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255. What is the monthly wage ceiling for compensation calculation under the Employee's Compensation Act, applicable from January 3, 2020?

The Government of India, through notification S.O. 71(E) dated January 3, 2020, has enhanced the wage ceiling under the Employee's Compensation Act, 1923, **from Rs. 8,000/- to Rs. 15,000/- per month**, with effect from the date of publication of the notification in the Official Gazette.

This revision is in exercise of the powers conferred under sub-section (1B) of Section 4 of the Employees' Compensation Act, 1923. The notification supersedes the previous notification S.O. 1258(E), dated May 31, 2010, which had earlier set the wage ceiling at Rs. 8,000/- per month.

Linkage with Section 4 of the Employees' Compensation Act, 1923

Section 4 of the Employees' Compensation Act, 1923, specifies the amount of compensation payable to an employee or their dependents in case of death, permanent total disablement, permanent partial disablement, or temporary disablement due to an injury sustained in the course of employment.

- **Sub-section (1) of Section 4** provides a formula for calculating the compensation amount based on the employee's **monthly wages**.
- **Sub-section (1B) of Section 4** empowers the Central Government to specify the "monthly wages" to be considered for compensation purposes through a notification in the Official Gazette.

The relevant text from Section 4(1B) states:

"The Central Government may, by notification in the Official Gazette, specify, for the purposes of sub-section (1), such monthly wages in relation to an employee as it may consider necessary."

Thus, using this authority, the Central Government has revised the wage ceiling to Rs. 15,000/- per month, ensuring that compensation calculations reflect current economic conditions and inflationary changes.

Impact of Wage Ceiling Enhancement

The increase in the wage ceiling directly impacts the compensation amount payable under Section 4:

1. For Death Compensation (Section 4(1)(a))

- The compensation amount is 50% of the monthly wages multiplied by the relevant factor (based on the employee's age).
- Previously, if an employee earning above Rs. 8,000 met with a fatal accident, the compensation was still calculated based on Rs. 8,000, even if their actual salary was higher.
- With this revision to Rs. 15,000, the compensation amount will be calculated based on a higher wage, resulting in increased financial support for the deceased employee's dependents.

2. For Permanent Total Disablement (Section 4(1)(b))

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Shekhar Ganagaluru, MSW, LLB, Dip. T&D

HR & IR Specialist | Published Author | Storyteller | Mentor | Trainer | Community Outreach Coordinator | Workplace Safety & Motivation Strategist
begreatseries@gmail.com or follow on LinkedIn | Mobile: 96327 11228

- Compensation is 60% of monthly wages multiplied by the relevant factor.
- The increased wage ceiling ensures higher compensation for workers suffering from permanent total disability.

3. For Permanent Partial Disablement (Section 4(1)(c))

- Compensation is proportional to the percentage of loss of earning capacity.
- Since the maximum monthly wage considered for this calculation has increased, the compensation payout will also be higher.

4. For Temporary Disablement (Section 4(1)(d))

- A half-monthly payment of 25% of the monthly wages is payable during the period of disablement.
- The revision means that affected employees will receive higher temporary compensation.

Why Was This Change Necessary?

- **Inflation & Cost of Living:** The last revision in 2010 set the wage ceiling at Rs. 8,000. Given inflation and rising living costs, the amount was inadequate to provide meaningful compensation.
- **Better Financial Support:** The enhanced wage ceiling ensures better financial protection for workers and their families in case of workplace injuries or fatalities.
- **Aligning with Wage Growth:** The minimum wages and average wages of industrial workers have significantly increased since 2010. The revised limit aligns compensation with current wage levels.

Summary:

Aspect	Details
Notification Number	S.O. 71(E)
Date of Notification	January 3, 2020
Issued By	Ministry of Labour and Employment, Government of India
Previous Wage Ceiling	Rs. 8,000/- per month (as per S.O. 1258(E), dated May 31, 2010)
Revised Wage Ceiling	Rs. 15,000/- per month
Effective Date	January 3, 2020 (date of publication in the Official Gazette)
Legal Authority	Section 4(1B) of the Employees' Compensation Act, 1923
Purpose of Revision	To update the wage ceiling used for calculating compensation in case of death, permanent disability, or temporary disablement
Impact on Compensation	Increased compensation payouts due to the higher wage ceiling
Compensation Calculation (as per Section 4)	Death Compensation: 50% of monthly wages × relevant factor
	Permanent Total Disablement: 60% of monthly wages × relevant factor
	Permanent Partial Disablement: Proportionate to loss of earning capacity
	Temporary Disablement: Half-monthly payment of 25% of wages

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