

NEW LABOUR CODES

(Labour Law & Industrial Laws)

Frequently Asked Questions (FAQ)

On
Labour Codes



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(Advocates & Solicitors)



A. GENERAL FAQs ON NEW LABOUR CODES (Q1–Q10)

Q1. What are the New Labour Codes? Four consolidated labour laws replacing 29 existing Acts	Q2. When will the new Labour Codes come into effect? Expected 21 November 2025 (as per your assumption in internal notes).
Q3. Why were the labour codes introduced? To simplify compliance, improve ease of doing business, and standardise definitions.	Q4. Do the Labour Codes apply to all industries? Yes, unless specifically exempted.
Q5. Are the Codes replacing all the old Acts? Yes, they subsume 29 old Acts.	Q6. Do companies need to re-issue appointment letters? Yes, mandatory under the new Wage Code.
Q7. What is the biggest change? Uniform definition of “Wages” (50% rule).	Q8. Does the code apply to contract workers? Yes, fully.
Q9. Do companies need new registers? Yes — digital registers become mandatory.	Q10. Does the Code increase compliance penalties? Yes — penalties are significantly higher.

B. CODE ON WAGES — FAQs (Q11–Q35)

Minimum Wages & Floor Wages	
Q11. What is the national floor wage? A minimum wage set by the Central Government below which no State may go	Q12. Will minimum wages increase? Likely yes, because they must align with the new floor wage.
Q13. Can States still fix their own Minimum Wages? Yes, but they cannot go below the floor wage.	Q14. Will contractor wages also increase? Yes — contractors must comply with the Wage Code.
Definition of Wages (50% Rule)	
Q15. What is the new definition of “Wages”? Basic + DA must be 50% or more of total salary.	Q16. What allowances are excluded from “Wages”? HRA, OT, bonus, commission, incentives, conveyance
Q17. What if allowances exceed 50%? The excess must be added back to Basic for statutory calculation.	Q18. Will this increase PF contribution? Yes — for most employees
Q19. Will salary slip format change? Yes — must show “Wages as defined under Wage Code”.	Q20. Can employers split salary into many allowances? No — allowed only up to 50%.
Payment of Wages	
Q21. What is the new wage payment deadline? Within 2 days of termination, and within 7 days of wage period ending.	Q22. Is digital salary mandatory? Not mandatory, but digital records are mandatory.



Q23. What is the OT rate under the Wage Code? 2x Wages (Basic + DA).	Q24. Will OT cost increase? Yes, because Basic increases to minimum 50%.
Overtime & Working Hours	
Q25. Can OT be avoided by productivity allowance? Yes — if properly structured and voluntary.	
Bonus	
Q26. Who is eligible for bonus? Employees earning up to ₹21,000/month.	Q27. Does higher Basic increase bonus? Yes.
Deductions	
Q28. What is the max deduction from wages? 50% of monthly wages.	
Other FAQs	
Q29. Will the definition of employer change? Simplified but holds same meaning.	Q30. Will wage disputes go to labour court? Yes — but with faster timelines.
Q31. Does the code apply to gig workers? Yes — special provisions exist.	Q32. Is equal pay for equal work enforced? Yes.
Q33. Are gratuity rules changed? No — formula same but Basic increases.	Q34. Must salary structure be redesigned? Yes — to comply with the 50% rule.
Q35. Can companies reduce allowances? Yes — to equalize Basic to 50%.	

C. SOCIAL SECURITY CODE — PF/ESI/Gratuity (Q36–Q60)

Provident Fund	
Q36. Will PF threshold change? Not immediately.	Q37. Will PF amount increase? Yes — due to higher Basic.
Q38. Can an employee opt out of PF? No — legally not permitted if eligible.	Q39. Can Basic be capped to reduce PF? Under Wage Code, restructuring options are limited.
Q40. Can UAN be multiple? No — one UAN per worker.	
ESI	
Q41. Will ESI coverage change? Not immediately.	Q42. Will ESI cost increase? Only if gross increases.
Q43. Can ESI be opted out? No — mandatory for gross ≤ Rs. 21,000.	
Gratuity	
Q44. Has gratuity formula changed? No — but Basic increases.	Q45. Are fixed-term employees eligible for gratuity? Yes — proportional gratuity.
Contract Workers	
Q46. Are contract workers covered under PF/ESI? Yes — contractor must deposit.	Q47. What if contractor fails to deposit PF/ESI? Principal employer is liable.
Q48. Can two contractors deposit PF for the same worker? Yes — allowed under UAN rules.	Q49. Can two contractors deposit ESI for the same worker? Yes — allowed under same IP number.



