

Standing Committee Report Summary

The Employees State Insurance Corporation

- The Standing Committee on Labour, Textiles and Skill Development (Chair: Mr. Bhartruhari Mahtab) submitted its report on ‘The Employees State Insurance Corporation- Applicability and Benefits under ESI Scheme, Functioning of ESI Hospitals and Management of Corpus Fund’ on September 20, 2023.
- The Employees State Insurance Act, 1948 mandates employers to contribute towards medical care to insured persons. It applies to factories employing at least 10 persons. The central and state governments have also included shops, hotels, cinemas, newspaper establishments, and port trusts under their purview. This Act establishes the Employees State Insurance Corporation (ESIC) and Employees State Insurance Scheme (ESIS/ESI Scheme). Key observations and recommendations include:
 - **Revision of wage limit for coverage under the ESI scheme:** The Committee observed that the wage ceiling exempted from paying contributions has remained unchanged for about seven years, despite an increase in wages over time. Currently, the prevailing wage limit is Rs 176 per day for exemption, which is low. The Committee recommended that the Ministry of Labour and Employment should revise provisions related to coverage, contribution, and entitlement of wages. It also recommended setting up an expert committee for these revisions.
 - **Expansion of coverage of scheme:** The ESI Act, 1948 has been subsumed in the Code on Social Security, 2020. The Code is yet to be enforced and final rules are yet to be notified. The Committee noted that with the implementation of the Code, coverage of ESI will expand to include: (i) voluntary coverage of establishments with less than 10 persons, (ii) mandatory coverage for establishments engaged in a hazardous occupation, and (iii) provisions for formulating special schemes for unorganised workers, gig workers, and platform workers. The Committee noted the lack of readiness of the Ministry and ESIC in providing the extended coverage. It recommended carrying out comprehensive surveys, data collection, and use of Aadhaar enrolment to identify eligible persons to be insured for smooth implementation of the Code.
 - **Non-payment of employers’ share:** Under the Act, employers are required to pay their contributions to ESIC every six months. The Committee noted that despite penal provisions, some employers fail to contribute. In such cases, employees suffer despite contributing their share. The Committee recommended the Ministry to strengthen the monitoring mechanism and ensure stricter enforcement of penal provisions.
 - **Inadequate functioning of ESI medical facilities:** Medical services for beneficiaries are delivered through ESI Hospitals, dispensaries, dispensaries cum branch offices, Insured Medical Practitioner (IMPs) clinics, and Employer Utilization Dispensaries (EUDs). EUDs are set up where employers offer their infrastructure, and ESIC compensates them. The Committee noted that: (i) out of 39 ESI hospitals sanctioned in 2019, only two hospitals were completed and operationalised, (ii) fees paid to IMPs per insured person per year are inadequate, and (iii) only four EUDs have been approved out of 16 lakh establishments. It recommended that the Ministry should ensure hospitals are operationalised in a time-bound manner. The fees of IMPs should be increased. Employers with requisite infrastructure should be encouraged to establish EUDs.
 - **Shortage of manpower in ESI Hospitals:** The Committee noted that as of July 2023, 35% of the posts of doctors are vacant in 51 hospitals run by ESIC. Similarly, as of March 2023, 35% posts of the medical staff are vacant in 109 hospitals run by state governments. The Ministry informed that shortage of manpower and lack of infrastructure hinders the functioning of hospitals. The Committee recommended Ministry to amend and restructure recruitment rules wherever necessary to expedite the recruitment process.
 - **Management of Corpus Fund:** The Committee noted a declining trend in interest returns from government securities and bank fixed deposits for the funds invested from the Employees State Insurance Fund. Additionally, the Ministry informed the Committee of the proposal to diversify the investment options in equity and related investments. It recommended an annual review of the investment policy to develop more productive strategies for investing the corpus.

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