2-68	17-2-68	28-2-68	25-7-68

(Audit Report)

Year of Report	Date of receipt in Ministry from A.G.C.R.	Date of approval		Date of laying on the Table of the Lok Sabha
		Standing Committee	Corporation	
1964-65	17-8-66	31-10-66	2-11-66	30-11-66
1965-66	22-9-67	16-11-67	18-11-67	15-2-68
1966-67	22-7-68	20-9-68	9-12-68	20-2-69
1967-68	5-12-69	13/14-2-70	14-2-70	24-3-70

It is stated that in the past the Annual Reports of the Corporation for the years 1952-53, 1953-54, 1954-55 and 1955-56 were laid on 24-2-55, 28-2-56, 17-8-57 and 13-9-57, respectively.

3.62. The Committee find that for laying the Annual Reports a period of 11 to 28 months has been allowed to elapse after the end of the year to which the Report pertained. The Budget Estimates for the year 1968-69 were laid when four months of the financial year had already expired. Similarly, in case of Audit Reports almost a gap of two years from the end of the financial year to which the Annual Accounts relate upto the date of laying, is usually noticed. The Committee urge that steps should be taken to ensure that the Annual Reports of the Corporation are laid on the Table within a period of six months from the close of the financial year. As for Budget Estimates, their preparation and further processing including the approval by the Standing Committee/Corporation and the Central Government should be so programmed that they are available to the House at the time of discussion of demands of the Administrative Ministry. The Audit Report should also be laid on the Table promptly after their receipt from the Comptroller and Auditor General. The Committee need hardly emphasize that observance of the principle of accountability to Parliament is judged by the timely laying of these documents so that the activities of the Corporation are taken stock of in proper time and appropriate action taken to set right defects, if any.

D. Construction of Administrative Buildings

3.63. During their on-the-spot tour of Eastern and Western Zones, the Committee were informed that plots of land had been purchased at Calcutta, Jaipur, Kotah and Ahmedabad etc. for construction of office buildings but no actual construction programme could be

undertaken due to shortage of funds. They were also informed that the annual rent of the buildings in which Regional or Local Offices were housed at places like Ahmedabad etc. ran into more than Rs. 1 lakh.

3.64. From the information furnished to the Committee, in reply to a written question, it is observed that the plots of land for office buildings, where construction programme have not yet been undertaken due to non-availability of funds, have been acquired for Regional Offices at Patna, Ahmedabad and Bhubaneshwar, for sub-Regional Office, at Nagpur and for Local Offices at Algappanagar in Kerala, Ganapathi, Guindy and Ambattur in Tamil Nadu, Wagle Thana, Ambarnath, Nasik and Sholapur in Maharashtra, Hubli in Mysore, Jaipur, Kotah, Jodhpur and Beawar in Rajasthan, Rampur in Uttar Pradesh and at Ballyganj (Calcutta) in West Bengal. The plots were acquired on different dates between 1962—69 at a total cost of about Rs. 11.14 lakhs. However, according to the data furnished by the Regional Director, Calcutta, to the Committee during their tour, in Calcutta alone there appears to be a few more plots in addition to the plot at Ballygunj, where almost no construction has yet been started. He also apprised the Committee of various steps which were taken by him in furtherance of construction proposals on these plots. For example, in regard to North Calcutta and Ballyganj plots he had furnished the following details:—

(i) North Calcutta Local Office-cum-residential Flats.

The plot of land measuring about 380 Sq. Yards was purchased by us in October, 1962 at a cost of Rs. 66,000/- from the Calcutta Improvement Trust. The revised estimated cost of the building for a Grade-I Local Office and 4 staff quarters has been worked out by the C.P.W.D. as Rs. 4,91,270/-. Out of this Rs. 2,00,000/- has been deposited with the C.P.W.D. by us in December, 1962. The various stages through which the project, which is a deposit project with the C.P.W.D. has passed are as under:

- (a) On receipt of Headquarters Office advice, in June, 1963 we wrote to the State Government to provide us the scale of accommodation as it had been decided to construct staff quarters on State P.W.D. scale. We supplied the relevant information regarding scale of accommodation to C.P.W.D. in August, 1963.
- (b) In May, 1964 C.P.W.D. submitted a sketch plan for our consideration and suggestions, if any. Plans were approved and delivered to C.P.W.D. in May, 1964.

- (c) C.P.W.D. could not take up preparation of drawings and plans, inspite of personal contacts and reminders, due to shortage of staff, as learnt from them. The preliminary drawing and estimates from the C.P.W.D. were received in September, 1965.
- (d) The final drawings and estimates for Rs. 3,92,900/- were received in March, 1966. We communicated the Director General's approval to C.P.W.D. in April, 1966.
- (e) In September, 1966, it was intimated that construction work would be taken up after preparation of the detailed drawings by the surveyor of the C.P.W.D.
- (f) In February, 1967 the surveyor intimated that detailed drawings could not be made due to some technical difficulties with regard to foundation of the buildings.
- (g) In April, 1967 the C.P.W.D. intimated that soil testing would be essential for which they submitted estimate of Rs. 4417/-.
- (h) We deposited this amount in April, 1967.
- (i) In October, 1967 C.P.W.D. intimated that soil testing had been completed.
- (j) In January, 1968, C.P.W.D. submitted revised estimates for Rs. 4,91,270/-. In May, 1968, we intimated Director General's approval.
- (k) Tenders were invited by C.P.W.D. in May, 1968.
- (l) After finalisation of tender and placing of work order construction was taken up in January, 1969.
- (m) Calcutta Corporation has again raised certain objection for which drawings and plans are being revised by C.P.W.D.

(ii) Ballygunge Local Office:

About 300 Sq. Yds. of land at the cost of Rs. 43,000 from the Calcutta Improvement Trust was purchased in July, 62 and the actual possession was taken over in November, 1962.

- (a) The C.P.W.D. submitted the sketch plan in November, 1963. Some modifications were suggested in the design. The revised drawings submitted to us in December, 1963. Our Headquarters Office suggested some changes in the drawings.
- (b) The final design and estimates were submitted to us in July, 1964.
- (c) The approval to the estimate was communicated to the C.P.W.D. in August, 1964.
- (d) The sanctioned amount of Rs. 2,89,870 was deposited in December, 1964.
- (e) In April, 1965 they intimated that the plans do not conform to Municipal Bye Laws and the plans required revision.
- (f) The revised drawings and estimates for Rs. 3,29,150 were submitted in April, 1966.
- (g) In September, 1966, Director General's approval was communicated to the C.P.W.D.
- (h) In March, 1967 the C.P.W.D. approached the Calcutta Corporation for the approval.
- (i) In May, 1967 the C.P.W.D. intimated that the plot was not suitable for Local Office construction.
- (j) In August, 1967 it was decided to construct residential flat for Regional Director on this plot.
- (k) In November, 1967 we found that some persons have put up unauthorised structure on our plot of land and for this legal action has now been instituted.

3.65. In response to a question whether any phased programme has been drawn up for construction of buildings on these plots, it has been stated in a note that as a lower priority was given to the construction of administrative buildings, no programme was drawn up. It has further been pointed out that these plots are mostly lying idle and are not yielding any revenue except that the price of these lands is appreciating in common with the phenomenon elsewhere.

3.66. The Committee enquired as to how much actual expenditure had been incurred on construction of buildings as were already commissioned. In reply, Government have informed that the information is still awaited from the State Governments.

3.67. The Committee are surprised to note that while some of the plots for administrative buildings had been acquired as back as September, 1962 and July—December, 1963, it has not been possible for the Corporation to construct buildings thereon so far. The leisurely manner in which things have been allowed to move, as is quite evident from the information furnished by the Regional Director, Calcutta, is indeed regrettable. The position has drifted to the extent that on the one hand the Corporation has now no resources to finance the construction programme and on the other plots lying idle are attracting unauthorised constructions, thus inviting prolonged litigation. The continued failure to have its own buildings is bound to create administrative problems besides avoidable expenditure on rent. The Committee are convinced that had these proposals been pursued in right earnest from the beginning and a phased programme in order of inter se urgency drawn up, the Corporation would have been saved from this dilemma. The Committee suggest that a phased programme for construction may now be drawn up keeping in view the proposed merger of ESI and EPF Schemes, the resources position and the need to effect economy.

CHAPTER IV

COVERAGE

A. Progress of Implementation

4.1. Section 1(3) of the Employees' State Insurance Act empowers the Central Government to bring into force the provisions of the said Act on such date or dates as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different parts thereof.

4.2. As stated earlier, the benefit provisions of the Act were for the first time extended to about 1.30 lakh workers in Delhi and Kanpur area of Uttar Pradesh with effect from the 24th February, 1952. Thereafter, these provisions have been gradually extended to different areas.

4.3. According to the First Five Year Plan, the scheme was expected to be implemented throughout the country by the middle of July, 1954. The time-table drawn up for the purpose was: August, 1952—Punjab; January, 1953—Madras, Calcutta, Nagpur and Jabalpur; October, 1953—Ahmedabad, Sholapur, Agra, Coimbatore, Asansol and Burnpur; January 1954—remaining places where the insurable population was 5,000 or more; July, 1954—all other centres where the number of workers was below 5,000. In the First Five Year Plan, it was also stated:—

“The programme for the implementation of the scheme in other States prepared by the Labour Ministry should be adhered to and the State Governments, employers and workers should offer their fullest cooperation for the purpose. The scheme does not include at present the families of the insured persons. Both in its coverage and the amount of benefits provided the scheme may appear to be modest as compared with similar schemes in some of the advanced countries. In view of its novelty, administrative and other difficulties and the financial implications of the Scheme, efforts should be directed during the period of

the plan only to the proper implementation of the scheme in its present form and to putting it on a sound and sure foundation".

4.4. The number of employees, however, actually covered under the scheme from year to year is given below:—

1952	.	1,99,500
1953	.	74,800
1954	.	7,15,500
1955	.	6,96,950
1956	.	1,50,900
1957	.	48,450
1958	.	1,69,050
1959	.	64,900
1960	.	1,12,200
1961	.	61,400
1962	.	84,650
1963	.	60,750
1964	.	5,90,350
1965	.	2,28,750
1966	.	59,550
1967	.	26,000
1968	.	60,450
1969 (upto 31-3-69)	.	69,850
TOTAL	.	<u>34,74,000</u>

4.5. Asked during evidence what were the reasons for sharp fluctuations in the number of industrial workers covered during certain years, the representative of the Ministry stated that in the years 1954, 1955, 1964 and 1965 Greater Bombay, Calcutta, Ahmedabad and Hooghly respectively, were brought within the implemented zone of the scheme. While Calcutta had an industrial population of 4 lakhs, Ahmedabad and Hooghly had 2.5 lakhs and 1.31 lakhs respectively.

4.6. Asked further what criteria were followed to extend the coverage under the scheme and whether the extension was undertaken in accordance with any time-bound schedule, the representative of the Ministry stated that "the coverage of the scheme was planned in stages. In the first stage it was planned to cover all areas with insurable population of 5,000 and above. That was in the First Plan. In the Second Plan all areas with an insurable population of 1,500 and above. . . . In the Third Plan all areas with an insurable population of 500 and above. . . ."

4.7. The targets fixed and achievements made during the three Plan periods and subsequently have been given as under:—

	No. of employees		Percentage of achievements	No. of Centres Covered
	Target for coverage	Actually covered		
First Plan (1951—56) .	Not available	10,15,000	..	31
Second Plan (1956—61)	12,74,850	6,57,600	51.5%	89
Third Plan (1961—66) .	20,89,850	14,51,900	69.5%	139
Post Third Plan (1966—68)	8,68,850	2,61,700	30.1%	41

4.8. The Committee enquired as to how the progress achieved could be reconciled with the expectation made in the First Five Year Plan. In a written note, the position is sought to be explained by the Government as under:—

"It was initially planned that the ESI Scheme would be implemented in all the important industrial areas having considerable insurable population. In pursuance of this objective, the scheme was extended to Delhi, Kanpur, Bombay, Calcutta and Madras before the expiry of the First Five Year Plan period. At this stage, it was not, however, possible to extend the scheme to Ahmedabad, Hooghly and 24 Parganas, even though these centres also had considerable industrial population. The main reason for delay in implementation of scheme in these areas was the difficulty in completing satisfactory medical arrangements." Apart from this, "there had cropped at one time or the other, certain factors common to all States e.g. lack

of financial resources to meet increasing share of the cost of medical care by the States; absence of an agreement with the medical profession regarding rate of capitation fee payable to Insurance Medical Practitioners on extension of scheme to families and dearth of medical and para-medical personnel to man the ESI Dispensaries and other institutions."

4.9. During the course of evidence before the Committee, the Director General stated that the scheme was implemented in a particular area as and when the State Government was in a position to make medical arrangement.

4.10. During their on-the-spot study tour of Western Zone, the Committee found that the scheme had not yet been implemented even in areas having large workers population such as in Heavy Electricals (India) Ltd. Bhopal and Bhilai Steel Plant. In a written note, Government have stated that both the said places have been included in the programme drawn up for extension of scheme during the Fourth Plan. There are fifteen centres in the State of Madhya Pradesh which have insurable population including Bhilai and Bhopal having 28,500 and 10,600 respectively—but have not been covered under the scheme. It has been pointed out that generally the State Governments are prone not to divert their resources to such centres where some kind of medical facilities exist.

4.11. Government were also asked to indicate if they had taken any steps at their level to elicit State Government's consent in this regard. In reply it has been stated that keeping in view the difficulties represented from time to time, the share of the State Government in the cost of medical care was reduced from 1/3rd to 1/4th (in respect of insured persons only) and to 1/5th where the families are also brought in. The rate of capitation fee for Insurance Medical Practitioners was also increased from Rs. 14 and Rs. 13 for Greater Bombay and Calcutta, and other areas respectively, to Rs. 17.50 per family unit per annum for all areas. Further the emoluments of the ESI Doctors and other para-medical staff were made more attractive by granting ESI Special Allowance so as to diminish the tendency of the doctors and para-medical staff of the State Health Cadre, to resist ESI appointments.

4.12. As regards various stages which have to be undergone from the initiation of the proposal till the scheme is actually implemented in the particular area and the usual time necessary for each stage, the position has been explained in a written note as under:—

(i) Steps to be taken by State Government

- (1) Survey of—(a) residential concentration of insurable persons, (b) existing medical facilities in those localities, (c) existing medical facilities provided by employers.
- (2) To communicate recommendation regarding system of medical treatment, place|places for implementation of scheme and provisional target dates for implementation of scheme, to the Corporation.
- (3) To appoint Administrative Medical Officer and nucleus staff.
- (4) To set up E.I. Court for the local area.
- (5) Arrangements for medical care where decision is to provide through a panel system, determination of areas, training of panel doctors, etc.; where through service system, location of dispensaries, equipment, recruitment and posting of doctors and other staff etc.
- (6) Arrangements for hospitalisation, setting up Medical Board etc.

(ii) Steps to be taken by the Corporation

- (1) Determination of number and size of Local Office.
- (2) Working out staff requirements.
- (3) Acquisition of premises for Local Office.
- (4) Posting and training of staff.
- (5) Publicity measures.
- (6) Registration of insured persons.
- (7) Issue of notification regarding first contribution and benefit periods.

(iii) Steps to be taken by the Central Government.**Issue of notification enforcing Chapters IV & V of the Act.**

It has been stated that all the above stages are completed within a period of one year before the date of implementation of the scheme.

4.13. The Committee are distressed to note that the progress of implementation of the scheme during all these years has been extremely halting. Not only the original schedule as envisaged in the First Plan was not adhered to, there have also been shortfalls even in the revised modest targets fixed for the three Plan periods. The Committee are convinced that had the Corporation as a Central authority consisting of representatives of all interests including the State Governments, played its proper role in taking timely initiative, effective planning and periodical appraisal of performance, the State Governments' preparedness to implement the scheme would have been forthcoming and the results would have been much better. The Committee wonder if the State Governments were really in such a helpless position with regard to financial or other resources as have been made out to be. It is also surprising that Government of India at their own level did not make any efforts to see that the State Governments evinced more interest in the implementation of the scheme and cooperated with the Corporation in right earnest.

Benefit to families:

4.14. Section 46(2) of the Act empowers the Corporation to extend medical benefit to the family of an insured person at the request of the appropriate Government. The policy decision to extend the medical benefit to the families of the insured persons was taken by the Corporation on the 15th December, 1955. It was, however, actually extended from the year 1958 onwards.

4.15. The standard of medical benefit provided to the families of insured persons is of three varieties, viz., restricted, expanded and full medical care. Where only out-patient treatment including domiciliary visits is provided, it is called 'Restricted Medical Care'. Where, in addition to out-patient treatment, specialists services are also provided, it is called 'Expanded Medical Care'. Where full range of medical care including hospitalisation facilities are provided it is called 'Full Medical Care'.

4.16. According to the information furnished to the Committee, out of a total 34,74,700 family units only 10,800 units in some areas of Tamil Nadu are yet to be covered for medical benefit. About these remaining units also, the State Government has been asked to submit medical plans and estimates. The standard of medical care which has so far been made available to family units is as under:—

No. of family units (employees)

(i) Full Medical care	3,01,800
(ii) Expanded Medical care	20,08,500
(iii) Restricted Medical care	11,53,600

4.17. The Committee enquired whether any phased programme has been drawn up in consultation with the State Governments to provide progressive scale of medical benefit to families with the ultimate object of giving them full medical care within a specified time-limit. In reply it has been stated that the Corporation decided in August, 1960 itself that full medical care should be provided to the families of insured persons and the decision was communicated to the State Governments to plan construction programme.

4.18. The Committee also enquired whether a study has been undertaken to assess how much extra-beds, medical and para-medical staff and additional financial resources would be required for the purpose and the date by which the target would be achieved. In a written note, it has been pointed out that "the Corporation has revised the yardstick of beds from 11 to 4 beds per 1000 employees family units and on that basis the total number of beds required to provide hospitalisation to 35.60 lakh family units would come to 14,240. So far the Corporation has been able to construct 5745 beds only and 4777 beds are under construction. 3682 beds have been reserved in various hospitals belonging to State/private/public sector undertakings. The realisation of this target will depend upon the availability of the required number of beds. As for requirement of medical and para-medical staff, the same would vary depending upon the contingency as to whether the required number of beds are constructed or reserved, and if both in what ratio. In terms of financial resources, the extra expenditure on extension of full medical care to the families of the presently covered employees would work out roughly to a capital outlay of about Rs. 11.15 crores and a recurring expenditure of about Rs. 8.49 crores per annum".

It has been added that, "the problem of constructing and commissioning the required number of beds being a gigantic one both in respect of capital finance and man-power requirements, it naturally requires long term perspective planning, which is dependent on many factors. Unless the current financial resources of the Corporation are substantially augmented, it would not be possible to effectively plan for extension of full medical care to families or to fix a target date therefor".

4.19. During the evidence also, the Director General stated that as against Rs. 48/- per family unit for restricted medical care, expanded medical care would cost Rs. 54/- and full care would cost Rs. 64/-.

Current programme and future plans

4.20. The Employees' State Insurance Corporation had approved in 1960, the following priorities:—

1. Extension of Scheme to the non-implemented areas and provision of adequate medical facilities particularly for hospitalisation.
2. Extension of restricted medical care to families of insured persons.
3. Extension of full medical care to families on the same scale including hospitalisation as for the insured persons.
4. Measures to improve the health state of insured persons by:—
 - (a) imparting health education to them including *Yogasanas* training; and
 - (b) providing health services at the place of work.

4.21. Based on the above priorities, the following Schemes were included in the Fourth Five Year Plan under the Employees' State Insurance Scheme:—

A. Spill over Scheme

1. Coverage of spill over of employees and their families in all areas with insurable population of 500 and above.

2. Provision of full medical care to families including hospitalisation on the same scale as for Insured Persons
3. Construction of buildings for Administrative Offices and Staff quarters for the Corporation.

B. New Projects

4. (a) In consultation with the State Governments to cover factories employing 10 or more persons and using power or 20 or more without power, in implemented areas.
 - (b) To cover shops and commercial establishments in a few selected centres where the State Governments are in a position to make in advance adequate medical arrangements for full medical benefit and are willing to extend the scheme to these classes.
 - (c) To make provision for new industrial establishments proposed to be set up because of rapid industrialisation.
5. (a) Construct hospitals to provide 11 beds per 1000 family units (including those constructed during Third Plan).
 - (b) Construct 500 dispensaries including those in Third Plan, providing 1600 Insurance Medical Officers.
6. Integration of Social Security Scheme *viz.* Employees' State Insurance Corporation and Provident Fund.

4.22. The question of increasing coverage by extension of the scheme to other sectors was again considered by the Corporation when it considered the recommendations of the ESIS Review Committee in November, 1966. The ESIS Review Committee recommended the extension of the scheme progressively in the following order of priorities:—

- (a) Immediately
 - (i) Factories using power and employing ten or more persons; factories not using power employing twenty or more persons.
 - (ii) Running staff of road transport undertakings not at present covered.
- (b) During the Fourth Five Year Plan Period
 - (i) All factories whether or not using power employing ten or more persons;

(ii) Shops and commercial establishments employing ten or more persons;

(iii) Trade and Commerce employing ten or more persons.

(c) Thereafter

(i) All undertakings under (b) above employing five or more persons;

(ii) Mines and plantations employing ten or more persons whether or not power is used.

4.23. It has been stated that there has been a set back to the plans for extension of the scheme to other areas and sectors, due to the deficit financial position cropped up during the year 1967-68. The Sub-Committee appointed by the Corporation on the 22nd March, 1969 to go into the financial position, came to the conclusion that the present income of the Corporation was not sufficient to wipe off the current arrears, to remedy the present regional imbalances and to meet other minimum obligatory expenditure.

4.24. In response to a question, it has been mentioned that out of the target of covering all factories with an insurable population of more than 500 fixed for the Third Plan period, about 5.65 lakh employees are yet to be covered under the scheme. The current priority has, therefore, been confined to the extension of the scheme to such non-implemented areas. The Corporation intends to cover all these areas by the end of Fourth Plan subject to the completion of necessary medical ancillary arrangements by the State Governments. However, the question of extension to more areas and other sectors as recommended by the ESIS Review Committee and accepted by the Corporation in principle, is being examined with a view to determining in the first instance whether any legislative amendment would be necessary for the purpose. Government have also stated that although some preliminary data regarding the number of persons likely to be covered in the first 2 or 3 groups recommended by the Review Committee has been collected, it will take some time before the Act is extended to other sectors.

4.25. The representatives of both the employees' and employers' organisations who appeared before the Committee laid emphasis on the consolidation of the Scheme under the existing coverage before it was extended further to new sectors. The consolidation process should include coverage of unimplemented areas, extension of medical benefit to families of workers and improvement in medical services.

4.26. As for areas with an insurable population of less than 500, involving about 1.68 lakh employees in 1,872 Centres in various States, the representative of the Ministry stated that it was not proposed to cover these areas as it would not be economical to provide medical facilities. Explaining further, it has been stated in a written reply that since the scheme has not yet been extended to all areas with larger concentration of workers, a study to work out the total amount of excess expenditure likely to be covered on coverage of these areas has not been made. The question of the extension of the scheme to these areas would, however, be considered when the State Governments are in a position to provide necessary medical care. It has been added that as and when the scheme is extended to other sectors, viz., shops etc., such sparse areas would provide the base for a larger coverage and such of them as are found to become viable units with the inclusion of these sectors, would then be considered for extension of the scheme.

Wage ceiling.

4.27. The ESIS Review Committee has suggested that the wage limit for coverage of an employee should, in the first instance, be raised from Rs. 500/- to Rs. 1,000/- per month. It has also recommended that a provision should be made in the Act empowering the Central Government to raise the ceiling from time to time. The Review Committee felt that there were very few countries in which the wage ceiling was applied in schemes of social security and also that this sort of restriction complicated the administration of insurance system. The Corporation and the Central Government have accepted the recommendation.

4.28. The representative of the employers has, however, pleaded with the Committee that it would not be desirable to raise the wage ceiling. His view point was that since it had not yet been possible to cover those who were eligible under the present limit, there was little meaning in widening the sphere of application which would result only in more dissatisfaction among employees. The same view was shared by a representative of medical profession who informed the Committee that with the existing quantum of medical care, it was found often difficult to satisfy even employees in receipt of more than Rs. 300/- per month.

4.29. The Committee find that although the policy decision to extend the medical benefit to families of insured persons was taken by the Corporation as early as 1955, it was actually implemented from 1958 onwards. Up till now only a small percentage of the total family units is eligible for hospitalisation facilities, the rest

being either entitled merely to restricted or expanded medical care. The Committee also find that the only target to be achieved by the end of Fourth Plan Period is to extend the scheme to such areas with an insurable population of 500 and above, as could not be covered so far. The extension of the scheme to new sectors is not contemplated at all. Moreover it would complicate matters further both financially as well as administratively as soon as the wage ceiling for coverage is raised from Rs. 500 to Rs. 1000 which has already been agreed to by the Corporation. Similarly the possibility of raising even progressively the standard of medical care to families is remote or rather nil in view of the recently decided expenditure ceiling of Rs. 50 per family unit. All this is indicative of lack of planning as well as absence of a sense of urgency which the problems of social security for weaker section of society deserve. The Committee strongly recommend that a small Committee consisting of the members of the Corporation and other experts, as earlier suggested in para 3.55 above should go into all aspects of present and future plans of the Corporation and make a study to work out a time-bound viable programme for phased extension as well as perspective planning in respect of ways and means to support the extension programme already accepted in principle by the Corporation.

B. Exemption

4.30. Sections 87 to 91 of the Employees' State Insurance Act provide for exemption of factories and employees from all or any of the provisions of the Act under certain conditions. Under Section 87, the appropriate Government may, by notification in the official gazette, and subject to such conditions as may be specified in the notification, exempt any factory or establishment or class of factories or establishments in any specified areas, from the operation of the Act for a period not exceeding one year at a time. Section 88 similarly provides for exemption of any persons or class of persons employed in any factory or establishment or class of factories or establishments from the operation of the Act. The Corporation can make any representation it may wish to make in regard to the proposal for exemption. Section 90 empowers the appropriate Government to exempt any factory or establishment belonging to the Government or any local authority, if the employees in any such factory or establishment are otherwise in receipt of benefit substantially similar or superior to the benefits provided under the Act.

4.31. The following number of factories in various States|Union

Territories have been exempted from the operation of the scheme by individual notifications on merits of each case:—

Factories belonging to	No.
(1) Central Government	113
(2) State Government	246
(3) Local Bodies	75
(4) Public Sector	45
(5) Private Sector	26

4.32. In addition to the above factories, the factories of the following categories have also been granted exemption by general notifications:—

- (1) Factories belonging to Ministries of Defence & Railways.
- (2) Factories situated in sparse areas having an insurable population of less than 500 (Exempted under Section 73-F of the Act only).
- (3) Factories engaged in the following processes which are considered seasonal in nature in terms of Section 2(12) of Employees' State Insurance Act:—
 - (i) Redrying unmanufactured leaf tobacco;
 - (ii) Rice Milling;
 - (iii) Cold Storage (with manufacture of Ice);
 - (iv) Salt Manufacture;
 - (v) Oil Mills;
 - (vi) Ice Manufacture;
 - (vii) Wool pressing either with or without Cotton pressing and ginning (Exempted under Section 87 and 73-F of the Act).

4.33. According to the general policy for granting exemption, the Government and local body factories are granted exemption provided that the benefits available to the employees are substantially similar to those provided under the ESI Scheme. The public and private sector undertakings are granted exemption if the benefits admissible to the employees on an overall assessment are

superior to those provided under the scheme. It is also necessary that workers should agree to the exemption being granted. The wishes of the workers are ascertained by the employer displaying a notice together with a copy of application for exemption, saying that the objections, if any, of the workers to the grant of renewal of exemption might be sent by them to the concerned Regional Director direct.

4.34. In response to a question, it has been stated that the cases of exemption to Government factories under section 90 are not subject to periodical review, but exemption is renewed on year to year basis where it is granted by individual notifications. The exemptions to private and public sector undertakings under Section 87 are granted on year-to-year basis and are subject to periodical review. The representative of the Ministry, however, during his evidence, assured the Committee that there is no discrimination as such in deciding whether any one in the private or public sector is entitled to or is eligible for exemption.

4.35. Asked during evidence whether any administrative difficulties were envisaged if all sorts of exemptions were done away with by amendment of the Act, the Director General stated as under:—

“Speaking for myself, I would personally welcome it, because it has been somewhat a matter of surprise to me that there should be no anxiety or serious concern in the Corporation with regard to this extension of activities. If we feel that a scheme of security, as provided by the Employees’ State Insurance Act is a good thing, then we must extend it and also try to have uniformity of standards all over the country as far as labour population is concerned. After all if we start giving exemptions wholesale, naturally our sphere of activities will have to shrink and our finances will be lowered. We will not be able to have coverage nor we would be able to offer best facilities to workers. It is all a question of pooling of resources, and more we will have the greater the income and greater the facilities that we will be able to offer.”

4.36. The Director General, however, subsequently added:—

“I would not say that the stage has now come where we should do away with exemptions. I think of long term policy.....In most of the factories which are exempted today, workers have got a reasonable protection against diseases, bad health and accidents. I am only thinking of eventually”.

4.37. In reply to another question, the Director General stated that for exemptions the employees and not the employers were found to be keen as they did not want to pay. For example in Jamshedpur—specially in TELCO, TISCO and other big firms, the Director General mentioned, there exists a strong feeling amongst workers about the extension of the Scheme to them and because of this 10 to 12 thousand workers in small units were getting no kind of facilities.

4.38. The question of granting exemption was also considered by the ESIS Review Committee. The Review Committee made the following suggestions:—

- (i) The provisions in the Act for grant of exemption to certain establishments should be tightened up so as to permit exemption only in exceptional circumstances or where administratively it is not possible to reach the benefits of the Scheme to particular groups of employees.
- (ii) Exemption may be granted only when:
 - (a) The prevailing benefits enjoyed by the employees in the establishment concerned are superior on an overall assessment to those that could be provided under the Employees' State Insurance Scheme; and
 - (b) The employees concerned themselves clearly desire that the establishment should be exempted from the application of the Scheme.
- (iii) No distinction should be made between the private sector and the public sector in the grant of exemptions.
- (iv) All cases where exemption from the scheme is applied for should be carefully screened by a suitable machinery to ascertain the overall superiority of the prevailing benefits. The representatives of the labour organisations should be associated with the screening process.
- (v) To ensure uniformity, the authority to grant exemption should vest in the Central Government, which should be guided in its decision by the recommendations that the Employees' State Insurance Corporation may make after each application for exemption is screened as recommended in (iv) above. The Central Government will doubtless consult the State Government concerned also.

- (vi) Exemptions granted as above should be subject to periodical review.

4.39. The Committee are in general agreement with the recommendations made by the ESIS Review Committee in regard to tightening up of the statutory provisions and the procedure relating to the grant of exemption from the scheme. The Committee would further recommend that all cases of exemptions after having been processed by the machinery as suggested by the Review Committee should be carefully considered by the Corporation/Government.

CHAPTER V

CONTRIBUTIONS

A. Employee's and Employer's Contribution

5.1. The Employees' State Insurance Scheme is financed mainly by the contributions of the insured persons and their employers. The rates of these contributions have been fixed into nine slabs as indicated below (vide Schedule I to the Act):—

TABLE

Group of employees whose average daily wages are	Employees' weekly contribution (recoverable from employees)	Employers' weekly contribution	Total weekly contribution (employers' and employees' contribution)
	P	P	P
1. Below Re. 1	Nil	45	45
2. Re. 1 and above but below Rs. 1.50	Nil	45	45
3. Rs. 1.50 and above but below Rs. 2	25	50	75
4. Rs. 2 and above but below Rs. 3	40	80	120
5. Rs. 3 and above but below Rs. 4	50	100	150
6. Rs. 4 and above but below Rs. 6	70	140	210
7. Rs. 6 and above but below Rs. 8	95	190	285
8. Rs. 8 and above but below Rs. 15	125	250	375
9. Rs. 15 and above	175	350	525

Employee's Contribution

5.2. The rates of Employee's contribution and Employer's Contribution according to the above Table are in the ratio of 1:2. However, as stated earlier in Chapter I of the Report, in view of the objection raised by the employers of Delhi and Kanpur at the initial stages of implementation of the scheme to those areas, the Act was amended in 1952 and a new Chapter VA entitled 'Transitory Provisions' was inserted to provide for the levy of Employer's Special Contribution all over the country at such percentage of the total wage bill of the employer as may be notified by the Central Government but not exceeding 5 per cent, in lieu of the Employer's Contribution specified in Schedule I to the Act. The Central Government accordingly notified the rate of Employer's Special Contribution as 1 $\frac{1}{4}$ th per cent of the total wage bill for employers in the areas where benefit provisions of the Act were enforced (i.e., implemented areas) and as $\frac{3}{4}$ th per cent of the wage bill for employers in non-implemented areas. While the rate for non-implemented areas continues to be the same upto date, the rate for implemented areas has been raised to 2 $\frac{1}{2}$ per cent with effect from 1st April 1962, to 3 per cent from 1st April, 1968 and to 3 $\frac{1}{2}$ per cent from 1st January 1970. The rate has been raised further to 4 per cent with effect from 1st April, 1970. Thus, at present, while the rate of Employees' Contribution work out to be about 2.3 per cent of the wages, the rate of Employer's Special Contribution is only 4 per cent, though of course excluding the rate in non-implemented areas. In any case, the present rate of Employer's Special Contribution is even now not in the ratio of 1:2 as envisaged originally.

5.3. While introducing the transitory provision relating to Employer's Special Contribution in lieu of the scheduled rate, the assumption besides to avoid any competitive disadvantages for employers in implemented areas over those in non-implemented areas, was that the total collection on account of Employer's Special Contribution in both the implemented as well as non-implemented areas would be more or less equal to the collection which would have otherwise been made at the rate specified in Schedule I to the Act. This assumption, however, proved valid only for the first few years of the working of the scheme. The Employee's Contribution realised during subsequent years, instead of being half of the total Employer's Special Contribution, far exceeded the amount of Employer's Special Contribution. Although the position showed sign of change from 1962-63 after the rate was raised in April, 1962 and April, 1968, it still does not conform to the ratio under the original

provisions. The following statement indicates the amount of Employees' Contribution and Employer's Special Contribution received during the years 1951-52 to 1968-69:—

Year	Employees' contribution	Employers' Special Contribution
	Rs.	Ra.
1951-52	1,24,109	NIL
1952-53	30,73,643	1,31,40,677
1953-54	34,69,007	1,76,43,594
1954-55	97,26,312	1,87,89,480
1955-56	2,39,61,290	2,25,29,288
1956-57	3,22,02,234	2,59,39,404
1957-58	3,52,53,954	2,83,41,308
1958-59	3,81,11,950	2,90,24,081
1959-60	4,08,09,252	3,18,53,731
1960-61	5,01,07,123	3,73,62,109
1961-62	5,43,20,024	4,01,53,612
1962-63	6,01,68,840	6,53,66,265
1963-64	6,64,13,980	8,10,90,05
1964-65	8,87,93,177	9,96,74,412
1965-66	10,39,69,964	11,67,12,838
1966-67	11,50,80,309	12,93,37,103
1967-68	12,44,28,148	13,64,06,909
1968-69	13,96,81,277	18,42,65,198
TOTAL	98,96,77,193	1,07,76,30,058

5.4. The Employees' Organisations in their memoranda submitted to the Committee have represented to the Committee that the rate of contribution payable by the employers should be raised to the scheduled rate.

5.5. During evidence, the Director General also conceded that it was the ripe time for repealing the Transitory Provisions of Chapter VA.

5.6. In this connection, it may be recalled that the Study Group on Social Security set up by the Ministry of Labour and Employment recommended in its Report (1958) that as soon as sixteen lakhs of workers were covered by the benefit provisions of the Act, the contribution from employers in the covered areas should be raised to the statutory maximum and from the same date levy of contributions on employers in the uncovered areas should cease. Recently the ESIS Review Committee also recommended that the Transitional Provisions should be dropped forthwith.

5.7. The Committee are surprised to note that inspite of the recommendation made by the Study Group on Social Security in 1958 and again by the ESIS Review Committee in 1966, the Government have thought it fit to retain the transitory provisions in the ESI Act upto now. They consider that the retention of these provisions for such a long period have neither been conducive to the implementation and growth of the scheme nor even served the interest of employers as a whole. With the recent decision of the Government to raise the Employer's Special Contribution to 4 per cent for implemented areas in order to enable the Corporation to meet its outstanding liabilities on revenue account and a part of its committed capital programme, it has become clear that Government too are veering round to the view that the restoration of the scheduled rate of employer's contribution is essentially called for. The Committee urge that Government should take early steps to repeal these provisions so that the financial resources of the Corporation to that extent are assured and facilitate future planning.

Employers' Contribution

5.8. Under the existing provisions, an insured person whose average daily wage is below Rs. 1.50 is exempted from payment of employees' contribution. The original limit of Re. 1 was enhanced to the present limit by the Amendment Act of 1966. It is understood that the proposal itself to increase the limit was originally made in 1961.

5.9. In a memorandum submitted to the Committee, an Employees' Organisation has suggested that the exemption limit should be raised to Rs 3. However, another Employee's Organisation has favoured the limit of Rs. 2.

5.10. The question of raising the exemption limit was considered by the ESIS Review Committee who recommended the raising of the limit to Rs. 2 immediately with a provision for review of the position at the time of the next valuation.

5.11. In response to a question if any decision has by now been taken on the above recommendation of the Review Committee, Government have stated:—

“This was one of the recommendations of the ESIS Review Committee on which a note of dissent was appended by the representatives of the employees. The view of the representatives was that the exemption limit should be raised immediately to Rs. 3 per day instead of Rs. 2 per day. The Corporation accepted the wage limit of Rs. 2 per day as recommended by a majority of the members of the ESIS Review Committee for exemption from payment of Employees' Contribution. The Chairman of the Corporation (Union Minister for Labour, Employment and Rehabilitation) suggested that the question of exemption from payment of employees' contribution in respect of employees drawing not less than Rs. 2 per day and not more than Rs. 3 per day may be left to the Government for decision.

As this is a recommendation, which was not unanimous, it has to be placed before the Standing Labour Committee of the Indian Labour Conference in accordance with the decision of the Committee that the Unanimous recommendation of the ESIS Review Committee accepted by the ESI Corporation should be implemented expeditiously and the rest may be brought up before it (the Standing Labour Committee) again.”

5.12. In this connection, the National Commission on Labour has made the following observations:—

“Since the publication of the report in February, 1966, the price level has gone up further. Keeping in view the accepted principles for exempting the low-paid employees from payment of contributions and taking a long view of the matter and the suggestions we have made under “Remuneration for Work”, we recommend that the limit for exemption should be raised to Rs. 4 per day.”