Maternity Benefit	
Q50. Any change in maternity leave under new Codes? No — remains 26 weeks.	
Others	
Q51. Will social security apply to gig/platform workers? Yes — with separate schemes.	Q52. Will PF apply to all employees? Universal coverage is proposed.
Q53. Are death benefits affected? No — still governed by EDLI/PF.	Q54. Are apprentices covered? No — apprentices remain exempt.
Q55. Can PF be deducted on incentives? No — only on wages (Basic + DA).	Q56. Will company medical benefits change? Not under Wage Code.
Q57. Will statutory forms change? Yes — new formats under Social Security Code.	Q58. Will monthly ECR continue? Yes — but formats may change.
Q59. Will workers get combined social security number? Yes — integrated with UAN/IP	Q60. Will SS Code reduce compliance burden? Yes — centralised returns.

D. OSH CODE — WORK HOURS, CONDITIONS, SAFETY (Q61–Q80)

Working Hours	
Q61. What is the daily work limit? 8 hours of actual work.	Q62. What is the maximum spread-over? 12 hours (biggest change).
Q63. Can 4-day week be introduced? Yes — with 12 hours/day.	Q64. Is weekly OT limit increased? States may allow flexible OT hours.
Shift System & 12-Hour Model	
Q65. Can companies introduce 12-hour shifts? Yes — if weekly hours and spread-over are maintained	Q66. Is OT mandatory beyond 8 hours? Yes — unless additional hours are incentives.
Q67. Can 6+6 dual contractor system run? Yes — with strict documentation.	Q68. Is 12-hour model safe legally? Yes — under OSH Code with proper structure.
Welfare Facilities	
Q69. Are crèches mandatory? Yes — >50 workers.	Q70. Are canteen rules changed? Yes — more flexible.
Q71. Are first-aid rules changed? More detailed under OSH Code.	
Migrant Workers	
Q72. Are interstate migrant workers covered? Yes — with simplified registration.	Q73. Are digital passbooks required? Yes.
Contractor Licensing	



Q74. Are contractor license conditions changed? Yes — more stringent.	Q75. Is a single licence available? Yes — national license option
Accommodation	
Q76. Is accommodation mandatory? Only for specific categories.	
Safety	
Q77. Does safety training become compulsory? Yes.	Q78. Are penalties increased? Yes — significantly.
Q79. Can factories be closed for violations? Yes — for serious safety breaches.	Q80. Are women allowed in night shifts? Yes — with safety measures.

E. INDUSTRIAL RELATIONS CODE — IR, TRADE UNIONS (Q81–Q100)

Trade Unions	
Q81. How many unions can exist? Multiple.	Q82. What is a negotiating union? A union with 51% membership.
Hire & Fire Rules	
Q83. Has the retrenchment threshold increased? Yes — from 100 to 300 workers .	Q84. Does this make downsizing easier? Yes — for establishments up to 300.
Q85. Does automatic permission apply? Yes — for <300.	
Fixed-term Employment	
Q86. Is fixed-term employment legal? Yes — fully recognised.	Q87. Are fixed-term employees eligible for gratuity? Yes — proportional.
Strikes & Lockouts	
Q88. Is strike notice mandatory? Yes — 14 days' notice.	Q89. Can instant strikes be done? No — illegal.
Q90. Are illegal strikes penalised? Yes — new penalties introduced	
Dispute Resolution	
Q91. Are labour courts changed? Re-organised.	Q92. Are timelines faster? Yes — strict deadlines.
Standing Orders	
Q93. Standing orders applicable to whom? Establishments with 300+ workers .	Q94. Has this threshold increased? Yes — from 100 to 300.
Employer Expediency	
Q95. Can employers change shift rules faster? Yes — more flexibility.	Q96. Can companies hire fixed-term workers for seasonal load? Yes.
Records & Registers	
Q97. Are electronic records mandatory? Yes.	Q98. Are inspections digitised? Yes — risk-based inspections.
Penalties	



Q99. Have penalties increased?
Yes — significantly.

Q100. Can officers be personally liable?
Yes — designated officers can be penalised.

MANAGEMENT & LEADERSHIP LEVEL FAQS. @ Industry level Overview (Additional for broader reference)

A. GENERAL & SCOPE (Q1–Q10)

Q1. What are the “New Labour Codes”?

A1. Four consolidated codes — Code on Wages, Social Security Code, Occupational Safety, Health & Working Conditions (OSH) Code, and Industrial Relations Code — replacing many older labour laws to simplify and harmonise labour regulation.

Q2. What is the effective date we are using for planning?

A2. Your organisation’s assumed effective date is **21 November 2025**; firms advise treating that as the target for all compliance and systems work.

