

## Role of Employees' State Insurance Scheme in Mitigating the Issues of Labour

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### Abstract

Labour, is an important factor in the study of economics as it is the major factor of production which affects productivity and growth of the economy. Labor is mobile factor which means ease with which this factor of production is able to move around the economy and between different economies. As labor mobility improves the lives of workers around the globe also enriched because when workers are able to find better paying jobs then it improves their living situations as less control is placed on where they can move and what occupations they can apply for. At the same time, business also improves because workers receive better training and the right employee can be hired and finally economies improve as productivity improves. But the situation is not as simple as it is seen. A proper work had not been done in this direction to uplift this section of society as labors get affected by various mishaps like accident, death, permanent or temporary disability and others. To overcome from this problem a labor welfare scheme was introduced by government of India named as Employee's State Insurance Scheme. The purpose of the present study is to analyze the effectiveness of this scheme for enriching this deprived section of society and the parameters for continuous increment of adjoining beneficiaries with this scheme. The study uses secondary data and published sources for analysing the effectiveness of this scheme. This paper provides a critical review of the empirical literature on the relationship between health insurance, labor supply, and job mobility.

**Keywords:** labor, mobility, health insurance, productivity

### Introduction

A ray of hope for labors is through the welfare schemes. Labor welfare is considered to be a very crucial concern especially for its proximity with the well being of a vast majority of masses of the society. Although the concept has undergone radical changes in the wake of fast growing industrial society yet it has not succeeded in achieving its desired goal of safeguarding and supplementing human values<sup>1</sup>. For many, the term 'Labor Welfare' is ill-conceived term so far as it protects the interests of only organized workers. India, being one of the signatory members of the International Labor Organization (ILO), has been paying regards to the various standards of labor welfare ever since it opted for its membership in 1919. Although the I.L.O. conventions ratified but India appeared to be low in numerical terms, yet the extent of implementation of International Labor Standards is considered more than what is revealed by the formal ratifications. Indian Constitution transparently contains provisions of labor welfare under the Directive Principles of State Policy. However, the policy

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of the Government in this regard is always unsatisfactory with a statutory outlook rather than economic considerations. Apart from the political philosophy which will justify or otherwise the legitimacy of such a policy, any programme, policy or labor welfare measures whether voluntary or involuntary, needs a self supporting and self sustaining base founded on cost benefit consideration. And to make them truly purposeful, they must be fulfilled the aspirations of the concerned communities with objective orientation which requires deviation from the hitherto adopted policy of legalistic imposition<sup>2</sup>. In view of the impact of World War II on labor in India, Government of India accepted the principle of health insurance and passed the Employees' State Insurance Act in April 1948. The E.S.I. is the first health insurance scheme in the South East Asia. Although the scheme was initiated some four decades ago, yet the same has not reached an economically viable and social acceptable standard in its bid to safeguard the interest of wider sections of people. As a result, a vast majority of working population are being deprived of the minimum support which could otherwise have been effectively provided with the help of E.S.I. The alarming aspect of the problem is the absence of any self supporting and self sustaining base of initializing this scheme. The coverage under the scheme is fast day by day particularly in the recent years.

Employees' State Insurance is a social tool, which reduces or eliminates the risk of insured persons and beneficiaries' life and property. It is a social oriented system, as life is uncertain and full of risks, the insurance is essential to meet unforeseen circumstances. Each and every human being wants protection from womb to tomb. So, workers also require protection in and out of the course of employment through the institutions of social security schemes enacted by the government from time to time.

Labor is an important factor of production and has a key position in an industrial organization. It is the workers only who are responsible for industrial production in any concern. Even an automatic machine cannot be handled without the help of labor force. Thus the worker should be provided protection and other welfare facilities by the government and the employer, so that he may work willingly and efficiently. Steps for providing protection and welfare facilities to industrial workers either by the government or the employers will have a favorable effect on industrial productivity and harmony. It is possible only if the workers are satisfied and gives full cooperation. It is very necessary that the work force should feel secure against various types of hazards involved in their work. A poor worker cannot afford huge expenses to protect himself and his family against risks and uncertainties.