5.13. The representative of the Ministry during his evidence informed the Committee that Government would take a decision on this question when they considered other recommendations of the Labour Commission.

5.14. The Committee are of opinion that in view of a marked rise in the cost of living index in recent years, early steps should be taken by the Government to raise the exemption limit to Rs. 3.00 per day.

Recovery & arrears of contributions

5.15. According to Section 40 of the Act, the principal employer is responsible for payment of both the Employers' Special Contribution and Employees' Contribution in respect of every employee, whether directly employed by him or by or through an immediate employer. He is entitled to recover the Employee's Contribution from the employees' wages. He can also recover from the immediate employer the total contribution paid on his behalf. In turn, the immediate employer is entitled to recover Employee's Contribution from the wages of the employees employed by or through him. The recovery of the contribution from the employees has to be from the wages pertaining to the period to which the contribution relates and not otherwise. The Act provides for payment of contributions for each week during the whole or part of which an employee is employed whether or not wages are paid.

5.16. The Regulations relating to the collections of contributions provide that every contribution payable under the Act shall be paid by affixing contribution stamps on the Contribution Card of the employee. An exception is made where, subject to the directions of the Standing Committee, the Director General has approved of an arrangement for payment of the contribution in cash or payment of the contribution through franking machine for which licence is granted by the Corporation subject to fulfilment of certain conditions.

5.17. The employers are required to maintain a separate Contribution Card in respect of each employee. The Contribution Card remains current till the end of the contribution period in respect of the person to whom it relates. After the expiry of each contribution period the Contribution Card are required to be returned to the Corporation alongwith a Return of Contribution Cards in triplicate within a specified time. The insured persons are divided into 3 sets A, B and C and for each of these sets the Contribution Period commences and ends on different dates. There are, thus, six Contributions Periods in a year and Contribution Cards are required to be sent by the employer to the Corporation at the end of each contribution period.

5.18. The Employees' Contribution is payable at the expiry of forty-two days of the ending of each contribution period. The Employer's Special Contribution is payable quarterly in respect of quarters ending on 31st March, 30th June, 30th September and 31st December each year, and within thirty days of the ending of each quarter. It is stated that in actual practice, the employers do not adhere to the prescribed time-limits and generally clear the dues within 3 to 9 months of the expiry of the above time limits.

5.19. According to the information furnished to the Committee, the percentage of compliance in respect of payment of Employer's Special Contribution within the permissible time limits during the last five years is given below:—

Year	Total {No. of Employers	No. of Employers who paid in time	Percentage of # employers who paid in time
1964-65	15,677	7,574	48.3% 1
1965-66	17,103	7,091	41.5%
1966-67	17,797	7,928	44.5 %
1967-68	18,520	5,516	29.8%
1968-69	19,210	5,005	26.1%

5.20. Similar percentage of compliance in respect of employee's contribution is not readily available with the Ministry. It has, however, been stated that an idea can be had from the statistics which were specially collected in respect of six Contribution Periods that ended during January, 1968 to December, 1968. In respect of these Contribution Periods the percentage of Contribution Cards received within the stipulated period of 42 days was 25 per cent.

5.21. The actual percentage of the amount of Employers' Special Contribution and Employees' Contribution recovered within the permissible time-limits is not readily available. The number of employers in respect of whom the Employers' Special Contribution and Employees' Contributions were in arrears for more than 3 months, 6 months, 9 months and beyond that period during the last 3 years is also not readily available.

5.22. The Committee enquired what steps are taken to realise the arrears of contributions soon after the grace period for the payment of amount due expires. In reply, Government have stated as follows:—

“The quarterly returns pertaining to payment of Employers’ Special Contribution become due within 45 days of the expiry of each quarter. The payments are made by the employers in the State Bank of India for credit to Employees’ State Insurance Fund. Intimation regarding this payment is received by the Corporation by way of a copy of the challan sent directly by the Bank. The receipt of challan from the Bank, entries in the Cash Book and in the Employers ledger, receipt of quarterly returns from the employers, their scrutiny and comparison with the challans and entries in the employers ledger, takes nearly 3-4 weeks. In view of this a statement of defaulting employers is prepared after 4 weeks of the expiry of grace period for each quarter and first reminder is issued in the fifth week of the expiry of the quarter. The list of defaulters is again reviewed after 1 week of the issue of first reminder and a second reminder is issued within 2 weeks thereafter. Again a review is made after 2 weeks and final list of defaulters is prepared. As the number of defaulters is usually considerable it takes about 3 months after the preparation of the final list to complete issuing of notices to defaulters for taking legal action for recovery of the dues under Section 73-D. In the legal notice a period of 21 days is given to the employers for compliance and legal action is invariably taken within 30 days of the issue of the legal notice. Legal action in all cases of default in payment of Employers’ Special Contribution is invariably completed within 6 months of the expiry of each quarter.

The Employees’ contribution is payable by means of adhesive stamps affixed on contribution cards which have to be submitted within 42 days of the expiry of each contribution period. A review of compliance by employers is completed within about a month of the expiry of the grace period and legal notices to defaulters are issued immediately therefor. Legal action under Section 45 (B) 75 (2) for recovery of Employers’ Contribution is invariably completed within 48 days of the grace period.”

5.23. Government have further indicated that no extension of time

for payment of contributions beyond the grace period is given as a matter of course. However in certain cases where a factory runs into financial difficulties, or goes under liquidation etc. proposals are received from employers of such factories for payment of contributions in arrears in instalments. As in such cases recovery of arrears by following the normal legal procedure takes considerable time, the matter was examined by the Standing Committee of the Corporation at its meeting held on 16-11-1967 and it was decided to agree to clearance of arrears by such employers subject to following conditions:—

- (a) The payment of current dues both of Employers' Special Contribution and Employees' Contribution as they arise should be insisted upon.
- (b) In case of arrears of contribution the policy normally should be:—
 - (i) Arrears of Employees' Contribution should be recovered in lump sum as these represent the amounts already deducted by the employers out of the wages of the employees.
 - (ii) In regard to the arrears of Employers' Special Contribution these may be recovered in suitable instalments as the Director General may consider fit.

Precautions are also taken to safeguard the interest of the Corporation by generally requiring the employers to mortgage some property in favour of the Corporation before agreeing for any deferred payments.

5.24. During evidence the Director General informed the Committee that out of the total contributions collected, 1 to 2 per cent were in arrears. He also stated that out of the total arrears of Rs. 450 lakhs, about Rs. 267 lakhs were due from the textile industry alone, which had accumulated as a result of recession in the industry. However, subsequently in a written note, the Committee have been informed that the total arrears for the period from 24-2-52 to 31-3-69 stood at Rs. 604 lakhs and out of that the amount payable by the Textile Industry alone was Rs. 245 lakhs. For recovery of the arrears, the Director General explained, two alternative procedures were available—one by certificate procedure through collectors, other by launching prosecution under section 85 of the Act. Asked whether more statutory powers were needed to speed up the recovery process, the Director General stated that an amendment to the Act was

contemplated to provide fine per day of default in addition to conviction of a defaulter. In response to a question whether the contributions could be collected as a duty of excise or as a cess, the Director General replied that he would get it examined.

5.25. The recovery of contributions as arrears of land revenue *i.e.* through Collectors is stated to be generally easier and quicker as compared to the recoveries made by resort to regular civil process.

5.26. The adequacy of the penal provisions contained in Section 85 of the Employees' State Insurance Act, 1948 was examined by ESIS Review Committee. After detailed examination the ESIS Review Committee, made the following recommendations:—

“The Act should provide that on conviction the employer should also be required to pay the contribution not paid in addition to fine/imprisonment that may be imposed.”

“The employer should be required to submit Contribution Cards even when the contribution is recovered through a Court Decree. A provision should be made in the Act that if a Principal Employer fails or refuses to submit the Contribution Cards or any other Returns required under the Act or the Regulations, he shall be punishable with fine which may extend to 50 rupees per day during which default continues in addition to the punishment already provided in Section 85 of the Act.”

“Non-payment of Employees' contribution which has already been deducted by the employer from the wages of the employees should be treated as a breach of trust and provision to that effect may be made in the Employees State Insurance Act itself. Such cases should be punishable under the provisions of the Indian Penal Code.”

5.27. The above recommendations of the Review Committee were considered by the Standing Committee and the Corporation and the same were accepted. However, these recommendations can be given effect to only when the Act is amended.

5.28. The question was again considered by the Standing Committee in its meeting held on 24-6-1969 and it decided that draft amendments to the Employees' State Insurance Act on the basis of the ESIS Review Committee recommendations might be circulated to the members of the Standing Committee. Draft amendments to the Act on this point have since been sent to the Ministry of Labour and Employment for consideration.

5.29. In reply to a question, it has been stated that the interest provided under Regulation 31-A is charged at the rate of 6 per cent per annum in respect of each day of default or delay in payment of contributions. It is charged from the due date to the date of payment in all cases including those where clearance of arrears in instalments is agreed to.

5.30. The Committee note that out of the total contributions for the period from 24th February, 1952 to 31st March, 1969, the total arrears are only Rs 604 lakhs. They, however, feel concerned to find an extremely low percentage of recovery of both the Employees' Contribution as well as Employers' Special Contribution within the prescribed time-limits. This tendency to avoid payment within the prescribed time limit has in effect extended further the grace period by three to nine months for payment of contributions. The Committee would like that ways and means should be devised to ensure the recovery to a maximum extent within the prescribed time limit itself. In their view there appears to be no reason as to why the Employees' contribution which is deducted at source from the wages, should not be received within the prescribed limit. The Committee recommend that besides amending the Act to make the penal provision more stiff as suggested by the Review Committee, the desirability of enhancing the rate of interest provided in Regulation 31-A may be examined. Suitable procedure may also be evolved to reduce the period taken to finalise the list of defaulters so that the legal action could be initiated without any undue delay.

5.31. One notable aspect in regard to the present arrears is that the bulk of the amount is found to be due from the big industries like textiles etc. The main factor responsible for it is stated to be the industrial recession which affected these industries in 1965. In the opinion of the Committee, this reason does not hold valid any longer in view of the improved economic situation. At any rate, the Committee would like the Government to examine the feasibility of providing by law the collection of Employer's and Employee's Contributions as a cess or as excise duty atleast from the organised sector of industries. They feel that this way of collection would ensure speedy and easy recovery of contributions and also obviate the huge sums of contributions falling in arrears. This may also result in reduction of administrative cost of collection of contributions.

B. Contribution by the Central Government

5.32. Section 27 of the Act provided that the Central Government would meet two-thirds of the cost of the administrative expenses of

the Corporation for a period of five years since inception. In pursuance of that provision, the Central Government gave the following amount as grant-in-aid for the initial five years:

Year	Grant-in-aid	
	Rs.	As.
1950-51	2,92,067	11
1951-52	7,08,420	00
1952-53	8,56,313	00
1953-54	12,79,053	00
1954-55	9,29,248	08
	<hr/>	<hr/>
	40,65,102	03

5.33. The Central Government is not making any grant or giving subsidy of any kind after 1954-55. The above provision in the Act has also since been deleted as it was applicable only for the first five years.

5.34. It has been suggested to the Committee that the Central Government should bear a fair proportion of the cost of the scheme.

5.35. It is noticed that financial participation of the Government in the cost of social security schemes is now a well-recognised feature of such schemes in most of the countries of the world. Even in the developing countries, the States are assuming to an ever-increasing extent financial responsibility for social security. In a country like Japan, Government meets 40 per cent of the cost on sickness, maternity and employment injury benefits, 33 per cent cost of administration and also grants annual subsidy.

5.36. In this connection, it may be worthwhile to recall the views of Prof. Adarkar who had suggested that "financial participation of the State including both the Government of India and the Provincial Governments, would be eminently desirable feature of the scheme". Similarly, the two I.L.O. Experts, Messrs. Stack and Rao who were entrusted by the Government to examine the Adarkar's scheme of Health Insurance, were also of the view that since the Health Insurance Fund would be controlled at the Centre and the Government of India would be largely represented in the administration, Central Government should assist the Fund with grants. They had in fact suggested that the cost to be charged to the Central Government should be two-third of the cost of administration of the Insurance Fund.

5.37. Recently, the ESIS Review Committee also recommended that the Central Government should bear a fair proportion of the cost of the Scheme. According to the Committee, the Central Government's share should be on a per capita basis calculated with reference to the total number of employees covered under the Scheme from year to year, the amount payable, however, being not less than the aggregate contribution of all the State Governments for medical care.

5.38. The Review Committee felt that since the Central Government had an over-riding control over the funds and affairs of the Corporation, the Central Government should contribute towards the cost of the scheme. The Review Committee also felt that unless the Central Government shared the cost, only a limited improvement would be possible in the benefits available to the workers.

5.39. It has been added that the suggestion that the Central Government should contribute towards the cost of the Scheme was also considered by the Committee which recently reviewed the financial position of the Corporation but it did not make any recommendation to this effect.

5.40. In reply to a written question, it has been stated that the above recommendation was considered in the meeting of the Corporation held in October/November, 1966 and it was decided that *status quo* may continue. The view taken then was that the State Governments were already contributing to the Scheme and therefore, there was no justification for further contribution by the Central Government to better the condition of a class of citizens (I.Ps.) who were already getting better service than the ordinary citizens. The recommendation of the Review Committee is, however, proposed to be placed before the Standing Labour Committee when it meets next.

5.41. During the course of discussion with the official representative of the Ministry, the Committee desired to know his point of view on the suggestion of Central Government making a contribution towards the scheme. He stated as under:

“The mere fact that the Corporation has certain powers would not in my opinion justify the stand that the Central Government should contribute towards the operation of this scheme. May I say that the origin of this scheme of Employees' State Insurance goes back to 1948. The Government of India decided to do something for providing these essential amenities to workers. It felt that it should take

the initiative and that it should be an All-India scheme. This scheme is a scheme financed essentially by the employees and employers. State Government have a certain responsibility for the provision of medical benefit to their citizens and for that reason they (the State Governments) bear a portion of the expenditure. Is it necessary that the Central Government should at all be asked to make any contribution? I am afraid I do not see the logic."

5.42. Asked whether in view of the fact that elasticity of raising the employer's contribution was limited to an extent, Centre should not be ready to help the scheme of social welfare, the representative added as follows:

"Such a scheme has been operating in many of the western countries. It is operated solely from the contributions of employers and employees, in certain cases the State also makes a contribution. That contribution by the State is made in India by the State Governments. We are operating in a federal set up. If there were no State Governments, I agree that the Central Government might have to make a contribution. The primary responsibility for the provision of medical services lies with the State Governments and they are making a contribution."

5.43. It may be relevant to mention here that recently Government have announced to contribute towards a newly proposed Family Pension-cum-Life Assurance Scheme applicable to employees contributing 8 per cent of their pay to their Provident Fund.

5.44. It can hardly be disputed that the benefits provided at present under the Employees' State Insurance Scheme, particularly with regard to provision of medical care, are by no means adequate to meet the needs of the working class. The ever-increasing rise in the cost of living seems to have become a permanent feature of our economy. Then there is growing consciousness too among workers about their rights and corresponding duty cast on their employers and the Government which is committed to the ideal of a Welfare State. It is, therefore, quite natural that the workers should ask for more and more with the passage of time. The need for wider coverage under the scheme, grant of hospitalisation facilities to the families of workers, construction of additional beds and provision of better and efficient outdoor, specialists' and indoor facilities also cannot be ignored for long. All these demands on the Corporation cannot obviously be met from within the limited resources of the Corporation

which are primarily built up from the employees' and employers' contribution and which can meet almost only the current revenue expenditure. It has also to be remembered in this connection that in other developing countries, a fair proportion of the cost of the scheme is borne by the State. The argument that State's share in India is contributed by the State Governments is untenable as the latter contributes only a meagre share of cost of medical benefit alone while the scheme provides other benefits too. For even public health services alone, the State in many countries bears substantial parts of cost of its financing, the proportion very often being around 20 to 30 per cent. In some countries, it is much higher. For example, in the British National Health Service, the State pays about 90 per cent of the cost the balance being met by a contribution from the National Insurance Fund, which itself includes a State contribution. Financial participation by the Central Government would also justify the control exercisable by them in relation to the affairs of the Corporation. The Committee would, therefore, strongly recommend that the Government of India should contribute towards the cost of the ESI Scheme. The share of their contribution should be determined by them in the light of the suggestions made by the ESIS Review Committee in this regard, the long-term needs of the scheme and the practice obtaining in other countries having similar benefit-giving schemes. Government should also consider the question of giving financial assistance to the Corporation by way of grant/loans specifically for the purpose of fulfilling its capital needs such as construction of hospitals|dispensaries, etc.

C. Contribution by the State Governments

5.45. As mentioned earlier, both Prof. Adarkar as well as I.L.O. experts favoured financial participation in the scheme by the Central and State Governments. As regards the financial responsibility of the State Governments, the I.L.O. experts observed that "the fact that the fund will, for some years to come, be assuming, if only for a limited group, a financial responsibility recognised to belong mainly to them, may be accepted to weigh in favour of financial encouragement from these Governments". As to the cost to be charged to each State Government, they suggested:

- (a) 1/3rd of the cost of medical care of standard quality (including the supply of surgical appliances for insured persons;

- (b) 2/3rd of the cost of medical care, like-wise of standard quality but less comprehensive than that provided for the insured persons, for wives and children; and
- (c) the excess cost of sickness benefit to insured persons in the State, over the average rate for the country as a whole.

5.46. While the I.L.O. experts made specific suggestions as to the apportionment of cost on medical care between the State Governments and the Corporation, the provisions in the Act (*vide* Section 58) left the matter to agreements which may be entered into by the Corporation and the State Governments.

5.47. Originally in 1950 the Corporation adopted the ratio of 2:1 for sharing the cost of medical care between the Corporation and the State Governments. This was in conformity with the suggestion of I.L.O. experts. Subsequently this ratio was revised to 3:1 when the scheme was to be implemented in Greater Bombay in 1954. The State Government, it is understood, suggested a reduction in their financial liability on the plea that their financial resources had been completely tapped for the plan schemes and it would not be possible for them to bear such a heavy financial burden. On extension of medical care to families of insured persons the ratio was further revised to 7:1 in 1957 when the State Governments again pleaded their inability to bear the additional financial burden. This is to be noted that while I.L.O. experts had suggested an increase in the State Governments' share to two-third in the event of extension of medical care to families of insured persons, the Corporation agreed the other way by reducing the State Governments' share even from one-fourth to one-eighth.

5.48. The Committee enquired as to what were other considerations which made the Corporation to decide subsequent variations in the share of the State Governments on medical care. In a written reply Government have stated as follows, indicating merely the decision taken by the Corporation in a chronological order:

- “(i) On 10th May, 1950, the Corporation approved that the expenditure on medical care under the Employees' State Insurance Scheme may be shared between the Corporation and the State Government in the ratio of 2:1.
- (ii) On 12th June, 1954, the Corporation approved by circulation that the sharing of cost of medical benefit between

the Corporation and the Government of Bombay may be in the ratio of 3:1 and that this revised ratio may also be applied to other States.

On 15th October, 1954, the Corporation approved that the sharing of cost of the ratio of 3:1 may be adopted from 1st July, 1954.

- (iii) On 29th April, 1957, the Corporation approved that the State Government's share on extension of Scheme to families might be reduced from 1/4th to 1/8th for the rest of the Second Plan, subject to the condition that the State Government's share should in no case be less than what they would have contributed under 1/4th formula. This was done to lighten the additional burden on the State Government, on extension of medical benefits to families.
- (iv) On 23rd August, 1960, the Corporation while approving provision of expanded medical care to families, decided that the expenditure may continue to be shared in the ratio of 1:7 where families are included, for the duration of the Third Five Year Plan.
- (v) On 6th August, 1965, the Corporation reviewed the position and decided that *status quo* might be continued during the Fourth Five Year Plan also in regard to the sharing of the cost of medical care. It also decided that the ratio of 7:1 may be adopted right from A-Day even though the families may be actually entitled to medical benefit only after 13 weeks, in view of the consideration that medical arrangements may have to be made also for families from A-Day."

5.49. It has been stressed before the Committee that 'Public Health' being primary responsibility of the States, State Government's share which is only one-fourth or one-eighth at present should be raised to an appropriate level. It has also been pointed out that *per capita* expenditure incurred by some of the States on their general population was even more than *per capita* expenditure represented by their share under the ESI scheme.

5.50. Following figures indicate the *per capita* expenditure spent by State Governments on their citizens and on insured persons under the scheme:

	<i>Per Capital*</i> expenditure on citizens	States' share on medical benefit per beneficiary under ESI Scheme
1. Andhra Pradesh	3.12	2.36
2. Assam	3.05	2.19
3. Bihar	1.95	1.67
4. Delhi	7.11	1.56
5. Gujarat	2.70	2.09
6. Haryana	2.40	0.94
7. Kerala	4.68	1.40
8. Madhya Pradesh	1.95	1.91
9. Maharashtra	3.55	1.61
10. Mysore	2.43	1.52
11. Orissa	2.22	0.97
12. Punjab	3.21	1.75
13. Rajasthan	3.68	1.43
14. Tamil Nadu	3.73	1.50
15. Uttar Pradesh	1.40	0.87
16. West Bengal	4.01	1.42
17. Pondicherry	14.25	0.91

(Source—India 1968)

5.51. The Committee further enquired as to whether any formal agreements have been entered into between the Corporation and the State Governments as stipulated under Section 58(3) of the Act and if so, on what dates. The position is stated to be as under:

	Year of extension of scheme	Date of agreement
(i) Andhra Pradesh	1955	11-10-1968
(ii) Assam	1958	21-2-1962

	Year of extension of scheme	Date of agreement
(iii) Bihar	1957	11-2-1957
(iv) Kerala	1956	21-5-1956
(v) Madhya Pradesh	1955	9-8-1962
(vi) Mysore	1958	1-6-1960
(vii) Orissa	1960	5-2-1958
viii) Punjab	1953	7-12-1957
(ix) Rajasthan	1956	4-7-1957
(x) Tamil Nadu	1955	23-3-1956
(xi) West Bengal	1955	22-4-1969

The Deeds of Agreements with all the State Governments have been entered on the lines of Standard Agreement (Appendix IX) with minor variations.

5.52. No agreements have so far been entered into with the Governments of the States of Gujarat, Haryana, Maharashtra and Uttar Pradesh and Union Territory of Delhi.

5.53. Asked whether Government proposed to specify in the Act itself the State's share and not leave it to any agreement to be arrived at between the State Governments and the Corporation, it has been stated that there is no such proposal at present. In their view, the method of agreement is more elastic and speedy.

5.54. The Committee are unhappy over the casual manner in which the Corporation agreed to the reduction in the share of the State Governments towards the cost of medical care from one-third to one-fourth and then to one-eighth, for which there existed no justification whatsoever except that the Corporation had got accumulated funds rendered surplus owing to slow implementation of the scheme. In fact according to the suggestions of the I.L.O. experts, the share of the State Governments should have been increased from one-third to two-third in the event of extension of medical care to families of workers; surprisingly it was reduced even further from one-fourth to one-eighth. Now the position is that many of the

States are not even spending that much per capita amount for medical care under the scheme, which they are otherwise spending on the general population in their respective States. Public health being their primary responsibility under the Constitution, actually it should not require much hair-splitting to make them realise their constitutional obligation and to shoulder the burden of a reasonable share of expenditure under the scheme. The Committee recommend that the matter should be reconsidered by the Corporation which is composed of State representatives also, with a view to raise the State's share to an appropriate level, in any case not less than what each State is normally spending on the general public, and if necessary Government of India should also use their good offices in the matter.

5.55. The Committee further suggest that the desirability of specifying the States' share in the statute itself without leaving it to the individual agreements, may also be examined at an early date.

Excess incidence of sickness benefit

5.56. Section 58(2) of the Act provides that where the incidence of sickness benefit payment to insured persons in any State is found to exceed the all-India average, the amount of such excess shall be shared between the Corporation and the State Government in such proportion as may be fixed by agreement between them. The Corporation may, however, in any case waive the recovery of the whole or any part of the share which is to be borne by the State Government.

5.57. Asked when for the first time the question of determining the all-India average of sickness benefit was taken up and which States were found to exceed the average, the Ministry have stated that the external auditors while auditing the Accounts of the Corporation for the year 1962-63 pointed out that the provision of section 58(2) of the Act has not been implemented. The Auditors had observed that during three years, i.e., 1959-60, 1960-61, and 1961-62 the incidence of sickness benefit was higher in the States of Andhra Pradesh, Assam, Kerala, Madhya Pradesh, Mysore, Tamil Nadu, Uttar Pradesh and West Bengal. The Corporation's reply to this observation was that since there was no all-India average which was a pre-requisite for application of Section 58(2), (as the benefit provisions had in January, 1964 been applied to only 68 per cent. of the total coverable employees) the question of recovery did not arise. The Auditors however took the view that the stand taken by the Corporation did not seem to be correct.

5.58. Thereupon the matter was placed before the Corporation at its meeting held on 21st April, 1964, when it was decided by the Corporation that the whole of the share to be borne by the State Governments in respect of periods upto 31st March 1968 may be waived and in respect of the periods beyond 1st April 1968 the matter may be reviewed early in 1967-68.

5.59 The above decision of the Corporation was conveyed to the Accountant General Central Revenues who raised a doubt whether the proviso to Section 58(2) confers on the Corporation competence for suspension in toto of the recoveries upto any particular date as had been done by the Corporation. The Legal Adviser of the Corporation was consulted in this connection, who gave the opinion on 22nd January 1965 that the provision of the E.S.I. Act came into play only if the 'All India Average' was available. He further said that since no 'All India Average' was known at that moment, no excess was determinable within the meaning of Sub-section (2) of Section 58 and as such no question of waiver on the part of the Corporation to recover the State Governments' share wholly or in part arises. He was of the view that in any case the Corporation had the discretion to waive recovery of the State Governments' share of the excess wholly or in part, *vide* proviso to Sub-section (2) of Section 58 of the Act and as such the Corporation had exercised its statutory discretion under this proviso.

5.60. The matter was referred to the Ministry of Law for opinion as recommended by the Public Accounts Committee in their Fifty-fourth Report (Third Lok Sabha) 1965-66. The Ministry of Law opined that they consider it reasonable to take the view that 'All India Average' should be worked out when a substantial number of States have been covered under the Scheme and action should be taken accordingly unless a competent Court takes a different view of the matter.

5.61. The question regarding waiver of recovery from State Governments under Section 58(2) of the E.S.I. Act, 1948 was then placed before the Standing Committee/Corporation at their meetings held on 16th and 18th November, 1967 respectively.

5.62. The Corporation agreed with the recommendation of the Standing Committee that waiver may not be made at this stage and the matter may be taken up with the respective Governments for recovery. Accordingly demands were made from the four concerned State Governments.

5.63. The amounts due from the various State Governments for which the demands have been made are as under:

Year	Andhra Pradesh	Kerala	Madhya Pradesh	Tamil Nadu	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
1962-63	3,861	46,236	..	2,31,037	2,81,134
1963-64	..	1,76,195	9,559	17,237	2,02,986
1964-65	21,360	1,29,977	4,659	2,386	1,58,382
1965-66	16,485	92,460	1,97,549	..	3,06,494
1966-67	37,345	1,21,928	3,36,431	..	4,95,704
1967-68	..	1,71,259	2,39,716	..	4,10,975
Total	79,051	7,38,055	7,87,914	2,50,655	18,55,675

5.64. In addition, fresh demands for 1968-69 have been made from the two concerned State Governments as under:

Year	Kerala	Madhya Pradesh	Total
	Rs.	Rs.	Rs.
1968-69	5,111	1,10,567	1,15,678

Thus the total dues upto 1968-69 comes to Rs. 19,71,353-00.

5.65. As regards the period prior to 1962-63, no action was taken to effect recovery from the State Governments under Section 58(2) of the E.S.I. Act because upto 31st March, 1962 the coverage of E.S.I. Scheme was not large enough to justify the calculation of 'All India Average'. On this date it had covered only 18.65 lakhs insured persons which amounted to less than 64 per cent. of the total coverable employees. Moreover, the Scheme had not then been implemented in the State of Gujarat and even in West Bengal which is the most industrialised State in the country, the coverage amounted to 46.14 per cent. as the Scheme had not then been extended to 24 Parganas. The coverage on that date, was thus not wide enough or large enough to justify the calculation of 'All India Average'.

5.66. In reply to a question, it has been mentioned that the State Governments concerned from whom demands for recovery have been made, have requested for waiver on the following grounds:

- (i) 'All India Average' should be arrived at only when the

Medical Benefit is equal in all the States and common to the country.

- (ii) The question of 'All India Average' does not arise as the scheme has not been implemented to all parts of the country.
- (iii) The 'All India Average' should be worked out separately for 'Service Area-wise' and 'Panel Area-wise'.
- (iv) Corporation's claim is not justified as the Scheme has not been extended uniformly to all places in the country, leave alone complete coverage in individual States and as such an average of the incidence of 'All India Sickness' cannot reflect the correct figure and therefore Clause 25 of the agreement is not applicable.
- (v) Comparatively lesser expenditure on Medical Benefit in the State under the E.S.I. Scheme as compared to the 'All India Average'.
- (vi) Increase in number of patients and increase in coverage.
- (vii) The insured persons have become more health conscious due to the E.S.I. Scheme.
- (viii) Climatic conditions, want of proper diet and bad housing facilities.
- (ix) Provision of better facilities under the Scheme of which the workers want to take advantage.
- (x) The incidence of sickness is generally high in family members than the insured persons.
- (xi) Prevalence of various diseases and deficiencies amongst the beneficiaries.
- (xii) Economic backwardness of the State, unemployment, malnutrition, poverty, prevalence of epidemic diseases, high incidence of sickness and high density of population.

5.67. However, none of these reasons have been admitted as being valid for the waiver and the State Governments have been informed accordingly and requested to pay the dues. But so far none of the States have agreed to pay the dues and have, in fact, been insisting for waiver again and again. The matter is under consideration and correspondence with the State Governments concerned.

5.58 Asked during evidence whether the Deed of Agreement executed by the Corporation with these State Governments contained

a clause for sharing of excess sickness benefit on the lines of clause 25 of the Standard Agreement (Appendix IX), the Director General replied in the affirmative. He stated that according to the agreement, the formula for sharing the excess sickness benefit was: upto 25 per cent. excess over all-India average the Corporation would bear the full amount; between 25 per cent. and 50 per cent. the Corporation was to bear 2/3 and the State Governments 1/3; between 50 per cent. to 100 per cent. Corporation's share was to be 1/3 and the State Government's 2/3; above 100 per cent. the entire amount was to be borne by the State Governments. He further informed the Committee that the Agreements also provided that if the State Governments did not pay their share, it could be adjusted by the Corporation against its own share to be paid to the State Governments on account of medical benefit.

5.69 The Committee regret to find that the question of determining the excess incidence of sickness benefit in different States, in pursuance of the clear statutory provision to that effect, received the attention of the Corporation only after having been reminded of the same by the Audit. In their opinion there appears to be hardly any justification for waiving the amount found to be due from the concerned State Governments on this account, especially in view of the unambiguous provision of the Act and the agreements arrived at between the Corporation and the State Governments. The Act does not require that the benefits under the scheme should accrue to the last person before the All India average can be computed. The Committee hope that the amount would be recovered from the concerned States without any further delay or in the alternative recourse would be had to adjust the same against the Corporation's liability on account of medical care as stipulated in Clause 21 of the Deed of Agreement between the States and the Corporation.

CHAPTER VI

CASH BENEFITS

A. Standard of Benefits

6.1. The Employees' State Insurance Act provides for five types of cash benefits, namely, sickness benefit, maternity benefit, disablement benefit, dependant's benefit and funeral benefit, arising from contingencies such as sickness, maternity, employment injury and death. The first four benefits comprise periodical cash payment at a specified rate to the insured person or to his dependants on fulfilment of prescribed conditions. The fifth benefit comprises of payment of a lump sum to the eldest surviving member of the family of the insured person or to the person who actually incurs the expenditure on the funeral of the deceased insured person.

Sickness Benefit

6.2. An insured person is eligible for sickness benefit in the case of his sickness certified by a duly appointed medical practitioner and on fulfilment of qualifying condition of payment of a minimum of thirteen weekly contributions in the corresponding contribution period. The benefit is not admissible for the first two days of sickness (called waiting period) except in the case of a spell of sickness following at an interval of not more than fifteen days, the spell of sickness for which sickness benefit was last paid. The 'Standard Benefit rate' corresponding to each wage group has been specified in Schedule I to the Act and is roughly 50% of the average daily wage. The benefit is payable for maximum fifty six days in any two consecutive benefit periods.

6.3. Section 99 of the Act provides that the Corporation may, at any time when its funds so permit, enhance the scale of any benefit admissible under the Act and the period for which such benefit may be given. In pursuance of this provision, the Corporation resolved in October, 1954 to grant sickness benefit for an extended period upto 18 weeks beyond the normal entitlement of 56 days (called as Extended Sickness Benefit) to insured persons suffering from tuberculosis and who have been in continuous employment for a period of two years. The resolution became effective from 1st June, 1956. Since the other diseases like leprosy etc. of a prolonged nature have

been covered for the purposes of Extended Sickness Benefit. The qualifying conditions for eligibility have been liberalised and the duration of the benefit has also been extended upto an additional period of 309 days after availing normal entitlement of 56 days. The rate of benefit was half the rate of sickness benefit or As. 12 per day whichever more, upto 31st December, 1963. From the 1st January, 1964 it has been raised to full sickness benefit rate. From the 15th April, 1969, various diseases for admissibility of this extended benefit have been rationalised and divided into two groups—(i) those for which benefit is payable for a period of 309 days, and (ii) those for which benefit is payable for a period of 124 days only.

6.4. As against the provision of sickness benefit in India for the duration of fifty-six days (8 weeks) almost all the developed as well as developing countries of the world, including Asian countries like Burma and Japan, provide sickness benefit for and upto a period of at least twenty-six weeks; even Pakistan provides it for 91 days i.e. 13 weeks. The duration is even more in some countries such as 52 weeks in Finland, France and U.K. (no limit after 156 weeks of paid contributions). In Brazil, it is payable upto 2 years while it is paid for the entire duration of sickness in China (Communist). West Germany, Sweden and U.S.S.R. In the case of T. B. or other long term or chronic diseases, sickness benefit is payable for an unlimited period in Norway and UAR, while in India it is extended upto a total period of 52 weeks only.

6.5. In the I.L.O. Convention (No. 102), 1952 concerning minimum standards of social security, the minimum duration of sickness benefit for developing countries is 26 weeks.

6.6. As regards the rate of sickness benefit, in many countries, it ranges between 60% to 90% of earnings of the insured person. For example, in China (Communist) it varies from 60% to 100% according to length of service with the same employer for the first six months; in Japan it is 60%; in UAR it varies from 75% to 80%; in France it is increased from 50% to 66% after 30 days if the insured person has three or more children; in West Germany it is 65% during first 6 weeks and is increased to 75% thereafter; in U.S.S.R. it is 50% to 90% varying with the number of years of service with the same undertaking and in Brazil it is 70%.

Maternity Benefit

6.7. This benefit is payable to an insured woman in case of confinement or miscarriage or sickness arising out of pregnancy, confinement, premature birth of child or miscarriage certified by duly

appointed doctor. The qualifying condition for claiming this benefit is the same as for sickness benefit *i.e.* payment of contribution for a minimum of 13 weeks during the corresponding contribution period. The daily rate of benefit payable in respect of confinement occurring or expected to occur during any benefit period is equivalent to twice the standard benefit rate corresponding to the average daily wages in respect of the insured woman during the corresponding contribution period, for all days on which she does not work for remuneration during a period of twelve weeks of which not more than six shall precede the expected date of confinement. This rate comes to about full daily wage. Similarly in case of miscarriage the insured woman is entitled to maternity benefit at the said rate for all days on which she does not work for remuneration during a period of six weeks immediately following the date of her miscarriage. In case of sickness arising out of pregnancy, confinement, premature birth of child or miscarriage, the insured woman is entitled, in addition to the maternity benefit payable to her under any other provision of the Act for all days on which she does not work for remuneration, to maternity benefit at the said rate for all days on which she does not work for remuneration during an additional period not exceeding one month.

6.8. The above rate and duration of the maternity benefit compare favourably with the rate and duration set out in the I.L.O. Convention and also in most of the countries.

Disablement Benefit

6.9. The disablement benefit is payable to an insured person suffering from disablement caused by an employment injury sustained as an "employee", which also includes contracting of certain occupational diseases in the course of employment. The only condition to be satisfied is that the disabled person should be in insurable employment on the date of accident resulting in employment injury. Disablement may be temporary or permanent—partial or total. The extent of disablement is decided by an independent Medical Board with a right of appeal to the Appeal Tribunal.

6.10. Temporary disablement benefit is paid as long as the temporary disability lasts. This is not payable if the temporary disablement continues for less than three days. But if it continues beyond that period, the benefit is payable from the very first day of incapacity. Permanent disablement benefit is payable for a limited period or for life, as the case may be.

6.11. The daily rate of disablement benefit is twenty-five per cent more than the standard benefit rate rounded to the next higher multiple of five paise corresponding to the average daily wages in the contribution period corresponding to the benefit period in which the employment injury occurs. This is called 'full rate'. For temporary disablement and permanent total disablement, the benefit is payable at the full rate. For permanent partial disablement, it is payable at such percentage of the full rate as may be computed in accordance with the provisions laid down in Schedule I to the Act.

6.12. In many countries, *viz.*, Burma, Japan, Pakistan, South Africa, Finland, Norway, U.K. and Brazil, the temporary disablement benefit is payable upto a specified period only whereas in India it is payable for the entire duration of the incapacity. Similarly, while permanent disablement benefit is payable in India as life pension its payment is limited to certain prescribed ceilings of amount as well as duration as in Australia, Ceylon, New Zealand, Argentina and Brazil. The temporary disablement benefit rate is also higher than in Japan (60 per cent.), Pakistan (60 per cent.) and France (50 per cent. for first twenty-eight days). It is however, observed that an additional supplement for dependants is allowed in many countries like New Zealand, West Germany, Finland, Norway, Sweden, U.K. and U.S.A. (in 1/3 of the United States). Thus, the standard of benefit in India compares fairly well with the standard set out in I.L.O. Convention and obtaining in other countries.

Dependant's Benefit

6.13. If an insured person dies as a result of an employment injury sustained as an employee under this Act, dependant's benefit is payable to his dependants. The daily rate of this benefit is the rate twenty-five per cent. more than the standard benefit rate rounded to the next higher multiple of five paise corresponding to the average daily wages in the contribution period corresponding to the benefit period in which the employment injury occurs (called as full rate). The benefit is payable to the dependants as follows:—

- (i) To widow for life or until remarriage—at 3/5th of "full rate";
- (ii) To each legitimate or adopted son until age 18 and in case of legitimate infirm son who is wholly dependant on the earning of the insured person at the time of his death till infirmity lasts—at 2/5th of "full rate".
- (iii) To each legitimate or adopted daughter until age 18 or until marriage if earlier, and if infirm and wholly dependant on the earning of the insured person at the time of his death, till infirmity lasts and she continues to be unmarried at 2/5th of "full rate".