Q3. Who must comply with the Codes?

A3. All employers and establishments unless specifically exempted by rules — public, private, contract labour, gig/platform workers (with certain separate provisions).

Q4. What immediate steps do consultancies recommend on notification?

A4. Track central & state notifications, set up a cross-functional task force (HR, Legal, Finance, Payroll, IT) and begin payroll-impact modelling immediately.

Q5. Is there a transition or grandfathering period?

A5. Some rules may have transitional provisions, but consulting firms advise earliest possible compliance planning because states issue rules at different times.

Q6. Will penalties increase?

A6. Yes — the Codes tighten penalties and introduce more robust enforcement and digital inspection frameworks; prepare inspection-ready files.

Q7. Should we reframe employment contracts now?

A7. Yes — standardise appointment letters, update offer templates and contractor agreements to reflect new definitions and obligations.

Q8. Do these codes affect outsourcing/contractor models?

A8. Yes — principal employer liability is emphasised; contractors must be audited and wage payments reconciled.

Q9. Are digital records mandatory?

A9. Most advisors say digital registers and time-tracking will be required; upgrade payroll/HCM systems.

Q10. What’s the single biggest payroll change?

A10. Uniform definition of “Wages” (Basic + DA at least 50% of total wages) — this drives PF, gratuity, bonus and OT impacts.

B. WAGE CODE – BASIC/ALLOWANCES/COMPLIANCE (Q11–Q30)

Q11. What is the 50% rule?

A11. Basic + DA must be at least **50% of total wages**; if not, the difference will be added back to Basic for statutory calculations.



Q12. Do allowances now have a cap?

A12. Practically yes — allowances cannot collectively reduce Basic below 50% of total wages.

Q13. Is the employer allowed to keep CTC unchanged while complying?

A13. Yes — by rebalancing components (increase Basic to 50%, reduce discretionary allowances) the total cost can remain the same, though statutory outflows like PF may rise.

Q14. Must salary slips show the new definition?

A14. Yes — firms recommend explicit wage-code fields in salary slips (Basic, DA, wages as per code, statutory deductions).

Q15. Will the wage code change overtime calculations?

A15. OT remains typically 2x the hourly wage; since Basic may rise, OT unit rate will increase proportionally.

Q16. Can companies keep Basic at current levels to avoid PF increase?

A16. No — post-Wage Code Basic should be 50%; retaining artificially low Basic risks legal challenge.

Q17. Can allowances be reclassified to avoid PF?

A17. No — if allowances are universal and necessary, courts/EPFO may include them in PF wages. Firms recommend transparent reclassification, not circumvention.

Q18. How should contractors be paid under the new wage definition?

A18. Contractors must pay at least the minimum wages defined by the code and your contracts should be updated to reflect the wage reclassification.

Q19. Will minimum wages be harmonised nationally?

A19. The Code allows a national floor wage; states still notify rates but cannot go below the floor.

Q20. What is the immediate payroll tech change recommended?

A20. Add fields for “Wages as per Code”, automated reallocation logic (if Basic <50%), and reports for statutory computations.

Q21. How should employee communications be handled?

A21. Transparent communications: explain rebalancing, net take-home effect, voluntary PF options and show illustrative models.

Q22. How to treat variable pay elements?

A22. Distinguish between universal fixed allowances (may be treated as wages) and true performance incentives (which can be kept non-wage with careful design).

Q23. Do bonus and gratuity base change?

A23. Yes — bonus/gratuity bases often depend on basic/wages; higher Basic will increase liabilities.

Q24. Can employers mandate employee acceptance of new structure?

A24. Employers can revise pay structure subject to employment law and consultation (especially where collective agreements exist); major firms advise structured communications and, if needed, negotiations.

Q25. Will statutory deductions apply to increased Basic?

A25. Yes — PF/ESI/other statutory dues computed on wages as defined will increase unless employer invokes EPFO ceiling or uses lawful alternatives (VPF).

Q26. Can we split Basic into two parts to avoid PF?

A26. No — avoid artificial splits; risk of adverse EPFO/inspection outcome.



Q27. Are gig workers covered by Wage Code?

A27. Yes — the Code includes provisions for platform/gig workers; firms advise separate policy frameworks.

Q28. Should allowances like conveyance be fixed or performance-based?

A28. If you want them excluded from wage base, make them non-universal, variable or performance-linked as per legal advice.

Q29. Will states create different rules?

A29. Yes — states may have their own detailed rules and notifications. Monitor state updates.

Q30. What's the quick remediation for legacy systems?

A30. Run parallel payroll models for a 3–6-month period, simulate statutory flows and prepare budgets.

