

HR Law Hotline

March 19, 2007

EMPLOYMENT LAW: MORE BENEFITS TO ESI BENEFICIARIES

To celebrate the 55th anniversary of its inception, the Employees State Insurance Corporation ("ESIC") of India, a central government body set up under the Employee State Insurance Act, 1948 ("ESI Act"), announced a slew of measures designed to add to and enhance the existing benefits enjoyed by employees registered under the ESIC Scheme ("Scheme").

The ESI Act and the Scheme provide, to specified categories of employees in specified registered establishments certain benefits in times of sickness, injury, disablement, maternity, unemployment, old age and bereavement, and to the nominees of such employees, upon death. The Scheme is contributory for both the employer and the eligible employee.

In recent years, the ESIC has introduced certain initiatives to improve its quality of service, such as providing online registration and a toll-free helpline while increasing the deliverables to its members with the introduction of such schemes as the unemployment allowance scheme. As recently as October 2006, the monthly wage ceiling limit for eligibility under the Scheme was raised from INR 7,500 to INR 10,000. The ESIC has now announced the following offerings to its members, with no increase in the premium to be paid by the employee:

- An increase in the disablement benefit, from the existing 140% of the standard benefit rate to 150%;
- A proposed increase in the funeral allowance, from INR 2,500 to INR 3,000 per insured person, subject to the approval of the Central Government;
- An increase in the sickness benefit, from the existing 100% of the standard benefit rate to 120%;
- An increase in the ceiling limit on per capita medical expenditure from INR 900 per insured employee's family unit to INR 1,000;
- No premium to be paid by eligible employees earning up to INR 70 per day. However, the employers' contributions will have to be paid.

While the increases may appear marginal, the aggregate amounts to a huge financial commitment by the ESIC as the Scheme currently covers approximately 40 million employees. More than the actual amount, it is the willingness of the Central Government to strengthen its protective mantle over the economically modest employees that is an encouraging and heartening sign.

Source: *The Economic Times, Mumbai edition, dated March 10, 2007*

- Rina Kamath & Vikram Shroff

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