6.14. In case of deceased insured person who does not leave a widow or legitimate or adopted child, dependant's benefit is payable to other dependants namely, parent or grand-parent or to any other male or female dependant as specified in the First Schedule to the Act.

6.15 The above standard of benefit compares very well with the I.L.O. Convention, 1952 as well as the standard obtaining in other countries.

Funeral Benefit

6.16. The funeral benefit is a lump sum payment of an amount not exceeding Rs. 100 towards the expenditure on the funeral of the deceased insured person. It is payable to the eldest surviving member of the family of the deceased insured person or where the insured person did not have a family or was not living with his family at the time of his death, to the person who actually incurs the expenditure on his funeral.

6.17. The Committee note with satisfaction that the standard of maternity benefit, disablement benefit and dependent's benefit compares favourably with the minimum standard set out in I.L.O. Convention, 1952, concerning minimum standards of social security as also with the standards obtaining in other countries. They, however, regret to find that in the matter of sickness benefit particularly in regard to the duration, India lags behind most of the countries. In fact it does not conform even to the minimum standard laid down in the I.L.O. Convention. The Committee recommend that the duration for the admissibility of the sickness benefit should be enhanced to 91 days and thereafter gradually with the ultimate aim of achieving the I.L.O. standard of 26 weeks within a reasonable period.

6.18. The Committee further recommend that the list of diseases for extended sickness benefit should be periodically reviewed so as to include in it the diseases warranting extended benefit and omitting those which do not warrant such benefit. The feasibility of enhancing the rate of benefit for long-term diseases particularly like cancer, leprosy, tuberculosis etc., may also be examined.

B. Disbursement

6.19. The payments in respect of benefit claims are made by the Local Offices. The employers' as well as workers' organisations have complained to the Committee that there is undue delay and inconvenience in payments to workers. Lengthy and defective procedure

involving avoidable formalities is the main reason attributed for delay and harassment in payments. It has been suggested that the procedure should be simplified and payments should be made at the place of duty or sent by money order to avoid delay and inconvenience. It has also been suggested that payments might be made by the employers who should be allowed to deduct the amount paid from the amount payable to the Corporation on account of contributions.

6.20. Regulation 52 of the Employees' State Insurance (General) Regulations stipulates the following time-limits within which claims of different categories as provided under the Act are required to be settled:—

- | | |
|---|------------------|
| 1. Sickness Benefit | within 7 days. |
| 2. Funeral Benefit | within 15 days. |
| 3. First payment in respect of the Maternity Benefit or Temporary Disablement Benefit | within 1 month. |
| 4. First payment in respect of Permanent Disablement Benefit or Dependants Benefit | within 6 months. |

after the claim therefor together with the necessary medical and other documentary evidence has been furnished. Second and subsequent payments in respect of maternity, temporary disablement, permanent disablement or dependants' benefit are required to be made within one calendar month following the month to which they relate, subject to production of any documentary evidence which may be required under the Regulations.

6.21. It has been stated that generally short term claims like Sickness Benefit and Maternity Benefit are settled across the counter, but certain claims like the Permanent Disablement Benefit and Dependants' Benefit involve long term payments and have necessarily to undergo a close scrutiny as well as detailed formalities like reference to Medical Boards, examination by Medical Boards(in case of Permanent Disablement Benefit), proof of relationship, age of dependants etc. (Dependants' Benefit). Stray cases of delays here and there cannot, therefore, be ruled out particularly in cases of Permanent Disablement Benefit and Dependants' Benefit where long term payments are involved. Necessary steps have, however, been and are taken from time to time to ensure that avoidable delays in payments are put down to the minimum.

6.22. The Committee enquired about the steps taken to simplify

the claims payment operations in Local Offices. In reply the following important steps are stated to have been taken by the Corporation:—

- (i) Maintenance of Contribution Cards in Local Offices instead of Regional Offices;
- (ii) Simplification of claim-forms;
- (iii) Payment of sickness benefit in lieu of temporary disablement benefit subject to later adjustments;
- (iv) Delegation of more powers to Local Offices Managers;
- (v) Replacement of Benefit file system by Ledger system;
- (vi) Introduction of Teller System as an experimental measure,
- (vii) Liberalisation of contributory conditions and introduction of standard benefit rate;
- (viii) Arrangement of deputing cashier once or twice a week at employers' premises;
- (ix) Payment through Money Order.

6.23 As for the teller system of payment, it has been stated that the system was discussed in a meeting of the Regional Directors held in March, 1968 and then was introduced for the first time in six Local Offices on the 5th August, 1968 as an experimental measure. As the teller system involves a reorganisation of the staff pattern, it was agreed between the All India ESIC Employees' Federation and the Director General that for experiment purpose the teller system should be tried out in not more than 45 Local Offices in the country and that during this experimental stage, the deployment or reorganisation of staff would not be objected to by the Federation. Allocation of the number of Local Offices in each region where the teller system is to be experimented has already been made. The expectation is that by March, 1970, the system would have been extended to the said 45 Local Offices. The extension of the system to all the Local Offices in the country will depend upon the result of the wider experiment and consideration of the reorganisation and deployment of staff that it would involve. The results of the limited experiment so far have been encouraging.

6.24. Similarly the decision to replace the file system by loose leaf ledger system in one of the Local Offices in Bombay was taken in December, 1967 and then it was introduced on the 7th December, 1967. The Bombay experiment was discussed at a meeting of Regional Directors in March, 1968. So far the system has been introduced in 108 Local Offices in the country.

6.25. Asked whether any phased programme has been drawn up to introduce the ledger system all over the country, in a written note it has been stated that according to the programme envisaged, bulk of the Local Offices in the country is proposed to be covered by the ledger system by the end of March, 1970. It may, not be possible to extend the system by that date to a small percentage of Local Offices because of administrative difficulties. However, those remaining offices would also be covered by the Ledger system soon.

6.26. In response to a question whether at any time the question of simplification of medical certificates and other forms and registers currently in use was undertaken, it has been pointed out that besides revision and review of forms on different occasions in the past, a separate project of 'Form analysis and simplification of registers, returns and reports in the Local Offices and the Regional Offices' is also in progress.

6.27. The Committee desired to know as to how many claims for each benefit were received during the last three years and out of them how many were disposed of within the prescribed time. The Committee also desired to know the average time taken for settling various claims and the longest period taken to settle any particular claim. In reply it has been stated that the information is not available as the position in that regard in respect of various Regional and Local Offices is not known.

6.28. The Committee note the various steps taken so far with a view to simplify the procedure in regard to disposal of benefit claims. They have no doubt that the teller system and the ledger system would be introduced in all the Local Offices in accordance with a phased programme.

6.29. The Committee also note that a separate project of form analysis and simplification of registers etc. has been taken up. They suggest that a target date should be fixed for completion of the project and changes considered necessary brought about expeditiously. The Committee further suggest that the procedure should be kept under constant review so as to ensure speed and efficiency in payments. In this connection, the Committee would like that a periodical return showing number of claims pending for more than one month, two months and three months and above should be submitted by the Local Offices to the respective Regional Offices and a brief monthly report should be submitted by each Regional Office to the Headquarters.

C. Malingering

6.30. The Employers' Organisations in their memoranda submitted to the Committee have complained that there is widespread misuse of benefits, particularly sickness benefit, by the workers and as a result of that on the one hand there is avoidable financial strain on the Corporation and on the other hand there is increase in absenteeism in industries leading to disruption of production. To support their point of view, they have furnished the following statistics showing percentage of sickness among workers prior to and after the introduction of ESI Scheme :—

Years	A	B	C	D	E	F	G
<i>Before the Scheme</i>							
1952	..					3.19	2.00
1953	0.89					2.99	3.00
1954	0.82					3.15	3.00
1955	0.91	..	..		..
1961		1.89	2.00		1.77		..
1962		1.35	2.00	..	1.92		..
1963		1.41	2.00	1.68	1.08		
1964	..	..		1.74			
1965				1.66			
<i>After the scheme</i>							
1966	3.52	3.70	3.00	2.33	2.43	7.40	6.00
1967	3.00	3.76	3.00	2.43	2.64	7.36	5.00
1968	3.39	3.39	4.00	2.21	2.83	8.70	5.00

6.31. It has been further pointed out that while feigning illness is the commonly adopted method for claiming benefits, more reprehensible form of misuse noticed is the exploitation of benefits to conduct the strikes. It is said that in one of the units at Madras, for example, the normal rate of absenteeism during 1966-67 was only 6 per cent, but 85 per cent of the workers produced E.S.I. certificates during the period of the strike in February 1968. To give another instance, in a unit located in the same city, about 90 per cent of the workers produced E.S.I. certificates during the strike in December, 1967, while the normal rate of absenteeism during the period was only about 10 per cent.

6.32. It is also stated that the problem is aggravated due to laxity in the issue of certificates of illness by the Insurance Medical Officers and the Panel Doctors. There is tendency on the part of workers even to invite minor accidents to enable them to get temporary disablement benefit.

6.33. The above points were also stressed by the representatives of employers as well as of the medical profession during their evidence before the Committee.

6.34. In response to a question whether and to what extent cases of malingering came to the notice of the Corporation, it has been stated that certain isolated cases of malingering on the part of the insured persons have been observed especially during the course of strikes and lock-outs, varying in incidence from centre to centre and State to State. It has been added that 'by the nature of things it is impossible to collect data regarding cases of suspected malingering'.

6.35. The ESIS Review Committee, which also went into this question, had found that there was no evidence to show that the absenteeism in industry had shown a significant increase after the introduction of the ESI Scheme and that there had been malingering on a large scale. It, however, stressed the need of making efforts to bring it down further even though it was not widespread.

6.36. The Employees' Provident Fund Organisation in their Annual Report for the year 1967-68 have stated as follows:—

"An abnormal rise in the number of cases of payment of advances for illness was also noticed. Though this increase was, to some extent, due to the extension of the facility to the members of family, there were reasons to believe that the facility had also been misused."

6.37. During evidence before the Committee, the Director General admitted that there were some of the complaints which had come to notice and of course during the period of strikes and lock outs there had been a tendency on the part of the workers to use the ESI Scheme to help them in their financial difficulties during those periods. He added—

"..... There have been reports of great rush in the dispensaries for granting certificates to enable them to get sickness benefit in cash. Recently there was a strike in the Birla Mill in Delhi and as perhaps some of the Members are aware it resulted in rather unfortunate incidents—attacks on the one

or two dispensaries when the doctors also felt more insecure and even closed the dispensaries for one or two days. We have evolved a set of procedure to see to it that the benefits provided by the scheme are not misused and in this particular occasion we have been successful for bringing down the impact of the strike on our cash benefits to an appreciable extent."

6.38. The Committee desired to know what steps had been devised to check this tendency. In a written reply, it has been stated that the ESI Act itself makes two-fold provisions to restrain any tendency to malingering, namely, (i) there is a waiting period of two days for sickness benefit, and (ii) the rate of sickness benefit is only equivalent to about half of the wage rate. In addition, other administrative measures, such as extra watch by the Regional and Local Offices, closer examination by doctors, larger number of references during strikes|lock-outs to medical referees, etc. are also taken.

6.39. As regards the efficacy of the special measures adopted to curb the tendency of malingering during the strikes in two Delhi mills, the Committee have been furnished the following facts and figures :—

"Recently there was strike in M/s. Birla Cotton Spinning and Weaving Mills which is attached to Local Office, Subzi Mandi, Delhi. The strike started on 26th October 1969. Last year also a similar situation was faced by Local Office, Subzi Mandi on account of strike in M/s. Ajudhia Textile Mills, Delhi from 16th November, 1968 to 21st January, 1969. The A. T. Mill workers were about 1800 during the period of strike in 1968-69 whereas Birla Mills workers on strike in October to December, 1969 were about 7200. The total number of employees attached to Local Office, Subzi Mandi, Delhi is 24,000. Thus A. T. Mills employees formed 7½% of the total strength of the Local Office as against M/s. Birla Mills employees which formed 30%. The complete strike month in 1968 was December and in 1969 it was November. A comparison has been made between the figures for December, 1968 (complete strike month) with the complete normal month of the same year i.e. October, 1968, similarly between November, 1969 (complete strike month) with the complete normal months of 1969 i.e. October, 1969. The comparison reveals that *per capita* rise in 1968 and 1969 is as under:—

(i) *Sickness Benefit Payments*

1968 : From 0.69 in October, 1968 to 1.52 in December, 1968 or say 120%.

1969 : From 0.69 in October, 1969 to 0.82 in November, 1969 or say 19%.

(ii) *Sickness Benefit Days:*

1968 : From 5.02 in October 1968 to 11 in December, 1968 or say 129%.

1969 : From 5.47 in October, 1969 to 6.8 in November, 1969 or say 24%.

(iii) *Sickness Benefit Amount:*

1968 : From Rs. 19.5 in October, 1968 to Rs. 49.1 in December, 1968 or say 151.3%.

1969 : From Rs. 23.10 in October, 1969 to Rs. 30.4 in November, 1969 or say 31.5%.

(iv) *Total Cash Benefits:*

1968 : From Rs. 38.3 in October, 1968 to Rs. 69.1 in December, 1968 or say 76.5%.

1969 : From Rs. 40.1 in October, 1969 to Rs. 69.9 in November, 1969 or say 14.5%.

From a perusal of the above, it would thus appear that remedial measures now taken had a salutary effect on payments and Cash Benefits. The comparison becomes more striking in view of the number of employees involved during 1968 i.e. 7½% only as against 30% in 1969 of the total number of employees attached to the Local Office concerned."

6.40. The Committee have also been informed that a Special Survey has now been undertaken on an all India basis for all strikes/lock-outs during the month of December, 1969. This will enable the Corporation to ascertain the magnitude of the problem and the extent of which E.S.I. Funds are liable to misuse on such occasions.

6.41. This problem was considered recently by the Sub-Committee of the Corporation to review the financial position of the E.S.I. Corporation. The Sub-Committee was of the view that the Regional Boards and Local Committees should be activated to check abuse of cash benefits especially in the event of a strike or lock-out, and that the State Government should be requested to exercise further control on certification. These recommendations were agreed to by the Standing Committee and the Corporation which met in September, 1969.

6.42. The Committee need hardly stress that the tendency of malingering by workers is most undesirable from all angles. By putting an undue financial burden on the Corporation, it diminishes its viability and thereby affects its long-term planning to provide additional benefits to workers community. Obviously it cuts at the very roots of the principle of social insurance. Again by increasing absenteeism in industry, the production suffers giving serious set back to the developing economy of the country. The Committee would, therefore, like that as soon as the Special Survey already undertaken on an all India basis is completed, the data should be processed expeditiously with a view to review the present measures and evolve foolproof checks to eliminate this evil. Besides legal and administrative measures, appropriate means should be devised to educate the workers in this regard by enlisting the cooperation of trade unions.

D. Waiting Period

6.43. As mentioned earlier, the Act provides for an initial waiting period of two days for drawal of sickness benefit. The waiting period is imposed only for a spell of illness which is separated from the previous spell by more than fifteen days.

6.44. It has been suggested to the Committee by an Employees' Organisation that the waiting period should be abolished at least in the case of those spells of sickness which continue longer than three days. On the other hand, the Employers' Organisation has suggested that the existing period should be increased to four or five days. It has been argued that at present the employees are able to avail of the sickness benefit on feigned illness. The practice adopted is that employees after working on Saturdays at the factories report to be sick on Saturday evening to their Registered Panel Doctors and thereby become entitled for the full benefit from Monday onwards without any loss of pay. During evidence, however, the employers' representative did not favour the idea of increasing the waiting period of two days to four or five. He added that the workers had adopted peculiar devices to get over these technicalities. For instance, he stated, workers afflicted upon themselves injuries for being entitled to temporary disablement benefit just in order to get higher quantum of benefit.

6.45. This question was considered by the ESIS Review Committee quite in detail. After considering the practice obtaining in other countries where the provision for waiting period ranges from one to thirty days and the I.L.O. Convention which lays down three days' period, the Review Committee had come to the conclusion that

there was no justification for any change. Since workers' representatives had appended a note of dissent to this recommendation of the Review Committee, the National Commission on Labour also gave thought to this question. The Commission in its Report (1969) has observed that, "our scheme is already an improvement over the I.L.O. Convention which prescribes a waiting period of three days. We therefore, see no need to disagree with the majority view of the (Review) Committee."

6.46. The Committee are inclined to agree with the views expressed by the Review Committee and the National Commission on Labour in the matter and feel that the existing provision may continue unchanged.

E. No-claim Bonus

6.47. In their memorandum submitted to the Committee, both the Employees' as well as Employers' Organisations have favoured the idea of giving some kind of incentive to workers who do not claim any cash benefit or avail of medical benefit during the course of year. It has been argued by the representative of an Employees' Union that giving of 7 days cash benefit in the form of 'No claim Bonus', which can be allowed to accumulate year after year, will lessen the tendency of taking false sick leave or malingering. In the memorandum submitted by the Council of Indian Employers, it has been stated that there are instances where the covered employees neither receive any medical care nor cash benefits at any time during the year, although their own as well as their employer's contribution is paid to the Corporation every year. It has been further stated that a 'No-claim Bonus' to such employees will act as an incentive to reduce absenteeism and also will be advantageous to the Corporation and employers.

6.48 Asked during the evidence whether any scheme or proposal of 'No-claim Bonus' to workers had been examined, the Director General stated that with the extension of medical benefit to the families of the insured workers, the number of cases where no benefit would be drawn during the year either by the worker himself or any member of family would be very very few, while the time and labour involved in processing these cases would be far too much. In reply to a question, the Financial Adviser and Chief Accounts Officer also stated that the scheme would not be administratively worthwhile. He, however, informed the Committee that the relevant record to show whether the worker or his family availed of or not medical or other benefit, was certainly available with the Corporation. He also added that the amount to be paid as 'No-claim Bonus' might not be much.

6.49. This question was considered by the ESIS Review Committee and it came to the conclusion that introduction of a scheme of 'No-claim Bonus' was not likely to solve the problem of absenteeism. In its opinion, the scheme would be a great strain on the resources of the Corporation. It, however, suggested that the question might be further examined by the Corporation at a future date. There was a note of dissent to this recommendation appended by the workers' representatives.

6.50. Recently, the National Commission on Labour again went into the question. It has *inter alia* observed as follows:—

“The major objection against a no-claim bonus seems to be that social insurance is based on the principle of ‘sharing of risk and pooling of resources’. The suggestions made in the minority view are not different from the usual arrangements in insurance which permit bonuses or no-claim rebates. There is, therefore, nothing in the suggestion to offend the insurance principle. We believe that the introduction of a no-claim rebate may induce workers not to avail of the facilities under the scheme unless they are required to. On this account there should be some savings which will partly off-set the additional burden on the funds as a result of the no-claim bonus. In any case, it should be possible in the initial stages to work out with the help of an actuary the quantum of the no-claim bonus which will not put undue strain on the funds. We, therefore, suggest that a scheme of no-claim bonus for insured persons who do not claim any benefit during a year should be evolved.”

6.51. The Committee are not convinced by the pleas given by the representatives of the Corporation against the introduction of 'No-claim Bonus' scheme. Similar pleas are usually put forward in respect of any new proposal of this kind. In fact the statement of the representative of the Corporation that the expected number of claims under the scheme would be 'very very few' indicates that there would hardly be any marked increase in the cost of administration on account of this scheme. Rather the likely benefits owing to change in psychology of workers would be far more in concrete terms. The Committee, therefore, while endorsing the views expressed by the National Commission on Labour, recommend that a suitable scheme of 'No-claim Bonus' for workers who do not avail of any benefit under the ESI Scheme during the year, should be framed for early introduction.

CHAPTER VII

MEDICAL BENEFIT

7.1. Medical benefit consists of medical treatment for and attendance on an insured person. Section 46(2) of the Act empowers the Corporation to extend medical benefit to the family of an insured person, at the request of the appropriate Government. The Act provides that an insured person or (where such medical benefit is extended to his family) a member of his family, whose condition requires medical treatment and attendance, shall be entitled to receive medical benefit. Title to medical benefit exists so long as a person is in insurable employment or is qualified to claim sickness, maternity or temporary disablement benefit. There is a free insurance period for treatment after a person has been in employment for thirteen weeks or more which ranges from six to nine months, depending upon his contribution record. In the case of an insured person suffering from specified long-term diseases like T.B. etc. the title to medical benefit is extended if he satisfies the prescribed qualifying conditions, for another twelve months from the date on which he would otherwise cease to be entitled to such benefit.

7.2. Under the Act, the responsibility for the provision of medical care has been entrusted to the State Governments, the cost thereof being shared between the Corporation and the State Governments in an agreed ratio. The State Governments, therefore, arrange for medical care (outdoor as well as in-door) and the Corporation reimburses them to the extent of seven-eighth of the cost where medical care is available to families also, and three-fourth of the cost where medical care is provided to insured persons only. The Amendment Act of 1966 has, however, made a provision to the effect that the Corporation may, in consultation with the State Governments, undertake the responsibility for providing medical benefit to insured persons and where such medical benefit is extended to their families, to the families of such insured persons in that State. The Corporation has so far undertaken the direct responsibility of administering the medical benefit only in the Union Territory of Delhi.

7.3. The medical benefit under the scheme originally consisted of out-patient and domiciliary treatment only. The standard of medical care has been gradually improved from time to time and now includes pathological and radiological investigations, specialists'

care and hospitalisation etc. As already mentioned elsewhere, medical care of restricted type or expanded medical care of outdoor variety, short of hospitalisation, is now being provided to families of insured persons. Full medical care including hospitalisation has also been extended to families at three centres i.e. Hyderabad Warrangal, Vijayawada and Sirpur-Kagaznagar in Andhra Pradesh, Indore in Madhya Pradesh, Madras in Tamil Nadu and Bangalore in Mysore.

7.4. The Committee need hardly stress that the medical benefit is the king-pin of the Employees' State Insurance Scheme and that the success of the Scheme is judged by the scale and standard of the medical care made available to the insured persons and their families. The Committee hope that sustained efforts would be made to accelerate the growth of the Scheme of Health Insurance so as to develop it in the course of time into a universal health scheme for the whole country on the model of National Health Scheme in the United Kingdom.

A. Outdoor Medical Care

7.5. Outdoor care is provided either through the service system or the panel system. Under the service system, State Insurance dispensaries with full-time salaried doctors are set up in convenient places. Mobile dispensaries are also available. Under the panel system, private medical practitioners are appointed from the medical profession as Insurance Medical Practitioners at whose private clinics treatment is available.

Panel and Service System

7.6. The selection of panel doctors is made by a Committee of the State Government called "Allocation Committee". The panel doctor is expected to have his own consulting room and dispensary. He is also required to maintain certain minimum standards in respect of these which are verified by authorised inspectors before selection. The terms and conditions of service of panel doctors have been laid down and include range of service to be rendered, clinic hours, conditions regarding domiciliary visits, etc. The insured persons have the choice to register themselves with any panel doctor of their liking. The panel doctors in return for a capitation fee of Rs. 17.50 a year per family unit are expected to provide ambulatory and domicile care and ordinary medicines (other drugs and dressings are obtained from approved chemists on prescriptions made out by the panel doctors). It is expected that the doctor will requisition diagnostic aids such as may be found necessary by sending the patient with a written note to one of the diagnostic centres and where necessary refer the patient to a specialist for advice as well as for the prescription of the more costly patent medicines which may be

indicated for the particular disease. When the scheme was first introduced in Punjab, a panel doctor was allowed to have 2,000 insured persons on his list. Subsequently, this number was reduced to 1,000 so as to ensure that the panel doctor could give adequate care to the insured persons as well as attend to his private practice. At places where families are also entitled to medical care, a panel doctor can have a maximum of 750 family units on his list. There are at present about 4,000 panel doctors under the scheme.

7.7. Under the service system, separate dispensaries have been set up exclusively for the insured persons and their families. The doctors working in these dispensaries are wholtime employees of the State Governments. They are generally drawn from the State Medical Services and their services are transferable from E.S.I. dispensaries to other State Government dispensaries|hospitals and *vice versa*. The posts under the scheme are non-practising and a non-practising allowance therefor is admissible. In order to make E.S.I. job more attractive, the Corporation has decided to give a special allowance of Rs. 100 per month to the medical officers working in the E.S.I. dispensaries. This allowance is paid entirely out of the funds of the Corporation and the expenditure thereon is not sharable with the State Governments. In the service dispensaries, provision is available for routine laboratory tests such as examination of urine, blood, sputum, etc. The service doctor can send the patient for any special investigation that may be required to a hospital and can also direct the patient to a hospital when, in his opinion, specialist advice and prescription may be needed. At present, there are 580 full-time, 25 part-time and 49 mobile service dispensaries having about 1,700 Insurance Medical Officers.

7.8. The Committee desired to know what was the policy laid down by the Corporation for the guidance of the State Government in regard to administration of medical care through service or panel system. In reply it has been stated that under section 58 of the Employees' State Insurance Act, administration of medical benefit for the Insured persons and (where such benefit has been extended to the families) their families is the responsibility of the State Governments who arrange for medical treatment at the clinics of Medical Practitioners or set up separate dispensaries and other institutions as may be necessary. The question whether out-door medical care may be organised through full-time dispensaries or through panel system is in the first instance considered by the State Governments. The decision is naturally based on the availability of medical and

para-medical personnel, suitable accommodation for setting up dispensaries etc. The panel system is in operation mostly in Bombay and Calcutta because the State Governments thought it appropriate to introduce the Scheme in these areas through panel system. The system is also prevalent in a few centres in the States of Gujarat, Haryana and Punjab.

7.9. The respective advantages and disadvantages of direct and indirect patterns (service and panel systems) of providing general physician's care as obtaining in selected eight countries *viz.* Belgium, Canada, Ecuador, Federal Republic of Germany, India, Poland and United Kingdom, were recently reviewed under the aegis of the I.L.O. The following conclusions drawn as a result of the above study may be of interest to mention here:—

“With both patterns there are advantages and disadvantages, the net balance of which must be weighed with reference to each nation. The indirect pattern is attractive to both patients and doctors in the industrialised countries with the free market economies. Free choice of private general physician meets the psychological needs of patients in those countries and satisfies the competitive entrepreneurial interests of doctors. Physicians are generally happy with this pattern, because it allows them great personal freedom and usually yields relatively high earnings. On the other hand, the indirect pattern of general physicians' care has many disadvantages. The quality of services provided is certainly questionable, since the typical private doctor giving ambulatory care is working alone; he does not have the benefit of consultation from colleagues or the technical aid of ancillary personnel. The free-for-service payment method—whether through remuneration by a third party or reimbursement—often leads to excessive services which may be harmful and are always economically wasteful. Studies in the United States, where different systems operate side by side and can be readily compared, have frequently shown a higher volume of services of doubtful value under the indirect pattern; especially high is the rate of elective surgical procedures, like tonsillectomy or appendectomy, which in the United States are frequently done by general practitioners. The fee system moreover, often discourages general physicians from referring patients to specialists, even when it is medically advisable to do so. The net costs to a social security scheme are invariably higher under the indirect pattern,

as many experiences in Latin America have shown. Efforts at some control over quality and expenditure in the indirect pattern require a great deal of bureaucracy and paperwork, which are burdensome for all the parties—patients, doctors and social security agencies.

With the direct pattern of general physician's care, there are numerous advantages which are the converse of the disadvantages above. Since doctors are employed in an organised framework, their performance is aided by equipment and ancillary staff rarely available in a private office. The quality of the doctor's work is guaranteed by the fact that he is working under the critical eyes of a team of colleagues with whom he is closely associated. The costs per beneficiary are clearly lower, both because of reduction of unnecessary services and because of economies of scale and the availability of labour-saving equipment. Referrals of patients to specialists can be more easily arranged, since there are no incentives against this. Preventive services can be readily integrated with curative services, through the assistance of nurses, health educators and other auxiliary personnel. The young doctor's time can be used to full capacity from the onset of his professional career. Rural populations can be better served by assigning doctors to ambulatory facilities in rural areas. Demands on the doctor's time for clerical tasks, or even for very simple medical tasks, are less, because of the availability of auxiliary personnel and because of the inherently greater simplicity of the salary method of remuneration. Salaries can be fixed on the basis of objective measurements of qualifications and responsibility, and awkward controversies or negotiations on fee schedules are avoided. As for the ultimate outcome of the direct pattern in terms of the health and survival of patients, objective evidence comparing the two patterns is rare; in New York City, however, a careful study in 1955 showed a lower infant and maternal mortality in a population served by the direct pattern (the health Insurance Plan of Greater New York) than in a demographically and socially comparable population served by the indirect pattern of physician's care. The direct pattern, however, also has its disadvantages. An organised framework, of course, deprives the doctor of some of his independence, thereby sometimes lowering his morale.

If the leadership of the whole system is excessively rigid, this may be quite serious. The very quantity of personnel in an organised health centre or polyclinic may lead to a certain impersonality which patients may find offensive. Pressures for reducing costs can be promptly transmitted through the system and may lead to a quantitative reduction in services below a reasonable level.

Obviously everything depends on the net quantity of resources of personnel and facilities available in either pattern, and on the skill and sensitivity of the administrative leadership. In the industrialised countries the resources are greater; the indirect pattern may cause some wastage of those resources, but this may be tolerable in the interests of practical politics. In the developing countries, on the other hand the resources are usually very deficient, and their wastage cannot be tolerated. The direct pattern becomes the only reasonable choice if a social security scheme is to be developed at all. This has, indeed, been the usual decision in the developing countries, as well as in those industrialised countries which have adopted a fully socialist political structure. Even in some industrialised countries with a moderately socialist structure, like the United Kingdom or Sweden, the direct pattern has been adopted for most specialist services and hospitalisation, though not for general practitioner care”.

7.10. The relative merits and demerits of the panel and service system in India have been discussed on a number of occasions in the past by the Corporation, its Standing Committee and also *ad hoc* Committees. In 1960, the Mudaliar Committee pointed out certain deficiencies in the panel system and made suggestions for improvement, *viz.*, proper screening in regard to qualifications and facilities, setting up polyclinics, fixation of limit for term of appointment, etc. The Committee felt that in view of the non-availability of sufficient number of medical personnel, it might not be possible to change over from panel to service system for several years. It is understood that its recommendations as approved by the Medical Benefit Council were communicated to the Governments of Mysore, Maharashtra, West Bengal, Punjab and Tamil Nadu on 16th February, 1962 and that the Governments of Tamil Nadu, Mysore and Punjab have already carried out amendments in the Employees' State Insur-

ance (Medical Benefit) Rules. Similar information in respect of States of Maharashtra and West Bengal has not been furnished to the Committee.

7.11. Recently the E.S.I.S. Review Committee also examined this question. In its Report, the Review Committee has observed:—

“Service system offers better possibilities of giving satisfactory medical service to the insured persons and their families. However, conditions in some centres are such that adoption of the service system may not be possible. In such places the State Governments should give high priority to the setting up of at least a few conveniently located service dispensaries and the insured persons may be given a choice whether to enrol with an Insurance Medical Practitioner or at the service dispensary. This in course of time, will show whether the insured persons under similar conditions show any clear preference for one or the other.”

7.12. The Review Committee also suggested the following steps to be taken to remove the deficiencies noticed in the working of the panel system:—

- (i) The standards of space and facilities at panel doctor's clinics should be rigorously enforced. Those who fall short of the requirements should be removed from the panel.
- (ii) Attendance of panel doctors at their clinics at the appointed hours should be strictly supervised and prompt action taken against defaulting doctors.
- (iii) Random sample checks of the prescriptions issued by every doctor should be made by senior medical inspecting officers frequently. The purpose of this should be to detect any persistent tendencies to over-prescribing or any *bonafide* errors in diagnosis or prescription. The inspecting officers should be encouraged to give to the doctors concerned suitable advice, in confidence, in cases of *bonafide* errors.
- (iv) Special checks should be kept on those doctors who are found to be issuing certificates or prescriptions for expensive medicines much in excess of the average for the area or the centre.

- (v) Complaints of misbehaviour by insured persons against the doctors and *vice versa*, should be promptly investigated and appropriate action taken where called for.

The above recommendations of the Review Committee were communicated to the State Governments for action on the 8th August, 1967.

7.13. The representative of Employers' Organisation also during oral evidence before the Committee expressed in favour of the service system. He suggested that in areas of real labour concentration only service system should be tried as it would certainly give better service to workers.

7.14. As regards the oft-repeated complaint of workers about reluctance of the panel doctors to pay domiciliary visits, the Committee desired to know what particular remedial measures had been taken in that regard. The Committee have been informed in a written reply that while enhancing the rate of capitation fee to Rs. 17.50 per family unit, per annum, it was made obligatory for the Insurance Medical Practitioners to undertake domiciliary visits. The Insurance Medical Practitioners make necessary entry in the Medical Record Envelope of the Insured Person about the domiciliary visit paid by him. However, the State Government authorities are expected to exercise the necessary checks to ensure that Insurance Medical Practitioners are making domiciliary visits wherever needed. The complaint about the neglect of an Insurance Medical Practitioner to make domiciliary visit, is investigated by the Medical Service Committee as it amounts to violation of the terms of service of Insurance Medical Practitioners.

7.15. The representative of the National Integrated Medical Association (Maharashtra State Branch) who appeared before the Committee was asked specifically about the said complaint of workers. The witness admitted that there might be stray cases of that kind of lapse on the part of panel doctors. But for them penal action including removal from the panel can be taken by the Service Committee.

7.16. The above-mentioned Association in their memorandum submitted to the Committee as also their representative when appeared for oral evidence represented that since the panel doctors were bound almost by all the restrictions of a full-time Government servant, certain facilities like provident fund, gratuity, bonus and leave etc. should be considered for them. It has also been represented to the Committee that the Capitation fee of Rs. 17.50 paid to a panel doctor should be raised to Rs. 35.00 in view of the rise in the cost of

Living index and additional time taken on account of frequent domiciliary visits beyond prescribed minimum five hours in the dispensary and in attending to serious cases.

7.17. It is understood that the question of review of capitation fee was considered by the Standing Committee and the Corporation at their meetings held on 7th December and 9th December, 1968 and it was decided that a "One Man Committee" consisting of the Director General of Health Services should be set up to study all aspects of the working of the panel system including the Capitation Fee. This Committee is seized of the matter and has already collected the necessary material. The Director General Health Services has since visited Ahmedabad, Bombay and Calcutta and met all the interests concerned. It is expected that the report will be completed shortly.

7.18. **The Committee note the view held preponderantly that the service system provides more satisfactory care to workers than the panel system. The former system is also more amenable to control and discipline. While appreciating that due to general shortage of qualified medical and para-medical personnel in the country, it may not be possible immediately to bring major centres like Calcutta and Greater Bombay under the service system, the Committee suggest that suitable steps should be taken to gradually switch over to the service system in those areas. Meanwhile, the Committee trust, serious efforts by way of careful selection and constant supervision would be made to remove the deficiencies of the panel system so as to make it effective apparatus of service to workers.**

7.19. **The Committee hope that one-man Committee set up to go into the grievances of the panel doctors in regard to capitation fee etc. would soon finalise their recommendations and necessary action thereon would be taken expeditiously by the Corporation/Government.**

Employers' Dispensaries

7.20. It has been suggested to the Committee that the Corporation should, as a matter of policy, accept applications from employers for recognition of their dispensaries under the Scheme. Besides proper medical service to the employees on the premises of the establishment, this would ensure, it is felt, an effective check on the issue of certificates for illness and a better control on issue of medicines etc.

7.21. In a note, the Committee have been informed that the broad conditions laid down by the Corporation in regard to the utilisation

of medical facilities of Employers to the insured persons and their families under the Employees' State Insurance Scheme are as under:

- (i) The medical care provided by the Employer is of at least as good a standard as would be provided by the State Government to the insured persons and their families under the Employees' State Insurance Scheme;
- (ii) The dispensary premises of the employer are open to inspection by the officials of the State Government and the Corporation with a view to ensuring that the requisite standard of medical facilities is maintained.
- (iii) The dispensary will be open only to those employees of Employer who opt to receive treatment at the dispensary provided that the Employer will be required to provide treatment to such of the employees of other factories as may be assigned by the Allocation Committee. Normally no such assignment will be made if alternative arrangements are possible;
- (iv) The Employer and his medical staff will be subject to conditions similar to those laid down for panel doctors where that system is adopted;
- (v) The employer will be entitled to a payment of Capitation fee of Rs. 17.50 for each insured persons and his family for outdoor treatment including domiciliary visits and the cost of all ordinary drugs and dressings. For the supply of medicines in the list meant for the Specialists, payment @ Rs. 6/- per insured person will be additionally made.

7.22. The Committee have further been informed that the agreement for the utilisation of employers' dispensaries is to be executed between the State Government and the employer on the broad conditions indicated above. At present, the number of such recognised dispensaries is 34. Asked how many requests from employers for recognition of their dispensaries during the last three years were rejected and what were the grounds therefor, it has been stated that no such requests have been rejected by the Corporation.

7.23. The Committee feel that there should hardly be any objection to recognise the dispensaries initially set up by the employers

for utilisation under the Scheme provided they satisfy broadly the conditions laid down in that regard. This would supplement the efforts of the Corporation and also be helpful in overcoming incidental problems such as building etc. ..

System of medicine

7.24. The medical benefit under the scheme is provided through the modern system of medicine except in a few centres where facilities have been provided for treatment through Ayurvedic system.

7.25. It has been stated that the Corporation at its meeting held on 10.5.1950 decided that where a substantial number of workers demanded treatment by the system of medicine other than Allopathy and where the State Government had recognised the qualifications in such systems, treatment facilities should be provided under these systems as well. The State Governments accordingly consider the need for providing facilities for Ayurvedic treatment with reference to demand for such treatment and make arrangements, if they have recognised the qualifications in such systems in their State, in consultation with the Corporation.

7.26. At present facilities for Ayurvedic treatment of insured persons and their families have been made available in the following States to the extent indicated against each:—

(1) Andhra Pradesh	Separate Ayurvedic Cell in one dispensary of Hyderabad.
(2) Gujarat	Almost all dispensaries have arrangements for Ayurvedic treatment.
(3) Maharashtra	727 panel practitioners qualified in integrated system of medicine provide out-patient medical care.
(4) Mysore	2 Ayurvedic Units at Bangalore.
(5) Uttar Pradesh	1 Ayurvedic dispensary at Kanpur.

7.27. The Committee desired to know whether it would not be better to establish Ayurvedic, Unani and Homoeopathic dispensaries in different places without awaiting a formal demand from insured persons. In a written note, it has been pointed out that the arrangements to provide medical care through alternative system of medical care, are made from out of the total medical care budget on the basis of approved yardstick. Any arrangement so made to provide alternative system of medical care will have to be made a corresponding reduction in the authorised Allopathic arrangements or by

increased financial allocations. It has been added that such an expenditure without any demand for the system may invite criticism from the interests concerned.