C. SOCIAL SECURITY & EPF/ESI (Q31–Q50)

Q31. Will EPF contributions increase across the board?

A31. Likely yes in absolute terms because Basic increases; however, employers can compute employer PF on the statutory ceiling (subject to EPF rules) to manage cost.

Q32. Can employer apply statutory PF ceiling while Basic is higher?

A32. Yes — employers commonly apply PF contributions up to statutory wage ceiling (as per EPF rules). Major firms advise documenting policy and obtaining employee consent for VPF if employees want higher savings.

Q33. What happens to employee PF balances when multiple employers contribute?

A33. EPFO consolidates multiple contributions under one UAN, contributions for multi-employment aggregate.

Q34. How does the Social Security Code change employer obligations?

A34. The Code expands coverage (including gig/fixed term) and aims for centralised social security; employers must prepare for broader compliance and potential higher outflow.

Q35. Will gratuity liability rise?

A35. Yes — higher Basic increases gratuity accruals.

Q36. Is ESIC impacted for high-paid employees?

A36. ESIC applies only to wages up to threshold (~₹21,000); software employees may not be covered, but contract/blue-collar staff will be affected.

Q37. Can part of pay be converted to employer-paid benefits to manage PF/ESI impact?

A37. Benefits (medical insurance, meal vouchers, mobility benefits) can be enhanced but avoid classifying regular payments as benefits to evade statutory liability.

Q38. How should contractors handle PF/ESI post-Wage Code?

A38. Update contractor costings, ensure contractor compliance certificates, conduct audits and pass through higher vendor costs where needed.

Q39. Any tech recommendations for PF/ESI compliance?

A39. Integrate payroll with EPFO/ESIC e-filing, maintain reconciliations, and pre-populate inspection packs.

Q40. How to handle legacy arrears if code is applied retrospectively?

A40. Most firms note Code implementation is prospective; however, check state notifications and legal advisories — be prepared for queries and build provisions for risk if needed.



Q41. Can employees be encouraged to contribute VPF to maintain savings rate?

A41. Yes — employers can offer VPF options; firms advise clear communication on tax and liquidity effects.

Q42. Does the social security code change employer contribution rates?

A42. The general contribution rates under EPF/ESI remain as per the underlying statutes until fresh rules are issued; main change is base/wage definition.

Q43. Will employer overheads for contractors (PF pass-through) rise?

A43. Yes — contractors will raise bills to reflect higher PF/ESI and employers must plan budgeting accordingly.

Q44. Does the Social Security Code allow pooling/unified returns?

A44. The Code aims for centralised returns and simplified contributions; firms recommend early integration planning.

Q45. How to manage multi-employer scenarios for PF/ESI?

A45. Keep accurate daily muster, separate wage registers, contractor declarations, and supporting PF/ESI challans for each engagement.

Q46. What about PF on performance incentives?

A46. If incentives are universal and mandatory, EPFO may treat them as PF Wages; design incentives to be non-universal and output-linked if the intent is to exclude them.

Q47. Should employers prepay or accrue increased PF cost?

A47. Yes — CFOs should plan for near-term increase and reforecast monthly cashflows.

Q48. How will the Code affect tax reporting?

A48. Increased Basic may change tax-shelter dynamics (PF deduction caps, taxability of allowances); coordinate payroll and tax teams.

Q49. What controls do consultancies recommend for contractor payrolls?

A49. Quarterly audits, certifications, reconciliation schedules, and termination escrows for statutory liabilities.

Q50. Will EPF/ESI filings become more frequent or detailed?

A50. Expect more detailed electronic returns and reconciliations; invest in automation.

D. OCCUPATIONAL SAFETY & WORKING HOURS (OSH CODE) (Q51–Q70)

Q51. What is the change to spread-over/working hours?

A51. The OSH Code allows more flexible arrangements including a wider permissible spread-over (practical guidance varies by notification); consultancies stress checking state rules.

Q52. Can companies adopt 12-hour shifts?

A52. Yes — subject to spread-over and weekly working hours rules; firms advise designing roster and rest-break policies carefully.

Q53. Does the 12-hour model eliminate OT?

A53. No — OT liability depends on legal hours and wage definitions; productivity-based pay can be used to manage OT exposure.

Q54. Are employers required to provide more welfare facilities?

A54. Yes — enhanced welfare, creche, rest areas, sanitisation and safety training are emphasised.



Q55. Do consultancies recommend time-tracking systems?

A55. Strongly — accurate biometric/time solutions and shift management modules are recommended for traceability.

Q56. How to design 6+6 contractor models compliantly?

