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Circular No. 102/2025

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Dear friends,

Recently, the Government of India has introduced 4 Labour Codes vide 4 different notifications dated 21.11.2025 which are:-

1. The Code on Wages, 2019
2. The Industrial Relation Codes, 2020
3. The Occupation, Safety, Health and Working Condition Code, 2020
4. The Code on Social Security, 2020

There are rumors in the industrial organizations that these codes may give financial impact to a great extent and the wages are going to rise but there is no such thing. The basic law is the same. Rather through these codes the Central Government has endeavoured to consolidate 29 various Labour Acts in 4 codes. The detail of Acts combined in 4 Codes is on the last page of the circular. The main purpose of consolidation of 29 Acts was for easing of business and compliances.

There is also rumors that as to what extent Central Government will introduce Floor wage and I want to apprise that at present national floor wage is Rs.178/-. Now, the Central Government will introduce new floor wage which may be more than this amount and the State Government is to fix minimum rate of wages above the floor wage, if required, but not below the minimum rate of wages which the employees are already getting.

Earlier there were different definitions on workman, industry, wages, employee, employer etc. in all 29 Acts. But these definitions have been replaced with the definition in these 4 Codes. **The definition of wages in all the 4 Codes is same.**

The Code on Wages 2019:

- a) The present code will facilitate in implementation and will remove the multiplicity of the definitions.
- b) The un-organized sector/unorganized workers have also been covered in this code.
- c) The present code has been made applicable to all types of establishments, from unorganized to organized, public and private sectors.
- d) The Central Government will provide floor wage for different geographical areas to ensure that no State Government shall fix the minimum wages below the floor wage.

- e) Though the penalty has been increased but the Inspector before filing the prosecution will give an opportunity to the employer before initiating prosecution.
- f) The authorities will be appointed to dispose of cases of punishment with fine upto Rs.50,000/- to reduce the burden on judiciary.
- g) Provision of compounding of offence has been given subject to minimum fine will be upto 50% of the fine as prescribed in the Codes.
- h) A Uniform definition of wages has been formulated eliminating the ambiguity and confusion which business houses used to face earlier due to difference in the definition in different statutes.
- i) Now bonus to an employee can be forfeited if he is convicted for an offence of sexual harassment.
- j) Payment to an employee including payment of bonus has to be made through cheque/electronic mode.
- k) The last day of payment of wages has been fixed as 7th of every month. Earlier there were 2 different dates which were 7th (upto 1000 workers), 10th above 1000 workers.
- l) As per code on wages the Payment of Bonus Act which was earlier on 10 employees will be on 20 employees.
- m) In the code on wages it has been clearly stated that employers employing upto 5 workers for agriculture or domestic purpose, there will be is no need for them to maintain record.
- n) The amount of fine has been increase. Earlier under Payment of Wages, Payment of Bonus and Minimum Wages Act, the maximum amount of fine was upto Rs.500/- to Rs.2000/- but now under this code the impact of fine has been increased upto Rs.1.00 lac and with imprisonment.
- o) Now, the records can be maintained in electronic form which were earlier maintained manually and permission had to be sought and now, no permission is required to maintain the record electronically.

I am mentioning hereunder the **financial impact** with the new definition of wages.

In the definition of wages under Section 2(y) there is an **inclusion clause which consists of (basic wages + dearness allowance + retaining allowance)**

All the allowances which we book come under the definition of **exclusion clause** but under section 2(y) following allowances has been taken under exclusion clause:-

- i) Bonus payable
- ii) Amenities like housing accommodation supply of water, light etc. Medical attendance and any other amenities excluding from computation of wages
- iii) Employer Share of PF and interest which may have accrued on it

- iv) Conveyance allowance
- v) Special allowance
- vi) House Rent allowance
- vii) Remuneration payable under any award or settlement between the parties
- viii) Overtime Allowance
- ix) Commission payable to the employees

For Example: If the total amount of basic wage + DA + retaining allowance is Rs.10,000/- and the total amount of perks which comes under exclusion clause is Rs.11,000/- then the total amount comes out to Rs.21,000/- and the 50% of this amount is Rs.10,500/- then the excess amount of Rs.500/- will be added in the basic wage rate.

From the above example it is, thus, clear that the amounts in inclusion clause and exclusion clause either should be same or the amounts in exclusion clause may be less also.

And now the financial impact will be as under:-

1. With the increase in the basic wage rate the amount of gratuity will increase
2. Amount of EPF and ESI contribution will increase
3. Total wage rate and CTC of employee will increase
4. If the employer is paying encashment of earned leave on basic wage rate, then, it will also cause financial impact

The Code on Social Security 2020: (Main Features)

1. Special provision under this Code for coverage of establishment on voluntary basis under ESI and EPF Acts.
2. Social security for gig workers and platform workers which is an unorganized sector.
3. Definition of contract labour and contractor has been added in this code recognizing him entitled for payment of gratuity also.
4. Earlier for filing an appeal on the assessed amount under section 7-A of EPF Act the employer was to deposit 75% of the assessed amount which has now been reduced to 25%.
5. The lapses regarding deduction of employer contribution, reduction of wages of employees, non-submission of returns, failure to pay compensation, failure to send statement to competent authority (under Employees Compensation Act) will be punishable offences.
6. The provision of payment of gratuity has been clarified under this code and now, a **fixed term employee** after completion of one year of service will get gratuity proportionately according to his service.
7. I further want to clarify that the time limit of payment of gratuity for an employee who is working on regular basis will be only after completion of his 5 years service.
8. The penalty and fine has been revised and now, under this Code the penalty for violation under various law is upto Rs.3.00 lac and imprisonment upto 2 years though this figure is

for continuing offences, but even, otherwise, the penalty and punishment under this Act has been enhanced.

