

# Employer and Employee related

Disclaimer: This document is intended solely for educational purposes. The content herein is subject to change based on evolving finance trends and any relevant rulings by the Government of India. Readers are advised to consult with qualified professionals for specific guidance related to their individual circumstances.

## Q1. What is ESI Scheme?

It is a comprehensive Social Security Scheme designed to accomplish the task of socially protecting the 'employees' in the organized sector against the events of sickness, maternity, disablement and death due to employment injury and to provide medical care to the insured employees and their families.

## Q2. How does the scheme help the employees?

The scheme provides full medical care to the employee registered under the scheme during the period of his incapacity for restoration of his health and working capacity. It provides financial assistance to compensate the loss of his/ her wages during the period of his abstinence from work due to sickness, maternity and employment injury. The scheme provides medical care to his/her family members also.

## Q3. Who administers the ESI Scheme?

The ESI Scheme is administered by a corporate body called the 'Employees' State Insurance Corporation' (ESIC), which has members representing Employers, Employees, the Central

Government, State Government, Medical Profession and the Parliament. The Director General is the Chief Executive Officer of the Corporation and is also an ex-officio member of the Corporation.

#### Q4. How is the Scheme funded?

The ESI scheme is a self financing scheme. The ESI funds are primarily built out of contribution from employers and employees payable monthly at a fixed percentage of wages paid. The State Governments also contribute 1/8th share of the cost of Medical Benefit.

#### Q5. Implemented Area

ESI Scheme is implemented in phases in different part of the country through Gazette notification after making the infrastructure available towards dispensation of medical as well as other benefits provided under the provisions of the Act to the prospective beneficiary.

#### Q6. What are the establishments that attract coverage under ESI?

According to the notification issued by the appropriate Government (Central/State) concerned under Section 1(5) of the Act, the following establishments employing 10 or more persons attracts ESI coverage.

1. Shops
2. Hotels or restaurants not having any manufacturing activity, but only engaged in 'sales'.
3. Cinemas including preview theatres;
4. Road Motor Transport Establishments;
5. News paper establishments.(that is not covered as factory under Sec.2(12));
6. Private Educational Institutions (those run by individuals, trustees, societies or other organizations and Medical Institutions (including Corporate, Joint Sector, trust, charitable, and private ownership hospitals, nursing homes, diagnostic centers, pathological labs).

In some states coverage is for 20 or more employees for wages. A few State Governments have not extended scheme to Medical & Educational Institutions.

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