### **Overview of Employees' State Insurance Scheme**

The ESIS was introduced in India in 1955 with the intention of providing financial protection to those in the lowest income groups in the industrial/manufacturing sector. The ESI Scheme was set up to reduce the monetary cost on availing health services. It enables individual to meet unaffordable care which otherwise they can't afford. ESI Scheme protects the households against the financial burden of illness. It is a mechanism to pool the risk. The ESI Act of 1948 was the first social insurance measures introduced in India encompasses certain health related eventualities that the workers are generally exposed to, such as sickness, maternity, temporary or permanent disablement, occupational disease

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or death due to employment injury, resulting in loss of wages or earning capacity-total or partial. The provisions made in the Act to counterbalance or mitigate the physical or financial distress in such contingencies and thus aimed at upholding human dignity at the time of crisis through protection from deprivation, destitution and social degradation while enabling the society to retain and continue the socially useful and productive manpower<sup>3</sup>.

The ESI Act applies to non-seasonal factories using power and employing ten or more persons and Non-seasonal and non-power using factories and establishments employing twenty or more persons. Employees' drawing wages of up to Rs.21000 per month (as on Dec 2016) are currently entitled to a health insurance scheme. Under the ESI scheme, employees' contribute 1.75% of their wages and the employers contribute 4.75% of the wages of eligible beneficiaries/employees' towards premium payments. Employees' earning less than Rs. 50 per day are exempted from contribution towards premium payments. The contributions made by the employees' and the employers are deposited in a common pool known as the ESI Fund, which is used for meeting administrative expenses as well as cash and medical benefits to insured persons (IP) and their dependents. The state governments, as per the ESI Act, contribute 12.5% of the total expenditure (within the per capita ceiling of Rs.1000 per annum) incurred by the ESIC on medical care in respective states.

#### **Features of ESI Scheme**

- The country's first multi-dimensional social security scheme for workers in the organized sector introduced in 1952.
- It covers six crores beneficiaries population.
- It has the country's largest medical infrastructural facility.
- It is the most affordable social security system with the lowest contribution rate for multiple health insurance benefits.
- It takes care of the insured person and his/her dependents from day one of entering insurable employment.
- It is the only health insurance scheme that offers comprehensive medical care to workers and their families without and upper cap on individual expenditure.
- It offers medical care to retired/disabled insured persons for self and spouse for a nominal contribution of Rs. 120/- per annum.
- It offers financial protection through cash payments in the event of sickness, temporary/permanent disablement, maternity and death due to employment injury or occupational diseases and unemployment.

#### **Objectives of The Study**

- To study the features and functions of ESI Scheme.
- To study the various benefits provided to the labors under the Employees' State Insurance Scheme.

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- To study the widespread of the services and awareness level of the scheme provided to the insured persons and their dependents.
- To analyze how the machinery of ESIC functions.

#### **Various Benefits Under ESI Scheme**

- **Sickness Benefit:-**

Sickness Benefit is payable to an insured person in cash, in the event of sickness resulting from the absence of work and duly certified by an authorized medical officer/practitioner. The benefit becomes admissible to insured persons in respect of whom contribution is paid or payable for at least 78 days in corresponding contribution period of six months and have completed 9 months in insurable employment. Sickness Benefit is payable for a maximum of 91 days in two consecutive benefit periods of sickness benefit at 70% of average daily wages.

Extended Sickness Benefit becomes payable to insured persons for the period of certified sickness in case of specified 34 long term diseases and in case of rare diseases that needs prolonged treatment and absence from work on medical advice.

For entitlement to this benefit an insured person should have been in insurable employment for at least two years. He/she should also have paid contribution for a minimum of 156 days in the preceding four contribution periods or say two years. ESB is payable for a maximum period of two years (including 91 days as SB) on the basis of proper medical certification and authentication by the designated authority. Amount payable in cash as Extended Sickness Benefit is 80% of the average daily wages. The benefit is payable within 7 days following the submission of complete claim papers at the Branch Office concerned.

- **Maternity Benefit:-**

Maternity Benefit is payable to Insured Women in case of confinement or miscarriage or sickness related thereto in a benefit period. For claiming the benefit, the contribution for at least 70 days in the immediately preceding two consecutive contribution periods should be payable and in case of new registered Insured Women confinement/miscarriage and sickness related thereto in a benefit period is sufficient. The benefit is normally payable for 12 weeks in case of normal delivery and 6 weeks in case of miscarriage, which can be further extendable by 4 weeks on medical grounds<sup>4</sup>. The rate of payment of the benefit is 100% of the average daily wages.

