

Code on Social Security, 2020 - ESIC - Navigating Key Impact Issues

Under the Code on Social Security, 2020 the ESIC framework has been expanded nationwide to include previously uncovered segments like gig workers and smaller hazardous workplaces. Employers face significant compliance shifts, notably updated wage calculations, mandatory digital onboarding and a standardized 24/7 randomized inspection system.

Navigating these key impact issues requires immediate workflow adjustments by HR and payroll teams.

1. The 50% Wage Rule & Calculation

The Code defines wages under Section 2(88) as basic pay, dearness allowance and retaining allowance.

- **The Rule:**

These defined wage components must constitute at least 50% of an employee's total remuneration.

- **The Impact:**

Employers must restructure compensation packages where base pay is heavily diluted by non-inclusion allowances. This ensures accurate ESIC contributions up to the wage ceiling of ₹21,000/month (or ₹25,000 for persons with disabilities).

2. Mandatory Same-Day Onboarding

Under recent Social Security (Central) Rules the ESIC registration workflow follows a "Provisional to Permanent" logic.

- **The Timing:**

Employers must initiate portal registration on or before the employee's very first day of work.

- **The Process:**

A provisional Insurance Number is generated which remains valid for 30 days. HR must complete the full Declaration Form within this window to make the Insurance Number permanent.

3. Digitized Inspections & Audits

The era of manual, officer-discretionary audits has been replaced.

- **The System:**

Section 122(2) empowers the government to utilize web-based, randomized generation of inspection schedules linked with the Shram Suvidha Portal.

- **The Impact:**

Because audits are triggered by data anomalies, organizations must maintain real-time digital workforce records and audit readiness at all times to avoid non-compliance penalties.

4. Expanded Coverage & Dependents

The Code widens the safety net and clearly outlines Dependent and Family classifications.

- **New Dependents:**

Grandparents and the widower of a deceased employee are now formally recognized as dependents.

- **New Family Members:**

Father-in-law and mother-in-law are included as family members eligible for medical benefits.

- **Commutation Accidents:**

Commuting accidents (accidents occurring while travelling directly between the home and the workplace) are now considered to have occurred "in the course of employment," rendering the employee/dependents eligible for ESIC benefits.

5. Aadhaar-Based Verification

Under Section 142 of the Code, Aadhaar-based identification is strictly mandatory for employee registration, medical claims and benefit delivery. Employers must ensure all employees complete Aadhaar Seeding through the ESIC Employer Portal to prevent disruptions in service access.