



in operation under the Act through the EPFO:

- Employees' Provident Funds Scheme, 1952
- Employees' Deposit Linked Insurance Scheme, 1976
- Employees' Pension Scheme, 1995

**COVERAGE OF ESTABLISHMENTS AND MEMBERS**

6.5 The Employees Provident Fund and Miscellaneous Provisions Act, 1952 extends to the whole of India, excluding the state of Jammu & Kashmir. The Act is applicable to factories and other classes of establishments engaged in specific industries, classes of establishments employing 20 or more persons. The Act, however does not apply to cooperative societies employing less than 50 persons and working without the aid of power .The Act also does not apply to employees of the Central Government or State Government or local authority. The Central Government is empowered to apply the provisions of this Act to any establishment employing less than 20 persons after giving not less than two months notice of its intent to do so by a notification in the official gazette. Once the Act has been made applicable, it does not cease to be applicable even if the numbers of employees falls below 20. An establishment/factory, which is not otherwise coverable under the Act, can be covered voluntarily with mutual consent of the employers and the majority of the employees under Section 1(4) of the Act. Thus membership of the fund is compulsory for Employees drawing a pay not exceeding Rs. 6500 per month (at the time of joining). Every employee employed in or in connection with the work of a factory or establishment shall be entitled and required to become a member of the fund from the date of joining the factory or establishment. The Employees drawing more than Rs.6500/- per month at the time of joining may become member on a joint option of employer and employee. The Act is currently applicable to factories and other establishment engaged in about 182 specified industries, class of establishments employing 20 or more persons (Industries are specified in Schedule I of the Act). As on 31<sup>st</sup> March 2006, there were 4,44,464 establishment and factories covered under the Act with membership of 429.53 lakh both in the exempted and unexempted Sectors.

**EMPLOYEES’ PROVIDENT FUNDS ARREARS**

6.6 The Provident Fund arrears as on 31<sup>st</sup> March, 2006, were of the order of Rs.2530.07 crore. The EPF Organisation launches prosecution against the defaulting employers under Section 14 of the the Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 and prosecutes employers under Section 406/409 of the Indian Penal Code in case they deduct employees share of contribution but do not remit the same to the fund. During the year 2005-2006, arrears amounting to Rs.1958.55 crore were realized.

**EMPLOYEES’ DEPOSIT LINKED INSURANCE SCHEME, 1976**

6.7 Employees’ Deposit linked Insurance Scheme, 1976 is applicable to all factories/establishments with effect from August 01, 1976. All the employees, who are members of the Employees’ Provident Fund are required to become members of this Scheme. Employers are required to pay contributions to the Insurance Fund at the rate of 0.5 per cent of pay i.e. basic wages, dearness allowance including cash value of food concession and retaining allowance, if any. During the year 2005-2006, a sum of Rs.220.69 crore comprising of employers’ contribution was deposited. During the year 2005-2006, 19228 claims were settled and an amount of Rs.49.42 crore was disbursed. At the end of 2005-

6.11 The category-wise break up of pension claims (all benefits) settled by

2006, the EPFO had cumulative investments of Rs.4918.99 crore under this Scheme.

**EMPLOYEES’ PENSION SCHEME, 1995**

6.8 The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 was amended and a separate Pension Scheme was launched from 16th November 1995 replacing the then Employees family Pension Scheme,1971

**Pension Criteria**

6.9. Superannuation pension will be payable on attaining the age of 58 years and on completion of 20 years of service or more. Early pension can be taken at a reduced rate between 50-58 years of age, on completion of 10 years Pensionable service or more. No pension for less than 10 years of service lump sum withdrawal benefit is paid in such cases.

**Benefits under the Scheme**

6.10 The Employees’ Pension Scheme, 1995 provides the following benefit package;

- Superannuation pension.
- Early pension
- Permanent total disablement
- Widow or Widower’s pension
- Children pension or Orphan pension
- Nominee pension / dependent parents pension.

EPFO during the year 2005-2006 is indicated in the following Table:

Category of Claims	Number of Claims Settled
Monthly Pension Benefits	333724
Life Assurance Benefit	1302835
Retirement-cum-withdrawal benefit	
Refunds	
<b>TOTAL</b>	<b>1636559</b>

## Contribution

6.12 From and out of the contributions payable by the employer in each month to the Provident Fund, a part of contribution representing 8.33% of the employee's pay is remitted to the Employee's Pension Fund. Employer to pay for cost of remittance. The Central Government contributes 1.16% of the pay of the employee to the Employees' Pension Fund. If the pay of the employee exceeds Rs.6500/- per month, the contribution payable by the employer and the Central Contribution will be limited to the amount payable on his pay of Rs.6500/-.