The benefit is payable within 14 days of submission of duly authenticated claim papers.

- **Disablement Benefit:-**

Disablement benefit is payable to insured employees', being in insurable employment, suffering from physical disablement due to employment injury or occupational diseases.

An insured person should be an employee on the date of the accident.

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Temporary disablement benefit @ 90 per cent of the average daily wages is payable till temporary disablement lasts. In case of permanent disablement, the cash benefit is payable for whole life. Amount payable is worked out on the basis of loss of earning capacity determined by a Medical Board. Disablement Benefit is payable within one month of submission of the Accident report with complete claim papers.

- **Dependents' Benefit :-**

Dependants' Benefit becomes payable to dependants of a deceased insured person where death occurs due to employment injury or due to occupational disease. A widow can receive this benefit on a monthly basis for life or till her re-marriage. Son up to age of 25 years and unmarried daughter can receive benefit. Other dependants like parents including a widowed mother etc. can also receive this benefit under certain conditions.

The rate of payment is 90 per cent of the average daily wages distributed among the dependants in a fixed prescribed/ ratio/ proportion. The first payment is payable within a period of three months following the death of an insured person and thereafter periodically on regular monthly basis.

- **Other Benefits:-**

Some other benefits offered by the Scheme are as follows -

- a) Funeral expenses** on death of an I.P. subject to a maximum of a Rs10,000/- payable at the Branch Office. The claim of such payment should be made within three month of the death of IP.
- b) Vocational Rehabilitation** in case of physical disablement due to employment injury under 45 years of age with 40 percent or more disablement. Payable as long as vocational training lasts - actual fee charged or Rs.123/- a day whichever is higher
- c) Free supply** of physical aids and appliances such as crutches, wheelchairs, dentures, spectacles and other such physical aids.
- d) Preventive health care** services such as immunization, family welfare service, HIV/AIDS detection, treatment etc.
- e) Confinement Allowance** at the rate of Rs.2500/- is paid to an insured woman or insured person in respect of his wife in case confinement occurs at a place where necessary medical facilities under ESI Scheme are not available. This is paid for two confinements only.
- f) Unemployment Allowance** named as Rajiv Gandhi Shramik Kalyan Yojana, is payable to workers facing involuntary unemployment due to closure of factory/establishment or retrenchment or permanent invalidity not less than 40% arising out of non-employment injury and the contribution in reference of him have been paid/payable for a minimum of three years prior to the loss of employment. The daily rate of Unemployment Allowance is 50% of the average daily wages. This allowance is payable for a maximum period of 12 months during entire life either in one spell or in different spells of not less than one month's duration.

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Unemployment Allowance recipients if desirous of upgrading their skill may get training for shorter period through AVTI. The entire fee is paid by the corporation and also to and fro rail journey fare is reimbursed by the corporation.

### **Research Methodology**

There are different ways by which data can be collected. In this research paper I have opted to collect data from secondary sources. Secondary source of data collection means when second hand information is used for analysis.

In the study secondary collection of data, the data is collected from the annual reports provided on the official websites of ESI and through the records of Employees' State Insurance Corporation. The official records have provided detailed information about the past, present and future plans of the respective scheme. Through secondary data I got to know the reach of this scheme.

### **Findings**

In this research of Employees' State Insurance Scheme, the following findings regarding the increment of beneficiaries of this scheme can be summarized from the graphs and tables.

- The number of insured and their beneficiaries are rising at a higher rate and will be continue to do so in nearby future which is shown by graph no. 2.
- The more and more labors are adapting to undertake the various benefits of Employees' State Insurance Scheme through graph no.1.
- The usage and awareness is set to increase in the future due to its rapid coverage which is clarified from the table no. 1.

It can be said by the study that the reach of the ESI Scheme is continuously showing upward trend and the awareness level is also increasing.