The Industrial Relation Code 2020 (Main Features)

1. Causal leave in a concerted manner comes under the definition of strike.
2. Certification of Standing orders will be applicable to the industrial establishment employing 300 workers
3. Now there will be two members in Industrial Tribunal: One judicial member or other administrative member
4. Under Industrial Disputes Act earlier for adjudication the state government was to make a reference and in this code there will be no reference of dispute to the Industrial Tribunal but the workman or the employer can approach the Industrial Tribunal and file their claim application within 90 days after receipt of report from Conciliation officer.
5. Now, in the definition of Industrial Disputes contractor and contract labour has been added in it and contractor has been added in the definition of employer also.
6. Charitable institution, social and philanthropy institution/religious institution has been kept out from the definition of industry.
7. Definition of worker apart from employee has been added. The definition of worker consists of working journalist, newspaper employee, sale promotion employee etc.
8. Under the clause of retrenchment the termination of service of fixed term employees will not be considered as retrenchment.
9. This code provides that where an employer has adopted model standing orders, then, such model standing order shall deem to have been certified under the provisions of this Act.
10. Any dispute can be raised by an employee within a period of 2 years only and conciliation officer will not entertain any demand notice given beyond 2 years of alleged date of termination of an employee.
11. As per this code there will be no publication of Award and it shall become enforceable after expiry of 30 days of its communication.
12. If the offence has been done again by the employer after bearing penalty for his earlier mistake, then, the minimum fine will be Rs.5.00 lacs but can be extended upto Rs.20.00 lacs.
13. If any person involves in the acts of unfair labour practice, then fine will be from Rs.10,000/- to Rs.2.00 lac.
14. Any work who gets involved in any act in furtherance of strike which is illegal can be punished with a fine which will be minimum of Rs.1000/- but may extend to Rs.10,000/- and there is a provision of imprisonment also.

15. Any person who instigates other workers to go on strike or lockout which is illegal copy be punishable with fine upto Rs.10,000/- but again extend to Rs.50,000/- and provision of imprisonment is upto one month.

16. Under this code also offences can be compounded.

THE OCCUPATIONAL, SAFETY, HEALTH AND WORKING CONDITION CODE 2020:

1. This code is combination of 13 various Acts. Detail is on the last page. Main feature of this code are:-

1. A new type of registration has been added under this Code i.e. Registration of establishment. Now, the establishment employing upto 20 workers will have to get registration under this code by depositing of fee as prescribed in the rules.
2. Women workers allowed to work in the night shift subject to strict compliance of conditions like safety, health, working hours etc. but with their consent.
3. A provision of common licence for factory and contract workers.
4. Issuance of single licence for all India basis especially for contract employees.
5. Definitions of Inter-state Migrant Workers, Mines, Metro Railways, Minerals, Motor Transport undertaking, Motor Transport Workers, Newspaper Establishment, Plantation etc. has been added which were not there in the earlier Acts.
6. Under this code, Letter of appointment will have to be issued to every employee.
7. Under this Code duties of employees have been introduced because if in happening of an accident the mistake will be of an employee, then, penalty can be imposed on him by the Inspector-cum-facilitator and employer cannot be prosecuted for the mistakes done by the employee.
8. Requirement of Safety Committee : 500 workers
 - a. Hazardous Process: 250 workers
 - b. BOCW : 250 workers
 - c. Mines: 100 workers
9. Under this code, Canteen facility is required if the factory/establishment is employing 100 workers including contract labour.
10. Overtime will be allowed but with the consent of workers. Number of hours are yet to be notified. But in the draft rules the maximum number of hours a worker can be deputed on overtime in the draft rules is 125.
11. In this Code, entitlement of a worker for availing the benefit of leave with wages will be after working of 180 days in the preceding year instead of 240 days.
12. Upto 30 leaves can be carried forward in excess.

13. Workers can apply for encashment of leave upto the end of Calendar year
14. Contract Labour: Applicability for every establishment in which 50 contract labour are employed and the Act would be applicable on contractors if he is employing more than 50 contract workers
15. Now, a contractor can obtain one licence for executing the work in more than one State or whole of India.
16. Now, the licence under contract labour will be valid for 5 years. Under this Code, the contractor shall pay wages to its employees through bank transfer or through electronic mode only.
17. Under this code Experience certificate be given to contract workers by the contractor.
18. This Code provides common licence for contractors and factories.
19. Under this code, Medical examination of employees – After one year
20. 26 days a month to be counted for overtime
21. Penalties under this Code have been enhanced upto Rs.5.00 lac with imprisonment upto 2 years.

It is pertinent to mention that yet no rules have been notified by the State and Central Government and there are draft rules only and I expect notification in April, 2026 and till then, these codes though notification has been issued but in the absence of rules, compliance under old Acts is to be ensured.

In case of any difficulty or for further details, kindly contact the undersigned either personally between 5.00 p.m. to 8.00 p.m. and it is assured that full cooperation will be extended at all levels.

Thanking you,

Yours Sincerely,

(Anil Arora)
Advocate