7.28. The Committee are not convinced by the reasoning advanced by the Corporation against the setting up of dispensaries to provide treatment through indigenous systems of medicine that such a step could only be in addition to the existing facilities and hence would result in increase in the expenditure on medical care. They also do not share the Corporation's apprehension that in case any initiative is taken suo moto by reducing expenditure on allopathic side, it may invite criticism from the interests concerned. The Committee recommend that steps be taken to set up one-doctor units of Ayurvedic and Homoeopathic system, to begin with, in such Allopathic dispensaries as are situated in heavily concentrated areas, after ascertaining the views of beneficiaries through local workers' organisations and local Committees, if any. If the experience in the course of time finds favour from the beneficiaries, the facility may be extended to other areas also. The Committee feel that treatment through these systems would not only prove to be effective but being cheaper would also curtail the total budget on medical care. In their opinion, the importance of evolving a low-cost effective medical system for a country like India having limited resources and a vast population, need hardly be exaggerated.

Beneficiaries' complaints

7.29. Workers' Organisations in their memoranda submitted to the Committee as well as their representative in his oral evidence have particularly mentioned the usual complaints from workers in regard to medical care, such as non-availability of medicines, shortage of medical and para-medical staff, indifferent attitude of doctors towards insured persons and inadequate number of ambulance cars. These deficiencies have also been noticed by the General Purposes Committee of the Corporation which visited various States in the past. It has been pointed out that the workers often do not get medicines prescribed by the specialists either at the service dispensary or at the store or at the Chemist's shop and they have to purchase the medicines at their own cost. It is also alleged that in the preparation of formularies emphasis is more on price than on quality and that cheaper drugs are prescribed even if they have no therapeutic value.

7.30. During their on-the-spot visits to some of the centres in Eastern Zone, the Committee noticed that the number of doctors and

para-medical staff fell short of their sanctioned strength and also that there was inadequate ambulance service available to the insured persons.

7.31. The Committee desired to know whether there is any substance in the above-mentioned complaints and if so, what machinery exists in the States and the Corporation to look into these complaints and to what extent it has not been possible to meet these complaints. In a written reply, the Committee have been informed as under:

“In a scheme of the magnitude of Employees’ State Insurance, some complaints about the quality of service or the attitude of the personnel are inevitable. By and large, the number of complaints on this account received at the Headquarters have been relatively very few considering the number of beneficiaries covered. On receipt of such complaints at the Headquarters, the same are forwarded to the State Governments for necessary action and a report is called for on important complaints. Each State has a separate Administrative Medical Officer to look after medical care under the Employees’ State Insurance Scheme and complaints connected therewith are attended to by him. The complaints relate mostly to alleged situation at the time of consultation/treatment, and these are mostly of remediable character. The complaints are also discussed and sorted out at the meetings of the Local Committees and the Regional Boards.”

7.32. In reply to a question it has been stated that in the prescribed Pharmacopoeia drugs are included not with reference to the price but keeping in view the therapeutic value. The drugs have, however, been mentioned therein by their pharmaceutical names and not by the proprietary names by which these are sold in the market with a view to keep down the cost.

7.33. In reply to another question, it has been stated that the Medical Benefit Council has set up a permanent Sub-Committee to keep the Pharmacopoeia upto date. The revised Pharmacopoeia was last adopted by the Medical Benefit Council at its meeting held on the 24th October, 1969.

7.34. From a perusal of the Pharmacopoeia, it is noticed that there are two lists of medicines, one out of which the medicines can be issued to insured persons on the prescription of Insurance Medical

Officer and the other out of which the medicines can be issued on the prescription of Specialists. The ESIS Review Committee in its report has recommended that "there should be only one list of drugs from which the doctors, including specialists, should be required to prescribe". It further recommended that "such list must be comprehensive enough and must be kept up-to-date by fairly frequent revision". This recommendation is yet to be considered by the Standing Labour Committee.

7.35. The following statistics indicate the number of service doctors in position as against sanctioned strength for each State during the last three years:—

State	1966-67		1967-68		1968-69	
	Sanctioned	In Position	Sanctioned	In Position	Sanctioned	In Position
Andhra Pradesh	83	78	140	135	148	141
Assam	11	10	11	10	13	13
Bihar	79	75	82	75	83	67
Gujarat	180	180	191	187	388	358
Haryana	49	23	39	22	45	34
Kerala	132	122	142	137	189	108
Madhya Pradesh	133	120	137	109	1	117
Maharashtra	63	45	72	60	86	64
Mysore	75	71	171	97	175	121
Orissa	23	23	27	19	27	22
Pondicherry	8	4	10	9	10	9
Punjab	34	17	34	22	39	29
Rajasthan	61	48	57	52	67	57
Tamil Nadu	104	100	260	230	347	302
Uttar Pradesh	224	148	120	113	226	144
West Bengal . . . . .	..	..	..	..	..	..
Delhi	107	100	115	107	110	109
Total :	1,336	1,164	1,618	1,373	2,092	1,695

7.36. The Committee have been informed that according to the existing revised yardstick one Insurance Medical Officer is admissi-

ble in the Employees' State Insurance Dispensaries on the basis of 1,000 employees family units. The number of doctors admissible according to the said yardstick would approximately be as under:

State	No. of employees family units	No. of doctors admissible (Appx.)
Andhra Pradesh	1,07,750	108
Assam	14,050	14
Bihar	57,400	57
Delhi	95,000	95
Gujarat	3,22,750	323*
Kerala	1,46,100	146
Madhya Pradesh	95,300	95
Maharashtra	8,14,450	814*
Mysore	1,83,800	184
Orissa	29,500	29
Punjab, Haryana Himachal Pradesh and Chandigarh	1,84,150	184*
Rajasthan	62,650	63
Tamil Nadu	3,19,600	320*
Uttar Pradesh	2,54,650	255
West Bengal	7,61,850	762*
	<u>33,49,000</u>	<u>3,449</u>

*In these States, along with the service system, panel system also is in operation, the yardstick for which is one doctor for 750 family units. This fact has, therefore, to be kept in view while drawing comparison with the figures of service doctors given in preceding paragraph.

7.37. The position regarding the number of ambulances available against the number of insured persons in each State as on 31st March, 1969 is given below:—

State	No. of Insured Persons	No. of ambulances
Andhra Pradesh	1,23,000	10
Assam	17,500	2
Bihar	65,500	5
Gujarat	3,33,000	5

	No. of Insured persons	No. of ambulances
Kerala	1,58,000	1
Madhya Pradesh	1,01,500	6
Maharashtra	8,55,000	15
Mysore	1,94,500	8
Orissa	32,500	3
Punjab, Haryana, H. P. & Chandigarh	2,01,000	6
Rajasthan	76,500	1
Tamil Nadu	3,39,500	24
Uttar Pradesh	2,92,500	4
West Bengal	8,61,500	10
Delhi	1,25,500	3
Total	37,76,500	103

7.38. In regard to ambulance service available under the scheme, the ESIS Review Committee has observed:—

“There is a glaring inadequacy of ambulance service. ESI authorities should explore the possibilities of getting some firms interested in the manufacture of ambulance bodies on indigenously manufactured chassis. It is recommended that the E.S.I. Corporation should attend to this since State Governments may not be able to do it expeditiously. The importance of proper up-keep and manning of the ambulances available at present is further stressed so that they may be used to the maximum possible extent.”

The above recommendation is yet to be considered by the Standing Labour Committee at its next meeting.

7.39. The Committee are surprised at the attitude of complacency reflected in the reply furnished to the Committee about the complaints of workers in regard to non-availability of medicines, shortage of doctors and their attitude of indifference, ambulance service, etc. The Committee note that the number of doctors in position has all along been less than the sanctioned strength during the last three years, 1966-67, 1967-68 and 1968-69, as is evident from the number of vacancies which was 202, 245 and 397 respectively. In respect of some of the States there is marked difference in the

sanctioned and actual strength of doctors. Similarly, the number of ambulance is prima-facie inadequate to cater to the needs of the insured persons. The Committee would like to suggest that suitable measures should be devised by the Corporation/Government to help safeguard the quality of service provided to beneficiaries under the scheme. Besides administrative surveillance and review of different component parts of the system, the feasibility of collecting statistics on selective basis regarding the results of the medical care in terms of recovery of patients may also be examined. Such evaluation may be helpful in taking the corrective measures wherever necessary.

7.40. The Committee are glad that a Sub-Committee of the Medical Benefit Council has been set up for the revision of the pharmacopoeia and they trust that the pharmacopoeia would be periodically reviewed to keep it up-to-date.

B. Specialists' Care

7.41. It has been represented to the Committee that the Specialist facilities in Orthopaedics, Psychiatry, Diabetes, Venerology and such other branches do not exist at many places and hence should be provided.

7.42. The number of full-time/part-time specialists in each State is as given below:—

	Part-time	Full-time
Andhra Pradesh	14	..
Assam	..	..
Bihar	2	..
Gujarat	141	..
Haryana	35	..
Kerala	90	..
Madhya Pradesh	77	6
Maharashtra	123	15
Mysore	29	3
Orissa	5	..
Punjab	45	..
Rajasthan	10	..
Tamil Nadu	87	10
Uttar Pradesh	..	10
West Bengal	302½	..
Delhi	23	..
Pondicherry	5	..
TOTAL	988½	57

7.43. From the material furnished to the Committee, it is noticed that in respect of the following branches there is no specialist available in the States indicated against each of them:—

<i>Medicine</i>	Assam & Rajasthan.
<i>Surgery</i>	Assam & Rajasthan.
<i>T.B.</i>	Andhra Pradesh, Assam, Bihar & Rajasthan.
<i>Radiology</i>	Assam, Bihar, Rajasthan & Pondicherry.
<i>Pathology</i>	Assam, Bihar, Maharashtra, Orissa, Rajasthan & Pondicherry.
<i>Obstetric & Gynaecology</i>	Andhra Pradesh, Assam, Bihar, Orissa, Rajasthan & Pondicherry.
<i>Paediatric</i>	Andhra Pradesh, Assam, Bihar, Haryana, Kerala, Orissa, Rajasthan, Uttar Pradesh, West Bengal & Delhi.
<i>E.N.T.</i>	Andhra Pradesh, Assam, Bihar, Orissa, Rajasthan & West Bengal.
<i>Eye</i>	Andhra Pradesh, Assam, Bihar, Haryana, Orissa, Rajasthan & Pondicherry.
<i>Skin</i>	Andhra Pradesh, Assam, Bihar, Haryana, Orissa, Rajasthan & Pondicherry.
<i>Orthopaedic</i>	Andhra Pradesh, Assam, Bihar, Haryana, Maharashtra, Orissa, Rajasthan, Uttar Pradesh & Pondicherry.
<i>Leprosy</i>	Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Maharashtra, Mysore, Orissa, Rajasthan, Pondicherry & Delhi.
<i>Dental</i>	Andhra Pradesh, Assam, Bihar, Maharashtra, Mysore, Orissa, Rajasthan, Uttar Pradesh, West Bengal & Pondicherry.
<i>Psychiatry</i>	In none of the States except Gujarat, Tamil Nadu & West Bengal.
<i>Refretionist</i>	In none of the States.
<i>Cardiac Surgery</i>	In none of the States except Gujarat.
<i>Neurology</i>	In none of the States except Gujarat & Mysore.
<i>Neuro-Surgery</i>	Do.
<i>Cardiology</i>	Do.
<i>Ayurvedic</i>	In none of the States except Maharashtra.
<i>General</i>	Andhra Pradesh, Assam, Bihar, Tamil Nadu, Orissa, Uttar Pradesh, West Bengal, Pondicherry and Delhi.

7.44. In reply to a question, it has been stated that the services of the full-time or part-time specialists in Orthopaedic, Psychiatry etc. are being rendered to the beneficiaries where the State Governments have been able to appoint them.

7.45. The Committee are surprised to find that some of the States do not have specialists' facility even in regard to common branches such as Medicine, Surgery, T.B., E.N.T. Skin, etc. Workers in States like Gujarat, Maharashtra and Uttar Pradesh, which have large centres, also are not provided with specialists' facility for orthopaedic treatment. The Committee suggest that all possible steps should be taken to remove this lacuna and the Corporation should take particular care in ensuring that the concerned State Governments act in the matter swiftly.

C. Administration, Supervision and Control

Agreement with States

7.46. Sub-section (3) of section 58 of the Act provides that the Corporation may enter into an agreement with a State Government in regard to the nature and scale of the medical treatment that should be provided to insured persons and (where such medical benefit is extended to the families) their families (including provision of buildings, equipment, medicines and staff) and for the sharing of the cost thereof and of any excess in the incidence of sickness benefit to insured persons between the Corporation and the State Government.

7.47. In pursuance of the above provision, the Corporation has so far entered into agreement with the following States on the dates indicated against each. The deeds of Agreements with all these State Governments have been entered on the lines of Standard Agreement (Appendix IX) except minor variations.

1	Year of extension of scheme	Date of agreement
1	2	3
(1) Andhra Pradesh	1955	11-10-1968
(2) Assam	1958	21-2-1962
(3) Bihar	1957	11-2-1957
(4) Kerala	1956	21-5-1956
(5) Madhya Pradesh	1955	9-8-1962

1	2	3
(6) Mysore	1958	1-6-1960
(7) Orissa	1960	5-2-1958
(8) Punjab	1953	7-12-1957
(9) Rajasthan	1956	4-7-1957
(10) Tamil Nadu	1955	23-3-1956
(11) West Bengal	1955	22-4-1969

7.48. No agreements have so far been entered into with the Governments of the States of Gujarat, Haryana, Maharashtra and Uttar Pradesh and Union Territory of Delhi.

7.49. It has been stated that the States of Maharashtra, Gujarat and Uttar Pradesh have agreed in principle to the nature and scale of medical treatment and sharing of cost thereof. But the final deed of agreement with these States is still under finalisation because of differences on certain clauses of the draft agreement.

7.50. The Committee have been informed that all the State Governments where the Act is in force have since framed the rules under section 96 of the Act with regard to scale of medical benefit to be provided, establishment of hospitals, the nature and extent of staff, equipment and medicines available at hospitals|dispensaries etc. The scale of medical benefit as laid down in the Rules of each State is uniform.

7.51. The Committee are unhappy to note that agreements with some of the States were entered into after expiry of a long period from the date of extension of scheme in these States. They hope that agreements with the remaining States would be finalised expeditiously.

Medical and Para-medical staff

7.52. In view of the shortage of medical and para-medical staff in the country in general and for the ESI Scheme in particular, the ESIS Review Committee has recommended that "full-fledged medical colleges should be started at places where there are large and well-equipped E.S.I. Hospitals, either directly by the Corporation or by the State with the help of the Corporation. In cases where the Corporation contributes financially to medical training, the students or trainees concerned should be under an obligation to serve the ESI

Scheme for a specified period which should not be less than 5 years, after achieving full qualifications. The ESI Hospitals should be utilised for the training of nurses and other para-medical staff". The Review Committee has felt that the complaints of the insured persons against being entrusted to the care of raw and inexperienced doctors is legitimate and accordingly has suggested that the doctors posted in ESI dispensaries or hospitals should not have less than 3 years' professional experience. The Review Committee has also felt that qualified doctors often find service in ESI Scheme unattractive and that the ESIC allowance of Rs. 100 p.m. in addition to non-practising allowance admissible under the State Government rules is not an adequate inducement for the doctors. No decision has so far been taken on these recommendations which will be considered by the Standing Labour Committee at its next meeting.

7.53. Asked during evidence whether there was a proposal to extend the Central Government's medical service conditions and pay scales etc. to ESI doctors, the Director General stated:—

"Some time back (August 1967), it was felt that probably the reluctance of the doctors in the States for doing ESI work might be due to inadequate scales of pay as compared to the Central Health Service pay scales. We had written therefore to the State Governments to enquire whether they would consider coming over to the Central Health Service scales of pay or whether some allowances or other attractions could be given so that the doctors who came for ESI work feel contented and are able to devote their time to this work. And we have received replies from the State Government...."

7.54. In a note submitted to the Committee, it has been stated that the response of the State Governments to the above-mentioned suggestion was not encouraging in view of administrative difficulties involved in having two sets of scales of pay for the same service. As an alternative, it has now been suggested to the State Governments that the quantum of ESI special allowance may be suitably increased. While some of the States have replied to this alternative proposal, others are still considering the matter.

7.55. In reply to a question, it has been indicated that there is no proposal to create a separate cadre of ESI doctors for the country as a whole.

7.56. The Committee would like to recommend that feasibility of creating a separate all India cadre of ESI medical officers on the lines

of Central Health Service with an earmarked quota for each State be examined in consultation with the State Governments. The Committee feel that the creation of an all India Cadre under the overall control of the Corporation would inculcate a sense of belonging to the scheme in the minds of those serving it and also enable the Corporation to have an effective control over the administration of medical care.

Supervision

7.57. The day-to-day supervision of medical facilities is exercised by the Administrative Medical Officers and other staff appointed by the State Governments. About the efficacy of this arrangement, the ESIS Review Committee has observed as follows:—

“At present Administrative Medical Officers do not appear to have sufficient number of Medical Officers to carry out this supervisory function adequately. Further, they have to look after the administration of medical care in several centres in a State which makes it more difficult for them to devote detailed and day-to-day attention to the problem in each centre. We are, therefore, of the view that the offices of the AMOs should be strengthened and adequate inspecting staff provided to enable them to exercise the kind of detailed and day-to-day supervision which the Scheme demands. We further feel that there is need for the appointment of senior medical officers to assist the AMOs' at all the centres which have an insured population of 25,000 or more. While the AMO should be responsible for general administration of the medical care in the State as a whole including its extension to new centres in the State, the local medical officers should be entrusted with the day-to-day administrative and supervisory functions.”

The above recommendation was communicated to the State Governments for action on 8th August, 1967.

7.58. At the Corporation level, the supervision is exercised only to a limited extent through periodical survey, review and inspections of the medical arrangements in the States by the Director General, the Medical Commissioner, the full-time Medical Referees and a Sub-Committee of the Corporation, called General Purposes Sub-Committee.

7.59. The General Purposes Sub-Committee was appointed by the Corporation in 1955 to go round the areas where the scheme had

been implemented with a view to assess its actual working and the medical arrangements and make their recommendations. The Sub-Committee was last nominated by the Corporation at its meeting held on the 2nd November, 1966. It consists of 13 members including the representatives of employers, employees and the medical profession, one Member of Parliament and the Director General. The Medical Commissioner is the Convener of the Sub-Committee.

7.60. The Sub-Committee has visited all the States except Gujarat and Haryana. It met last in 1967 when it visited five centres in Orissa. Since then it has not met.

7.61. Asked why the Sub-Committee had not undertaken any tours after 1967, the Director General stated during evidence as follows:—

“It was no use going to more States and adding on to work. We had been concentrating on getting the compliance of the State Governments made during the visits already done and on the results achieved. I also felt that it was perhaps unnecessary to trouble so many members of the Committee when the main purpose could be served by the Medical Commissioner going and finding out at least the major defects which the States should be able to remove before we could go into the minor points of detail of the working of each hospital and dispensary. We have been really concerned with over-coming the major, broad defects or deficiencies in the working of the medical scheme in the States.”

7.62. In response to a written question whether any member of the Sub-Committee either formally or informally expressed a desire that the Sub-Committee should undertake a visit to some State, it has been stated that recently a member has suggested a visit to Haryana. The matter is under consideration.

7.63. In reply to another question, it has been stated that the Director General and the Medical Commissioner plan their visits as the needs and situation arise. The full-time Medical Referee visit dispensaries/clinics as a part of their regular day-to-day duties. During the last three years, the Director General and the Medical Commissioner have visited ESI institutions and reviewed the working of the medical side of the scheme almost in all the States. The States which have not been visited either by the Medical Commissioner or the Director General during the last three years are Kerala and Rajasthan.

7.64. While replying to the discussion on motion for consideration of the Employees' State Insurance (Amendment) Bill in Lok Sabha on 15th November 1966, the Deputy Minister of Labour had stated, "we have instituted a number of teams of medical experts who are visiting different States. Sometimes they are going and carrying out surprise visits of various Hospitals and Dispensaries and have suggested various remedial measures.....". The Committee desired to know the composition and number of these teams and periodicity of their visits. In reply it has been stated that there was one full-time technical team of 3 Deputy Medical Commissioners consisting of two Physicians and one Surgeon. They remained in position for different periods and functioned altogether for a period of about 1½ years. The teams visited 5 States from March, 1966 to March, 1967 and the periodicity of their visits from one State to other ranged between 2 to 6 months. The States visited by the Team were Uttar Pradesh in March, 1966, Rajasthan in May, 1966, Madhya Pradesh in July, 1966, Andhra Pradesh in September, 1966 and Haryana in March, 1967. The team is not in existence since May, 1967 due to the non-availability of suitable personnel.

7.65. The need of greater supervision by the Corporation over the administration of medical care has also been stressed before the Committee by the interests concerned.

7.66. The Committee regret that the General Purposes Sub-Committee which was intended to serve as an effective instrument of supervision over the administration of medical benefit in States has been allowed to become practically defunct after 1967. The Committee are of the opinion that the periodical visits of the Principal Officers of the Corporation to inspect and review the medical facilities available under the Scheme in the States are no substitute to the visits of the General Purposes Sub-Committee of the Corporation. They feel that on the spot observation of the medical institutions by the Sub-Committee would, besides gearing up the local administration and providing a psychological satisfaction to the beneficiaries about Corporation's vigilance of its responsibilities, enable the members of the Corporation to have a first hand information of the administration of medical benefit which in turn would undoubtedly help the Corporation in taking appropriate remedial measures from time to time. The Committee trust that the Sub-Committee would undertake visits to the States regularly and their reports considered by the Standing Committee/Corporation for taking appropriate action on them. Care should, however, be taken to plan these visits in such a manner that there is no overlapping

between these and the periodical inspections to be carried out by the Director General and the Technical Teams of the Medical Commissioner or the Deputy Medical Commissioners.

7.67. The Committee also reiterate the recommendation made by the ESIS Review Committee with regard to strengthening of medical inspection staff to assist the Administrative Medical Officers in States. They hope that this would be done without any delay.

Cost Control

7.68. The State-wise per capita expenditure on medical care for the years 1965-66, 1966-67 and 1967-68 is as follows:

State	Total including State Government's share		
	1965-66	1966-67	1967-68
Andhra Pradesh	54.94	57.43	73.10
Assam	50.00	54.45	68.10
Bihar	41.23	43.77	51.72
Delhi	44.31	52.44	48.45
Gujarat	61.18	62.35	64.88
Kerala	23.89	35.06	43.47
Madhya Pradesh	48.10	55.48	61.33
Maharashtra	41.79	44.56	50.00
Mysore	29.68	29.53	47.17
Orissa	29.01	26.86	30.00
Punjab	38.40	36.83	54.35
Haryana	..	..	29.28
Rajasthan	31.36	39.75	44.24
Tamil Nadu	29.32	33.79	46.46
Pondicherry	..	14.69	28.14
West Bengal	37.49	38.37	44.02
Uttar Pradesh	28.15	24.09	27.00
All India	38.81	41.08	47.53

7.69. It has been stated that the expenditure on the medical care is dependent on the type of medical facilities provided to the families of insured persons viz. restricted medical care, expanded medical

care or full medical care including hospitalisation by the respective State Governments. The highest per capita cost is in Andhra Pradesh which is providing full medical care including hospitalisation to the families of insured persons whereas the lowest per capita cost is in Uttar Pradesh which is providing only restricted medical care to the families of insured persons.

7.70. During the evidence also, the Director General informed the Committee that the cost of medical benefit had been increasing specially during the last three or four years because of increase in salaries and allowances of staff as also general rise in prices.

7.71. The Sub-Committee of the Corporation which recently went into the financial position of the Corporation has made the following observations in its Report:

“.....in an integrated Scheme like the ESI, it would be an invidious distinction if one State were to spend disproportionately more than others, and that it would be desirable that the share of the Corporation on the cost of medical care on a per capita basis should be determined at a uniform rate and any excess of expenditure beyond the prescribed ceiling should be met by the State Governments out of their own resources. In considering the share of the Corporation, due regard must be paid to the funds available with the Corporation after payment of cash benefits and administrative expenditure.”

7.72. With a view to bring about uniformity in the standard of medical care in different States and effect economy in expenditure, the Sub-Committee made the following suggestions which have been accepted by the Corporation:

“It was essential that all States should benefit equally from the operation of the Corporation and that there should be a certain measure of uniformity in the standards in practice as between the different States.

The overall ceiling on medical benefit should be Rs. 50.00 per annum per employee, including the State Governments' share. This ceiling will operate as the maximum limit of the shareable expenditure on medical benefit and the actual share of the Corporation will be proportionately less in a given year if the expenditure in a State was less than Rs. 50 per capita in that year. If, however, the actual

expenditure exceeded Rs. 50 per capita in any State in a particular year, the excess will be borne exclusively by the State Government concerned, without the Corporation sharing any portion thereof. The States would be informed in advance of the amounts which they could expect.

Efforts would be made to streamline the staff pattern at hospital and dispensaries and also to secure economies through the unified system of purchase of drugs and other supplies."

7.73. During evidence, the Medical Commissioner informed the Committee that the Corporation had no control in the selection of staff for ESI hospitals and dispensaries. However, so far as equipment was concerned necessary guidelines had been given to State Governments. Whatever plans as to the number of dispensaries, the place for setting them up, equipment to be provided etc. were framed by the State Government, the same had to be scrutinised and approved by the Corporation. The Director General added that once the initial plan for starting an institution—hospital or dispensary was approved, that became a permanent institution and the problem arising from day-to-day would not require specific approval of the Corporation.

7.74. To a suggestion if the Corporation needed more powers by way of amendment of Act in regard to administration of medical care by the State Governments or the implementation of the scheme, the Director General stated as under:

"I have been feeling some delicacy in dealing with State Governments. They have been spending money on medical benefits without any check or with very nominal check. I feel personally that since we pay $\frac{2}{3}$ or the lion's share of the entire thing it is for the Corporation to determine how the money is to be spent. We should have a greater say for the expenditure on medical benefits and the manner in which it should be administered also. We made suggestions. Government of India wrote to State Governments that we are also partners in this, they are not alone, they cannot just do things as they want to. The response has not been discouraging. There are only one or two cases of slight misunderstanding."

7.75. The Committee desired to know what specific suggestions were made to the States and what were the cases of 'slight misunder-

standing' as mentioned above by the Director General. In a written reply, it has been stated that regarding re-imbusement of Corporation's share on medical care the practice so far has been to accept the expenditure as having duly incurred if it had the audit certificate by the respective Accountant Generals in the States. In regard to budget estimates it has been pointed out that no uniform pattern has been followed by the State Governments in submission of estimates to the Corporation. It has been observed on the previous years' experience that the complete budgets were never submitted to the Corporation and it was not possible to make critical appraisal of the Budget Estimates prepared by the States. The Corporation on its part has, however, been writing to the State Governments to restrict the cost of the medical benefit to the minimum on the basis of the expenditure being incurred by the States in preceding fiscal years.

7.76. It has been further stated that the State Governments were requested in 1968 to improve the medical arrangements by way of suggestions, namely, to effect close liaison between the State Governments and the Corporation through Regional Directors and Medical Referees, to send quarterly statements of the expenditure in a prescribed proforma, to review the staffing pattern of State Insurance Dispensaries on the basis of actual workload, and to prepare their budget estimates in accordance with prescribed detailed proformae for the approval of the Corporation.

7.77. The Committee have been informed that all State Governments where medical benefit is being provided through service system were requested in October, 1968 to undertake review of the staffing pattern of the State Insurance Dispensaries on the basis of the actual workload. This review was to be carried out by the State Administrative Medical Officer with the help of Medical Referee wherever they existed and the Regional Director of the Corporation. No target date has, however, been fixed for the same.

7.78. It has been stated that the said review has since been completed in the States of Mysore and Andhra Pradesh. As a result of the review the following net reduction has been recommended:

	Sanctioned Staff	No. of staff declared surplus		
		Doctors	Other staff	Total
Mysore	1294	47	546	593
Andhra Pradesh	N.A.	13	79	92

Although the review was completed in 1969 and staff reduction has been accepted by the Government of Mysore, no further action has so far been taken. In the case of Andhra Pradesh, the review has been completed partially and recommendations are with the State Government. Pending finalisation of the review, the State Government has closed down seven dispensaries with effect from October, 1969 and surplus staff withdrawn. In addition, the State Government has discontinued a 32 bedded annexe and dereserved 18 reserved beds.

7.79. Explaining the reasons for so much surplus staff as disclosed by the review in some States, the Director General stated during evidence that many States had appointed the maximum staff according to the normal staffing pattern laid down by the Medical Benefit Council but without going into the question of workload. In reply to a question, the Medical Commissioner replied that no staff review was done previously.

7.80. The Committee have also been informed that certain States like Tamil Nadu etc. are not implementing the suggestion of the Corporation in regard to the review of the staffing pattern of the State Insurance Dispensaries|submission of the Budget Estimates and the quarterly statements of the expenditure in the prescribed proformae but efforts are being made to persuade these States to adopt uniform methods.

7.81. Asked to elucidate his point made out before the Committee during oral evidence, with regard to Corporation's own arrangements for the audit of the accounts and the manner of functioning of medical benefit in the States, the Director General in a written note has stated that "until recently the State Governments have been making arrangements for medical care under the E.S.I. Scheme as they thought best and without any effective check by the E.S.I. Corporation. There has thus been no uniformity in expenditure and services in different States. It was proposed by the Director General that we may create an audit cell at the Headquarters level with one senior Accounts Officers and other ancillary personnel which may visit various States and look into the details of expenditure on medical benefits under the ESI Scheme incurred by them. They may go into the details and discuss with the State Government authorities and suggest ways and means for curtailing expenditure".

7.82. The Committee further enquired whether the Corporation exercised any control on the purchase of drugs, stores, equipments

etc. In reply it has been stated that the administration of medical care being the statutory responsibility of State Governments, these matters are looked after by them. The State Governments follow the usual procedure of procuring drugs from medical stores through indenting as well as from D.G.S.&D. Rate Contract. Many States have their annual rate contracts. In Delhi, where the Corporation is administering the medical care directly the drug supplies are received from Medical Stores Depot, Karnal, D.G.S.&D. Rate Contract and the Director (Medical) Delhi's Rate Contract. The Committee also desired to know whether the economics of the system of obtaining bulk supplies of medicines, stores and equipments directly from manufacturers with a centralised pool under the control and supervision of the Corporation for onward supply to States had been studied. In a written reply it has been stated that a system is now being tried out in consultation with the Director General of Health Services and Director General of Supplies and Disposals to study the entire economics of the method of purchase of medicines. A tender for selected medicines inviting quotations from approved manufacturers has been issued and necessary further action is being taken. So far this has not been done in respect of stores and equipment.

7.83. The Committee are surprised to note the wide disparity ranging from Rs. 27 to Rs. 73 in the per capita expenditure incurred on the provision of medical benefit in different States. It is all the more surprising that no tangible efforts had been made by the Corporation all these years to control the expenditure to secure economy and uniformity in service under the scheme. It was only in October, 1968 that Corporation asked the States to carry out a review of the staffing position in State Insurance dispensaries. Although bulk of the States have yet to finalise such a review, the results of the review in respect of the States of Mysore and Andhra Pradesh are indeed revealing. Similarly, as also admitted by the Director General, the Corporation's approval to the budget estimates of States has been absolutely formal involving no scrutiny at all. Again, in the matter of supply of drugs, stores and equipments, no initiative was taken till recently to streamline and centralise to the extent possible the system of their purchase. The Committee need hardly emphasise that in a developing country like India it is imperative that not only the available resources should be more systematically and economically allocated but also the extravagance of no kind should be tolerated. With that end in view, the Committee recommend that the Corporation should introduce suitable systems to ensure a thorough budget scrutiny as also control over the expenditure incurred on the provision of medical benefit in the States. The Committee feel that besides

economy and efficiency this would bring about uniform pattern in the matter of provision of medical benefit under the scheme all over the country. The Committee have no doubt that the staffing review in the State Insurance dispensaries and also the current study of the system of purchase of medicines directly from the manufacturers would be completed expeditiously. In this connection they would like to commend the system of direct procurement of stores and equipments for medical institutions along with the drugs, to form a centralised pool under the control of the Corporation and for onward supply to States, if it is found practicable and economical.

Dual Control

7.84. Both the employers as well as workers' organisations in their memoranda submitted to the Committee have complained about the unsatisfactory administration of medical benefit by the State Governments. It has been pointed out that there is inherent defect in the basic arrangement of the scheme in which right to spend the fund is completely divorced from the responsibility to find the resources. It has also been pointed out that while the major portion of the cost of medical care is borne by the Corporation, the actual administration of medical care is entrusted to the State Governments. It has accordingly been urged that in the interest of efficiency and economy, it is desirable that either the Corporation should take over the administration of medical benefits from the State Governments or it should devise some other measures to require State Governments to exercise the necessary vigilance in the administration of the medical benefit.

7.85. The question of taking-over of the administration of medical benefit by the Corporation from the State Governments was considered by the ESIS Review Committee. The Review Committee came to the conclusion that "it would not be expedient to make any radical change in this regard at present". However, "every effort should be made to gear up the machinery set up by State Governments to the needs of the scheme and to ensure that proper and effective liaison is maintained between the Corporation and the State Governments. For the day-to-day functioning of the medical side of the scheme the State Governments should have a free hand but they should be answerable to the Corporation for any lapses." The Review Committee also suggested that "the administration of medical benefit may be entrusted to the Corporation wherever the State Government feel that this step would be in the larger interest of the State and the efficient administration of the Scheme."

7.86. During evidence as well as in the written replies furnished to the Committee, it has been stated that on the whole the medical

benefit is being administered by the State Governments satisfactorily and the present dichotomy has not in any way seriously affected the proper administration of medical care. It has been on rare occasions it is stated, that the Corporation had to suggest to the State Governments the taking over of the administration of medical benefit. For instance in 1962, the Corporation took over the administration of medical benefit in Delhi. Similarly, when in 1968 a number of complaints about the arrangements of medical care at ESI hospitals at Faridabad and Modinagar were brought to the notice of the Corporation, the concerned Governments of Haryana and U.P. were addressed in the matter about the shortcomings with a suggestion that the administration of medical benefit might be handed over to the Corporation. The matter was not pursued as the arrangements both at Modinagar and Faridabad showed improvements.

7.87. Asked during evidence whether direct administration of medical benefit by the Corporation would lead to efficiency, the Director General stated that it would be very difficult to manage the medical side centrally. He subsequently added that to an extent position could improve if the Corporation had its own arrangements for the audit of the accounts and the manner of functioning of medical benefit in the States.

7.88. The representative of the Ministry also did not agree with the suggestion that the Corporation should take over the administration of medical benefit from the State Governments. He explained:

“...This is a scheme which can be successfully administered only with constant liaison and coordination with the State Governments. I think the argument that the Corporation should take over the administration of these hospitals and medical benefit arose from the fact that the Corporation has provided the finances for putting up these hospitals. That is no doubt an understandable point of view but it seems to me having regard to the attitude of the State Governments and also the fact that the State Governments run an extensive scheme of medical and public health benefits of which this is only a part; there is much to be said from the point of view of better administration and better sharing of over-heads, that the States should operate this. At the same time we should do something to ensuring that the money spent by the Corporation is well and economically utilised. I would say the remedy would seem to lie in the Corporation laying down standards and yardsticks and guidelines and not only laying these down but ensuring that these are carried out in an

adequate and effective way by a constant system of inspections. Already the Corporation has this scheme of inspection, a kind of management audit to make sure that facilities provided are fully and economically utilised. By and large I would say the State Governments have co-operated in the working of the scheme."

7.89. The Committee are inclined to agree to the view that the administration of medical benefit should normally be left to the State Governments and the Corporation should concern itself with laying down broad guidelines to be followed by the States and exercising an effective control by various systems both on the quality as well as cost of the medical benefit. At the same time, they feel that if situation in any State so demands the Corporation should not be oblivious of its responsibilities as insurance carrier to take over the administration for providing better and efficient service to the beneficiaries under the Scheme.

Medical Care in Delhi

7.90. The Director General informed the Committee during evidence that the administration of medical care in Delhi was temporarily taken over by the Corporation from Delhi Administration in April, 1962 as there was considerable dissatisfaction among workers. In 1966 the arrangement was made on a permanent basis.

7.91. The Delhi Administration also transferred the staff employed under the scheme upto the level of Administrative Medical Officer. For the proper administration, a separate Directorate under the charge of Director (Medical) was created. The Director took over on 20th May, 1967. Appropriate powers have been delegated to the Director and the Headquarters exercises only general supervision and lay down policies.

7.92. The sanctioned and actual staff strength of the Medical Directorate and ESI Dispensaries in Delhi during the last four years has been as follows:

	Office		ESI Dispensaries	
	Authorised	In position	Authorised	In position
1965-66	80	76	688	605
1966-67	93	88	676	580
1967-68	80	78	712	637
1968-69	89	86	712	661

7.93. It has been stated that the medical services in the Union Territory of Delhi have improved since taking over by the Corporation. As against 59 Medical Officers on 1st April, 1962 the number of medical Officers as on 31st March, 1969 was 110. As on 31st March 1969 there were 28 Specialists as against 20 on 1st April 1962, 90 T.B. beds reserved for T.B. patients as against 60, 5 diagnostic centres as against 2 and 19 full time dispensaries as against 13. 12 of these 19 dispensaries run for 12 hours each. With the increase in the number of dispensaries, Medical Officers, Specialists, etc., the care and attention and the standard of medical care available to the insured persons and their families have also improved.

7.94. The ESI Hospital in Basaidarapur village is expected to start functioning by the middle of 1970 and it would then be possible to extend hospitalisation facilities to the families of workers.

7.95. The Committee desired to know whether direct administration of medical care in Delhi by the Corporation has led to greater satisfaction among beneficiaries and also economy and efficiency in administration. In a written reply the Committee have been informed as under:

“As satisfaction to the beneficiaries proceeds directly out of the standard of services made available to them greater satisfaction among the beneficiaries will be a logical conclusion.

As the medical services in the Union Territory of Delhi have been considerably improved . . . it would not be possible to consider the economy angle in any comparable terms. However, with a view to effect further economy and reduction in the cost of medical benefit, the entire workloads are being reviewed so that without materially effecting the services currently available, the costs are brought down to whatever extent is possible. The Corporation has recently started a review of the requirements of medical and para-medical staff in the light of actual workloads so that the cost of medical benefit could be brought down to the extent possible.

It is difficult to compare the current efficiency in administration with the degree of efficiency as it obtained when the medical benefit in Union Territory of Delhi was not taken over by the Corporation. However, as the Corporation directly administers medical care and all matters connected

therewith, decisions flow expeditiously to the lower levels and redressal of complaints, grievances and bottleneck is done quickly."