### **Conclusion**

As everyone knows that social security scheme is a very innovative step of the government. By initiating the ESI Scheme, the labor and its beneficiaries are benefitted. The study concludes the followings:-

- With the rapid coverage of the scheme it would widespread very fast.
- Labors are availing the various benefits of the scheme at time of contingencies.
- Labors are getting aware of this scheme by the advertisements, publicity and by the innovative steps of government. Officials of the department are also working in this direction.
- But still there is need of more improvement in this scheme to reach up to the last person so that it acts a ray of hope in true sense for the labor class.

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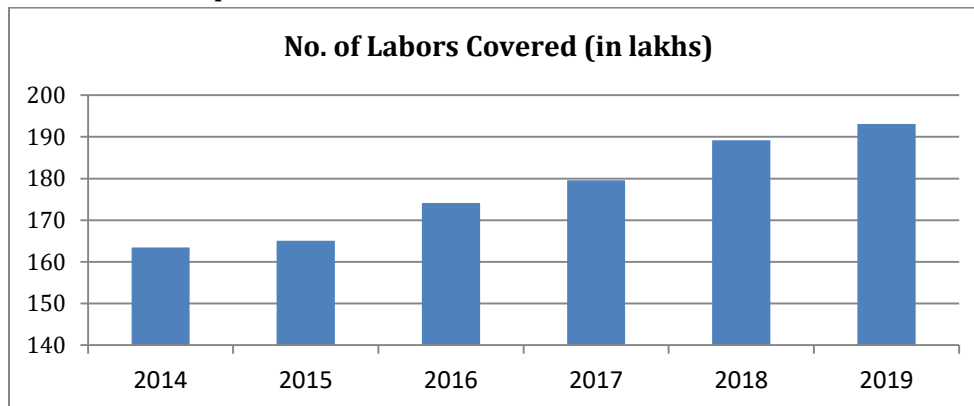
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### APPENDIX

**Graph No. 1- No. of Labors Covered Under this Scheme**



Source:- Annual Reports of ESIC

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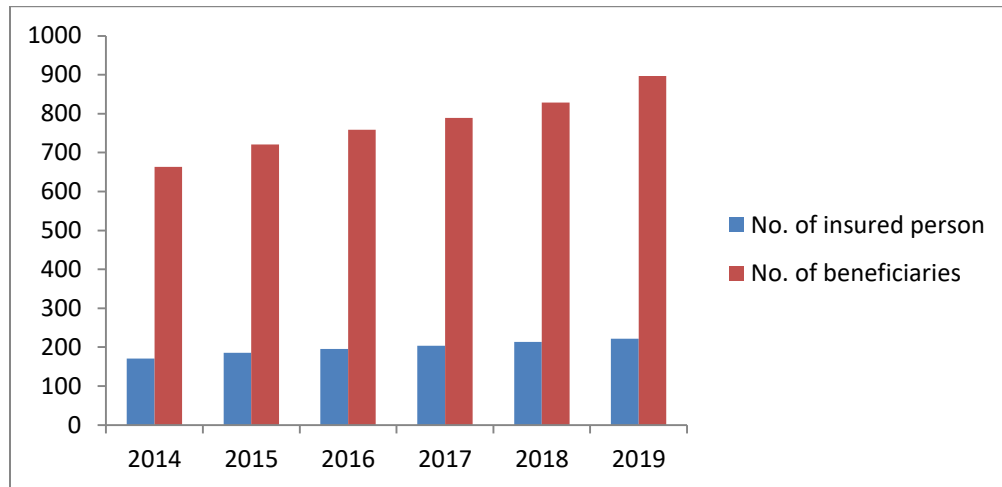
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**Table No. 1:- Variations of ESI Scheme in Year 2018-2019**

Particulars	On 31.03.2018	On 31.03.2019	Variations
State/Union Territories covered	33	35	2
No. of Centres	843	852	9
No. of Employees'	18921250	19945740	1024490
No. of Insured persons/family units	21361880	22436458	1074578
No. of Insured women	3786827	4167302	380475
Total Beneficiaries	82884094	87468305	4584211
No. of Employers covered	7837386	8236577	399191
Coverable Employees' in Non-Implemented areas	3023999	4354754	1330755
Branch Offices/Pay Offices	628	629	1
ESI Hospitals	151	151	0
ESI Dispensaries	1467	1470	3

Source: Annual Reports of ESIC

**Graph No. 2:- Number of Insured Person and Beneficiaries in 2014 to 2019**

Source:- Annual Reports of ESIC

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