A56. Maintain separate muster registers, documented breaks, separate contractor licences, worker consent and robust audit trails; consultancies caution on inspector risk and recommend robust documentation.

Q57. What about women and night shifts?

A57. Women can be employed in night shifts provided safe transport, security and welfare measures are in place.

Q58. Will safety training be mandatory?

A58. Yes — training and records will be required; firms recommend digital training logs and refresher programs.

Q59. Do occupier obligations increase?

A59. Yes — principal occupier responsibilities are expanded, making compliance oversight essential.

Q60. How to prepare for OSH inspections?

A60. Maintain a digital inspection pack: risk assessments, incident logs, training records, PPE inventory and contractor competency certificates.

E. INDUSTRIAL RELATIONS & FIXED-TERM EMPLOYMENT (Q71–Q85)

Q71. Has the threshold for standing orders changed?

A71. Yes — thresholds may change (consult state notifications). Many advisories note thresholds for retrenchment and standing orders increased to ease operations.

Q72. Are fixed-term employees permitted?

A72. Yes — fixed-term employment is recognised, and firms recommend templates and policies for parity of benefits.

Q73. How does the IR Code affect retrenchment?

A73. It eases process for certain size establishments, but consultancies caution to follow state-specific rules and maintain documentation.

Q74. Are unions affected?

A74. The Code streamlines recognition and negotiation rules; employers should update IR strategies and negotiation protocols.

Q75. Is strike/lockout law changed?

A75. Stricter procedural requirements and notice periods are provided; firms recommend updating negotiation playbooks.

Q76. How to manage employee communication during transition?

A76. Transparent communication, town-hall Q&As, and illustrative before/after pay comparisons reduce resistance.

Q77. Should fixed-term employees be on par for benefits?

A77. Legally firms recommend parity for specified benefits such as leave and social security contributions.

Q78. How to manage workforce rationalisation?

A78. Use data-driven IR strategy, legal counsel, and documented business justification for restructuring.



Q79. Will settlement and severance rules change?

A79. Possibly — consult local counsel for retrenchment rules under new Code.

Q80. How to update standing orders?

A80. Update to reflect new definitions, fixed-term employment, disciplinary procedures and grievance redressal clauses.

F. PAYROLL TECHNOLOGY & OPERATIONAL CONTROLS (Q86–Q95)

Q86. What immediate payroll tech upgrades are recommended?

A86. HCM upgrades for wage-code fields, time and attendance integration, e-filing automation and inspector-report generation.

Q87. Are digital payslips mandatory?

A87. Digital records are encouraged/mandated; ensure secure storage and retention policies.

Q88. What controls reduce inspection risk?

A88. Daily reconciliations, separate contractor registers, proof of breaks, PF/ESI challan evidence and HR attestations for payments.

Q89. Should migration to cloud payroll be accelerated?

A89. Many advisors recommend cloud HCM to enable frequent updates and central reporting.

Q90. What internal audit routines should be implemented?

A90. Quarterly statutory audits, payroll reconciliations and contractor compliance audits.

Q91. How to maintain inspection packs?

A91. Single digital folder per site: licence copies, muster, wage registers, PF/ESI receipts, standing orders, appointment letters.

Q92. How to handle cross-state operations?

A92. Central policy + state annexures; local law change trackers and one compliance owner per state.

Q93. How to test the new payroll before go-live?

A93. Parallel payroll runs for 3 months with scenario testing (best/worst/neutral) and stakeholder approvals.

Q94. Do consultancies propose outsourcing payroll?

A94. Some recommend third-party payroll specialists if internal capability is weak, but with robust SLAs and audit rights.

Q95. What KPIs should CFO/CHRO track?

A95. PF outflow, gross-to-basic ratio, contractor cost variance, inspection non-conformities, and payroll reconciliation exception rate.

G. COMMUNICATION, TRAINING & IMPLEMENTATION (Q96–Q100)

Q96. How to communicate changes to employees?

A96. Multi-stage comms: (1) Notice of change, (2) FAQs and examples, (3) one-on-one for impacted staff, (4) offer alternative options (VPF).

Q97. What training is required?

A97. Payroll, HRBP, managers, and site-leads on new definitions, muster handling, inspection defence, contractor management and grievance handling.



Q98. How long is realistic implementation?

A98. Firms advise 3–9 months depending on payroll complexity, with priority on payroll modelling and contractor audit in the first 90 days.

Q99. Should the Board be engaged?

A99. Yes — prepare an executive summary on financial impact, risk mitigation and timeline for board approval.

Q100. What is the single most important compliance control?

A100. Accurate, auditable, and digital wage & attendance records mapped to the new wage definition and statutory returns.



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