7.96. In reply to a written question, various steps are stated to have been taken to overcome the difficulties of delay and financial hardship caused to beneficiaries in getting medicines.

7.97. At present there are four chemists appointed in the different areas of Delhi|New Delhi for supply of non-available medicines to the beneficiaries on a specially printed form. In order to be able to procure the medicines at economical rates consistent with quality, the Headquarters have proposed of entering into rate contract with various firms of repute for supply of about 150 items of common use. This is further expected to ease the supply position of medicines. At present the supplies are received from following sources:

- (i) Medical Stores Depot, Karnal.
- (ii) D.G.S.&D. Rate Contract.
- (iii) Director (Medical) Delhi Rate Contract.
- (iv) Proposed rate contract of Headquarters.
- (v) Direct supply to the beneficiaries from appointed chemists.
- (vi) Purchase at hospital rates.

7.98. The procedure of supply of medicines to the various dispensaries individually from Medical Stores Depot, Karnal is also under review and it is expected that from 1970-71 onwards, the supply from Medical Stores Depot, Karnal shall be procured centrally and distributed to the various dispensaries thereafter.

7.99. The Committee note the various steps taken by the Corporation to improve the standard of medical care in Delhi. They need hardly stress that after having assumed direct responsibility of administering medical care in the Capital, the Corporation should keep a constant vigil to ensure that highest standards both in efficiency as well as economy are set up to be emulated by the State Governments.

D. Construction of Hospitals|Dispensaries

Reservation|Construction of Beds

7.100. In the early stages of the implementation of the scheme, it was considered that it would be possible to provide hospital facilities to the insured persons in hospitals run by the State Governments themselves or by arrangement with other local body or private hospitals either by reservation of beds or through some alternative method. In practice, however, it was found that the insured

persons got no better treatment than the general public. The Corporation, therefore, insisted that the State Governments should make better arrangement by reservation of beds in the hospitals on payment basis.

7.101. In December 1952, the Corporation had approved that the hospitals for the insured persons should mainly be annexes to existing hospitals and not necessarily costly orthodox types of hospitals. In the following year, as funds started accumulating, the Corporation gave a general approval to utilisation of surplus funds for incurring expenditure in connection with the provision of hospital accommodation. In October, 1954, the Corporation approved the proposal to advance loans to the State Governments for construction of hospitals in which the Corporation itself would bear $3\frac{1}{4}$ th of the cost. In the same year, the Corporation decided that it might construct dispensary buildings, share the cost thereof with the State Governments and grant loans to the State Governments for meeting their share where necessary. A Committee was set up to approve estimates and plans for hospitals proposed to be constructed. As the progress was still slow, in December, 1955, the Corporation reviewed the position and offered three alternatives to the State Governments for construction of hospitals—(i) the State Government could construct and own the hospitals by taking loans, if necessary, from the Corporation, the rent of the hospital being shared between the State Government and the Corporation in the usual ratio; (ii) the hospital could be the joint property of the Corporation and the State Government; or it could be the sole property of the Corporation, the rent being shared between the State Government and the Corporation in the usual ratio.

7.102. With the passage of time as the scheme was gradually extended to bigger industrial centres, the concerned State Governments made more formal and definite arrangements for reservation of beds not only for general treatment but also for tuberculosis and maternity cases. Still there was no effective control machinery to ensure the observance of stipulated standards in regard to reservation of beds. Also all the States did not have arrangements for hospital beds even on the basis of one bed for every 800 employees and for tuberculosis, one bed for every 1,000 employees and for maternity cases and one bed for every 500 insured women. The situation evoked complaints both in regard to unsatisfactory nature as well as inadequacy of the hospitalisation facilities. The General Purpose Sub-Committee of the Corporation which made on-the-spot tours of various States also lent credence to these complaints.

7.103. Asked what were the reasons for not calling upon the State Governments to share the cost of construction of hospitals, Government in a written reply have stated as under:

"The responsibility for the provision of medical care under the E.S.I. Act being that of the respective State Governments, adequate arrangements therefor including hospitalisation facilities were to be made by them. They had, however, expressed their helplessness to find funds for the construction of medical institutions under the E.S.I. Scheme. Efforts were then made to persuade the State Governments to construct the buildings on joint ownership basis, the Corporation providing major share of the funds needed. As response was not satisfactory, it was then decided to allow the State Governments, the option of drawing loan from the Corporation to meet their share of expenditure on construction. This also did not prove efficacious, and no improvement in the position was noticeable. As there were persistent demands to improve the standard of medical care and to provide hospitalisation facilities of reasonable standard, it had no alternative but to consider meeting the entire expenditure on capital construction from its own resources as an *interim* measure. In fact it was decided by the Standing Committee that the hospitals might be constructed either on the basis of joint ownership of the State Government and the Corporation or the sole ownership of the State Government or the sole ownership of the Corporation, the particular method to be adopted to be decided in each case in consultation with the State Government to ensure speedy construction of hospitals for the purposes of the Scheme. It was in these circumstances that the Corporation had to finance the cost of most of the projects exclusively by itself as the State Governments preferred this alternative out of the three methods made available to them."

7.104. In response to a question as to what criteria have been followed for constructing a hospital or a dispensary in a particular centre, it has been stated that the main criterion is the need for such an institution as assessed by the State Government and agreed to by the Corporation on the merits and circumstances of each case. It has been pointed out that it was in December, 1963 that the Corporation decided that beds in the ESI Hospitals should be constructed on the basis of 11 beds per 1000 employee family units. A hospital was constructed wherever there was need for sufficient num-

114 (Aii) LS—11.

ber of beds to justify it, at other places where lesser beds were needed an Annexe was provided. However, in December, 1968, the Corporation decided to reduce the yardstick for hospital beds under the ESI Scheme on financial considerations from 11 to 4 beds per 1000 employees family units and thereafter the revised yardstick is being followed. In the case of dispensary buildings, although there is no specific yardstick, the need for constructing a dispensary is determined normally after taking into account the availability of suitable rented buildings, size of industrial concentration and other relevant factors.

7.105. The Committee desired to know whether any guidance was given by the Government of India in regard to capital construction programme. In reply it has been stated that except to the extent that the Government was represented both on the Corporation and the Standing Committee and whatever guidance was available during discussions in the meetings held from time to time no other guidance was given to the Corporation.

7.106. The total number of beds available in ESI Hospitals Annexes and other hospitals from 1960-61 onwards has been as given below:

Year	No. of beds in ESI			Total
	Hospitals	Annexes	Other Hospitals	
1960-61	357		2131	2488
1961-62	1045		2286	3331
1962-63	1374		2270	3644
1963-64	1804		2636	4440
1964-65	2105		3120	5225
1965-66	2572		3409	5975
1966-67	2952		3319	6271
1967-68	4435		3785	8220
1968-69	5689		3698	9387

7.107. From the material furnished to the Committee, it transpires that 23 projects of hospitals/annexe are at present under construction and 8 projects are such in respect of which construction work has not yet started (*vide* Appendix X). Out of these 8 projects, 5 were sanctioned in 1967-68 and the other three as back as 1963-64, 1965-66 and 1966-67 respectively.

Dispensaries

7.108. So far 124 dispensaries have been constructed and about 30 are under construction in different regions. About 500 dispensaries are being run in hired buildings, the annual rent for which comes to about rupees twenty three lakhs.

7.109. During their study tour of various centres, the Committee found that the standard of general cleanliness was much higher in dispensaries located in the Corporation's own buildings than the rented buildings,

Control over construction

7.110. The Committee enquired which was the agency employed by the Corporation for building hospitals, dispensaries etc. In a written note, it has been stated that the Corporation does not have any agency of its own to undertake the execution of the E.S.I. projects. It, therefore, depends upon the State Governments for building programme. Since the administration of medical care is the direct responsibility of State Governments, they have to make all the necessary arrangements including setting up of Hospitals|Dispensaries. The buildings constructed for this purpose have necessarily to suit their purpose and therefore not only the planning of such institutions but also their construction had to be entrusted to the State Government agencies who have considerable experience of undertaking construction of medical institutions and other building for the State Governments' need.

7.111. The agency for construction, preparation of plans and estimates and technical supervision|control over the projects has, therefore, been left to the State Government's choice, on the terms and conditions which they recommend. Generally the State Public Works Department|Housing Board have been entrusted with construction of Hospitals|Annexes|Dispensaries as well as offices of the Corporation and staff quarters.

7.112. Asked how the Corporation exercises a check to ensure that the cost of construction is kept to the minimum and a time-schedule for completion is adhered to, Government have pointed out that the Corporation ensures that the State Government concerned get the plans and the estimates prepared with reference to the norms and standards applicable to similar projects of their own and also that the plans and estimates so prepared, are examined and scrutinised by the State Government in their Administrative and Finance Departments as for their own projects before a reference is made

to the Corporation. In regard to the completion of the buildings within reasonable time, the State Governments keep a close control over the progress of construction by obtaining periodical progress reports from their construction agencies. They also forward quarterly report of progress of capital construction to the Corporation. If the State Governments find any special difficulty in regard to the availability of material or reasonable tender rates, they make measures to overcome the difficulties|obstacles as they would in the case of their own projects and if they find that the sanctioned cost of the project is likely to be exceeded, they approach the Corporation for revised sanction. In this connection it may be mentioned that the projects are undertaken on the recommendations of the State Governments and as per the plans and estimates recommended by them, primarily with a view to assist the State Governments to improve the standard and efficiency of medical care arrangements which it is their responsibility to provide. Naturally, therefore, the State Governments take interest to ensure that any obstacles that may be encountered are surmounted as quickly as they can, and the projects completed and put to use expeditiously.

7.113. Asked further why the Corporation like other Public Undertakings and other autonomous bodies could not undertake the construction work by inviting public tenders or through National Buildings Construction Corporation, Ministry have explained that the Corporation had to depend upon the State Governments as the latter were also statutory participants in the scheme.

7.114. However, in reply to a written question, it has been admitted that an officer of the rank of Chief Engineer was appointed to supervise the construction programme of the Employees' State Insurance Corporation, Coal Mines Welfare Fund and the Employees' Provident Fund with effect from 23.1.1968 to 1.1.1969. The creation of the post was sanctioned by the Standing Committee on 11.4.1967. The following staff was also provided to assist the Chief Engineer:

Staff	No. of post	Period
1. Asstt. Engineer	One	2-9-68 to 9-5-69
2. Personal Assistant	One	23-1-68 to 31-12-68
3. Peon	One	23-1-68 to 31-12-68

7.115. Giving the reasons for creating a separate unit, the Director General stated during evidence as under:

"When I came here, I found that from our side we had hardly any control over expenditure. In some of the States, the

expenditure per square foot or per bed of hospital varied a lot and it appeared to be *prima facie* much in excess of what it should be. We were handicapped in having an independent opinion. The decision of the Corporation was that the money would be found and that we may go ahead with the construction programme. Therefore, we thought that we might have at least one man to be able to advise us. That is how this post was created and we also felt that we would share the cost with other organisation."

7.116. From the list of duties assigned to the Chief Engineer, it is noted that his duties included scrutiny of plans for buildings, standardisation of plans and estimates, issue of sanction, settling agency for execution, release of funds, supervision over progress of construction, finalisation of accounts, fixation of rent, repairs and maintenance etc. etc.

7.117. Explaining the reasons for discontinuance of the Cell, it has been stated that the Corporation in its meeting held on 22. 3. 1969 decided to drastically cut down the construction programmes in view of its financial position. As the construction was reduced considerably and there was also no likelihood of the programme gaining momentum in the immediate near future, the post of the Chief Engineer was abolished. It is stated that the total expenditure incurred on Engineering Cell, which amounts to Rs. 43,000 approximately is to be shared by the ESIC, Cold Mines Welfare Fund and Employees' Provident Fund Organisation.

Inter Se regional position

7.118. The State-wise break-up of number of hospitals|annexes' number of beds, provided therein and number of dispensaries built so far by the Corporation is indicated as under:

State	Hospitals		Annexes		Dispen- saries
	No.	No. of beds	No.	No. of beds	No.
I	2	3	4	5	6
Assam	..	..	..	..	..
Andhra Pradesh	4	300	2	56	8
Bihar	2	134	1	..	1
Delhi	..	..	..	..	..

I	2.	3	4	5	6
Gujarat . . . . .	..	..	..	..	32
Haryana	2	140	2	24	2
Kerala	4	305	1	24	17
Madhya Pradesh	2	225	..	..	14
Mysore	2	388	1	32	3
Maharashtra	2	892	1	25	..
Orissa	1	30	..	..	2
Punjab	2	205	1	12	..
Rajasthan . . . . .	..	..	5	75	7
Tamil Nadu	1	525	6	216	32
Uttar Pradesh	4	636	..	..	7
West Bengal	7	1423	..	..	..
	33	5143	20	476	124

7.119. The following figures indicate the State-wise position with regard to number of beds admissible according to the revised yardstick of 4 per 1000 employee family units, the number of beds already constructed and are under construction. Per capita amount sanctioned and released for construction of hospitals and dispensaries is also indicated against each State:

State	No. of beds			er capita amount	
	Admission	Total const- ructed and under const- ruction	Deficit (—) or Surplus (+)-	Sanctioned (Rs.)	Released (Rs.)
I	2	3	4	5	6
Andhra Pradesh	431	696	+265	255.00	233.00
Assam	52	..	—52	32.00	1.08
Bihar	232	210	—22	176.00	112.00
Gujarat	1396	700	—686	100.00	77.00
Haryana	351	214	—137	108.00	82.00
Kerala	568	1219	+651	272.00	208.00

I	2	3	4	5	6
Madhya Pradesh .	380	+440	+60	183.00	163.00
Maharashtra	3236	2067	-1169	59.00	23.00
Mysore	679	540	-139	62.00	37.00
Orissa .	116	62	-54	73.00	56.00
Punjab	332	277	-55	118.00	106.00
Rajasthan	236	75	-161	88.00	40.00
Tamil Nadu	1276	1418	+142	205.00	160.00
Uttar Pradesh	980	636	+244	59.60	50.00
West Bengal	3208	1857	-1351	101.00	55.00
Chandigarh .	14	..	-14	..	..
Delhi	364	500	+136	215.00	106.00
Pondicherry	45		-45		

7.120. The Sub-Committee of the Corporation, which recently went into the financial position of the Corporation also recognised that due to various reasons, some States are more advantageously placed on the basis of coverage both as to amount sanctioned and the number of beds and dispensaries constructed and thus there exists an imbalance in this respect. The Sub-Committee realised that while the current resources of the Corporation would not permit expenditure on capital construction on the same scale as in the past, it was admittedly necessary to rectify the imbalance in the number of hospital beds in various States. The Sub-Committee made the following recommendations which have since been accepted by the Corporation:

- (i) Further construction may be allowed only to the extent necessary to make up any shortage within the yardstick of 4 beds per thousand employees as an unavoidable alternative, subject to availability of funds:
- (ii) No construction should be allowed where the minimum of 4 beds per thousand employees had been reached and the actual construction has not started in respect of other projects.

- (iii) Reserved beds in excess of the number of beds according to the yardstick of 4 beds per thousand employees should be given up forthwith.
- (iv) Where a State Government has already exceeded the limit of 4 beds per thousand employees, it may be persuaded to take over the excess beds for its general hospital purposes. In such a case, the Corporation may pay the cost of construction upto 4 beds per thousand employees and the State Government requested to find funds for the balance.
- (v) In cases where more beds within the yardstick of 4 beds per thousand employees are yet to be constructed, the State Governments may be encouraged to apply for loans if they have no resources of their own to meet the capital cost.
- (vi) The Corporation should prepare prototype plans for hospitals of different sizes and indicate the cost of their construction on a reasonable basis and variations of upto 15 per cent over these costs may be allowed on account of local conditions.

Occupancy ratio of beds.

7.121. The average occupancy of beds in E.S.I. hospitals is stated to be as follows:

Centre at which E.S.I. Hospital is situated	Average percentage of beds occupied per day
1	2
<i>West Bengal</i>	
Sealdah	∞
Kamarhati	9 %
Serampore	96 %
Bally	100%
Balkhuri	35%
Uluberia	25 %
<i>Bihar</i>	
Monghyr	69 %
Maithon	61 %
<i>Uttar Pradesh</i>	
Pandunagar	72%
Modinagar	12%
Kanpur	89%

1	2
<i>Punjab</i>	
Amritsar	24%
<i>Tamil Nadu</i>	
Madras	129%
<i>Madhya Pradesh</i>	
Indore	65%
Indore	73%
<i>Maharashtra</i>	
Bombay	106%
Wardi, Bombay	96%
<i>Orissa</i>	
Choudwar	80%
<i>Mysore:</i>	
Bangalore	80%
<i>Andhra Pradesh</i>	
Sirpur Kagaznagar	160%
Bahlookhanguda	90%
Sanatnagar	
Hyderabad.	

7.122. Subsequently, it was intimated that the average occupancy in E.S.I. Hospitals at Uluberia (West Bengal), Modi Nagar (Uttar Pradesh) and Amritsar (Punjab) has since increased to 38 per cent, 50 per cent and 70 per cent respectively.

7.123. During their on-the-spot visit of ESI Maternity Hospital in Sarvodaya Nagar, Kanpur in September, 1969, the Committee found that while the Hospital had got 144 bed capacity, only 10 patients were given indoor treatment since its commissioning in July, 1968. Asked to state the reasons for this low occupancy, Ministry have explained the position as under:

"The Maternity Hospital at Kanpur was constructed with 144 beds with a view to provide hospitalisation facilities eventually to the members of the families of insured persons also. However, as family medical care was not extended, only 20 beds were commissioned in July, 1968, there being only about 500 insured women workers at Kanpur. Since the said commissioning, only ten patients

have been admitted in the Hospital. The question of utilising the surplus beds in the Hospital has been taken up with the State Government and is being considered by them."

7.124. In respect of other hospitals also where the occupancy is less than the provided capacity, the Committee have been informed that the matter is being pursued with the State Governments concerned for utilising the spare beds.

7.125. The Committee regret that in the matter of provision of beds which is so vitally linked up with the future programme of extension of the Scheme, the Corporation practically left the entire initiative in regard to assessment of requirements, planning and construction to the respective State Governments which for obvious reasons cannot be expected to have overall picture of the Corporation's obligation to secure parity in all the States on a rational basis and also a long term view of its financial resources to maintain a sustained progress of the construction programme. Curiously the Corporation first in December 1963 decided the yardstick of 11 beds per 1000 family units and after allowing freedom of construction to States as they chose for a period of full five years decided in December, 1968 to reduce the yardstick to 4 beds per 1000 family units. This free policy and over-ambitious yardstick has naturally resulted on the one hand in a glaring deficiency of beds even according to revised yardstick in some of the States and on the other in resentment among the States which have been found to possess beds in excess of the revised yardstick and asked to defer the construction on the projects sanctioned earlier. Besides regional imbalance hospitals have been constructed at various places with a bed-capacity much in excess of the actual requirements of the population there. The Committee note that in its over-enthusiasm to construct hospital beds, the Corporation has paid little attention to the construction of its primary units, i.e., dispensaries and consequently these have to be located in rented buildings which, besides inviting heavy liability on account of rent, do not have adequate and congenial accommodation. The Committee further note that the Corporation has exercised virtually no control over the cost and progress of construction programme. In fact the idea of having such a control and creating a separate Engineering Unit at the Headquarters occurred to the Corporation as late as 1968. But unfortunately by that time there did not remain much work for the unit as the construction programme had to be curtailed heavily due to financial difficulties. The Committee are constrained to observe

that there has not only been lack of planning and supervision but also lack of proper imagination. It is regrettable that even the Government of India which is empowered under the Statute to exercise financial control did not afford any concrete guidance in the matter to the Corporation. They, however, note in this connection the belated efforts made recently by the Corporation Sub-Committee which have laid down broad guidelines in regard to future construction programme. While generally endorsing the Sub-Committee's conclusions, the Committee would like to suggest that the Corporation should assess the requirements both in respect of hospital beds and dispensaries in each State and on that basis formulate a plan assigning inter-se priorities with a view to remove regional disparities. Suitable machinery should be devised to effect economy and keep a constant watch on the cost as well as the timely completion of the projects. The feasibility of entrusting the construction work to an agency other than the normal Governmental agency of P.W.D., which involve delay should also be examined.

7.126. As also recommended earlier, the Committee further suggest that both the Central and State Governments should consider the question of giving financial assistance to the Corporation by way of grants|loans for the purpose of undertaking the construction programme.

7.127. The Committee trust that expeditious efforts would be made to persuade the State Governments to utilise the excess beds for general public and if necessary the matter should be taken up at an appropriately higher level.

E. Preventive and Restorative Services

7.128. The standard of medical care approved under the Employees' State Insurance Scheme includes provision of preventive care such as vaccination and inoculation against communicable groups of diseases, tetanus toxoid, etc. Provision of preventive service has been emphasized and the Medical Officers working under the scheme have been constantly urged to attend to this aspect of their work as part of their normal work.

7.129. The National Programme relating to malaria eradication, T.B., etc., have extensive organisations at the State and local levels and the State Governments have been urged to make full use of these services|facilities readily at hand so that the insured persons avail of them. It is stated that the scheme has been generally availing of these facilities and services.

7.130. The Committee were informed that a pilot project of integrated preventive and curative services had been introduced in two centres to begin with—Delhi and Hyderabad, at three or more doctored Employees' State Insurance dispensaries. The Scheme was introduced at Hyderabad on 15th August, 1966. The project had been approved on 9th December, 1966 for Kanpur also.

7.131. In response to a question as to how the projects had been functioning, it has been pointed out that "the basic principle for providing integrated preventive services along with the curative services at ESI Dispensaries was to cut down the incidence of diseases and to promote the health of the insured workers. The Andhra Pradesh Government implemented this scheme by providing six sanitary squads for giving preventive inoculations and looking into the environment sanitation of the residential areas of the insured workers. This programme was in vogue for about 2 years. The results indicate that there is no appreciable reduction in the diseases and that the preventive inoculation with the squad can be done at the dispensary level by the existing staff. Andhra Pradesh Government have since discontinued the squads. No progress has been made in this direction in Kanpur." As for Delhi, although the project is functioning but no study has been made to evaluate the impact of the project on the incidence of sickness.

7.132. Asked whether any further plan for providing preventive care to other areas/regions has been drawn up, it has been explained in a written reply that the current thinking on the subject is that preventive service will be rendered as part and parcel of the dispensary/outdoor services.

7.133. The Committee are unhappy to note that due place has not been accorded under the Employees' State Insurance Scheme to the preventive and restorative care. Even pilot project of integrated preventive and curative services introduced so late as 1964 in Delhi does not seem to have made much head-way as is evident from the fact that it has not been so far considered necessary to undertake a study to evaluate the impact of the project on the incidence of the sickness. Similarly, the project in Hyderabad had been abandoned a couple of years back itself and in Kanpur no progress has been made. The Committee consider that for a developing country like India prevention is as important as treatment and should not be neglected. They suggest that a definite programme in this respect—whether it is rendered as part and parcel of the out-door service or a separate preventive service is created—should be chalked out

as early as possible. The programme should be well thought out and systematic in its operation so that a proper liaison is established with the public health programme undertaken by the State Governments. If the programme is to be a part and parcel of out-door services, where it is more likely to be appreciated, special efforts would be needed for the panel areas to see that the panel doctors adapt to the extra burden readily.

Health Education

7.134. For health education, the Employees' State Insurance Scheme draws upon the facilities and services available with the Health Education Bureaus set up by the State Governments and the assistance available from the Central Health Education Bureau. Booklets, pamphlets and posters available from all the sources are distributed/exhibited in State Insurance Dispensaries for the information of the workers. The Insurance Medical Officers and other doctors connected with the scheme provide health advice and guidance.

7.135. It has also been mentioned that the steps for promotion of health education to industrial workers through *Yogasanas* are already being taken. Pilot schemes have been sanctioned for Bangalore, Nagpur and Luncknow apart from Delhi where the pilot scheme was in operation till some time past.

7.136. In Delhi, the pilot scheme was put in operation in October, 1960. The scheme was entrusted to Bharat Sewak Samaj. It was started with four centres in the initial stage. The following amounts have been spent on the Scheme:—

S. No.	Year	Amount spent Rs.
1	1960-61	3,580.48
2	1961-62	5,896.05
3	1962-63	5,311.43
4	1963-64	5,518.13
5	1964-65	5,252.67
6	1965-66	5,486.69
7	1966-67	5,685.38

7.137. The number of insured persons who received training of yoga is given below:—

<i>Period</i>	<i>No. of Insured Persons</i>
101 Oct. 60 to March 1961	406
1961-62	1,207
1962-63 to 66-67	Not available.

Asked whether any coordination was maintained with similar schemes operated in the Capital by the Delhi Administration or Union Ministry of Health, it was stated in a written reply that no such coordination was maintained.

7.138. At Bangalore, it was started in Sundara Yogasala during the last quarter of 1962-63 but the same had to be given up as the Director of Yogasala was not prepared to meet the requirement of account keeping in respect of the grant-in-aid. The Yoga scheme has not been started in Nagpur and Luncknow.

7.139. The Committee learn that in developing countries, where the direct pattern of providing medical care is more often applied, the needs for disease prevention are most urgent. A number of infectious diseases, which are largely responsive to currently known preventive measures, are still endemic or epidemic. Aside from the environmental controls, people must be educated about the hazards of polluted water, about infant feeding, about proper excreta disposal, about insect vectors of disease and so on. They must also be educated about the importance of seeking medical care soon enough. Immunisations against small-pox, diptheria, tetanus and poliomyelitis are essential. Prenatal care is necessary to reduce the hazards of child-birth. Numerous precautions are feasible to prevent the spread of tuberculosis, syphilis, trachoma and other chronic infections. The need of all these precautions underline the importance of health education programme for workers who are mostly illiterate and ignorant. While noting that the Scheme draws upon the facilities and services available from the Central and State Health Education Bureaus, the Committee recommend that the programme of preventive and restorative care as suggested earlier should also include a systematic Health Education programme.

7.140. In this connection, the Committee need not over-emphasize the significant role which Yoga can play in disease prevention. However, they regret that efforts so far undertaken in that regard

have either yielded no results or proved to be stillborn. The Committee hope that such activities would in future be organised in a well-planned and systematic manner and a constant watch kept on their progress so as to ensure fruitful results.

F. Rehabilitation Programme

7.141. Under Section 19 of the Act, the Corporation may, in addition to other benefits, promote measures for the improvement of the health and welfare of insured persons and for the rehabilitation and re-employment of insured persons who have been disabled or injured. In respect of such measures, the Corporation may incur expenditure from its funds within such limits as may be prescribed by the Central Government. Rule 23A of the E.S.I. (Central) Rules, 1950, framed by the Central Government empowers the Central Government to incur an expenditure for this purpose upto a limit of Rupees five lakhs per year from the E.S.I. Fund.

7.142. In pursuance of the above provision, the Corporation has been providing the following facilities/services for rehabilitation at its sole cost:—

- (i) Free Artificial limb in Employment Injury cases and also in non-employment injury cases where the insured person is entitled to Sickness Benefit at the time of amputation.
- (ii) Free Dentures where the insured person lose teeth on account of Employment Injury.
- (iii) Free spectacles where impairment of eye sight is due to Employment injury or exposure of eye to infra-red-radiations.
- (iv) Free Hearing aids where indicated in Employment Injury Cases.

7.143. The number of cases in which artificial limbs and dentures have been provided are given below for the last five years.

Year	Artificial limbs	Dentures
1964-65	41	4
1965-66	21	4
1966-67	48	5
1967-68	53	7
1968-69	78	12

7.144. Each State Government is to make use of the artificial limbs centres available in their areas for the benefit of the insured persons. Arrangements have been made with the Armed Forces Artificial Limb Centre, Poona, Rehabilitation Centre, Bombay and Vadi Lal Sarabhai Hospital, Ahmedabad. At these Centres, the persons with permanent loss of limbs are examined, artificial limbs fitted and the individuals are given training in the use of the same.

7.145. It has been mentioned that in February 1965, the Corporation constituted a Study Group on rehabilitation programme. The Group made the following recommendations:—

- “(1) In view of the paucity of trained staff, equipment and non availability of foreign exchange, independent rehabilitation centres cannot be set up under the ESI Scheme at this stage. As soon as these facilities are available, the position may be reviewed.
- (2) A start may be made immediately by establishing physiotherapy and occupational therapy departments in all the E.S.I. Hospitals with 100 beds or more with essential staff and equipment.
- (3) A pilot project for Medical Rehabilitation and vocational centre may be started at Mahatma Gandhi Memorial Hospital, Bombay. It will be necessary to have an advisory Committee of experts consisting of five members with powers to co-opt other members if and when necessary.
- (4) Based on the experience gained by the working of this Pilot Vocational Training Centre, other centres may be started in due course in Calcutta, Madras and Delhi.
- (5) To help and advise the Special Employment Officer in securing suitable jobs for the trainees, a committee may be formed.”

The above recommendations were communicated to the State Government on the 5th April, 1967.

7.146. In response to a question whether any programme for the rehabilitation of disabled persons has since been undertaken by the Corporation, it has been stated that depending upon the availability of the properly trained personnel and facilities, all the State Governments are expected to establish physiotherapy and rehabilitation department in ESI Hospitals. Physiotherapy centres are at present

working in Mahatma Gandhi Memorial Hospital, Bombay, ESI Hospital, Madras and ESI Hospital, Hyderabad. There is also a proposal for establishment of such a Department in Calcutta. The Departments are concerned with the treatment and training of the limb which has sustained injury and restoring it to normal function. Wherever permanent disability occurs, the individual is trained to use the part of the body to some useful function. In some of the hospitals special departments are set up, where reconstruction surgery is done like reconstruction of fingers and thumbs and educating the persons to use the same.

7.147 The representatives of the workers' organisation as well as medical profession who appeared before the Committee for evidence stated that the Corporation had not paid any attention to the rehabilitation programme as to enable a worker to have a gainful employment. They suggested that the rehabilitation measures should be promoted on a better scale. The representative of the workers also complained that even if the Corporation passed a resolution to spend some amount for that purpose, the matter was delayed by the Central Government.

7.148. The ESIS Review Committee also went into the need of Rehabilitation facilities and adequacy of the existing arrangements therefor. It observed as follows:—

“The Corporation has not so far made any arrangement for the rehabilitation of disabled insured persons except to the extent of providing artificial limbs at the Army Artificial Limb Centre Poona..... In order to gauge the size of the problem, we made a study of the permanent disablement cases which arose during the year 1963, in Maharashtra Region. The study revealed that out of 828 cases examined, the 552 cases i.e. in 67 per cent of the cases resulting into permanent disablement, physiotherapy and vocational rehabilitation measures appeared necessary and it was evident that the period of temporary disablement and the extent of permanent disablement might have been reduced considerably if improved physiotherapeutic aids were available. It was also observed that in many cases injured fingers and limbs had become stiff and unserviceable leading to award of loss of earning capacity as if there had been a complete loss of finger or the limb. This was attributed to lack of adequate physiotherapeutic and rehabilitation aids.

"In developed countries, the rehabilitation of the sick and injured is a continuous process starting from the onset of sickness or injury. It includes measures (a) to prevent undue loss of physical and mental functions during illness, (b) to assist convalescent patients to recover full functions and to resume their normal way of life without undue delay and (c) to help those for whom permanent disablement is unavoidable to regain the maximum possible physical and mental functions, to adapt to their residual disability and to live and work in the conditions best suited to their capacity."

7.149. The Review Committee made the following recommendations:—

"The Corporation should undertake an effective programme of rehabilitation, retraining and re-employment of permanently disabled insured persons and institutional rehabilitation care should be provided. Every E.S.I. hospital in centres with an insured population of 50,000 family units or more, should have a properly equipped and staffed rehabilitation unit. Besides, there should be established in bigger industrial centres like Bombay and Calcutta, full-fledged medical rehabilitation centres with arrangement for whole day institutional care. The medical training institutes in the country should be encouraged and assisted by the Corporation to provide and extend the facilities for specialised training in rehabilitation work on an adequate scale."

7.150. As regards re-employment of permanently disabled insured persons, it has been pointed out by the Government that this would require a statutory provision. It has been further pointed out that the ESI Review Committee recommended imposition of a statutory obligation on employers to continue in employment and to assign suitable work to persons who become partially disabled as a result of industrial accidents. This recommendation is yet to be considered by the Standing Labour Committee.

7.151. The Committee are constrained to observe that the measures taken so far with regard to rehabilitation of disabled insured persons are totally inadequate. For re-training and re-employment, no steps have been taken even worth the name. The Committee recommend that the Corporation should consider the matter in all its aspects and chalk out a long term programme for phased implementation. They

trust that the Standing Committee would keep a watch on the progress of implementation of the programme and also evaluate its results from time to time. . .

G. Family Planning Facilities

7.152. It is stated that the family planning clinics have been set up under the Scheme. Every insured man and his/her spouse is paid incidental expenses at the sole cost of the Corporation @ Rs. 15 for Vasectomy and Rs. 25 for Salpingectomy, respectively, where such operations are performed in Employees' State Insurance Hospitals, Employees' State Insurance Diagnostic Centres or full-fledged whole-time Employees' State Insurance dispensaries or such medical institutions as may be recognised by the Administrative Medical Officers. These amounts will not be affected by any cash incentive paid by the State Governments or by other public agencies. Incidental expenses of Rs. 5 are paid to each insured woman and wife of an insured person for initial I.U.C.D. insertion. This amount is to be reimbursed by the Central Government (Family Planning). Recently the Corporation has decided to discontinue the family planning cash allowances which, it is felt, is the responsibility of the State Governments.

7.153. It has been represented to the Committee that the E.S.I. Hospitals and Dispensaries should have family planning facilities also. During their on-the-spot tour also, the Committee found that all the ESI Hospitals|Dispensaries did not have family planning units.

7.154. The ESIS Review Committee had suggested that the ESI Scheme should pay all possible attention to family planning among the insured persons. The details of the programme should be worked out in collaboration with the family planning units of the respective State Governments. It is stated that this recommendation has been communicated to the State Governments for action on 8th August, 1967.

7.155. **While realising that the provision of medical care is arranged by the State Governments, the Committee feel that the Corporation should evince greater interest in matters which although may fall strictly speaking within the sphere of State responsibility yet affect to a large extent the well-being of the insured persons. The importance of the results of effective family planning measures in relation to workers need not be exaggerated in view of their obvious**

potentiality in bringing down the incidence of sickness amongst workers. The Committee trust that coordinated measures be taken in consultation and cooperation with the Union Ministry of Health and Family Planning and the State Departments concerned to ensure that proper and adequate facilities for family planning are made available at all the ESI Hospitals and Dispensaries.

CHAPTER VIII

GENERAL

A. ESIS Review Committee Report

8.1. In pursuance of the recommendations of the Standing Labour Committee made at its meeting held in October, 1962, the Government of India appointed in June, 1963, a tripartite committee known as ESIS Review Committee with the then Union Deputy Minister for Labour, Employment and Planning, Shri C. R. Pattabhi Raman, as its Chairman, to review the working of the Employees' State Insurance Scheme and to recommend what modifications or changes in the structure and organisation of the Employees' State Insurance Corporation would be necessary to ensure more satisfactory functioning of the Scheme. The Committee submitted its report to the Government of India in February, 1966.

8.2. The Report of the Review Committee was considered by the Standing Labour Committee at its meeting held on the 10th May, 1967. The Standing Labour Committee decided that such unanimous recommendations of the Review Committee as had also been accepted by the Corporation should be implemented expeditiously and those which were not so implemented might be brought up again before it.

8.3. In a note submitted to the Committee, Government have stated that out of the total of 176 recommendations of the Committee, 12 have been noted being in the nature of conclusions/opinions. 115 recommendations have been accepted either fully or with modifications or in principle. Out of them, 32 recommendations relating to medical side which concern the State Governments only or both the State Governments and the Corporation, and are to be implemented by the State Governments in consultation with the Corporation, have been communicated to the State Governments in August, 1967 for implementation; 33 recommendations require legislative changes before these can be implemented and the proposals for necessary amendments to the Employees' State Insurance Act and for further action in respect of them have been submitted by the Corporation to the Department of Labour and Employment; 38 recommendations have already been implemented or require no further action; the remaining 12 recommendations, some of which require amendments to the regulations are being processed and the action for their imple-

mentation is expected to be completed shortly. The rest of the 49 recommendations, including 3 recommendations in regard to which there were notes of dissent from the employees' representatives on the Review Committee, are awaiting consideration by the Standing Labour Committee.

8.4. In response to a question, it has been stated that the preliminary proposals for necessary amendments to the Employees' State Insurance Act based on 33 recommendations of the Review Committee, were forwarded to the Department of Labour and Employment on the 4th August, 1969. These proposals are under examination.

8.5. Asked when the Standing Labour Committee would meet to consider the remaining 49 recommendations, the Ministry have stated that no date has yet been fixed for the next meeting.

8.6. **The Committee regret to observe that although a period of more than 4 years has elapsed since the Report of the Review Committee was submitted to the Government, almost one-third of its recommendations are yet awaiting decision and in respect of many of them final action by way of amendment in the statute or otherwise is still pending. The Committee need hardly emphasize that unless quick decisions are taken on the recommendations made by a body entrusted with the function of reviewing the working of a Scheme and the same are implemented expeditiously by the Government, the very objective of appointing such a body is bound to be defeated. The Committee would urge upon the Government to finalise their decisions on all the recommendations of the Review Committee which have already been delayed and take speedy steps to ensure their early implementation.**

B. Publicity

8.7. According to the information furnished to the Committee, the following measures are taken to educate the workers about the usefulness of the scheme and the formalities required to be completed for claiming various benefits thereunder and to publicise the scheme amongst employers and trade unions:—

- (i) As and when the Scheme is implemented in new areas and on other occasions when considered necessary, the film 'Dawn of Social Security' is screened in those areas. Posters depicting salient features of the Scheme are also displayed at the factory premises, Local Offices, Dispensaries, Insurance Medical Practitioner's Clinics and Hospitals.

