

**GOVERNMENT OF INDIA
MINISTRY OF LABOUR AND EMPLOYMENT**

LOK SABHA

**UNSTARRED QUESTION NO. 2163
TO BE ANSWERED ON 02.12.2019**

ESI CONTRIBUTION RATE CUT

**2163. SHRI SYED IMTIAZ JALEEL:
SHRI ASADUDDIN OWAISI:**

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

- (a) whether the Government has recently announced ESI contribution rate cut to widen its scope and cover more workers in the industry, if so, the details thereof;**
- (b) the contribution of Government in ESI scheme and benefits likely to be given to employees after this rate cut;**
- (c) the further steps taken or being taken by the Government for social security and improving working conditions of labourers in the country;**
- (d) whether in order to widen social security, improving conditions of workers and move to improve the ease of doing business in the country, Government has announced ESI contribution rate cut, if so, the details thereof;**
- (e) the extent to which this step of the Government is likely to benefit employer and employee; and**
- (f) the total burden of the Government after taking this step and the other steps taken or being taken by Government for social security of labour and ease of doing business?**

ANSWER

**MINISTER OF STATE (IC) FOR LABOUR AND EMPLOYMENT
(SHRI SANTOSH KUMAR GANGWAR)**

(a): Yes, Sir. The rate of the Employees' State Insurance (ESI) contribution has been reduced from 6.5% (employer's share - 4.75% and employee's share - 1.75%) to 4% (employer's share - 3.25% and employee's share - 0.75%) with effect from 01.07.2019.

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(b): ESI is a self-financing scheme and no grant/aid is provided by the Government of India. All the benefits as available before the rate cut even after this reduction.

(c): ESI Scheme, which is now available in 566 districts of the country, is to be gradually extended to entire country by the year 2022.

(d): The rate of ESI contribution has been reduced, w.e.f. 01.07.2019, from 6.5 % to 4%, as detailed in part (a) above, to bring more and more employees under the ambit of ESI Act, 1948.

(e): The reduction in rate of contribution will reduce the burden on employer & employees and improve the coverage as well as compliance.

(f): As ESI is self-financing scheme where the expenditure is met out from the ESI fund generated through contribution received from the employers and employees, there is no burden on the Government.

Further, in line with the recommendations of the Second National Commission on Labour, the Government has taken steps for drafting four Labour Codes i.e. the Code on Wages; the Code on Industrial Relations, the Code on Occupational Safety, Health & Working Conditions & the Code on Social Security by simplifying, amalgamating and rationalizing the relevant provisions of the existing 29 Central Labour Laws.
