Ministry of Labour & Employment

Government Reduces the Rate of ESI Contribution from 6.5% to 4%

Posted On: 13 JUN 2019 7:35PM by PIB Delhi

The Government of India has taken a **historic decision to reduce the rate ofcontribution under the ESI Act from 6.5% to 4%**(**employers' contribution beingreduced from 4.75% to 3.25% and employees' contribution beingreducedfrom 1.75% to 0.75%**). Reduced rates will be effective from **01.07.2019**.**Thiswould benefit 3.6 crore employees and 12.85 lakhemployers.**

The reduced rate of contribution will bring about a substantial **relief to workers and it will facilitate further enrollment of workers** under the ESI scheme and **bring more and more workforce into the formal sector**. Similarly, reduction in the share of contribution of employers will **reduce the financial liability of the establishments leading to improved viability** of these establishments. This shall also lead to **enhanced Ease of Doing Business**. It is also expected that reduction in rate of ESI contribution shall lead to **improved compliance oflaw**.

The Employees' State Insurance Act 1948 (the ESI Act) provides for **medical, cash, maternity, disability and dependent benefits** to the Insured Persons under the Act. The ESI Act is administered by Employees' State Insurance Corporation (ESIC). Benefits provided under the ESI Act are funded by the contributions made by the employers and the employees.

Under the ESI Act, **employers and employees both contribute** their shares respectively. The Government of India through Ministry of Labour and Employment decides the rate of contribution under the ESI Act. Presently, the rate of contribution is fixed at **6.5% of the wages with employers' share being 4.75% and employees' share being 1.75%**. This rate is in vogue **since01.01.1997**.

The Government of India in its pursuit of expanding the Social Security Coverage to more and more people started a programme of **special registration of employers and employees** from December, 2016 to June, 2017 and also decided to **extend the coverage of the scheme to all the districts in the country** in a phased manner. The **wage ceiling of coverage** was also **enhanced from Rs. 15,000/- per month to Rs. 21,000/-** from01.01.2017.

रजिस्ट्री सं॰ डी॰ एल॰-33004/99 REGD. NO. D. L.-33004/99

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MINISTRY OF LABOUR AND EMPLOYMENT

NOTIFICATION

New Delhi, the 13th June, 2019

G.S.R. 423 (E).—Whereas a draft containing certain rules further to amend the Employees' State Insurance (Central) Rules, 1950 were published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (i), vide number G.S.R. 121(E), dated the 15th February, 2019, as required by sub-section (1) of the section 95 of the Employees' State Insurance Act, 1948 (34 of 1948), inviting objections or suggestions from all persons likely to be affected thereby before the expiry of a period of thirty days from the date on which the copies of the Official Gazette containing the said notification was published were made available to the public;

And whereas, the copies of the said Official Gazette were made available to the public on the 15th February, 2019;

And whereas, objections or suggestions received from the public in respect of the said draft rules within the period specified above have been considered by the Central Government;

Now, therefore, in exercise of the powers conferred by section 95 of the said Act, the Central Government, after consultation with the Employees' State Insurance Corporation, hereby makes the following rules further to amend the Employees' State Insurance (Central) Rules, 1950, namely:-

1. (1) These rules may be called the Employee's State Insurance (Central) Amendment Rules, 2019;

   (2) They shall come into force on the 1st day of July, 2019.

2. In the Employees' State Insurance (Central) Rules, 1950, in rule 51, –

   (a) in clause (a), for the words "equal to four and three-fourth per cent of the wages", the words "equal to three and one-fourth per cent. of the wages" shall be substituted;

   (b) in clause (b), for the words "equal to one and three-fourth per cent of the wages", the words "equal to three-fourth per cent. of the wages" shall be substituted.

[F. No. S-38012/01/2016-SS-I)

VIBHA BHALLA, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Part-II, Section 3, Sub-section (i), vide number S.R.O. 212, dated the 22nd June, 1950, and last amended by notification number G.S.R. 605 (E), dated 3rd July, 2018.