- (ii) From time to time, the Corporation issues pamphlets in English, Hindi and regional languages for claiming Cash and Medical Benefits which are distributed amongst workers at the Local Offices as well as through the employers and Trade Unions. (These posters were last printed in the Regional Languages soon after the Amendment Act of 1966 came into force in January, 1968 and displayed at Regional Offices, Local Offices, Sub-Local Offices, Dispensaries etc.)
- (iii) Meetings are organised in the factories which are addressed by the officers of the Corporation. A folder "Employees' Guide" printed in regional languages giving salient features of the scheme is also circulated.
- (iv) Lectures on various aspects of the Scheme are delivered by the officers of the Corporation in Institutions like Workers' Education Centres, Labour Training Institutes etc.
- (v) Talks in English, Hindi and Regional Languages are broadcast periodically over the All India Radio.
- (vi) News-items indicating progress of the Scheme in different Regions are released to the Press by the Regional Directors, generally once a month and these are published in important newspapers in English and other Regional languages. Due publicity is given also to the important decisions of the Corporation and the Regional Boards in the Press.
- (vii) The staff of the employers is invited to attend abbreviated training courses on the law and procedure before the Scheme is implemented in any area. A Guide for employers setting out in detail the provisions of the law and their own responsibilities in regard to various aspects of the Scheme is supplied to employers. (The latest edition of detailed "Employers Guide" which was printed last in January, 1964, is under revision and an up-to-date version is likely to be printed shortly).
- (viii) The Corporation publishes an Annual Report and Quarterly Reports which have a wide circulation among those who are interested.
- (ix) The Corporation occasionally participates in fairs and exhibitions, where the E.S.I. theme is likely to be of interest or relevance.

8.8. Besides the above-mentioned publicity measures, Reception Counters have been set up in all the medium-size and large Local Offices with a view to assist the workers in completing formalities and explaining to them the relevant provisions relating to benefits etc.

8.9. It has also been stated that the text of a detailed booklet in question-answer form has been finalised and will be taken up for printing and circulation shortly.

8.10. The ESIS Review Committee in their Report recommended the creation of a regular public relations organisation at the Headquarters and at the Regional Offices, to disseminate information and experience. No decision has yet been taken on this recommendation and it is proposed to be considered at the next meeting of the Standing Labour Committee.

8.11. The Committee note the publicity measures taken from time to time by the Corporation for the benefit of workers, employers and others concerned. They are happy to note that in all the medium size and large local offices, reception counters have been set up to assist the workers in understanding the statutory provisions and filling in their claims for benefits provided under the scheme. The Committee suggest that the Employees' and Employers' Guides which were printed last in 1963 and 1964 respectively, should be revised and made up-to-date from time to time for wider circulation among employees and employers. Both of these booklets should also contain a brief "Do's and Don'ts" for employees and employers.

8.12. The Committee, however, do not find sufficient justification to create regular Public Relations Organisation at the Headquarters and at the Regional Offices as recommended by the ESIS Review Committee. They feel that the job sought to be entrusted to the proposed Public Relations Organisation may as well be performed by one of the existing Divisions at the Headquarters.

C. Employees' Insurance Courts

8.13. Section 75 of the Act provides that all questions relating to the insurability of an employee, rate of contribution, duration and entitlement of any person to any benefit and other claims, any dispute between a principal employer and an employee, between the Corporation and an employer or between the Corporation and an insured person, and allied matters shall be decided by an "Employees' Insurance Court" specifically set up for the purpose in various places in the States by the State Government concerned.

The Employees' Insurance Courts have all the powers of a civil court. An Employees' Insurance Court may submit any question of law for the decision of the High Court. An appeal against a decision of an Employees' Insurance Court can be made to the High Court only where a substantial question of law is involved.

8.14. The number of Employees' Insurance Courts in various Regions where the scheme is in force is given below. The monthly average number of cases filed in these Courts during the years 1966-67, 1967-68 and 1968-69 is also indicated against each Region:—

Name of Region	No. of Courts	Average monthly No. of cases filled in B.I. Courts during the last three years		
		1966-67	1967-68	1968-69
Andhra Pradesh	17	0.75	0.5	0.4
Assam	4	1.17	0.4	0.25
Bihar	8	4.5	2.5	..
Delhi	1	10.7	15.1	4.5
Gujarat	2	5.00	4.00	7.5
Kerala	5	30.75	19.75	6.1
Madhya Pradesh	6	5.30	7.40	
Maharashtra	9	4.80	6.20	1.00
Mysore	3	52.00	11.20	7.75
Orissa	3	0.08	0.07	
Punjab	16	15.40	11.30	2.25
Rajasthan	13	2.60	2.40	2.60
Tamil Nadu	11	4.00	10.50	1.00
Uttar Pradesh	21	7.00	5.00	1.75
West Bengal	1	12.10	10.00	11.00
TOTAL	119			

Except 1 whole-time court in West Bengal, the rest of the courts in other regions are part-time.

8.15. It has been mentioned that the steep downward trend during 1968-69 is attributable to the amended provisions of the

Employees' State Insurance Act permitting recovery of **Employees' Contribution** also as arrears of Land Revenue. This mode of recovery has largely replaced action for recovery through **Employees' Insurance Courts**.

8.16. The Committee desired to know whether the part-time courts have been able to dispose of the cases referred to them expeditiously and if not whether there is any proposal to have a more full time courts in the interest of expeditious disposal of cases and if not the reasons weighing against implementation of such a proposal. In a written reply submitted to the Committee, it has been pointed out that the general policy in that regard is to set up part-time courts. However, where the workload so justified and the State Government considered it more expedient, a whole-time court is set up. It has been further stated that there has been generally no delay in the disposal of cases by the Employees' Insurance Courts simply because of their being part-time, except in a few isolated centres where the cases remain pending for a very long time. Hence, there is, at present no proposal for setting up more whole-time Employees' Insurance Courts. However, as and when the need for a whole-time Employees' Insurance Court in any particular area is felt, necessary action would be taken in consultation with the State Government. As more and more recoveries are now being made as arrears of Land Revenue in accordance with the provisions of the Amended Act, there is likely to be less justification for a whole-time Employees' Insurance Court in any other area.

8.17. In regard to the working of the Employees' Insurance Courts, the ESIS Review Committee in their report observed as follows:—

“A review of the working of the Employees' Insurance Courts shows that the proceedings are generally prolonged, cumbersome and formal. They follow the common pattern of ordinary civil courts which is obviously not suited to a scheme of social insurance where there is more need for promptness rather than precision. Except in States where there are whole-time courts, the advantage of setting up of special machinery for adjudication under the Act has been largely negated by entrusting the work to already over-worked civil judges. . . . The delays which have been experienced in the working of the Employees' Insurance Courts can be eliminated to some extent by providing in the Employees' Insurance Court Rules that these courts would follow summary procedure. The Rules may also

provide a time-limit of say three months for adjudication of a claim presented to the court."

"Since the part-time arrangement for the Employees' Insurance Courts has not been found satisfactory, it would be better to have whole-time Employees' Insurance Courts. It may not, however, be possible to have whole-time courts at all the centres where the Scheme is functioning. This difficulty can be met by having one or two whole-time Employees' Insurance Courts in each State with jurisdiction extending to the whole of the State. If necessary, these may be supplementary by a part-time court."

The above recommendations of the Review Committee are to be placed before the next meeting of the Standing Labour Committee.

8.18. Prima facie there appears to be a little relationship between the number of Employees' Insurance Courts and the number of cases filed during the last three years in the respective regions. The Committee suggest that the position may be reviewed and the number of courts in each region determined according to the actual workload.

8.19. The Committee further recommend that the suggestions of the Review Committee with regard to procedure for the disposal of cases and provision of a maximum time limit of three months for adjudication of claims by the Employees' Insurance Courts should be implemented expeditiously.

D. Integrated Social Security Scheme

8.20. In the Second Five Year Plan, it was stated that the possibility of combining the different social security provisions at present in force into an overall social security scheme was being explored. A unified scheme would have the advantage of reducing overhead costs, savings from which could be utilised for providing more benefits to the workers. Decentralisation of the administration of such a unified scheme would prove advantageous to its beneficiaries.

8.21. In pursuance of the above recommendation in the Second Plan, the Government of India set up a Study Group on Social Security in August, 1957 to study how the existing social security schemes and any other privileges given to workers could be combined

in a comprehensive scheme. The Group submitted its report in December, 1958. It favoured integration of the E.S.I. and the Provident Fund Schemes. Its main recommendations were:—

- (i) the integration of the ESIS, EPF, the Coal Mines Provident Fund Scheme and the Assam Tea Plantations Provident Fund Scheme will result in convenience to both the employers and employees;
- (ii) a single agency should be set up to assume administrative responsibilities for the enactment relating to the ESI, EPF, Coal Mines Provident Fund and Assam Tea Plantations Provident Fund Schemes;
- (iii) the employer should make to this single agency one single payment representing total contributions under the unified Scheme.
- (iv) the coverage under the enactments should be made identical as far as possible; and
- (v) the Provident Fund Schemes should be converted into a statutory Pension Scheme i.e. a Scheme of Old-age, Invalidity and Survivorship Pension-cum Gratuity. This was one of the major single recommendation of the Study Group.

8.22. According to the Study Group, the following advantages would accrue from the administrative merger of the E.S.I. and the Provident Fund Schemes:—

- (i) the E.S.I. Corporation has a network of offices for disbursement of Cash Benefits to the beneficiaries, which can be made use of for purpose of payments under the Provident Fund Schemes with advantage and convenience;
- (ii) the integration will give greater relief to employers who will have to deal with a single agency for inspection of factories and offices of employers; and
- (iii) while it was difficult to pronounce upon whether there would be a saving in administrative cost, administrative costs formed only a very small portion of the wage bill.

8.23. The Report of the Study Group was considered by the State Governments, the Central Government and the organisation of employers and employees. It was also considered in August, 1960 by the Corporation which expressed general agreement with the views of the Group. The Standing Labour Committee of the

Indian Labour Conference considered the report in the same year and came to the conclusion that the proposal for integrated social security scheme should be implemented during the Third Five Year Plan, subject to such modifications as might become necessary as a result of consultations with employers' and workers' organisations.

8.24. The report of the Study Group was then considered by the Indian Labour Conference in 1961 and by its Standing Committee in 1962. It was decided that the conversion of provident fund into a pension scheme and the integration of the Employees' State Insurance with the Provident Funds should be deferred for a period of three years.

8.25. In 1963, the ESIS Review Committee considered the question of formulation of a comprehensive scheme of social security and in that context, the merger of E.S.I. and the E.P.F. Schemes, keeping in view the recommendations made earlier by the Study Group. By way of a review of the Study Group recommendations, the E. S. I. S. Review Committee came to the conclusion that the merger of the Coal Mines Provident Fund and the Assam Tea Plantations Provident Fund, as recommended by the Study Group, should be postponed for the time being, consistent with the recommendation elsewhere of the E. S. I. S. Review Committee to refer the extension of the E.S.I. Scheme to coal mines workers and plantations. The Review Committee made the following recommendations:—

- (i) Action should be initiated forthwith to bring about an administrative merger of the E.S.I. and E.P.F. Schemes and steps should be taken to accomplish this with the least delay.
- (ii) The Government should, in consultation with the Indian Labour Conference, set up an expert machinery to evolve a "blue print" for a comprehensive scheme of Social Security which should also form a strong financial and administrative base for inclusion of benefits which are at present not available.

The Review Committee felt that from an administrative merger of the Employees' State Insurance Corporation and the Employees' Provident Fund Organisation, economy in administrative costs was bound to flow. It also felt that both the employers and workers would find it more convenient to deal with a single administrative agency and inspectorate and supervisory staff if the schemes were unified.

8.26. In response to a question, the Committee have been informed that a draft Operational Plan was prepared in pursuance of the recommendations of the Review Committee. In the Operational Plan, suggestions were made as to how the differences might be removed and it was also proposed therein that a Committee might be set up to consider the actual manner and process of administrative and legal merger of the two schemes as it required a detailed examination of several aspects.

8.27. It has been stated that 'the Operational Plan was examined in consultation with the Central Provident Fund Commissioner. He pointed out that the Plan was based on the premise that there would be an integrated social security scheme which would comprise the benefits presently made available by the Employees' State Insurance Corporation and a Retirement|Survivorship Pension Scheme would take the place of the Provident Fund. This requires a policy decision to be taken on the crucial issue of replacement of Provident Fund Scheme by a Pension Scheme. The matter was then examined and it was decided to await the report of the National Commission on Labour'.

8.28. The National Commission on Labour while considering the question took note of the recommendations of the Review Committee as well as the statement made by the Labour Minister in Parliament about the Government's intention to pursue the unemployment relief scheme and the integration of the two social security schemes, namely, the ESIS and Employees' Provident Fund Scheme to reduce the administrative overheads. The Commission has recommended that the aim should be to work gradually towards a comprehensive social security plan by pooling all the social security collections into a single fund from which different agencies can draw upon for disbursing benefits according to needs. It has further recommended that an integrated social security scheme may be evolved over the next few years and that this Scheme, with some marginal addition to the current rates of contribution, provide additional benefits of (i) retirement|family pension; and (ii) unemployment insurance. Summing up its conclusions, the Commission has observed as follows:—

"Our view is that an ideal arrangement will be to gradually work towards a comprehensive social security plan by pooling all the social security collections in a single fund which different agencies can draw upon for disbursing various benefits according to needs. A Budget can be

drawn up on this basis every year on a notional contribution which could be determined, taking into account the possible disbursements during the year. With the rates of contribution now suggested, a large fund will be available with Government. In lieu of the use of such funds by Government, it should be possible for it to cover some extra contingencies to which the beneficiaries are likely to be exposed. We recognise that the details of this idea will have to be worked out by experts and the goal envisaged in this proposal reached in stages."

8.29. In regard to the question of merger of ESIS and EPF Schemes, the representative of the Ministry during the course of evidence before the Committee in connection with the examination of the Employees' Provident Fund Organisation, stated as follows:—

"So far as merging of the EPF and ESI is concerned, we prepared a tentative Scheme for this. We found that many of the factors were not common in the sense that in the EPF we go upto Rs. 1,000 for membership of funds whereas under the ESI it is only those employees who are drawing upto Rs. 500 are eligible. Under the EPF the rate of contribution depends upon one's pay whereas under the ESI that is a flat rate. So there are some of these difficulties. Now that we have got the report of the National Labour Commission who have recommended merger of these two Organisations, we shall no doubt go into this question and consider the practicability of evolving an integrated scheme. We must not lose sight of the fact that such a merger would be justified if it results in better service and economy, if these conditions are satisfied—and I think we shall consider suitable schemes then for the merger of these two."

8.30. Asked how long will it take for the Government to come to any conclusion in the matter, the witness stated:—

"This recommendation as well as other major recommendations of the Commission will be considered by the Indian Labour Conference which is meeting in the middle of next month. After the discussion, I think Government will formulate their views and take decisions on these recommendations. It may take some months."

8.31. During the evidence of the Director General, ESIC, the Committee desired to know whether the merger of the two schemes

would bring about reduction in expenditure. The witness replied to the question in the affirmative, adding that the work being almost similar there should be no need to have two organisations and two sets of officers. He admitted that the merger would lead to greater coordination and control and greater efficiency.

8.32. In a note furnished to the Committee, it has been mentioned that, 'the Report of the National Commission on Labour was discussed at the Indian Labour Conference at its session held in November, 1969. A working group of officials of Employees' State Insurance Corporation, Employees' Provident Fund and CMPF Organisations as also of representatives of the Ministries of Labour, Finance and Home Affairs has now been set up to study all aspects of the subject and to make recommendations to enable Government to take a decision in the matter by taking into account all available material on the subject, such as report of the earlier working Group on Retirement, Family Pension and draft schemes of unemployment insurance already circulated to State Governments together with their views thereon. The Director General, Employees' State Insurance Corporation is the Chairman of the working group and it has been asked to submit its report by 31.3.1970'.

8.33. It is noted that recently the Government have announced that it is proposed to bring forward legislation to create a Family Pension-cum-Life Assurance Scheme. The Scheme would be applicable to employees of all the establishments which are covered under the Employees' Provident Funds Act and in respect of whom contributions are payable at the rate of 8 per cent of pay. It would be compulsorily applicable to all future entrants with effect from the dates they become members of the Provident Fund under the Employees' Provident Funds Act and have actually made their first contribution to the fund.

8.34. The Committee are distressed to note that although the attention of the Government as to the desirability of having a comprehensive social security scheme was drawn by the Study Group as far back as 1958, no progress has been made in that direction so far. They learn that in many other countries the proliferation of special or complementary social security schemes has raised a delicate but inescapable problem of coordination. The Committee, therefore, need hardly stress the importance of a integrated social security scheme not only for administrative reasons but also in view of the social security objectives of parity of benefits and equalisation of charges, corresponding to the egalitarian tendencies of modern societies. The Committee urge upon the Government to

take early steps to formulate a plan for an integrated social security scheme comprising the existing as well as proposed schemes, to be gradually implemented within a set period of time.

8.35. In this context, the Committee would like to invite attention to the observations made by them in their 90th Report (Second Lok Sabha) and also recently in their 116th Report on Employees' Provident Fund Organisation and stress that the merger of ESI and EPF Schemes would lead to two-fold advantages of laying the foundation of a comprehensive social security scheme and reducing ~~over-head costs of the individual schemes.~~ They suggest that all necessary steps including any modification in the relevant statutes, for the integration of these two schemes should be taken without any further delay and their completion ensured by a fixed target date. The Committee would further suggest that a coordination committee consisting of representatives of both the Organisations should be constituted to keep a watch with regard to progress of the implementation of the merger scheme.

NEW DELHI;
 April 13, 1970.
 Chaitra 23, 1892 (Saka).

M. THIRUMALA RAO,
 Chairman,
 Estimates Committee.

APPENDIX 1

(Vide Para 2.2)

List showing present composition of the Employees' State Insurance Corporation

Chairman

1. **Shri D. Sanjivayya, Minister for Labour, Employment and Rehabilitation, Government of India, New Delhi.**

Vice-Chairman

2. **Shri B. S. Murthy, Minister for Health, Family Planning and Urban Development, Government of India, New Delhi.**

[Nominated by the Central Government under clause (c) of Section 4].

3. **Shri Bhagwat Jha Azad, Minister of State for Labour, Employment and Rehabilitation, (Chairman Standing Committee), New Delhi.**

4. **Shri S. E. Jamir, Deputy Minister for Labour, Employment and Rehabilitation, Government of India, New Delhi.**

5. **Shri P. M. Nayak, Secretary to the Government of India, Department of Labour and Employment, New Delhi.**

6. **Dr. P. K. Duraiswami, Director General of Health Services, Government of India, New Delhi.**

7. **Shri B. V. Adavi, Deputy-Secretary to the Government of India, Ministry of Finance and Expenditure, New Delhi.**

[Nominated by the State Governments, under clause (d) of Section 4].

8. **Shri Secretary to the Government of Andhra Pradesh, Home (Labour II) Department, Hyderabad.**

9. **Shri B. K. Bhuyan, Secretary to the Government of Assam, Labour Department, Shillong.**

10. **Shri K. K. Srivastava, Secretary to the Government of Bihar, Labour and Employment Department, Patna.**

11. Shri V. R. Mehta, Secretary to the Government of Gujarat, Education and Labour Department, Ahmedabad.
 12. Shri B. L. Ahuja, Secretary to the Government of Haryana, Labour and Employment Department, Chandigarh.
 13. Shri C. K. Kochukoshy, Secretary to the Government of Kerala, Labour and Social Welfare Department, Trivandrum.
 14. Shri B. M. Date, Labour Commissioner, Madhya Pradesh, Indore.
 15. Shri V. S. Subbiah, I.A.S., Secretary to the Government of Tamilnadu in the Department of Labour, Madras.
 16. Dr. Rafiq Zakaria, Minister for Public Health, Government of Maharashtra, Bombay.
 17. Shri M. K. Venkateshan, Secretary to the Government of Mysore, Food, Civil Supplies and Labour Department, Bangalore.
 18. Shri Gananath Das, Secretary to the Government of Orissa, Labour and Housing Department, Bhubneswar.
 19. Shri B. L. Kukkar, Secretary to the Government of Punjab, Health and Family Planning Department, Chandigarh.
 20. Shri N. K. Joshi, Labour Commissioner and Deputy Secretary to the Government of Rajasthan, Labour Department, Jaipur.
 21. Labour Commissioner, U.P., Kanpur.
 - 22.* Shri M. M. Kushari, Secretary to the Government of West Bengal, Labour Department, Calcutta.
- [Nominated by the Central Government under clause (e) of Section 4].
23. Shri V. K. Chanana, Labour Commissioner, Delhi Administration, 15 Alipur Road, Delhi.
- [Nominated by the Central Government under clause (f) (1) of Section 4].
24. Shri R. N. Joshi, "Aqua Marine", Nowroji Gamadia Road, Bombay-26 .
 25. Shri D. P .Mukherji, C|o M|s. Andrews Yule and Co., Ltd., Personal Department, 8-Clive Row Calcutta-1.

26. Shri Madanmohan Mangaldas, 'Mangal Bag' Ellis Bridge, Ahmedabad.
27. Shri G. K. Bhagat, Messrs. Bengal Potteries Ltd., 45, Tangra Road, Calcutta-15.
28. Shri S. C. Agarwal, Dalmia Cement (Bharat) Ltd., Scindia House, New Delhi-1.
29. Shri R. Rengaswamy, General Secretary, INTUC—Tamilnadu Br. 2/44, Royalpettah, High Road, Madras-14.
30. Shri Bishnu Banerjee, INTUC—Bengal—177-B, Acharya Jagdish Bose Road, Calcutta-14.
31. Shri M. T. Shukla, C/o Textile Labour Association, Gandhi Majoor Sevalaya, Bhadra, Ahmedabad.
32. Shrimati Parvathi Krishnan, Vice-President, A.I.T.U.C., 46, Periaswami Road, R. S. Puram, Coimbatore.
33. Shri V. B. Karnik, Ratilal Mansion, Parekh Street, Bombay-4.
- [Nominated by the Central Government under clause (h) of Section 4].
34. Dr. M. A. Panwala, Laxmi Nivas, Jawahar Road, Ghatkopar East, P.O., Rajwadi, Bombay-77.
35. Dr. Dinakar Rao, Sea Beach, Puri, (Orissa).
- [Elected by Parliament under clause (i) of Section 4].
36. Shri N. Sreekantan Nair M.P., 17, Windsor Place, New Delhi.

Home Address:

Shri N. Sreenkantan Nair, M.P., Janki Bhavanan, Ambalappuzha, Alleppey (District) Kerala.

37. Shri Shankarrao Mane, M.P., 28, South Avenue, New Delhi.

Home Address:

Shri Shankarrao Mane, M.P., 1773-A, Tarabai Road, Shivajipeth, Kohlapur.

38. Shri Mahitosh Purkayastha, M.P., Nazirapatty, P.O. Silchar, Assam.

Delhi Address:

**Shri Mahitosh Purkayastha, M.P., 54, North Avenue, New
Delhi.**

[Ex-officio member under clause (j) of Section 4].

**39.* Shri T. C. Puri, Director General, Employees' State Insur-
ance Corporation (Hqrs. Office) ESIC Building, Kotla Road,
New Delhi-1.**

APPENDIX II

(Vide Para 2.9)

List showing present composition of the Standing Committee.

Chairman

(Nominated by the Central Government) under Section 8(a).

1. Shri Bhagwat Jha Azad, Minister of State for Labour, Employment and Rehabilitation, New Delhi.

Members

(Nominated by the Central Government under Section 8(b).

2. Shri P. M. Nayak, Secretary to the Government of India, Department of Labour and Employment, New Delhi.
3. Dr. P. K. Duraiswami, Director General of Health Services, Government of India, New Delhi.
4. Shri V. B. Adavi, Deputy Secretary, Ministry of Finance, Government of India, New Delhi.

(Nominated by the Central Government under Section 8 (bb).

5. Shri V. S. Subbiah, I.A.S., Secretary to the Government of Tamil Nadu in the Department of Labour, Madras.
6. Dr. Rafiq Zakaria, Minister for Public Health, Government of Maharashtra, Bombay.
7. Shri M. M. Kushari, Secretary to the Government of West Bengal, Labour Department, Calcutta.

(Nominated by the Central Government under Section 8(c)
(ii).

8. Shri Madanmohan Mangaldas, 'Mangal Bag', Ellis Bridge, Ahmedabad.
9. Shri G. K. Bhagat, Messrs. Bengal Potteries Ltd., 45, Tangra Road, Calcutta-15.
10. Shri S. C. Agarwal, Dalmia Cement (Bharat) Ltd., Scindia House, New Delhi-1.

(Nominated by the Central Government under Section 8(c)
(iii).

11. Shri M. T. Shukla, C/o Textile Labour Association, Gandhi
Majoor Sevalaya, Bhadra, Ahmedabad.
12. Shrimati Parvathi Krishnan, Vice-President, A.I.T.U.C., 46,
Periaswami Road, R. S. Puram, Coimbatore.
13. Shri V. B. Karnik, Ratilal Mansion, Parekh Street, Bombay-
4

(Nominated by the Central Government under Section 8(c)
(IV).

14. Dr. M. A. Panwala, Laxmi Nivas, Jawahar Road, Ghatkopar
East, P.O., Rajwadi, Bombay-77.

(Nominated by the Central Government under Section 8(c)
(v).

15. Shri N. Sreekantan Nair, M.P.,
17, Windsor Place, New Delhi.

Home Address:

Janki Bhavanam, Ambalapuzha, Alleppey
(District), Kerala.

at both addresses.

(Nominated by the Central Government under Section 8(d).

16. Shri T. C. Puri, Director General, E.S.I. Corporation, New
Delhi (*Ex-officio*).

APPENDIX III

(Vide Para 2.14)

List showing present composition of the Medical Benefit Council

Chairman

(Under Section 10(1) (a).

1. Dr. P. K. Duraiswami, Director General of Health Services, Government of India, New Delhi.

Member

(Under Section 10(1) (b).

2. Dr. J. C. Sachdev, Dy. Director General Health Services (Medical), New Delhi.

Under Section 10(1) (c).

3. Dr. M. J. Bhatt, Medical Commissioner, E.S.I. Corporation, Kotla Road, New Delhi.

Under Section 10(1) (d)

4. Dr. I. Bhooshan Rao, M.D., Director of Medical and Health Services, Andhra Pradesh, Hyderabad.
5. Dr. K. N. Brahma, Administrative Medical Officer, E.S.I. Scheme, Government of Assam, Gauhati.
6. Dr. Jagdish Narain Mehrotra, Dy. Director of Health Services, (Medical), Govt. of Bihar, Patna.
7. Dr. J. D. Pathak, Director of Medical Services, E.S.I. Scheme, Government of Gujarat, Ahmedabad.
8. Dr. T. N. N. Bhattathiripad, Deputy Director of Health Services, (E.S.I. Scheme), Government of Kerala, Trivandrum.
9. Dr. P. N. Duggal, Assistant Director of Health Services, (Social Insurance) Harayana, Kothi No. 1548, Sector 18-D, Chandigarh.
10. Dr. S. L. Shah, Administrative Medical Officer, E.S.I. Scheme, Madhya Pradesh, Indore.
11. Dr. P. S. Kumaravelu, Director of Medical Services, Madras.

12. Dr. L. D. Thatte, Deputy Director, E.S.I., Scheme, Bombay.
13. Dr. B. K. Acharaya, Adiminstrative Medical Officer, Em-
ployees' State Insurance Scheme, Government of Orissa,
Bhubaneshwar.
14. Dr. H. Shama Sastry, Director of Health Services, Govern-
ment of Mysore, Bangalore.
15. Dr. K. Moti Singh, Director of Health Services, Punjab,
Chandigarh.
16. Dr. B. M. Sharma, Dy. Director of Health Services, (E.S.I.
Scheme), Government of Rajasthan, Jaipur.
17. Dr. D. N. Sharma, M.D., Director of Medical and Health
Services, Uttar Pradesh, Lucknow.
18. Shri Quader Nowaz, Director, E.S.I., (MB) Scheme, W.B.
64, Ganesh Avenue, Calcutta.

Member under Section 10(1)(e).

19. Shri S. N. Bose, Director, Bata Shoe Company Private
Limited 30, Shakespeare Sarani, Calcutta-17.
20. Shri R. N. Joshi, "Aqua Marina" Nowroji Gamadia Road,
Bombay-26.
21. Dr. C. B. Singh, F.R.C.S., (Lon.) Administrator, Medical De-
partments, J.K. Organisation, Kamla Town, Kanpur.

Member under Section 10(1)(f).

22. Dr. G. S. Melkote, Gopal Clinic, Narayanguda, Hyderabad.
23. Shri A. B. Bardhan, Beaton Bagh, Nagpur-4.
24. Shri Sumer Singh, C|O Mazdoor Congress, Tansain Marg,
Birla Nagar, Gwalior.

Member under Section 10(1)(g).

25. Dr. H. N. Shivapuri, A-2, Vivekanandapuri, Lucknow.
26. Dr. (Miss) Sobha Ghosh, 12|1|1, Grove Lane, Calcutta-26.
27. Dr. N. Bhattarcharjee, 95, Akhil Mistry Lane, Calcutta-9.

APPENDIX IV

[vide Para 2.30]

Statement showing the number of meetings held by the Employees' State Insurance Corporation, Standing Committee and Medical Benefit Council.

	Corporation	Standing Committee	Medical Benefit Council
1948 .	1	1	..
1949 .	..	2	2
1950 .	1	1	..
1951 .	2	2	
1952 .	1	1	
1953 .	1	2	..
1954 .	1	2	1
1955 .	2	3	1
1956 .	1	..	1
1957 .	1	2	..
1958 .	2	3	1
1959 .	2	3	1
1960 .	3	4	2
1961 .	2	2	2
1962 .	4	3	2
1963 .	2	3	3
1964 .	2	2	1
1965 .	2	2	2
1966 .	2	3	3
1967 .	2	2	1
1968 .	2	4	2
1969 .	2	3	2

APPENDIX V

(Vide Para 2.55)

Statement showing matters in respect of which power has been vested in the Central Government.

1. Extension of ESI Act—Section 1(3).
2. Extension of the Act to any other establishment of class of establishments etc.—Section 1(5).
3. Nomination of the Chairman, Vice-Chairman and other members of the Corporation—Sec. 4.
4. Nominating and specifying the Chairman and some other members of the Standing Committee—Sec. 8.
5. Constitution of Medical Benefit Council—Sec. 10.
6. Payment of fees and allowances to members of the Corporation, Standing Committee and Medical Benefit Council—Sec. 15.
7. Appointment of Principal Officers—Sec. 16.
8. Sanction to the creation of posts and approval regarding methods of recruitment, pay and allowances and other matters—Sec. 17.
9. Prescribing limits on the incurring of expenditure on measures for health of insured persons etc.—Sec. 19.
10. Supersession of the Corporation and the Standing Committee—Sec. 21.
11. Approving expenditure on such other purposes as may be authorised—Sec. 28(xii).
12. Investment of monies, raising of loans, acquisition of property etc.—Sec. 29.
13. Approval of the budget estimates—Sec. 32.
14. Maintenance of accounts of income and expenditure—Sec 33.
15. Auditing of the accounts—Sec. 34.

16. Submission of Annual Reports—Sec. 35.
17. Notification about the rate of Employers' Special Contribution Sec. 73-A (3).
18. Decision on disputes or questions where there is no E.I. Court—Sec. 73B.
19. Power to exempt factories from the payment of Employers Special Contribution—Sec. 73F.
20. Power to notify cessation of the provisions of Chapter VA—Sec. 73-I.
21. Power to make certain rules—Sec. 95.
22. Power to remove difficulties—Sec. 99-A.

APPENDIX VI

(Vide Para 2.57)

List of Periodical Reports and Returns submitted by the Employees' State Insurance Corporation to the Central Government.

The following periodical reports|returns are required to be submitted to the Central Government:

1. Annual Report of the Employees' State Insurance Corporation.
2. Statistical Abstract of the Employees' State Insurance Corporation.
3. Audited accounts of the Corporation together with Auditor's report thereon as finally adopted by the Corporation—Annual.
4. Budget estimates as finally adopted by the Corporation—Annual.
5. Report on the quinquennial valuation of assets and liabilities of the Corporation as provided under Section 37 of the E.S.I. Act, 1948.
6. Standard Note for Supplementaries.
7. Budget Note for the Parliament Session.
8. Material for Annual Report of the Ministry of Labour, Employment & Rehabilitation (Department of Labour and Employment).
9. Monthly Report on the activities of the Corporation.
10. Quarterly Report on the activities of the Employees' State Insurance Corporation.
11. Progress Report on Capital Construction.
12. Statistical Returns and progress Report of complaints and vigilance cases etc.
13. Quarterly Return in respect of pending vigilance cases of Gazetted Officers and Officers comparable to the status of public undertakings.

14. Statement of expeditious disposal of complaints.
15. Information relating to Annual Report of Central Vigilance Commission.
16. Annual return showing the total number of Government Servants and the number of Scheduled Castes and Scheduled Tribes.
17. Statistical information regarding representation of Scheduled Castes|Scheduled Tribes in public sector undertakings, Statutory and Semi-Government Bodies.
18. Quarterly return of the expenditure incurred on all the Staff Cars of the Corporation.

APPENDIX VII

(Vide Para 2-60)

Statement indicating suggestions made by the Employees' State Insurance Corporation for relaxation of Government Control and reasons given by the Government for their non-acceptance

Sl. No.	Existing Provision	Amendment as approved by the Corporation	Reasons for Amendment as in the memorandum placed before Corporation	Reasons for non-acceptance of the proposed amendment	
1	<p>Section 17(2): The Corporation shall, with the approval of the Government, make regulations regarding the method of recruitment, pay and allowances, discipline, superannuation benefits and other conditions of service of the members of its staff.</p>	3	<p>It does not seem essential that the Central Government's approval should be invoked in such cases. The General experience of Government in dealing with establishment matters relating to Central Govt. employees may not always be applicable to an Insurance Corporation. The constitution of the Corporation has adequate built in safe guards against hasty or ill considered action. It has to be remembered that the Chairman of the Corporation is the Minister for Labour, the Chairman of the Standing Committee is the Labour Secretary and the Ministry of Finance is represented both on the Corporation and the Standing Committee and that the nominated members representing Central and State Governments have considerable weight in both the bodies</p>	4	<p>The Regulations in respect of the methods of recruitment, pay and allowances, discipline, superannuation benefits and other conditions of service of members of staff of Corporations are generally made on the lines of the rules and regulations applicable to Central Government employees. Prior consultation with the Ministries of Home Affairs and Finance and the UPSC is necessary for framing these regulations so as to ensure a uniform policy in these matters. The proposed amendment which will empower the E.S.I.C. to frame these Regulations without reference to the Central Government may not be accepted. It may be mentioned in this connection, the E.P.F. Scheme provides that regulations regarding the</p>

1 2 3 4 5

There is no reason to believe that the Standing Committee and the Corporation constituted as they are, will not exercise due supervision. Moreover, now that the Central Government does not contribute anything towards the expenses of the Corporation such control will be unnecessary and it also detracts from the autonomy of the Corporation.

method of recruitment, salary and allowances, discipline and other conditions of service of staff shall be prepared with the approval of Government. The Central Government is not sharing any portion of the expenses on the E.F.F. Scheme as in the case of the B.S.I. Scheme. Under Section 49 of the L.I.C. Act, 1956, the L.I.C. has also to obtain prior approval of the Central Government for framing regulations regarding *inter alia* the method of recruitment of employees and the terms and conditions of their service, on the whole the general approval of Government to the staff policies of the Corporation is a salutary safeguard and should be maintained.

2 Section 19. The Corporation may, in addition to the scheme of benefits specified in this Act, promote measures for the improvement of the health and welfare of insured persons and for rehabilitation and re-employment of insured persons who have been disabled or injured and may incur in respect of such measures expenditure from the funds of the Corporation within such limits as may be prescribed by the Central Government.

The reasons for this amendment are broadly the same as for similar amendment in S.I.No. 1 above.

The Corporation derives its revenue from compulsory contribution authorised by an Act of Parliament. The Act also specified a certain Scheme of benefits which has the approval of the Legislature. This scheme of benefits is comprehensive and within the scheme the Corporation has full autonomy. If the Corporation proposes to promote additional measures, there is nothing wrong in Government laying down the limits for expen-

ditions on such additional measures. This again is a useful safeguard which should be retained.

The amendment may not be applied to for the reasons explained above against Sl. No. 2.

The reasons for the amendment are broadly the same as for similar amendment in Sl. No. 1 above. The representative of the Ministry of Finance on the Corporation examines all financial proposals and the prior approval of the Central Government is not necessary.

In sub-section (xii) of Section 28 the words "with the previous approval of the Central Government" shall be deleted.

3 Section 28. Subject to the provisions of this Act and of any rules made by the Central Government in that behalf, the Employees' State Insurance Fund shall be extended only for the following purposes, namely:—

(xii) Such other purposes as may be authorised by the Corporation with the previous approval of the Central Government.

4 Section 27. Exemption of a factory or establishment or class of factories or establishments.

The appropriate Government may, by notification in the official Gazette and subject to such conditions as may be specified in the notification, exempt any factory or establishment or class of factories or establishments in any specified area from the operation of this Act for a period not exceeding one year and may from time to time by like notification renew any such exemption for periods not exceeding one year at a time.

Under Section 89, the Corporation has to be consulted before exemption is granted by the appropriate Govt. under section 87 and 88 but the views of the Corporation are not binding on the appropriate Government. In the interests of ensuring a uniform policy of exemptions and complete protection against possible adverse effect of exemptions on ESI Fund, it seems necessary that exemptions should be granted only with the concurrence of the Corporation.

The proposal to grant exemptions with the concurrence of the Corporation is likely to create complications when there is difference of opinion between the Corporation and the appropriate Government in any case. In such cases it will not be practicable for Government to grant exemption unless the Corporation gives consent. Section 89 provides for consultation with the Corporation while granting exemptions under section 87 and 88 and it should suffice. The final authority to exempt a factory should continue to, vis-à-vis with the appropriate Government with the Corpn. having the right of consultation as provided in section 89. The proposed amendments may not therefore be accepted.

The words "with the prior consent of the Corporation" shall be inserted after the words "the appropriate Government may" in section 87.

Corporation.

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As against S. No. 4 above.

5. *Section 88. Exemption of persons or class of persons.*

The appropriate Government may by notification in the Official Gazette and subject to such conditions as it may deem fit to impose, exempt any persons or class of persons employed in any factory or establishment or class of factories or establishments to which this Act applies from the operation of the Act.

The words "with the prior consent of the Corporation" may be inserted after the words "the appropriate Government may," in section 88.

6. *Section 89. Corporation to make representation.*

No exemption shall be granted or renewed under section 87 or section 88, unless a reasonable opportunity has been given to the Corporation to make any representation it may wish to make in regard to the proposal and such representation has been considered by the appropriate Government.

As against S. No. 4 above.

Section 89 shall be deleted.

7. *Section 90. Exemption of factories or establishments belonging to Government or any local authority.*

The appropriate Government may, by notification in the Official Gazette and subject to such conditions as may be specified in the notification, exempt any factory or establish-

ment for the reasons explained against Sl. Nos. 4-6 prior consent of the Corporation should not be insisted on before exemption is granted by the appropriate Government under section 90. As in the case of Exemption under Section 87 and 88, provision has been made for grant of exemption under Section 90.

Section 89 does not provide for consultation with Corporation in case of exemption under Section 90. For the reasons explained against Sl. Nos. 4-6, prior consent of the Corporation may be obtained by the appropriate Government before granting exemption under Section 90.

