

**GOVERNMENT OF INDIA
MINISTRY OF LABOUR AND EMPLOYMENT**

LOK SABHA

**STARRED QUESTION NO. 215
TO BE ANSWERED ON 08.07.2019**

ESI SCHEME

***215. SHRI SELVAM. G.:
PROF. SAUGATA RAY:**

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

- (a) whether the Government proposes to reduce employees' as well as employers' contribution to Employees' State Insurance (ESI) scheme by amending the ESI Act, 1948;**
- (b) if so, the details thereof and the reasons therefor along with the objectives behind the move including the proposed reduction in this regard;**
- (c) whether the representatives of employees unions have strongly opposed the said proposal, if so, the details thereof and the response of the Government thereto along with the other steps taken by the Government to bring more people under the ESI scheme;**
- (d) whether the said reduction is likely to decrease the amount to be received by the employees and if so, the details thereof particularly in Maharashtra; and**
- (e) whether the employees are likely to get any benefit therefrom and if so, the details thereof?**

ANSWER

**MINISTER OF STATE (IC) FOR LABOUR AND EMPLOYMENT
(SHRI SANTOSH KUMAR GANGWAR)**

(a) to (e): A statement is laid on the Table of the House.

STATEMENT RERERRED TO IN REPLY TO PARTS (a) to (e) OF LOK SABHA STARRED QUESTION NO.215 FOR 08.07.2019 BY SHRI SELVAM. G. AND PROF. SAUGATA RAY REGARDING ESI SCHEME

(a) & (b): Yes, Sir. The rate of ESI contribution has been reduced from 6.5 per cent (employers' contribution @ 4.75 per cent of wages payable to employee and employees' contribution @ 1.75 per cent) to 4 per cent (employers' contribution @ 3.25 per cent and employees' contribution @ 0.75 per cent) with effect from 01.07.2019 to reduce the burden on employees and employers, improve the coverage as well as compliance of ESI Scheme and also contribute towards ease of doing business.

(c): Proposal for rationalisation of ESI contribution rates was placed before the ESI Corporation in its 173rd Meeting held on 16.02.2018 where it was decided to constitute a Sub-Committee consisting of Employers' and Employees' representatives to examine the issue. The Committee recommended reduction in rate of ESI contribution to 5 per cent (Employers' contribution @ 4 per cent and Employees' contribution @ 1 per cent). The report of the Sub-Committee was placed before the Corporation in its 175th Meeting held on 18.09.2018. The Corporation also authorised the Chairman, ESIC to consider various suggestions received and take a final decision in this regard. Thereafter, keeping in view the overall financial position of the Corporation, the Chairman, ESIC Corporation /Minister, Labour and Employment decided to further reduce the rate of contribution to 4 per cent (Employers' contribution @ 3.25 per cent and Employees' contribution @ 0.75 per cent) and accordingly notification has been issued by the Government. The reduced rate is effective from 01.07.2019.

(d): There will be no change/ loss of benefit to Insured Persons and their family members including those in the State of Maharashtra. Insured Persons and their family members will continue to get all the benefits prevailing as on date.

(e): Because of this reduction in rate of contribution, the employee covered under the ESI Act, will have to pay 0.75 per cent amount of his / her total wages instead of 1.75 per cent being paid earlier leading to enhanced disposable income in the hands of the employee.