## Contribution to Pension Fund

6.13 The Scheme is financed by transferring 8.33% of the Provident Fund contribution from employers' share and by contribution @ 1.16% of basic wages by the Central Government. All accumulations in the ceased Family Pension Fund constitute the corpus of the Pension Fund. During the year 2005-2006, Rs.6885.45 crore were received as Pension Fund contributions, out of which Rs.6135.45 crore were collected from Employers' share and Rs.750 crore were contributed by the Central Government.

## Pension beneficiaries

6.14 The beneficiaries of the ceased Family Pension Scheme continue to get benefits under the new Pension Scheme. As on 31.03.2006, there were 1360510 members, 512110 spouses, 440607 children, 10401 orphans and 12255 nominees receiving pension under the Scheme. Total amount disbursed among the pensioners during the year was Rs.1955.95 crore through the nationalized banks and post offices.

## MODERNISATION PROGRAMME

### Re-inventing EPFO

6.15 The Employees Provident Fund Organisation has undertaken a massive programme of modernization through a programme of 'Reinventing EPF India'. It is basically aimed at repositioning EPF as a world-class Organisation in extending service to its stakeholders by adopting modern methods of compliance. It will achieve claims settlement within 2 to 3 days instead of 30 days (as per present rules) and there will be no need to change the Account number when any member will be transferring from one station to another station.

## THE EMPLOYEES' STATE INSURANCE SCHEME

### COVERAGE

6.16 The Employees' State Insurance Act, 1948 provides for health care and cash benefit payments in the case of sickness, maternity and employment injury. The Act is applicable to non-seasonal factories using power and employing 10 or more employees and non-power using factories and certain other establishments employing 20 or more employees. The Act is being implemented areas-wise, in a phase manner. The ESI Scheme is operated in 728 centres situated in 25 states/union territories. As on 31.03.2006, 91.49 lakh insured persons and about 353.05 lakh beneficiaries are covered under the Scheme. The number of factories and establishments covered by the end of the year had gone up to about 3,05,294.

## ADMINISTRATION

6.17. The ESI Scheme is administered by a statutory body called the Employees' State Insurance Corporation

(ESIC), which has members representing Employers, Employees, Central and State Governments, Medical Profession and the Parliament. The Union Minister for Labour & Employment is the Chairman. A Standing Committee constituted from among the members of the Corporation, acts as the executive body for administration of the Scheme and is chaired by Secretary to the Government of India, Ministry of Labour & Employment. There are 24 Regional Boards and 345 Local Committees in existence at present. The Director General is the Chief Executive Officer of the Corporation and is also an ex-officio member of the Corporation as well as its Standing Committee. The ESI Corporation, apart from the Hqrs. Office located at New Delhi, has a large number of field offices throughout the country. The Corporation has 23 Regional Offices, 14 Sub-Regional and 7 Divisional Offices throughout the country. Besides, there are 646 Branch Offices and 179 Pay Offices for administration of cash benefits to insured persons. For inspection and coverage of new factories / establishments, 248 Inspection Offices also set up across the country.

## **FUNDING AND OPERATION OF THE SCHEME**

6.18 The ESI Scheme is mainly financed by contributions from the employers and employees. The rates of the employers' and the employees' share of contribution are 4.75% and 1.75% respectively. The State Governments' share of the expenditure on the provision of medical care is to the extent of 12.5% (1/8<sup>th</sup> within the per capita ceiling). The Corporation has prescribed a ceiling on the shareable expenditure on medical care. From 1<sup>st</sup> April 2005, the ceiling on expenditure per insured person family unit has been raised to Rs.900/- per annum. All capital expenditure on construction of ESI hospitals, and other

buildings including their maintenance is borne exclusively by the Corporation.

## **INVESTMENT**

6.19 All contributions received under the ESI Act and all other moneys belonging to the fund which are not immediately required for defraying day-to-day expenses are invested in the manner prescribed statutorily. As on 31.10.2006, the total investment of fund was Rs.12909.30 crore. Out of this, an amount of Rs.5640.38 crore was invested in the Special Deposit Account with Central Govt. and the balance amount of Rs.7268.92 crore was invested in fixed deposits with nationalised banks, financial institutions etc.