The words "with the prior consent of the Corporation" may be inserted after the words "the appropriate Government may" in Section 90.

For the reasons explained against Sl. Nos. 4-6 prior consent of the Corporation should not be insisted on before exemption is granted by the appropriate Government under section 90. As in the case of Exemption under Section 87 and 88, provision has been made for grant of exemption under Section 90.

ment belonging to the Government or any local authority, if the employees in any such factory or establishment are otherwise in receipt of benefits substantially similarly or superior to the benefits provided under this Act.

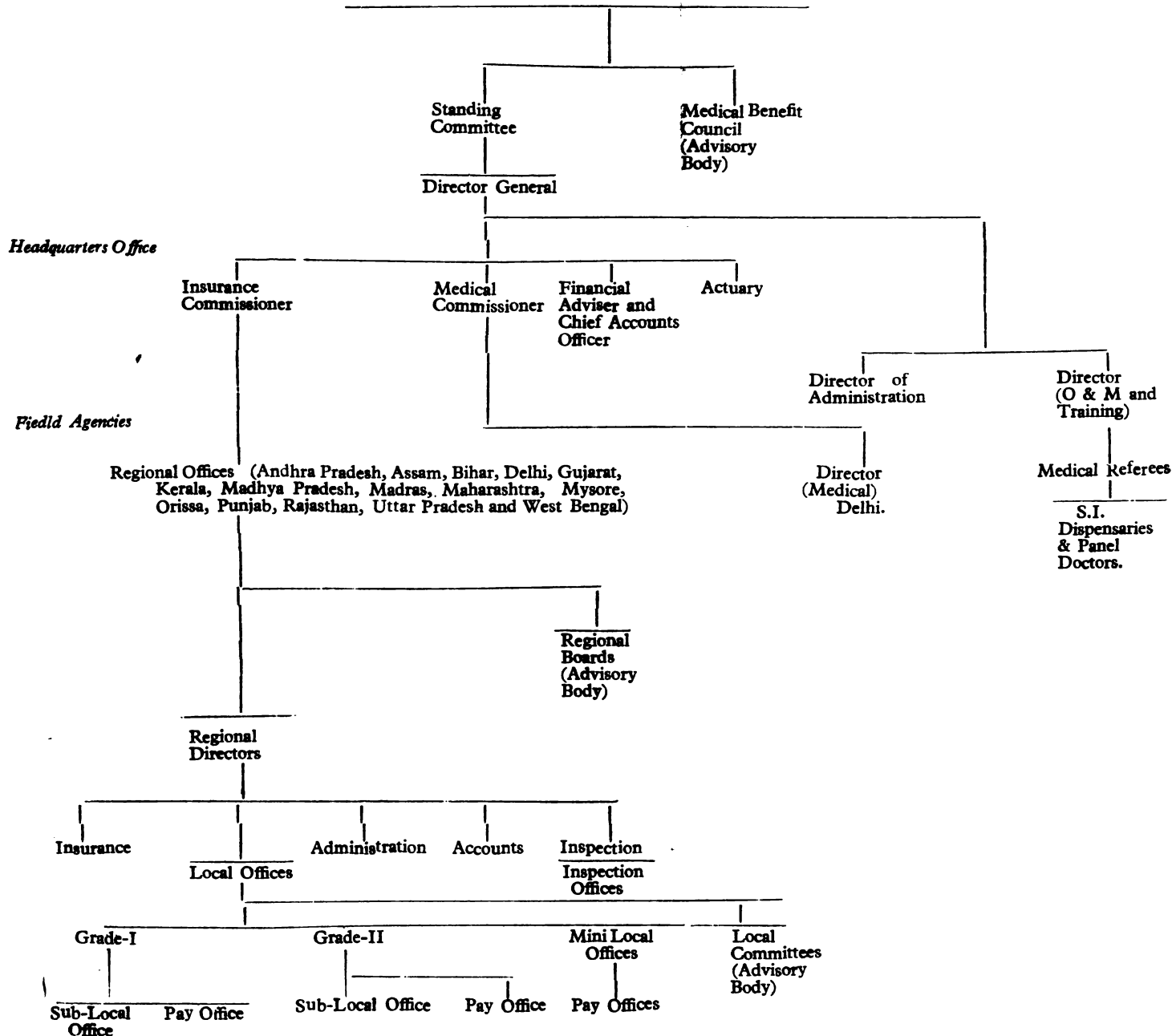
in consultation with the E.S.I. Corporation. This will suffice.

APPENDIX VIII

[Vide Para 3·1]

Chart showing administrative structure of the Employees' State Insurance Corporation.

EMPLOYEES' STATE INSURANCE CORPORATION



NOTE.—Medical care is administered through agencies of State Governments except in the Union Territory of Delhi where the Corporation has assumed responsibility for administering medical care directly.

APPENDIX IX

(Vide Para 7.46)

Standard Agreement to be entered into between the Employees' State Insurance Corporation and the State Governments under Section 58(3) of the E.S.I. Act., 1948.

Articles of an Agreement made this _____ day of _____ (month and year) between the Governor|Rajpramukh of _____ (hereinafter called the "STATE GOVERNMENT" which expression shall, unless repugnant to the context, include his successors and assigns) of the one Part, and the Employees' State Insurance Corporation, being a corporation established under the Employees' State Insurance Act, 1948 (XXXIV of 1948) (hereinafter called "THE CORPORATION" which expression shall, unless repugnant to the context, include its successors and assigns) of the other Part.

Whereas the State Government is required, under Section 58 of the Employees' State Insurance Act, 1948 (XXXIV of 1948) (here-with referred to as the Act) to provide for insured persons and (where such benefit is extended to their families) their families in the State of _____ reasonable medical, surgical and obstetric treatment, and whereas an Agreement is to be entered into between the State Government and the Corporation in regard to the nature, extent and scale etc., of the medical treatment that should be provided to insured persons and (where such medical benefit is extended to their families) their families (including the provision of buildings, equipment, medicines and staff) as also for the sharing, of the cost thereof and of any excess in the incidence of sickness benefit paid to the insured persons, over the all India average between the Corporation and the State Government. Now this deed witnesses and it is hereby agreed as follows:—

1. (1) The State Government shall arrange for the provision of general medical attendance and treatment of insured persons and (where such benefit is extended to their families) their families at one or more State Insurance dispensaries with full-time or part-time Insurance Medical Officers:

Provided that the State Government may, with the prior approval of the Corporation, arrange, in respect of any specified area or areas in the State for out-patient medical treatment and attendance at the clinics of private medical Practitioners (hereinafter called "Insurance Medical Practitioners") who fulfil such requirements as may be prescribed, on payment to them of such capitation or other fees and subject to such terms and conditions as may be agreed upon between the State Government and the Corporation.

Provided further that the State Government may, also arrange for such out-patient medical attendance and treatment at any local fund or private hospital or dispensary, or through a mobile dispensary visiting suitable places near the residences of the Insured Persons.

(2) The nature and scale of treatment as between the insured persons and his families may vary as may be agreed upon between the State Government and the Corporation.

2. (1) The State Government shall, in consultation with the Corporation, establish either separate hospitals or separate annexes to existing hospitals or other medical institutions for the provision of specialist examination and in-patient treatment of insured persons or shall reserve, for the exclusive use of the insured persons, separate beds in hospitals or medical institutions under its own control or in those maintained by a local body, a private institution or a private individual.

(2) Pending the establishment of separate hospitals or the reservation of separate beds in existing hospitals for insured persons, the State Government shall make such arrangements at State, local body, or private hospitals as will ensure that an insured person who needs immediate attention or admission in a hospital, as a result of an emergency or accident, is admitted to the general wards of a hospital or hospitals to be specified for the purpose by the State Government and the hospital treatment provided in such cases shall include free maintenance and supply of all necessary drugs and such specialist's and general treatment, as may be available at the hospital to which the insured persons is admitted as well as those special investigations which are considered necessary and for which facilities exist at the hospital or in an associated institute or laboratory.

3. The general medical attendance and treatment to be provided by the State Government shall in the case of insured persons broadly be of the following kinds and on the following scale:

(1) All treatment that can reasonably be expected to be rendered by a medical officer or a medical practitioner at the out-patient department of a hospital or a dispensary, or at a clinic, namely, all treatment not involving the application of special skill or experience, and shall include—

(i) such preventive vaccination or inoculation as may be needed for following diseases:—

(a) Small-pox (including primary vaccination for infants; and for revaccination for adults and children during the prevalence of epidemics).

(b) Enteric group of diseases.

(c) Cholera (during prevalence).

(d) Plague (of an epidemic).

(e) for such other diseases as may be agreed upon.

(ii) the free provision of all drugs (including vaccines and sera) and dressings that may be considered necessary which shall generally be in accordance with the State Insurance formulary:

Provided that where general medical attendance and treatment is provided by the State Government at the clinics of private medical practitioners, the State Government shall make separate arrangements for the free supply of these drugs and dressings which such practitioners are not required to supply themselves in such quantities and in such manner and subject to such conditions as may be agreed upon, from time to time between the State Government and the Corporation.

(iii) the provision of certificates, free of cost, in respect of sickness, maternity, employment injury, and death required to be given to the insured persons under the Employees' State Insurance (General) Regulations, 1950, or under the instructions issued from time to time by the Corporation:

Provided that the Corporation may wherever necessary refer any such certificate to any other medical authority for opinion and treat such opinion as final.

(2) Free medical attendance at the residence of insured persons by an Insurance Medical Officer|Insurance Medical Practitioner, where the condition of the insured person is such that he cannot reasonably be expected to attend at a dispensary, hospital, mobile dispensary post or any other institution to which he is allotted or at the clinic of an Insurance Medical Practitioner on whose list he is borne.

(3) Provision of facilities for the removal, free of charge, of insured persons whose condition requires such removal to a hospital, specialist centre or other institution by an ambulance or otherwise.

(4) Reasonable arrangements for special investigations, such as radiological and pathological examinations and for specialists' consultation and treatment at the out-patients departments of the hospitals or other medical investigations established or specified for the purpose.

4. The State Government shall make suitable arrangements for the treatment of emergency and casualty cases arising amongst insured persons.

5. *Obstetric treatment.*—The State Government shall provide, for all insured women—

(1) Reasonable ante-natal and post-natal care at dispensaries, hospitals or other institutions to be specified by the State Government for the purpose;

(2) Facilities for normal confinement either at their residences or in hospitals or maternity homes to be specified by the State Government or established for the purpose;

(3) Free attendance at their residences in all cases of mis-carriage or confinement where the condition of the person is such that her removal to hospital or other institutions is impracticable or inadvisable;

(4) Hospital accommodation in cases of difficult or abnormal or complicated labour.

(5) Free transport, by Ambulance or otherwise, to hospital or other institution of such pregnant insured women whose condition requires removal to hospital by such means.

(6) The medical treatment provided under the Act may be extended to the families of insured persons from such date as may be agreed upon between the State Government and the Corporation, and shall be subject to such conditions as may be laid down in the Employees' State Insurance (General) Regulations, 1950 from time to time.

(7) (1) State Insurance dispensaries established in pursuance of clause 1 of this Agreement shall be adequately equipped and shall as far as possible contain:

- (a) A suitable place for patients to wait under cover with proper seating accommodation;
- (b) Separate Consulting room or rooms where patients can be seen and examined in complete privacy;
- (c) A dispensing room for the supply of necessary drugs and dressings;
- (d) A room or rooms for dressing of wounds and injuries.
- (e) Adequate accommodation for clerks and for records; and
- (f) Separate lavatories for male and female patients.

(2) The State Insurance dispensaries shall be provided with reasonable medical and other staff,

(3) Clinics of Insurance Medical Practitioners at which arrangements may be made by the State Government for the provision of medical treatment under clause 1 of this Agreement shall subject to any change which may be agreed upon between the State Government and the Corporation, from time to time, generally contain provision for—

- (a) adequate waiting space,
- (b) a place where insured persons can be examined in privacy,
- (c) adequate dispensing facilities, and
- (d) adequate arrangements for minor dressings.

8. The State Government shall prepare lists of State Insurance dispensaries and/or clinics, showing the location of the State Insurance dispensaries and institutions and/or clinics, the names and addresses of the Medical Officers attached to such dispensaries; names and addresses of the Insurance Medical Practitioners approved for the purpose of providing of general medical attendance at their clinics and their working hours and shall supply to the Corporation copies of all such lists as well as any alterations that may be made therein from time to time.

Provided that no State Insurance dispensary or institution may be abolished or no material alteration made in its location without prior consultation of the Corporation.

9. Where general medical attendance and treatment is provided at the clinics of Insurance Medical Practitioners. The State Government shall afford reasonable facilities for the choice of Insurance Medical Practitioners by insured persons; and where the treatment is provided at State Insurance dispensaries or other institutions, it shall arrange for the allotment of insured persons to different State Insurance dispensaries or other institutions established for the treatment of insured persons, as far as possible in accordance with the choice of the insured persons. The Corporation shall supply or shall arrange to be supplied to the State Government the names of insured persons eligible for treatment and those ceasing to be eligible for the medical benefit from time to time, and hereby agrees to assist the State Government in the work of allotting insured persons to Insurance Medical Officers or to the dispensaries or other medical institutions.

10. The State Government shall arrange for the maintenance by Insurance Medical Officers incharge of the dispensaries, hospitals and other medical institutions and by Insurance Medical Practitioners, at whose clinics medical treatment is provided for insured persons, of such registers, records, books and accounts in such forms as may be prescribed and supplied by the Corporation for statistical purposes and investigations on diseases.

11. The State Government shall ensure that medical records in respect of each insured person allotted to a dispensary of an institution or attached to an Insurance Medical Practitioner are maintained on forms prescribed and supplied by the Corporation for the purpose from time to time.

12. The State Government shall arrange to supply to the Corporation, on a requisition by the Director General|Medical Com-

missioner or by any duly authorised officer not below the rank of a Gazetted Officer on their behalf, records, returns and statements from the Insurance Medical Officer|Practitioners or from the dispensaries in such form and in such manner, as may be specified.

13. The Corporation shall provide, free of cost, to the State Government all forms for certification, returns and medical records required to be kept by Insurance Medical Officers|Practitioners for the purposes of the Act, the rules, the regulations or this Agreement. All other forms required shall be determined in consultation with the Corporation and supplied by the State Government at the cost of the medical benefit scheme.

14(1) For the purpose of administering medical benefit under this Agreement, the State Government shall set up, under their general supervision and control, a separate executive organisation, incharge of a full-time or a part-time officer who shall be appointed by the State Government, in consultation with the Corporation, on such terms and conditions as are agreed to between the State Government and the Corporation.

(2) The State Government shall appoint in the office of the officer to be appointed in terms of clause (1) above, such staff, as may be agreed upon.

15. The State Government shall afford facilities, at all reasonable time, to the Director General of the Corporation to the Medical Commissioner of the Corporation, or to any other officer not below the rank of a Gazetted Officer who may be duly authorised in this behalf by either of them, (i) for the inspection of hospitals, dispensaries, clinics of Insurance Medical Practitioners or other institutions where medical benefit is provided or proposed to be provided to the insured persons and (where such benefit is extended to their families) their families; (ii) for the investigation of complaints made by insured persons with regard to the provision of medical benefit, under the Act; (ii) for examining all registers, certificates, medical records and other documents pertaining to the treatment of insured persons, to enable them to investigate into the problems of diseases, as also for such other purposes as false and/or lax certification, excessive or irregular prescribing by the Insurance Medical Officer|Practitioner etc., and (iv) for conducting such special investigations into the incidence of diseases or injuries or other conditions or for carrying out research on the problems arising therefrom.

16. The State Government shall arrange for the investigation of all complaints referred to them by the Corporation against any Insurance Medical Officer|Insurance Medical Practitioner or any other member of the staff attached to or working at a dispensary, hospital, clinic or other institution where medical treatment is provided to insured persons or against any officer connected with the administration of the medical benefit under the Act and shall communicate the result thereof and the action taken there on to the Corporation within a reasonable time, from the date of its lodging the complaint.

17.(1) While the responsibility for making the arrangements for the provision of medical care for insured persons and (where such care is provided for their families) their families is that of the State Government, the prior concurrence of the Corporation shall be obtained by the State Government in the following matters, unless these are covered by any general or special agreement with the Corporation:

- (i) the strength of Medical Officers including specialists and other ancillary staff;
- (ii) the pay and allowances to be paid to whole time medical officers including specialists and|or staff in case these vary from those admissible to similar staff under the State Government;
- (iii) the strength, the remuneration and conditions of service for part-time medical officers including specialists and other part-time staff;
- (iv) the terms of service of, and conditions to be satisfied by, private medical practitioners for inclusion in the Medical List and the capitation fee payable to them;
- (v) the scale of furniture, equipment etc., to be provided in the dispensary, hospitals and other medical institutions;
- (vi) the number of hospital beds to be arranged exclusively for insured persons and the manner in which these beds are to be provided;
- (vii) any separate arrangements for clinical or pathological examination or for specialist consultation to be made;
- (viii) maternity care including hospitalisation;

- (ix) the terms on which medical facilities provided by Local Funds or private hospitals or dispensaries maintained by employers or other parties may be utilised;
- (x) arrangements for ambulance service and for provision of treatment in serious accidents and emergencies.

(2) The total expenditure on medical care in any year for this purpose and the budget provision thereof shall be subject to such ceilings as may be laid down by the Corporation from time to time for the whole of the country for any State in particular. For this purpose, the State Government shall send to the Corporation for its concurrence its budget of the expenditure on the provision of medical benefit under the Act for any financial year by the 30th September preceding the commencement of that year. They shall also furnish, at the same time, a revised estimate of similar expenditure expected to be incurred in the financial year current at the time.

(3) These estimates shall be prepared in such form and in such details as may be agreed upon between the State Government and the Corporation.

18. (1) The State Government shall cause to be maintained by the officer referred to in para 14 above a separate account of the expenditure on the provision of medical care to the insured persons and (where such medical benefit is extended to their families) their families in such form, in such details and under such major and minor heads as may be agreed upon between the State Government and the Corporation and shall include therein:

- (a) the entire revenue expenditure (including reasonable rent on the buildings belonging wholly to the State Government) on running the State Insurance dispensaries and the Mobile Dispensaries established for providing out-patient treatment under the Act exclusively to the insured persons and (where medical benefit is extended to their families) their families;
- (b) the capitation fee paid to the Insurance Medical Practitioners on the agreed scale.
- (c) the cost of drugs and dressings supplied to insured persons under proviso to clause 3(1) (ii) of this Agreement;
- (d) in respect of dispensaries, hospitals or other medical institutions not exclusively meant for insured persons but

wherein treatment to insured persons and (where such medical treatment is extended to their families) their families is provided alongwith other persons—

- (i) the actual cost of drugs and dressing used in respect of insured persons and (where such medical treatment is extended to their families) their families;
- (ii) any additional remuneration paid to any Medical Officer or to other staff employed at such dispensary, hospital or medical institution for the treatment of insured persons and (where such treatment is provided to their families) their families;
- (iii) Where no additional remuneration as mentioned in sub-clause (ii) above in respect of this work is given, such share of pay and allowances paid to the Medical Officers and other staff employed at the dispensary hospital or institution or such amount per insured persons and (where such treatment is provided to his family) his family allotted to such dispensary, hospital or institution as may have been agreed upon in any particular case between the State Government and the Corporation;
- (iv) Where separate stocks and accounts in respect of drugs and dressings are not kept in respect of insured persons and (where such treatment is provided to their families) their families such amount per insured person and (where medical benefit is extended to his family) his family per capita or per insured person allotted to the dispensary, hospital or medical institution as may have been agreed upon in any particular case between the State Government and the Corporation.
- (e) the entire revenue expenditure in respect of any institution run or established exclusively for insured persons and (where such facilities are extended to their families) to their families for providing specialist advice, diagnostic facilities, etc.;
- (f) the cost of providing ante-natal and post-natal care and maternity services to insured women;
- (g) payments made to any State or other hospitals or other medical institutions for reservation of beds or for providing specialist advice or diagnostic facilities for insured

persons under the Act, on such basis as may have been agreed upon between the State Government and the Corporation;

- (h) the entire revenue expenditure incurred on the maintenance of the hospitals, annexes to hospitals or other medical institutions established or maintained exclusively for providing in-patient treatment and specialist advice or diagnostic facilities to insured persons under the Act;
- (i) payments made to employers or other bodies for utilising their medical facilities for the purpose of the Employees' State Insurance Act on such basis as may be agreed upon between the State Government and the Corporation from time to time;
- (j) any payments made to employers under Regulation 69 of the Employees' State Insurance (General) Regulations, 1950;
- (k) the capital expenditure incurred, whether by the State Government or by the Corporation, in the financial year, on the establishment or construction and equipping of the dispensaries, hospital, annexes to hospitals or mobile dispensaries established under this Agreement for the exclusive use of the insured persons or to the extent that medical benefit is extended to the families under the Act;
- (l) the pay, allowances and other expenses of any whole-time **Medical Officer and other staff exclusively employed** by the State Government for the purpose of administering and supervising medical benefit to insured persons and (where such benefit is extended to the families) their families in the State;
- (m) such amounts as may be agreed upon in respect of such officers of the State Governments as are required to devote a substantial part of their time to the direct supervision of the provision of medical treatment to insured persons or (where medical benefit is extended to their families) their families;
- (n) expenditure incurred on payment of fees or allowances to non-official members of the Medical Service Committee, Allocation Committee or any other Committee set

up in connection with the administration of the medical benefit under the Act, with the consent of the Corporation;

- (o) any other expenditure incurred on the provision of medical benefit to insured persons and (where the medical benefit is extended to their families) their families which may be agreed upon between the State Government and the Corporation specifically for a year or in general.

(2) No expenditure incurred by the State Government, which is not covered either by a general or special concurrence of the Corporation, shall be included in the accounts.

19.(1) Where it is agreed between the State Government and Corporation that any hospital building or other medical institutions, under clause 2 of the Agreement, should be constructed or acquired, the Corporation shall, on approval by it of the plans and estimates thereof, make payment of its share of the capital expenditure likely to be incurred for the purpose in the next six months and it may also make a loan, on such terms as may be mutually agreed upon from time to time, to the State Government, of the whole or a part of the amount of the State Government's share in the capital expenditure likely to be incurred in the next six months;

Provided that such advance or loan shall be as from the Corporation to the State Government and no payment either of capital or interest by the State Government to the Corporation shall be included in the separate account mentioned in terms of clause 18 above.

(2) Any buildings that may be constructed for hospitals, dispensaries or other medical institutions for provision of medical treatment of insured persons and (where such benefit is extended to their families) their families if jointly financed shall be the joint properties of the State Government and the Corporation.

(3) In the event of any of the hospitals, etc. built and/or equipped under the above clauses being closed down or in the event of either of the parties ceasing to have interest in them, property shall not be disposed of by either party, or the hospital etc., closed down, without the other party being given the first refusal to take over the hospital, etc., as a whole, after payment to the first party its share of the cost less depreciation etc., after assessment by such competent authority as may be appointed jointly for the purpose.

20. (1) The accounts of the hospitals and dispensaries etc., and all other expenditure incurred under the Scheme by the State Government shall be subject to internal check by the local audit staff conducted by the agency of the finance Department of the State Government under the same rules and to the same extent as similar other expenditure of the State Government. A copy of each audit report relating to such expenditure will be furnished by the State Government to the Corporation.

(2) The State Government shall furnish to the Corporation a copy of every sanction issued by them.

21. (1) As soon after the close of each financial year as possible, the State Government shall have an account prepared showing the expenditure incurred by them on the provision of medical care to the insured persons and (where such medical benefit is extended to their families) their families in the State. The accounts so prepared will be open to inspection and scrutiny by the Chief Accounts Officer of the Corporation or by such officer of the Corporation not below the rank of a Gazetted Officer as he may depute for the purpose.

(2) The Accountant General of the State concerned shall furnish annually a certificate indicating the experience on the scheme admitted in audit and the audited account together with such certificate shall furnished by the State Government to the Corporation to enable it to pay its share of the cost as shown by such certificate to the State Government;

(3) Where a State Government so desires, the Corporation may make periodical "on account" payments towards its own share of the cost of the provision of medical benefit under the Scheme in the State during a particular year, on submission of approximate, accounts of actual expenditure incurred by the State Government in specified periods (say each quarter, or each half year) to the Corporation, after the close of each such period, subject to such terms and conditions as may be agreed upon between the State Government and the Corporation.

22. (1) The total cost of provision of medical treatment to the insured persons and (where the medical benefits is extended to their families) their families incurred upto the 30th June, 1954, shall be shared between the State Government and the Corporation

in the proportion of one-third and two thirds and such cost incurred from the 1st July, 1954, onwards shall be shared between them in the proportion of one-fourth and three-fourths respectively.

(2) "Provided that the receipt arising on account of the sale proceeds of any item previously purchased under the Head 'ESI Scheme' for example, unserviceable stores, drugs, rebate on the purchase on the Medical stores, recoveries of over payments and other receipts|revenues of all kinds arising from the operation of the E.S.I. Scheme in the State etc. will be deducted from the total cost of the medical benefit, while arriving at the net expenditure which is to be apportioned between the State Government and the Corporation in the agreed ratio."

23. On the rendering of the accounts, referred to in clause 21, the Corporation shall pay its share to the State Government, with reasonable promptitude, after deducting therefrom any payments "on account" already made or any expenditure already incurred directly by it on any item detailed in clause 18 of this Agreement;

Provided that, if the Corporation is not satisfied with the accounts and is of the view that any adjustments are required to be made therein, it shall inform the State Government of such adjustments and the State Government shall carry out the same; but if the State Government does not agree to carry out such adjustments, the accounts may be inspected by a person appointed by the Auditor General and his decision shall be taken as final by both the State Government and the Corporation.

24. In the event of the Standard of medical benefit provided by the State Government being lower than that agreed upon, the amount payable by the Corporation under this Agreement shall be such as may be decided upon by mutual consent or, in default of such mutual consent, such as may be decided upon by an Arbitrator appointed in terms of Sub-Section (4) of Section 58 of the Act.

25. As soon as possible after the close of each financial year, the Corporation shall calculate, in respect of each State where the Scheme is in operation, the incidence of sickness benefit in terms of the number of days for which sickness benefit has been payable to insured persons qualified to claim such benefit at any time during the financial year, and, where the incidence of sickness benefit expressed as the number of days exceeds the all-India average similarly calculated, the difference between the amount payable as sickness benefit in the State and that which would have been

payable if the incidence had been the same as the all-India average, be shared between the State Government and the Corporation as follows:—

	Corporation's share	State Government's share
(i) Upto 25% in excess of the all-India average	Full	Nil
(ii) Portion of the excess between 25% and 50% above the all-India average	2/3	1/3
(iii) Portion of the excess between 50% and 100%	1/3	2/3
(iv) Portion above 100%	Nil	Full

26. Any amount payable under the preceding clause 25 shall be deducted from the amount payable to the State Government under clause 21 in respect of the financial year to which it relates or in respect of any subsequent financial year.

27. Any action required to be taken by the Corporation under this Agreement shall be taken by the Director General or by any other officer specifically authorised by him in that behalf.

28. All the terms and expression viz., insured persons, Insurance, Medical Officer, Insurance Medical Practitioner, Director General, Medical Commissioner, Medical Referee, etc., shall have the meanings assigned to them in the Act, the rules made under Section 95 & 96 or the regulations under Section 97 of the Act as the case may be.

In witness thereof.....on behalf of the Governor/Rajpramukh of the State of.....has set his hand and seal and the Director General, Employees' State Insurance Corporation, hath set his hand and common seal of the Corporation has been affixed herewith this day, the.....of the month of.....of the year.....Signed and sealed by the said in the presence of.....

..... (1) } Witness { Sd/-
 (2) } Seal.

Signed and sealed by the Director General, Employees' State Insurance Corporation on behalf of the Employees' State Insurance Corporation, in the presence of.....

..... (1) } Witness
 (2) } Common seal of the Corporation

APPENDIX X

[Vide Para 7·107]

List of Hospital Annexures under construction and in respect of whom construction work not yet undertaken.

List of Hospitals/Annexures under construction

State	Name of Hospital/ Annexe	No. of beds		Total capital outlay sancioned	Target date of completion
		Gen.	T.B.		
1	2	3		4	5
				in lakhs	
1. Andhra Pradesh	ESI Hospital, Visakhapatnam	110	..	36·20	October, 1969
2. Do.	ESI Hospital, Adoni	50	..	2·13	October, 1969
3. Bihar	ESI Hospital, Dalmianagar	50	..	28·52	October, 1969
4. Do.	ESI Annexe, Itki	..	20	0·85	Completed.
5. Gujarat	ESI Hospital, Ahmedabad	500	..	87·13	October, 1969
6. Do.	ESI Hospital, Ahmedabad	..	200	60·73	Completed.
7. Delhi	ESI Hospital, Delhi	250		195·00	March, 1970.
8. Haryana	ESI Hospital, Panipat]	50	..	17·59	} The buildings are likely to be completed by the end of the year. The target dates awaited from the State Governments.
9. Kerala	ESI Hospital, Paripally	..	100	18·82	
10. Do.	ESI Hospital, Byhukone	150	..	35·44	
11. Do.	ESI Hospital, Arpookara	..	80	16·40	
12. Do.	ESI Hospital, Vedavathur	50	..	10·71	
13. Do.	ESI Hospital, Udyogamandal	120	..	34·06	

1	2	3	4	5	
14.	Do.	ESI Hospital, Ernakulam	50 & 4 doctored S.I. dis- pensary.	.. 21.49	}
15.	Do.	ESI Hospital, Trichur	60	15.52	}
16.	Madhya Pradesh	ESI Hospital, Ujjain	50	15. 22.05	} October, 1969.
17.	Do.	ESI Hospital, Raipur	..	79 13.81	}
18.	Tamil Nadu	ESI Hospital Madurai	177	25 29.79	} March, 1970.
19.	Tamil Nadu	ESI Hospital, Coimbatore	475	25 123.75	} Completed.
20.	Punjab	ESI Hospital, Jullundur	60	.. 21.43	} Completed.
21.	Rajasthan	ESI Hospital, Jaipur	113	.. 29.70	} August, 1971.
22.	West Bengal	ESI Hospital, Gauhati	150	.. 63.1	} December, 1969.
23.	Do.	ESI Hospital, Budge Budge	300	.. 88.43	} October, 1969.

List of Hospital Annexes sanctioned

(Construction work not yet under taken)

Sl. No.	State	Name of the Hospital/Annexe	No. of beds		Capital cost	Year of sanction
			Gen.	T.B.		
1	2	3	4	5	6	
						Rs. in lakhs
1	Bihar	ESI Hospital, Orma	110	..	21.50	1967-68
2	Kerala	ESI Hospital, Thottada	..	80	14.89	1965-66
3	Do.	ESI Hospital, Kalavoor	..	80	17.35	1967-68
4	Do	ESI Hospital chelavoor	..	80	18.32	1966-67
5	Mysore	ESI Hospital Mangalore	150	..	36.34	1967-68
6	Tamil Nadu	ESI Hospital, South Madras	245	25	80.65	1963-64
7	West Bengal	ESI Hospital, Manicktolla	400	..	174.30	1967-68
8	Do.	ESI Hospital, Kanyapur—Asansol	..	150	50.74	1967-68

APPENDIX XI

Statement showing summary of Recommendations|Conclusions

S. No.	Reference to para No. of the Report	Summary of Recommendations/ Conclusions
1	2	3
1	1.28.	<p>The Committee are glad to observe that the enactment of Employees' State Insurance Act conferring social security benefits on the industrial workers in the country has been a landmark in the history of labour welfare programme undertaken by the popular Government during the post-independence period. While it is true that in a developing country like India, social security problems cannot be accorded the same priority as the fundamental problems of economic development, the Committee would like to emphasize that their priority should be fairly high in economic planning, for it is widely recognised all the world over that development of social security does make a major contribution to increasing productivity. They have no doubt that the scheme embodied in the said Act can form a valuable foundation for building on further social security promotion programme according to national needs and possibilities.</p>
2	2.24.	<p>The Committee consider the association of Ministers as Chairman, Vice-Chairman or Members of the Corporation and the Standing Committee, which are composed largely of officials, as unusual. An anomaly is created when the same Minister in his capacity of the head of the Administrative Ministry overrules the decision of the Corporation which also is presided over by him. Obviously, therefore, the practice does not fit in with the general supervi-</p>

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sory powers vested in the Central Government under the Employees' State Insurance Act. The Committee recommend that Government should adopt practice of appointing a prominent publicman with necessary knowledge and experience of promoting labour welfare to fill the office of Chairman of the Corporation for a fixed term to be specified in the Act.

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2.25.

The Committee further recommend that the Chairman of the Standing Committee should be nominated from amongst the workers' and employers' representatives to hold office for a period of two years by rotation.

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2.26.

The Committee note that except the State of Maharashtra all other State Government nominees on the Corporation are officials. They hope that all State Governments will follow the uniform practice of nominating the head of the Department, mainly concerned with the administration of Employees' State Insurance Scheme in the State, as their representative on the Corporation.

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2.27.

The Committee further note that the State of Nagaland has not yet been represented on the Corporation. They suggest that necessary steps may be taken in that regard without further delay.

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2.28.

The Committee are happy to note that Government propose to bring forward an amending legislation to enhance the representation of employers and workers on the Corporation as well as the Standing Committee. They have no doubt that a corresponding increase will be made in their representation in the event of any increase in the number of official nominees so as to keep a parity between officials and non-officials.

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7.**2.29.**

As for the representation of medical profession on the Corporation, Standing Committee and the Medical Benefit Council, the Committee do not appreciate the reasons for ignoring the claim of National Integrated Medical Association and Insurance Medical Practitioners (Ayurvedic) Association when a good number of their members are serving under the ESIS as panel or service doctors and have been recognised by the Corporation at par with other practitioners of modern system of medicine. The mere fact that the Associations consist of those who practice integrated or indigenous systems of medicine should not be regarded as a disqualification for their representation on the said bodies. The Committee are of the view that the question of according recognition to these Associations should be examined *de novo* on merits in the light of the above observation.

8**2.35.**

The Committee regret that since the inception of the scheme, the meetings of the Corporation, the Standing Committee and the Medical Benefit Council have not been held as required under the Rules. During the first decade of its life—a formative period which could indeed be devoted to provide initiative, planning and direction for the speedy and efficient implementation of the scheme—the Corporation did not meet at all in 1949 and except in 1955 when it met twice, it held only one meeting during the rest of the years. From 1958 onwards while the Corporation had had its scheduled meetings, the Standing Committee has been able to meet as per schedule only in 1960 and 1968. The record of Medical Benefit Council, which is charged with the important function of advising the Corporation on matters relating to the administration of medical benefit, has been no better. The Committee would like to stress that

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		the minimum number of meetings of these bodies as prescribed must be held regularly.
9	2.36.	The Committee find that the meetings of the Corporation and the Medical Benefit Council are held in an erratic manner. They suggest that the meetings should be spaced with more or less fixed intervals so as to ensure maximum attendance of members.
10	2.50.	The aim of setting up Regional Boards and Local Committees, as contemplated in the Act, was clearly to keep a constant liaison between the field and the Central authority i.e. the Corporation. The Committee are constrained to observe that it is evident that the potentialities of the institution of Regional Boards and of Local Committees have not been exploited. They find that even at places where these bodies have been set up, they do not appear to be functioning effectively. The Committee recommend that their meetings should be held regularly and their suggestions communicated for the consideration of the Standing Committee. Whatever decisions are taken by the Standing Committee should invariably be transmitted to the Regional Boards for information. As also suggested by the ESIS Review Committee, a small sub-Committee may be set up to conduct a preliminary examination of the suggestions made by the Regional Boards before these are placed before the Standing Committee.
11	2.23.	In the view of the Committee, the Regional and Local Medical Benefit Councils have an important role to play so as to ensure provision of efficient medical service to the beneficiaries of the Scheme. They are surprised that no attention has been paid all these years to set up these bodies even though there existed a statutory provision in that regard. The Committee recommend that these bodies may be set up and

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12	2.64	<p>necessary regulations specifying their functions etc. be framed without further delay.</p> <p>While conceding the need of general supervision and control of the Central Government over the working of the ESIC, the Committee feel that after setting up a tripartite body to administer the scheme certain degree of autonomy is essentially required for its effective functioning. It is quite understandable that in the initial stages of the scheme, the Central Government thought it fit to exercise a greater caution and hence to retain both the financial and administrative control in various ways in regard to the functioning of the Corporation. Now that the Corporation has come of age the two main parties—workers and employers—should have sufficiently grown in consciousness and maturity to manage the scheme to their best interests without the Central Government having to play the same predominant role in the affairs of the Corporation. It is also to be remembered that unlike other Statutory Bodies and Public Undertakings where the Government may justifiably seek to have a greater financial as well as administrative control, the ESIC is a non-commercial organisation meant to administer a scheme of social security financed mainly out of the funds contributed by workers and employers themselves. The Committee urge that the power exercisable by the Central Government should be scrutinised thoroughly to confine them only to matters of broad policy requiring specifically their guidance, direction and control, leaving the rest to the decisions of the Corporation. The ESI Act may also be amended suitably, if considered necessary, in course of time.</p>
13	3.9	<p>The Committee learn that except four incumbents all the Principal Officers appointed so far have been drawn from services outside the</p>

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Corporation. The Committee feel that the Corporation in its life of more than 20 years must have by now built up adequate cadre of its own trained personnel specialised in the respective divisions. The Committee are, therefore, of the view that Government while appointing Principal Officers should not normally ignore the claims of senior officers of the Corporation who have rendered long and dedicated service in the Organisation, to hold the charge of Principal Offices if they are found otherwise equipped with the required knowledge, ability and experience. This would inculcate a sense of belonging to the Organisation in the minds of those who are down below in the management hierarchy.

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3.10.

The Committee find that since the inception of the Corporation the post of Actuary has been held independently only for a period of about 10 years. During the other 10 years, the post was lying vacant or had been held by the Insurance Commissioner or Financial Adviser & Chief Accounts Officer in addition to their respective duties. At present too, the Financial Adviser & Chief Accounts Officer is performing the duties of Actuary. It is thus evident that there is not sufficient justification for having a separate post of Actuary. The Committee recommend that the post of Actuary may be abolished henceforth and its functions and duties merged either with the Insurance Commissioner or Financial Adviser & Chief Accounts Officer as may be considered more appropriate from the practical point of view.

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3.11.

The Committee do not find any justification either for creating post of Deputy Director General or the Financial Adviser as suggested by the ESIS Review Committee. It need hardly be added that the Organisation has already come of age and much of the procedure

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and practices are now well-settled. Besides, it would mean an additional burden on the already strained finances of the Corporation which are so badly needed for the extension of the scheme. The Committee have already recommended the creation of a separate post of Principal Officer to hold charge of administrative Division with a view to relieve the Director General of his duty of looking after directly the administration of the Corporation and thereby to enable him to discharge his main supervisory and coordinating functions.

