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## KARNATAKA EMPLOYERS' ASSOCIATION

CIRCULAR NO - 156/2020

Date: 04-09-2020

To  
All Members of the Association

**KEA LETTER TO DIRECTOR GENERAL, ESIC ON PROPOSAL**  
**TO ENHANCE WAGE LIMIT FOR COVERAGE**  
**FROM Rs.21,000.00 TO Rs.30,000.00**

A proposal has been mooted by ESIC to increase the wage ceiling for registration under the ESI Act from Rs. 21,000.00 per month to Rs. 30,000.00 per month.

KEA through its letter dated 30.08.2020 addressed to the Director General, ESIC has requested that such a move is not conducive to the interests of the employers.

A copy of the letter is attached herewith.

**For Karnataka Employers Association**

**Sd/-**

**B C PRABHAKAR**  
**PRESIDENT**



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# KARNATAKA EMPLOYERS' ASSOCIATION

NO.74, 2<sup>nd</sup> FLOOR, SHANKARA ARCADE, VANIVILAS ROAD,  
BASAVANAGUDI, BENGALURU - 560 004  
Reg. No. TU 507 / 20-3-1962

**B.C. Prabhakar**, B.A., B.L.,  
President

30.08.2020

To:  
Director General  
Employees State Insurance Corporation  
New Delhi

Respected Sir,

## **Representation from KEA**

Karnataka Employers' Association (KEA) is the oldest and the largest employer's organisation in Karnataka. Now in its 59th year, the association has members representing various fields such as software, construction, manufacturing and services. KEA has been in the forefront of fostering harmonious relationship between the employers and employees and their Trade Unions. KEA has been on the Advisory Board of several Government committees such as the EPF, ESI, Contract Labour, Minimum Wages etc.

We, the Karnataka Employers' Association (KEA), are given to understand that the wage ceiling for registration under the ESI Act is being increased from Rs. 21000.00 per month to Rs. 30,000.00 per month.

In our opinion, such a move is not conducive to the interests of the employers for the following reasons:

- 1) In the post COVID situation, it is very important to grant maximum flexibility to employers in order to enable ease of doing business as well as attracting investment into India.
- 2) Increasing the wage limit for ESI coverage from Rs. 21,000.00 to Rs. 30,000.00 will lead to further outflow of funds from the employers

and more compliance issues without commensurate benefits flowing either to the employer or to the employees.

- 3) Even now, it is an undisputed fact that most of the employees, except when it is inevitable, are reluctant to avail the treatment facilities from ESI designated hospitals because of the abysmally poor quality of treatment.
- 4) Even with this low patronage, ESI hospitals are over-burdened with patients and increasing the wage ceiling will add more number of employees to the system without any assurance of proportional increase in the facilities at the ESI hospitals. This will lead to further deterioration in the service quality of these hospitals thus denying access to healthcare for the employees such as those who are earning only minimum wages.
- 5) As per Section 42 of the draft Code on Social Security the Chapter IV of which proposes to replace the ESIC Act, there is an option provided to the employee to opt out from the Medical Benefit and Sickness Benefit offered by ESIC. Further, there is also an option for the employee to join back. This only goes to show that the Government has tacitly acknowledged the shortcomings of the ESIC system and therefore would like to encourage creation of parallel systems that would provide Medical and Sickness benefit that is equal to or better than that provided by ESIC. In such a circumstance, the move to increase the wage limit to Rs. 30,000.00 appears incongruous.
- 6) Even at the present wage limit of Rs. 21,000.00 ESIC has surplus funds which are simply being added to the reserves. Increasing the wage limit to Rs. 30,000.00 will only add further funds to the reserves without it being deployed for any beneficial purpose.

In view of all the reasons stated above, we request your good self not to increase the wage limit for ESI coverage to Rs. 30,000.00 and instead retain it at the present level of Rs. 21,000.00.

Further, we also request that in case the Government is of the firm view to increase the wage limit for ESI coverage to Rs. 30,000.00 then, such coverage may be made optional at the hands of the employees earning more than Rs. 21,000.00.

We do hope that our representation shall be considered and a suitable decision is taken keeping the interests of the nation in mind and also promote 'Atmanirbharata'.

**For Karnataka Employers' Association**

*B. C. Prabhakar*

**B.C. Prabhakar  
President  
Mob: 98440 33348**