## **ARREARS OF ESI DUES**

6.20 A sum of Rs.1140.87 crore was in arrears as on 31.3.2006 on account of default by the employers of covered factories/establishments. Out of this, an amount of Rs.697.26 crore was not recoverable, for the present, due to various reasons, such as, factories having gone into liquidation, recovery having been disputed in Courts etc. The balance, amounting to Rs.443.61 crore represents recoverable arrears. The Corporation has been taking necessary recovery action through Recovery Machinery, legal and penal actions, accordingly, under various provisions of the Employees' State Insurance Act, 1948 and under the Indian Penal Code for recovery of ESI dues. During the year 2005-2006, the Corporation realized Rs.160.22 crore from the defaulters through its own recovery machinery. Further, an amount of Rs.57.57 crore was recovered from April, 2006 to September, 2006.

## **HEALTH BENEFITS**

6.21 The Scheme provides full medical facilities, from primary health care to super specialty treatment in respect of

the insured persons and their family members. The medical care under the Scheme is administered by the State Governments, except in Delhi. The Corporation also directly administers 17 Model Hospitals in the country. The total number of ESI hospitals by the end of March , 2006 was 144.

<b>ESI MEDICAL INFRASTRUCTURE (AS ON 31.03.2006)</b>	
<b>ESI Hospitals (Nos.)</b>	<b>144</b>
<b>ESI Annexes (Nos.)</b>	<b>42</b>
<b>Beds constructed in ESI Hospitals (Nos.)</b>	<b>23063</b>
<b>Beds in ESI Annexes</b>	<b>849</b>
<b>Reserve Beds in State Government Hospitals</b>	<b>4396</b>
<b>Insurance Medical Officers</b>	<b>6992</b>
<b>ESI Dispensaries</b>	<b>1422</b>
<b>Panel Clinics</b>	<b>2041</b>

### **ACHIEVEMENTS OF THE ESI CORPORATION FOR THE YEAR 2005-2006**

- ESI Scheme today provides social protection to 355 lakh beneficiaries through a large network of 44 regional/sub-regional and divisional offices, 144 Hospitals, 42 Annexes, 1422 Dispensaries, 2041 Panel Clinics and 825 Branch Offices etc.
- The Corporation has been able to achieve the highest contribution income of about Rs.1933.56 crore in the financial year 2005-06.
- The ESI Scheme was implemented in 91 new geographical areas. A total over 1.48 lakhs additional employees were brought under the coverage. 24423 new employers were also brought under the purview of the ESI Act.
- The wage ceiling for coverage of employees under the ESI Act,1948 was enhanced from Rs.7500/- to Rs.10,000/- per month w.e.f. 01.10.2006.

- The Corporation has decided to enhance of the daily rate of allowance under vocational rehabilitation scheme form Rs.45/- to Rs.123/- per day.
- The Corporation has introduced ‘Rajiv Gandhi Shramik Kalyan Yojan’ for insured persons who face involuntary unemployment w.e.f. 01.04.2005.
- At present the ESIC providing Rs.900/- per IP per annum for providing medical facilities to the State Governments.
- The Corporation has decided to Unique ID Cards will be issued to each IPs with an all India Unique number which will enable an IP to claim benefit under ESI Scheme any where in India.
- The Corporation has decided to implement the ESI Scheme in the Educational Institutions, Private Medical Institutions and Municipal Corporation/Municipalities etc.

### **THE PAYMENT OF GRATUITY ACT, 1972**

#### **Objective**

6.22 The Payment of Gratuity Act, 1972 provides for a scheme of compulsory payment of gratuity to employees engaged in factories, mines, oil fields, plantations, ports, railway companies, motor transport undertakings, shops or other establishments.

#### **Coverage**

- Every factory, oilfields, plantations, port, Railway Company and mine
- Every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which 10 or more persons are employed or were employed on any day of the preceding 12 months.



benefit is twelve weeks. Of this, six weeks must be taken prior to the date of delivery of the child and six weeks immediately following that date.

## **WORKMEN'S COMPENSATION ACT, 1923**

6.29 The main objective of the Act is to impose an obligation upon the employers to pay compensation to workers for accidents arising out of and in course of employment.