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3.12.

The Committee would also like that Government should examine the desirability of suitably modifying the statutory provision relating to the Principal Officers so that in future any increase or decrease in their number which is bound to occur with changed conditions and exigencies, may not require an amendment in the Act. This would ensure flexibility and avoid the lengthy process of amending the Act for the purpose.

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3.19.

The Committee are unhappy to observe that no systematic attempts were made since the inception of the ESIC in October, 1948 to review the norms and standards for the staffing pattern in an expanding organisation like E.S.I.C. They are all the more unhappy that even after the recommendation of the ESIS Review Committee made to that effect in February, 1966, it took more than two years to set up an O&M division—a step so essential to keep a constant watch on efficient administration and personnel management. The Committee consider that the increase in staff strength in Headquarters and other offices of the Corporation since its inception has been phenomenal and cannot be justified on any score. They hope that O&M study will help not only in realistic assessment of manpower required but also in evolving a suitable staffing pattern

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on the lines suggested by the ESIS Review Committee. The Committee have no doubt that after completion of the study in hand, a similar work study will be undertaken and expeditiously completed in respect of the remaining offices and necessary steps taken to effect economy consistent with efficiency of service to the insured workers.

18. 3.22. The Committee are not convinced by the statement of the Director General that there is not much scope for corruption in view of the small amount of claims and the claimants' right to approach Local Office Manager or the Regional Director. In their opinion, for offices having direct public dealings, particularly cash payments in pursuance of public claims, there should be some kind of vigilance to keep a check on corrupt practices which may result in harassment to the claimants and sometimes in the denial of payments even. They recommend that a Vigilance and Inspection Cell under the charge of an officer of a rank not less than Local Office Manager should be created in each Regional Office to investigate into the complaints of corruption and also pay surprise visits to Local Offices for on the spot enquiries from the claimants if they are encountering any difficulty in getting payments. The officer may also discharge the function of survey of Local Offices as suggested by the Review Committee.
19. 3.25. The Committee note that since August, 1959 the work procedures were reviewed in November, 1967 and thereafter in December, 1968. They further note that a detailed review of procedures has also been undertaken. The Committee need hardly emphasize that the administration of social insurance scheme is a complex process involving as it does on the one hand the collection of contributions on which depends the financing of the scheme and on the other hand the task of
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providing benefits of different kinds to the millions of beneficiaries bulk of whom may not even be knowing how to read or write their own mother tongue. The Committee, therefore, suggest that the detailed review currently in progress should aim at evolving such procedures at various levels, especially in Local Offices which deal with payments of claims, as are capable of resulting in prompt service to the beneficiaries. Such a review should now onwards be a continuous process so that the system may be equipped with modern techniques and methods obtaining in other countries having similar insurance schemes.

20. 3.26. The Committee further suggest that various forms to be filled up by beneficiaries should be printed also in other Indian languages than English|Hindi so as to make them easily understandable.

21. 3.30. The Committee regret to note that although the Corporation came into being more than a couple of decades back, no attention was paid till December, 1968 to create facilities for imparting formal training for job knowledge and attitude to the staff, the need and importance of which cannot be overemphasised particularly in a social security organisation like ESIC which have to extend a helping hand to the people belonging to poorest section of the society. Now that a beginning has been made, they hope that the training programme will be carried on regularly and systematically. The Committee also recommend that a suitable curricula be formulated for the different courses of training for different grades of officers. They further recommend that measures should be devised to make a periodical appraisal and evaluate the results of the training programme.

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3.36

The Committee are not aware of the circumstances in which the Corporation is regarded as

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		<p>an 'industry' under the Industrial Disputes Act, while its employees are treated as Central Government employees for all practical purposes. They suggest that Government should examine this question and take suitable steps so as to remove the anomaly, if any.</p>
23	3.42	<p>The Committee feel that with the extension of coverage under the scheme it should have been possible for the Corporation to effect economy in its overhead expenses. Instead, the Committee find that the level of administrative expenditure has gone up three times in 1967-68 as compared to 1960-61. Even after giving due allowance to rise in general price level, cost of equipment and pay and allowances of officers and staff, in their view the steep rise in administrative cost can hardly be justified. They suggest that an integrated plan which may <i>inter alia</i> include measures such as review of staffing pattern and rationalisation of work processes and procedure at all levels, austerity in office furnishings and equipments etc., may be drawn up for effecting necessary economy consistent with the efficient execution of the insurance scheme.</p>
24	3.49	<p>The Committee consider that the percentage of variations in the original and revised budget estimates and revised and actuals under the sub-heads such as Dependents' Benefit, Hospital and Dispensaries, Equipments of Hospitals etc. and Buildings for Officers and staff quarters is on the high side. The Committee trust that effective steps will be taken to ensure that the estimates framed are realistic, thus avoiding both budgeting on low as well as on the safe side.</p>
25	3.55	<p>In the opinion of the Committee, the vital problem of raising adequate resources to finance an expanding scheme like the present one need be tackled not on an <i>ad hoc</i> but on a long term basis. With the growing awareness among workers, fortified by the changed concept of social justice, their expectations would naturally be</p>

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high and the Corporation would have to rise to the occasion to come up to that extent. On medical benefit side alone, even the present standards are not uniform in all the areas where the benefit provisions are in force. This situation itself underlines the need of a long term solution. The Committee would like to suggest that another Committee consisting of a few Members of the Corporation, representatives of the Finance & Labour Ministries and other experts be set up to go into all aspects of the problem including the present as well as future needs of the scheme and suggest suitable ways and means in that regard.

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3.59.

The Committee are unhappy to note that all the three valuation reports were made available after the lapse of a period of three to five years. Even with regard to valuation for the five years ending on 31st March, 1969, the valuer has been appointed only recently. The Committee trust that such delays would be avoided in future. They suggest that valuation Report should be laid on the Table of the House and a provision to that effect made in the Act in due course.

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3.62.

The Committee find that for laying the Annual Reports a period of 11 to 28 months has been allowed to elapse after the end of the year to which the Report pertained. The Budget Estimates for the year 1968-69 were laid when four months of the financial year had already expired. Similarly, in case of Audit Report almost a gap of two years from the end of the financial year to which the Annual Accounts relate upto the date of laying, is usually noticed. The Committee urge that steps should be taken to ensure that the Annual Reports of the Corporation are laid on the Table within a period of six months from the close of the financial year. As for Budget Estimates, their preparation

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and further processing including the approval by the Standing Committee|Corporation and the Central Government should be so programmed that they are available to the House at the time of discussion of demands of the Administrative Ministry. The Audit Report should also be laid on the Table promptly after their receipt from the Comptroller and Auditor General. The Committee need hardly emphasize that observance of the principle of accountability to Parliament is judged by the timely laying of these documents so that the activities of the Corporation are taken stock of in proper time and appropriate action taken to set right defects, if any.

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3.67.

The Committee are surprised to note that while some of the plots for administrative buildings had been acquired as back as September, 1962 and July—December, 1963, it has not been possible for the Corporation to construct buildings thereon so far. The leisurely manner in which things have been allowed to move, as is quite evident from the information furnished by the Regional Director, Calcutta, is indeed regrettable. The position has drifted to the extent that on the one hand the Corporation has now no resources to finance the construction programme and on the other plots lying idle are attracting unauthorised constructions, thus inviting prolonged litigation. The continued failure to have its own buildings is bound to create administrative problems besides avoidable expenditure on rent. The Committee are convinced that had these proposals been pursued in right earnest from the beginning and a phased programme in order of *inter se* urgency drawn up, the Corporation would have been saved from this dilemma. The Committee suggest that a phased programme for construction may now be drawn up keeping in view the proposed merger

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of ESI and EPF Schemes, the resources position and the need to effect economy.

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4.13

The Committee are distressed to note that the progress of implementation of the scheme during all these years has been extremely halting. Not only the original schedule as envisaged in the First Plan was not adhered to, there have also been shortfalls even in the revised modest targets fixed for the three Plan periods. The Committee are convinced that had the Corporation as a Central authority consisting of representatives of all interests including the State Governments, played its proper role in taking timely initiative, effective planning and periodical appraisal of performance, the State Governments' preparedness to implement the scheme would have been forthcoming and the results would have been much better. The Committee wonder if the State Governments were really in such helpless position with regard to financial or other resources as have been made out to be. It is also surprising that Government of India at their own level did not make any efforts to see that the State Governments evinced more interest in the implementation of the scheme and cooperated with the Corporation in right earnest.

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4.29

The Committee find that although the policy decision to extend the medical benefit to families of insured persons was taken by the Corporation as early as 1955, it was actually implemented from 1958 onwards. Up till now only a small percentage of the total family units is eligible for hospitalisation facilities, the rest being either entitled merely to restricted or expanded medical care. The Committee also find that the only target to be achieved by the end of Fourth Plan Period is to extend the scheme to such areas with an insurable population of 500 and above,

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		<p>as could not be covered so far. The extension of the scheme to new sectors is not contemplated at all. Moreover it would complicate matters further both financially as well as administratively as soon as the wage ceiling for overage is raised from Rs. 500 to Rs. 1,000 which has already been agreed to by the Corporation. Similarly the possibility of raising even progressively the standard of medical care to families is remote or rather nil in view of the recently decided expenditure ceiling of Rs. 50 per family unit. All this is indicative of lack of planning as well as absence of a sense of urgency which the problems of social security for weaker section of society deserve. The Committee strongly recommend that a small Committee consisting of the members of the Corporation and other experts, as earlier suggested in para. 3.55 above should go into all aspects of present and future plans of the Corporation and make a study to work out a time-bound viable programme for phased extension as well as perspective planning in respect of ways and means to support the extension programme already accepted in principle by the Corporation.</p>	
31	4.39.	<p>The Committee are in general agreement with the recommendations made by the ESIS Review Committee in regard to tightening up of the statutory provisions and the procedure relating to the grant of exemption from the scheme. The Committee would further recommend that all cases of exemptions after having been processed by the machinery as suggested by the Review Committee should be carefully considered by the Corporation/Government.</p>	
32	5.7.	<p>The Committee are surprised to note that inspite of the recommendation made by the Study Group on Social Security in 1958 and again by the ESIS Review Committee in 1966, the Government have thought it fit to retain</p>	

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the transitory provisions in the ESI Act uptill now. They consider that the retention of thsse provisions for such a long period have neither been conducive to the implementation and growth of the scheme nor even served the interest of employers as a whole. With the recent decisions of the Government to raise the Employer's Special Contribution to 4 per cent for implemented areas in order to enable the Corporation to meet its outstanding liabilities on revenue account and a part of its committed capital programme, it has become clear that Government too are veering round to the view that the restoration of the scheduled rate of employer's contribution is essentially called for. The Committee urge that Government should take early steps to repeal these provisions so that the financial resources of the Corporation to that extent are assured and facilitate future planning.

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5.14

The Committee are of opinion that in view of a marked rise in the cost of living index in recent years, early steps should be taken by the Government to raise the exemption limit to Rs. 3.00 per day.

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5.30

The Committee note that out of the total contributions for the period from 24th February, 1952 to 31st March, 1969, the total arrears are only Rs. 604 lakhs. They, however, feel concerned to find an extremely low percentage of recovery of both the Employees' Contribution as well as Employers' Special Contribution within the prescribed time-limits. This tendency to avoid payment within the prescribed time-limit has in effect extended further the grace period by three to nine months for payment of contributions. The Committee would like that

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ways and means should be devised to ensure the recovery to a maximum extent within the prescribed time-limit itself. In their view there appears to be no reason as to why the Employees' contribution which is deducted at source from the wages, should not be received within the prescribed limit. The Committee recommend that besides amending the Act to make the penal provision more stiff as suggested by the Review Committee, the desirability of enhancing the rate of interest provided in Regulation 31-A may be examined. Suitable procedure may also be evolved to reduce the period taken to finalise the list of defaulters so that the legal action could be initiated without any undue delay.

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5.31

One notable aspect in regard to the present arrears is that the bulk of the amount is found to be due from the big industries like textiles etc. The main factor responsible for it is stated to be the industrial recession which affected these industries in 1965. In the opinion of the Committee, this reason does not hold valid any longer in view of the improved economic situation. At any rate, the Committee would like the Government to examine the feasibility of providing by law the collection of Employer's and Employee's Contributions as a cess or as excise duty at least from the organised sector of industries. They feel that this way of collection would ensure speedy and easy recovery of contributions and also obviate the huge sums of contributions falling in arrears. This may also result in reduction of administrative cost of collection of contributions.

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5.44.

It can hardly be disputed that the benefits provided at present under the Employees' State Insurance Scheme, particularly with regard to

provision of medical care, are by no means adequate to meet the needs of the working class. The ever-increasing rise in the cost of living seems to have become a permanent feature of our economy. Then there is growing consciousness too among workers about their rights and corresponding duty cast on their employers and the Government which is committed to the ideal of a Welfare State. It is, therefore, quite natural that the workers should ask for more and more with the passage of time. The need for wider coverage under the scheme, grant of hospitalisation facilities to the families of workers, construction of additional beds and provision of better and efficient outdoor, specialists' and indoor facilities also cannot be ignored for long. All these demands on the Corporation cannot obviously be met from within the limited resources of the Corporation which are primarily built up from the employees' and employers' contribution and which can meet almost only the current revenue expenditure. It has also to be remembered in this connection that in other developing countries, a fair proportion of the cost of the scheme is borne by the State. The argument that State's share in India is contributed by the State Governments is untenable as the latter contributes only a meagre share of cost of medical benefit alone while the scheme provides other benefits too. For even public health services alone, the State in many countries bears substantial parts of cost of its financing, the proportion very often being around 20 to 30 per cent. In some countries, it is much higher. For example, in the British National Health Service, the State pays about 90 per cent of the cost the balance being met by a contribution from the National Insurance Fund, which itself includes a State contribution. Financial participation by the Central Government would also justify the control exercisable by them in

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relation to the affairs of the Corporation. The Committee would, therefore, strongly recommend that the Government of India should contribute towards the cost of the ESI Scheme. The share of their contribution should be determined by them in the light of the suggestions made by the ESIS Review Committee in this regard, the long-term needs of the scheme and the practice obtaining in other countries having similar benefit-giving schemes. Government should also consider the question of giving financial assistance to the Corporation by way of grant/loans specifically for the purpose of fulfilling its capital needs such as construction of hospitals/dispensaries, etc.

37.

5.54.

The Committee are unhappy over the casual manner in which the Corporation agreed to the reduction in the share of the State Governments towards the cost of medical care from one-third to one-fourth and then to one-eighth, for which there existed no justification whatsoever except that the Corporation had got accumulated funds rendered surplus owing to slow implementation of the scheme. In fact according to the suggestions of the ILO experts, the share of the State Governments should have been increased from one-third to two-third in the event of extension of medical care to families of workers; surprisingly it was reduced even further from one-fourth to one-eighth. Now the position is that many of the States are not even spending that much *per capita* amount for medical care under the scheme, which they are otherwise spending on the general population in their respective States. Public health being their primary responsibility under the Constitution, actually it should not require much hair-splitting to make them realise their constitutional obligation and to shoulder the burden of a reasonable share of expenditure under the scheme. The Committee recommend that the matter should be

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reconsidered by the Corporation which is composed of State representatives also, with a view to raise the State's share to an appropriate level, in any case not less than what each State is normally spending on the general public, and if necessary Government of India should also use their good offices in the matter.

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5.55

The Committee further suggest that desirability of specifying the States' share in the statute itself without leaving it to the individual agreements, may also be examined at an early date.

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5.69

The Committee regret to find that the question of determining the excess incidence of sickness benefit in different States, in pursuance of the clear statutory provision to that effect, received the attention of the Corporation only after having been reminded of the same by the Audit. In their opinion there appears to be hardly any justification for waiving the amount found to be due from the concerned State Governments on this account, especially in view of the unambiguous provisions of the Act and the agreements arrived at between the Corporation and the State Governments. The Act does not require that the benefits under the scheme should accrue to the last person before the All India average can be computed. The Committee hope that the amount would be recovered from the concerned States without any further delay or in the alternative recourse would be had to adjust the same against the Corporation's liability or in the alternative recourse would be had to 21 of the Deed of Agreement between the States and the Corporation.

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6.17

The Committee note with satisfaction that the standard of maternity benefit, disablement

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~~benefit and dependant's~~ benefit compares favourably with the minimum standard set out in I.L.O. Convention, 1952 concerning minimum standards of social security as also with the standards obtaining in other countries. They, however, regret to find that in the matter of sickness benefit particularly in regard to its duration, India lags behind most of the countries. In fact it does not conform even to the minimum standard laid down in the I.L.O. Convention. The Committee recommend that the duration for the admissibility of the sickness benefit should be enhanced to 91 days and thereafter gradually with the ultimate aim of achieving the I.L.O. standard of 26 weeks within a reasonable period.

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6.18

The Committee further recommend that the list of diseases for extended sickness benefit should be periodically reviewed so as to include in it the diseases warranting extended benefit and omitting those which do not warrant such benefit. The feasibility of enhancing the rate of benefit for long-term diseases particularly like cancer, leprosy, tuberculosis etc. may also be examined.

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6.28

The Committee note the various steps taken so far with a view to simplify the procedure in regard to disposal of benefit claims. They have no doubt that the teller system and the ledger system would be introduced in all the Local Offices in accordance with a phased programme.

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6.29

The Committee also note that a separate project of form analysis and simplification of registers etc. has been taken up. They suggest that a target date should be fixed for completion of the project and changes considered necessary brought about expeditiously. The Committee further suggest that the procedure should be kept under constant review so as to ensure speed

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and efficiency in payments in this connection the Committee would like that a periodical return showing number of claims pending for more than one month, two months and three months and above should be submitted by the Local Offices to the respective Regional Offices and a brief monthly report should be submitted by each Regional Office to the Headquarters.

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6.42

The Committee need hardly stress that the tendency of malingering by workers is most undesirable from all angles. By putting an undue financial burden on the Corporation, it diminishes its viability and thereby affects its long-term planning to provide additional benefits to workers community. Obviously it cuts at the very roots of the principle of social insurance. Again by increasing absenteeism in industry, the production suffers giving serious set back to the developing economy of the country. The Committee would, therefore, like that as soon as the Special Survey already undertaken on an all India basis is completed, the data should be processed expeditiously with a view to review the present measures and evolve foolproof checks to eliminate this evil. Besides legal and administrative measures, appropriate means should be devised to educate the workers in this regard by enlisting the cooperation of trade unions.

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6.46

The Committee are inclined to agree with the views expressed by the Review Committee and the National Commission on Labour in regard to the statutory provision for a waiting period of two days for the drawal of sickness benefit and feel that the existing provision may continue unchanged.

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6.51

The Committee are not convinced by the pleas given by the representatives of the Corporation against the introduction of 'No-claim Bonus' scheme. Similar pleas are usually put forward in respect of any new proposal of this

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kind. In fact the statement of the representative of the Corporation that the expected number of claims under the scheme would be 'very very few' indicates that there would hardly be any marked increase in the cost of administration on account of this scheme. Rather the likely benefits owing to change in psychology of workers would be far more in concrete terms. The Committee, therefore, while endorsing the views expressed by the National Commission on Labour, recommend that a suitable scheme of 'No-claim Bonus' for workers who do not avail of any benefit under the ESI Scheme during the year, should be framed for early introduction.

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7.4

The Committee need hardly stress that the medical benefit is the king-pin of the Employees' State Insurance Scheme and that the success of the Scheme is judged by the scale and standard of the medical care made available to the insured persons and their families. The Committee hope that sustained efforts would be made to accelerate the growth of the Scheme of Health Insurance so as to develop it in the course of time into a universal health scheme for the whole country on the model of National Health Scheme in the United Kingdom.

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7.18

The Committee note the view held preponderantly that the service system provides more satisfactory care to workers than the panel system. The former system is also more amenable to control and discipline. While appreciating that due to general shortage of qualified medical and para-medical personnel in the country, it may not be possible immediately to bring major centres like Calcutta and Greater Bombay under the service system, the Committee suggest that suitable steps should be taken to gradually switch over to the service system in those areas. Meanwhile, the Committee trust, serious efforts by

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		way of careful selection and constant supervision would be made to remove the deficiencies of the panel system so as to make it effective apparatus of service to workers.
49	7.19	The Committee hope that one-man Committee set up to go into the grievances of the panel doctors in regard to capitation fee etc. would soon finalise their recommendations and necessary action thereon would be taken expeditiously by the Corporation|Government.
50	7.23.	The Committee feel that there should hardly be any objection to recognise the dispensaries initially set up by the employers for utilisation under the Scheme provided they satisfy broadly the conditions laid down in that regard. This would supplement the efforts of the Corporation and also be helpful in overcoming incidental problems such as building etc.
51	7.28.	The Committee are not convinced by the reasoning advanced by the Corporation against the setting up of dispensaries to provide treatment through indigenous systems of medicine that such a step could only be in addition to the existing facilities and hence would result in increase in the expenditure on medical care. They also do not share the Corporation's apprehension that in case any initiative is taken <i>suo moto</i> by reducing expenditure on allopathic side, it may invite criticism from the interests concerned. The Committee recommend that steps be taken to set up one-doctor units of Ayurvedic and Homoeopathic system, to begin with, in such Allopathic dispensaries as are situated in heavily concentrated areas, after ascertaining the views of beneficiaries through local workers' organisations and local Committees, if any. If the experience in the course of time finds favour from the beneficiaries the facility may be extended to

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other areas also. The Committee feel that treatment through these systems would not only prove to be effective but being cheaper would also curtail the total budget on medical care. In their opinion, the importance of evolving a low-cost effective medical system for a country like India having limited resources and a vast population, need hardly be exaggerated.

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7.39.

The Committee are surprised at the attitude of complacency reflected in the reply furnished to the Committee about the complaints of workers in regard to non-availability of medicines, shortage of doctors and their attitude of indifference, ambulance service, etc. The Committee note that the number of doctors in position has all along been less than the sanctioned strength during the last three years, 1966-67, 1967-68 and 1968-69, as is evident from the number of vacancies which was 202, 245 and 397 respectively. In respect of some of the States there is marked difference in the sanctioned and actual strength of doctors. Similarly, the number of ambulances is *prima facie* inadequate to cater to the needs of the insured persons. The Committee would like to suggest that suitable measures should be devised by the Corporation|Government to help safeguard the quality of service provided to

trative surveillance and review of different
trative surveillance and review of different
component parts of the system, the feasibility of collecting statistics on selective basis regarding the results of the medical care in terms of recovery of patients may also be examined. Such evaluation may be helpful in taking the corrective measures wherever necessary.

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7.40

The Committee are glad that a Sub-Committee of the Medical Benefit Council has been set up for the revision of the pharmacopoeia and they

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		trust that the pharmacopoeia would be periodically reviewed to keep it up-to-date.
54.	7.45.	The Committee are surprised to find that some of the States do not have specialists' facility even in regard to common branches such as Medicine, Surgery, T.B., E.N.T., Skin, etc. Workers in States like Gujarat, Maharashtra and Uttar Pradesh, which have large centres, also are not provided with specialists' facility for orthopaedic treatment. The Committee suggest that all possible steps should be taken to remove this lacuna and the Corporation should take particular care in ensuring that the concerned State Governments act in the matter swiftly
55	7.51	The Committee are unhappy to note that agreements with some of the States were entered into after expiry of a long period from the date of extension of scheme in these States. They hope that agreements with the remaining States would be finalised expeditiously.
56	7.56	The Committee would like to recommend that feasibility of creating a separate all India cadre of ESI medical officers on the lines of Central Health Service with an ear-marked quota for each State be examined in consultation with the State Governments. The Committee feel that the creation of an all India Cadre under the overall control of the Corporation would inculcate a sense of belonging to the scheme in the minds of those serving it and also enable the Corporation to have an effective control over the administration of medical care.
57	7.66	The Committee regret that the General Purposes Sub-Committee which was intended to serve as an effective instrument of supervision over the administration of medical benefit in States has been allowed to become practically defunct after 1967. The Committee are of the

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opinion that the periodical visits of the Principal Officers of the Corporation to inspect and review the medical facilities available under the Scheme in the States are no substitute to the visits of the General Purposes Sub-Committee of the Corporation. They feel that on the spot observation of the medical institutions by the Sub-Committee would, besides gearing up the local administration and providing a psychological satisfaction to the beneficiaries about Corporation's vigilance of its responsibilities, enable the members of the Corporation to have a first hand information of the administration of medical benefit which in turn would undoubtedly help the Corporation in taking appropriate remedial measures from time to time. The Committee trust that the Sub-Committee would undertake visits to the States regularly and their reports considered by the Standing Committee|Corporation for taking appropriate action on them. Care should, however, be taken to plan these visits in such a manner that there is no overlapping between these and the periodical inspections to be carried out by the Director General and the Technical Teams of the Medical Commissioner or the Deputy Medical Commissioners.

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7.67

The Committee also reiterate the recommendation made by the ESIS Review Committee with regard to strengthening of medical inspection staff to assist the Administrative Medical Officers in States. They hope that this would be done without any delay.

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7.83

The Committee are surprised to note the wide disparity ranging from Rs. 27 to Rs. 73 in the *per capita* expenditure incurred on the provision of medical benefit in different States. It is all the more surprising that no tangible efforts had been made by the Corporation all these years

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to control the expenditure to secure economy and uniformity in service under the scheme. It was only in October, 1968 that Corporation asked the States to carry out a review of the staffing position in State Insurance dispensaries. Although bulk of the States have yet to finalise such a review, the results of the review in respect of the States of Mysore and Andhra Pradesh are indeed revealing. Similarly, as also admitted by the Director General, the Corporation's approval to the budget estimates of States has been absolutely formal involving no scrutiny at all. Again, in the matter of supply of drugs, stores and equipments, no initiative was taken till recently to streamline and centralise to the extent possible the system of their purchase. The Committee need hardly emphasise that in a developing country like India it is imperative that not only the available resources should be more systematically and economically allocated but also the extravagance of no kind should be tolerated. With that end in view, the Committee recommend that the Corporation should introduce suitable systems to ensure a thorough budget scrutiny as also control over the expenditure incurred on the provision of medical benefit in the States. The Committee feel that besides economy and efficiency, this would bring about uniform pattern in the matter of provision of medical benefit under the scheme all over the country. The Committee have no doubt that the staffing review in the State Insurance dispensaries and also the current study of the system of purchase of medicines directly from the manufacturers would be completed expeditiously. In this connection they would like to commend the system of direct procurement of stores and equipments for medical institutions along with the drugs, to form a centralised pool under the control of the Corporation and for onward supply to States, if it is found practicable and economical.

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60	7.89	<p>The Committee are inclined to agree to the view that the administration of medical benefit should normally be left to the State Governments and the Corporation should concern itself with laying down broad guidelines to be followed by the States and exercising an effective control by various systems both on the quality as well as cost of the medical benefit. At the same time, they feel that if situation in any State so demands the Corporation should not be oblivious of its responsibilities as insurance carrier to take over the administration for providing better and efficient service to the beneficiaries under the Scheme.</p>
61	7.99	<p>The Committee note the various steps taken by the Corporation to improve the standard of medical care in Delhi. They need hardly stress that after having assumed direct responsibility of administering medical care in the Capital, the Corporation should keep a constant vigil to ensure that highest standards both in efficiency as well as economy are set up to be emulated by the State Governments.</p>
62	7.125	<p>The Committee regret that in the matter of provision of beds which is so vitally linked up with the future programme of extension of the Scheme, the Corporation practically left the entire initiative in regard to assessment of requirements, planning and construction to the respective State Governments which for obvious reasons cannot be expected to have overall picture of the Corporation's obligation to secure parity in all the States on a rational basis and also a long term view of its financial resources to maintain a sustained progress of the construction programme. Curiously the Corporation first in December, 1963 decided the yardstick of 11 beds per 1000 family units and after allowing freedom of construction to States as they chose for a period of full five years decided in</p>

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December, 1968 to reduce the yardstick to 4 beds per 1000 family units. This free policy and over-ambitious yardstick has naturally resulted on the one hand in a glaring deficiency of beds even according to revised yardstick in some of the States and on the other in resentment among the States which have been found to possess beds in excess of the revised yardstick and asked to defer the construction on the projects sanctioned earlier. Besides regional imbalance hospitals have been constructed at various places with a bed-capacity much in excess of the actual requirements of the population there. The Committee note that in its overenthusiasm to construct hospital beds, the Corporation has paid little attention to the construction of its primary units i.e. dispensaries and consequently these have to be located in rented buildings which, besides inviting heavy liability on account of rent, do not have adequate and congenial accommodation. The Committee further note that the Corporation has exercised virtually no control over the cost and progress of construction programme. In fact the idea of having such a control and creating a separate Engineering Unit at the Headquarters occurred to the Corporation as late as 1968. But unfortunately by that time there did not remain much work for the unit as the construction programme had to be curtailed heavily due to financial difficulties. The Committee are constrained to observe that there has not only been lack of planning and supervision but also lack of proper imagination. It is regrettable that even the Government of India which is empowered under the Statute to exercise financial control did not afford any concrete guidance in the matter to the Corporation. They, however, note in this connection the belated efforts made recently by the

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Corporation Sub-Committee which has laid down broad guidelines in regard to future construction programme. While generally endorsing the Sub-Committee's conclusions, the Committee would like to suggest that the Corporation should assess the requirements both in respect of hospital beds and dispensaries in each State and on that basis formulate a plan assigning *inter-se* priorities with a view to remove regional disparities. Suitable machinery should be devised to effect economy and keep a constant watch on the cost as well as the timely completion of the projects. The feasibility of entrusting the construction work to an agency other than the normal Governmental agency of P.W.D. which involve delay should also be examined.

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7.126

As also recommended earlier, the Committee further suggest that both the Central and State Governments should consider the question of giving financial assistance to the Corporation by way of grants/loans for the purpose of undertaken up at an appropriately higher level.

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7.127

The Committee trust that expeditious efforts would be made to persuade the State Governments to utilise the excess beds for general public and if necessary the matter should be taken up at an appropriately higher level.

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7.133

The Committee are unhappy to note that due place has not been accorded under the Employees' State Insurance Scheme to the preventive and restorative care. Even pilot project of integrated preventive and curative services introduced so late as 1964 in Delhi does not seem to have made much head-way as is evident from the fact that it has not been so far considered necessary to undertake a study to evaluate the impact of the project on the incidence of the sickness. Similarly, the project in Hyderabad had been

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abandoned a couple of years back itself and in Kanpur no progress has been made. The Committee consider that for a developing country like India prevention is as important as treatment and should not be neglected. They suggest that a definite programme in this respect—whether it is rendered as part and parcel of the outdoor service or a separate preventive service is created—should be chalked out as early as possible. The programme should be well thought out and systematic in its operation so that a proper liaison is established with the public health programme undertaken by the State Governments. If the programme is to be a part and parcel of outdoor services, where it is more likely to be appreciated, special efforts would be needed for the panel areas to see that the panel doctors adapt to the extra burden readily.

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7.139.

The Committee learn that in developing countries, where the direct pattern of providing medical care is more often applied, the needs for disease prevention are most urgent. A number of infectious diseases, which are largely responsive to currently known preventive measures, are still endemic or epidemic. Aside from the environmental controls, people must be educated about the hazards of polluted water, about infant feeding, about proper excreta disposal, about insect vectors of disease and so on. They must also be educated about the importance of seeking medical care soon enough. Immunisations against smallpox, diphtheria, tetanus and poliomyelitis are essential. Prenatal care is necessary to reduce the hazards of childbirth. Numerous precautions are feasible to prevent the spread of tuberculosis, syphilis, trachoma and other chronic infections. The need of all these precautions underline the importance of health education programme for workers who are mostly illiterate and ignorant. While noting that

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the Scheme draws upon the facilities and services available from the Central and State Health Education Bureaus, the Committee recommend that the programme of preventive and restorative care as suggested earlier should also include a systematic Health Education programme.

67. 7.140 In this connection, the Committee need not overemphasize the significant role which Yoga can play in disease prevention. However, they regret that efforts so far undertaken in that regard have either yielded no results or proved to be stillborn. The Committee hope that such activities would in future be organised in a well-planned and systematic manner and a constant watch kept on their progress so as to ensure fruitful results.
68. 7.151 The Committee are constrained to observe that the measures taken so far with regard to rehabilitation of disabled insured persons are totally inadequate. For re-training and re-employment, no steps have been taken even worth the name. The Committee recommend that the Corporation should consider the matter in all its aspects and chalk out a long term programme for phased implementation. They trust that the Standing Committee would keep a watch on the progress of implementation of the programme and also evaluate its results from time to time.
69. 7.155. While realising that the provision of medical care is arranged by the State Governments, the Committee feel that the Corporation should evince greater interest in matters which although may fall strictly speaking within the sphere of State responsibility yet affect to a large extent the well-being of the insured persons. The importance of the results of effective family planning measures in relation to workers need not be exaggerated in view of their

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obvious potentiality in bringing down the incidence of sickness amongst workers. The Committee trust that coordinated measures be taken in consultation and cooperation with the Union Ministry of Health and Family Planning and the State Departments concerned to ensure that proper and adequate facilities for family planning are made available at all the ESI Hospitals and Dispensaries.

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8.6

The Committee regret to observe that although a period of more than 4 years has elapsed since the Report of the Review Committee was submitted to the Government almost one third of its recommendations are yet awaiting decision and in respect of many of them final action by way of amendment in the statute or otherwise is still pending. The Committee need hardly emphasize that unless quick decisions are taken on the recommendations made by a body entrusted with the function of reviewing the working of a Scheme and the same are implemented expeditiously by the Government, the very objective of appointing such a body is bound to be defeated. The Committee would urge upon the Government to finalise their decisions on all the recommendations of the Review Committee which have already been delayed and take speedy steps to ensure their early implementation.

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8.11

The Committee note the publicity measures taken from time to time by the Corporation for the benefit of workers, employers and others concerned. They are happy to note that in all the medium size and large local offices, reception counters have been set up to assist the workers in understanding the statutory provisions and filling in their claims for benefits provided under the scheme. The Committee suggest that the Employees' and Employers' Guides

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		which were printed last in 1963 and 1964 respectively, should be revised and made up-to-date from time to time for wider circulation among employees and employers. Both of these booklets should also contain a brief "Do's and Don'ts" for employees and employers.
72.	8.12	The Committee, however, do not find sufficient justification to create regular Public Relations Organisation at the Headquarters and at the Regional Offices as recommended by the ESIS Review Committee. They feel that the job sought to be entrusted to the proposed Public Relations Organisation may as well as performed by one of the existing Divisions at the Headquarters.
73.	8.18	<i>Prima facie</i> there appears to be a little relationship between the number of Employees' Insurance Courts and the number of cases filed during the last three years in the respective regions. The Committee suggest that the position may be reviewed and the number of courts in each region determined according to the actual workload.
74.	8.19	The Committee further recommend that the suggestions of the Review Committee with regard to procedure for the disposal of cases and provision of a maximum time limit of three months for adjudication of claims by the Employees' Insurance Courts should be implemented expeditiously.
75.	8.34	The Committee are distressed to note that although the attention of the Government as to the desirability of having a comprehensive social security scheme was drawn by the Study Group as far back as 1958 no progress has been made in that direction so far. They learn that in many other countries the proliferation of

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special or complementary social security schemes has raised a delicate but inescapable problem of coordination. The Committee, therefore, need hardly stress the importance of an integrated social security scheme not only for administrative reasons but also in view of the social security objectives of parity of benefits and equalisation of charges, corresponding to the egalitarian tendencies of modern societies. The Committee urge upon the Government to take early steps to formulate a plan for an integrated social security scheme comprising the existing as well as proposed schemes, to be gradually implemented within a set period of time.

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8.35.

In this context, the Committee would like to invite attention to the observations made by them in their 90th Report (Second Lok Sabha) and also recently in their 116th Report of Employees' Provident Fund Organisation and stress that the merger of ESI and EPF Schemes would lead to twofold advantages of laying the foundation of a comprehensive social security scheme and reducing overhead costs of the individual schemes. They suggest that all necessary steps including any modification in the relevant statutes, for the integration of these two schemes should be taken without any further delay and their completion ensured by a fixed target date. The Committee would further suggest that a coordination committee consisting of representatives of both the Organisations should be constituted to keep a watch with regard to progress of the implementation of the merger scheme.

APPENDIX XII

(Vide Introduction)

Analysis of recommendations|conclusions contained in the Report.

I. CLASSIFICATION OF RECOMMENDATIONS

A. Recommendations for improving the Organisation and working:

Serial Nos. 2—4, 6—13, 16, 18—22, 24-25, 30—32, 34—38, 40—44, 48—52, 54—58, 61, 63, 65—69, 71, 73—76.

B. Recommendations for effecting economy:

Serial Nos. 14, 15, 17, 23, 59, 64 and 72.

C. Miscellaneous Recommendations:

Serial Nos. 1, 5, 26—29, 33, 45—47, 53, 60 and 70.

II. Analysis of the Recommendations Directed Towards Economy.

Sl. No.	S. No. as per Summary of Recommendations (Appendix XI)	Particulars
	2	3
1	14	The post of Actuary may be abolished henceforth and its functions and duties merged either with the Insurance Commissioner or Financial Adviser & Chief Accounts Officer.
2	15	The posts of Deputy Director General or the Financial Adviser as suggested by the Review Committee need not be created as the procedures and practices of the working of the Corporation are now well-settled.
3	17	Q & M study in respect of staffing position will help in realistic assessment of manpower required as also in evolving a suitable staffing pattern.
4	23	An integrated plan which may be included measures such as review of staffing pattern and rationalisation of work processes and procedure at all levels, austerity in office furnishings and equipments etc. may be drawn up for effecting necessary economy in administrative expenditure consistent with the efficient execution of the insurance scheme.

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5	59	Suitable systems to ensure a thorough budget scrutiny as also control over the expenditure incurred on the provision of medical benefit in the States may be introduced.
6	62	The requirements both in respect of hospital beds and dispensaries in each State may be assessed and on that basis a plan for future construction formulated after assigning <i>inter se</i> priorities with a view to remove regional disparities. Suitable machinery should be devised to effect economy and keep a constant watch on the cost as well as timely completion of the projects.
7	64	The State Governments should be persuaded to utilise the excess beds for general public.
8	72	The proposal to create a regular Public Relations Organisation at the Headquarters and Regional Offices need not be pursued and the job sought to be entrusted to it may be performed by one of the existing divisions at the Headquarters.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell 4, Sant Naran-kari Colony, Kingasway Camp, Delhi-9.	96
	The Central News Agency, 23/90, Connaught Place, [New Delhi.	15	MANIPUR		
	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
0.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188] Lajpatrai Market, Delhi-6.]	27	39.	The Secretary, Establishment Department, The High Commission of India [India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chhaparwala Kuan, Karol Bagh, New Delhi.	66			

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