

Salary cap raised for availing ESI benefits

All workers who draw a salary of up to Rs.25,000 will get medical benefits from facilities that ESIC runs directly or has a tie-up with

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Populist measure : Labour minister Sis Ram Ola says besides workers, their families will also benefit from the increase.

Photo: Hindustan Times

The government has expanded the number of people eligible for Employees' State Insurance (ESI) benefits, which provides medical care to industrial workers and their dependants, by increasing the salary cap of beneficiaries to Rs.25,000 from Rs.15,000, ignoring opposition from employers.

The labour ministry's move, which sceptics say is politically motivated as it comes in the run-up to a round of state elections and a national election next year, will directly benefit an additional 4.5 million industrial workers.

The revision in the ceiling means that all industrial workers who draw a salary of up to Rs.25,000 will benefit from medical and hospitalization facilities at more than 1,550 clinics and hospitals that the Employees' State Insurance Corporation (ESIC) runs directly or has a tie-up with. Every month, eligible employees contribute 1.75% of their salary and employers contribute 4.75% to the ESI corpus.

"It will benefit millions of our industrial workers across India. Besides workers, it is their families who will also benefit from the increase in ceiling," labour minister [Sis Ram Ola](#) said on Friday.

The decision was taken despite objections from employers' representatives at a closed-door meeting in Delhi on Thursday.

“Several members opposed the move, but the labour minister advocated for it and passed the proposal,” said an internal note reviewed by *Mint*.

The last increase in the salary ceiling for ESI was made in May 2010, when it was raised to Rs.15,000 from Rs.10,000. Currently, around 15 million workers directly benefit from the employees’ insurance provisions, and after the revision, the total number of insured people will increase to 20 million. If one includes beneficiaries from the families of the insured workers, at least 65 million people, largely in urban areas, will benefit from the scheme.

While the government believes that the decision was made to widen the social security safety net, experts and an employers’ association said that the move was populist in nature, keeping in mind the impending Lok Sabha election next year and state assembly elections in states such as Delhi and Rajasthan this year. The labour minister belongs to Rajasthan.

“The ministry has taken a stand to increase the wage ceiling and it will benefit the people at the grass roots. With elections coming, the ruling party will benefit,” said [G. Sanjeeva Reddy](#), president of Indian National Trade Union Congress, a national trade union associated with the Congress party.

Though the ESI clinics have a reputation for poor service and inadequate treatment, insured individuals are entitled to avail of facilities like outpatient treatment, specialized consultations, hospitalization and referral services in tertiary-care hospitals. They are entitled to get medicines, ambulance services and immunization schemes among other family welfare services.

“The ministry did not listen to the employers’ representatives properly in the meeting,” said [Michael Dias](#), secretary of the Employers’ Association in Delhi. “The bigger picture is: primary treatment for which maximum number of workers go to ESI dispensaries is inadequate.”

Since people are not even getting satisfactory services now, increasing the pool of beneficiaries will only worsen the situation, he said.

From the corporate sector point of view, Dias said, the move would lead to labour unrest in companies and less salary. “Since the employers and employees will contribute to the ESI corpus, the take-home salary will be less for those who are now getting added to the ESI pool. A reduction in salary and poor medical service will lead to labour protests and industrial unrest,” Dias added.

When the ESI provisions were first introduced in 1952, the wage ceiling was Rs.400, Dias said. “It took 16 years to get revised to Rs.500; how come the labour ministry is increasing the ceiling by almost Rs.10,000 in just three years,” he asked.

Reddy, however, said that the increase in ESI ceiling will now influence the demand for increasing the minimum wage for getting covered under the employees’ provident fund (EPF).

The current ceiling for mandatory EPF deduction is Rs.6,500 and the demand is for making it at least Rs.10,000.