**6.30** The Act applies to any person who is employed otherwise than in a clerical capacity, in railways factories, mines, plantations, mechanically propelled vehicles, loading and unloading work on a ship, construction, maintenance and repairs of roads and bridges, electricity generation, cinemas, catching or trading of wild elephants, circus, and other hazardous occupations and other employment specified in Schedule II to the Act, Under Section 2(3) of the Act, the State Governments are empowered to extend the scope of the Act to any class of persons whose occupations are considered hazardous after giving three months' notice in the official gazette. The Act, however, does not apply to members serving in the Armed Forces of Indian Union, and employees covered under the provisions of the Employees' State Insurance Act 1948 as disablement and dependents' benefit is available under this Act.

### **Entitlement**

6.31 In order to be a "workman" within the meaning of Section 2(1) (n) of the Workmen's Compensation Act, firstly, a person should be employed; secondly, he should be employed for the purposes of the employer's trade or business; and lastly, the capacity in which he works should be one set out in the list in Schedule II of the Act.

### **Benefits**

6.32 The compensation has to be paid by the employer to a workman for any personal injury caused by an accident arising out of and in the course of his employment (Section 3). The employer will not be liable to pay compensation for any kind of disablement (except death) which does not continue for more than three days. If the injury is cause when the workman was under the influence of Alcohol or drugs or willfully disobeyed a clear order or violated a rule expressly framed for the purpose of securing the safety of workman or willfully removed or disregarded a safety devise. The rate of compensation in case of death is an amount equal to 50 per cent of the monthly wages of the deceased workman multiplied by the relevant factor or an amount of Rs.80,000 whichever is more. Where permanent total disablement results from the injury, the compensation will be an amount equal to 60 per cent of the monthly wages of the injured workman multiplied by the relevant factor or an amount of Rs. 90,000, whichever is more. Where the monthly wages of a workman exceed four thousand rupees, his monthly wages for the above purposes will be deemed to be four thousand rupees only.

### **Administration**

6.33 The State Governments administer the provisions of this Act through the Commissioners appointed for specified

areas. The State Governments also make rules for ensuring that the provisions of the Act are complied with.

## **INTERNATIONAL SOCIAL SECURITY ASSOCIATION (ISSA)**

6.33 The Officers of the Employees State Insurance Corporation participated

in the following Seminars / Conference / Training Course conducted by ISSA:-

- The meeting of Directors of Social Security Organisations in Asia & the Pacific held at Seoul from 9<sup>th</sup> to 11<sup>th</sup> Novemeber,2005 attended by by Sh. R.I. Singh, Director General, ESIC.
- The Workshop on Social Zhelath Insurance at Turin from 20<sup>th</sup> to 31<sup>st</sup> March,2006 attended by Sh. Jose Cherian, Addl. Commissioner & Sh. A.K. Sinha, Addl. Commissioner.
- Workshop on Social Protection in south Asia “Growth with Equity Security opportunity” held at Colombo from 17<sup>th</sup> May, 2006 attended by Sh. R.I. Singh, Director General, ESIC.
- Seminar for CEO’s working with Social Security Reforms held in France on 19<sup>th</sup> & 20<sup>th</sup> June,2006 attended by Sh. R.I. Singh, Director General, ESIC.
- ISSA Bureau meting held at Geneva from 21<sup>st</sup> to 23<sup>rd</sup> June,2006 attended by Sh. R.I. Singh, Director General, ESIC.
- Multi-Country Study Mission as Best participation held at Kualalumpur, Malasia from 7<sup>th</sup> to 11<sup>th</sup> august,2006 attend by Sh. V.K. Pipersenia, Financial Commissioner, ESIC.
- ISSA Regional Training Course for Asia & the Pacific hled at Manila, Phillipines from 11<sup>th</sup> to 15<sup>th</sup> September,2006 attended by Sh. S.K. Garg, Director.
- ILO Training Course on Work Injury Insurance held at Seoul from 16<sup>th</sup> to 27<sup>th</sup> October,2006 attended by Sh. B.C. Bhardwaj, Addl. Commissioner/Regional Director, Delhi.
- ISSA Technical Commission Forum held at Geneva on 2<sup>nd</sup> & 3<sup>rd</sup> November,2006 attended by Sh. R.I. Singh, Director General, ESIC.

\*\*\*\*\*