

IMPACT OF 4 NEW CODES

The State Govt. of Punjab has issued notification No.Labour-Lab0MIWA/I/2021-4L(260032)/166 dated 1.5.2026 wherein they have increased the minimum wages w.e.f.1.5.2026 @ 15% for unskilled, semi-skilled, skilled and highly skilled category of workers. Earlier, the increase of minimum wage rate was same for all the categories but now, since the increase against each category is 15%, so the category wise increase in wages is as hereunder:

1. Unskilled 1759.60/-
2. Semi-Skilled 1876.60/-
3. Skilled 2010.60/-
4. Highly Skilled 2165.60/-

CATEGORIES	01-05-2026
UNSKILLED	13486
SEMI-SKILLED	14383
SKILLED	15414
HIGHLY SKILLED	16601

THE CODE REPLACING:

The Central Government has notified Central Rules vide its notification dated 08.05.2026 for all the 4 new labour codes 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

NEW LABOUR CODES

In the definition of wages, there is an inclusion and exclusion clause. This means, the components of inclusion clause will be part of wages and the components of exclusion clause will not form part of wages.

Inclusion clause:

1. Basic Pay
2. Dearness Allowance
3. Retaining Allowance

The following components fall under Exclusion Clause:

1. HRA
2. Amount payable under any award or settlement
3. Overtime Allowance
4. Commission payable to the employees
5. Bonus
6. Value of any amenity like house accommodation, supply of light, water, medical and attendance etc
7. Employer share of EPF and the interest accrued thereon
8. Conveyance Allowance
9. Any sum paid to the employed person to defray special expenses as per nature of his employment

- It must be kept in mind that the components mentioned in the exclusion clause are specific. No extra component should be added in the Perks apart from the components mentioned in the exclusion clause otherwise the said component will be considered as part of basic wage. Further no ESI and EPF deductions should be made on these components.
- Now, for simple understanding, the fixation of basic wage rate and to arrive at the ratio of 50-50 of gross wages, the components of exclusion clause should be equivalent to that of inclusion clause.

FOR EXAMPLE :

If the total amount of basic wage + DA + retaining allowance is Rs.13486/- and the total amount of perks which comes under exclusion clause is Rs.15000/- then the total amount comes out to Rs.28486/- and the 50% of this amount is Rs.14243/- then the excess amount of Rs.757/- will be added in the basic wage rate.

INCLUSIONS 50%		DEMO	REMARKS	
BASIC	13486	13,486		ESI & PF YES
DA	0			ESI & PF YES
RA	0			ESI & PF YES
TOTAL	13486			
EXCLUSIONS 50%				
BONUS	8.33%	1,123	MAXIMUM UPTO 20 %	
PF	12%	1,618	12%	
HRA	40%	5,394	VARIABLE %	ESI & PF NO
CA	20%	2,697	VARIABLE %	ESI & PF NO
OTA (OVER TIME ALLOWANCE)	19.67%	2,651	VARIABLE %	ESI & PF NO
TOTAL ALLOWANCES MAXIMUM UPTO 100% OF BASIC	100.00%	13,485	100.00%	
		26,971		

3. 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.
4. Payment to an employee including payment of bonus has to be made through cheque/electronic mode.
5. 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.
6. As per code on wages the Payment of Bonus Act which was earlier applicable on 10 employees will now be applicable on 20 employees.
7. The bonus is payable to the contractor's employees also.

FINACIAL IMPACT WITH THE NEW **DEFINATIONATION OF WGES**

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

GRATUITY

1. There are certain doubts regarding gratuity and rumors are that the gratuity will be applicable on the employees who work for less than 5 years. There is no such amendment. A regular employee will be entitled to gratuity if he works for 5 years with the employer.
2. However in case of contractual/fixed period employee the gratuity is payable to such employee after completion of his one year of service and in case his service is less than one year, then, he is not entitled to gratuity.

OTHER KEY POINTS

3. All employees of contractors, fixed period employees are entitled to benefits of social security i.e. ESI, EPF, bonus, leave with wages and gratuity.
4. Issuance of appointment letter to the employees/workers, even to workers of contractor is a must and that too in a specific format.
5. Under Occupational, Health and Safety code there is a provision for registration of establishment employing Minimum 10 employees and up to 20 employees by visiting site of Invest Punjab.

6. If any establishment is employing 5 employees or less then, there is no need for such establishment to maintain any record under labour laws. But the said establishment should pay minimum wages to its employees as per code on wages.

7. In case the provisions of ESI and EPF are applicable and the employment strength has reduced to 5 or 6 employees then proper records are to be maintained to comply under the relevant Act.

ESSENTIAL
INSIGHTS

- Section 6(f), the employers will issue letter of appointment to its employees, if not issued as on now should be issued within 3 months after the application of this code.
- The employer will ensure annual health check of each employee.
- Disposal of Hazardous Waste.
- Sec. 44-BOCW stands amended and duties of safety have been entrusted upon Architect, Project Engineer & Designer also.
- In this Code, duties have been casted upon employee who shall be responsible for not doing any mischievous act causing him bodily injury. (Sec. 13 and Sec. 15)

- Canteen Facility was earlier required with 250 employees in F.A, now is required 150 employees.
- Welfare provisions simplified, earlier which covered sec. from 42 to 47 and now u/s 24.
- Restrooms, shelter for males and females separately required where 50 workers are working, earlier it was 150 u/s 47 F.A, Sec. 33 BOCW and Sec. 17 CLRA.
- Now Crèche is required for 50 workers irrespective of Genders. Sec. 24 now, 48 earlier in F.A.

- Sec. 51 to 56 replaced with sec. 25 to 31 and that too in simplified language.
- Since now there would be no restrictions of deploying the women workers in night shifts but subject to certain conditions.
- Leave with wages, now sec. 32, earlier sec. 79, criteria of 240 days reduced to 180 days.
- Leave rules simplified which were earlier in sec. 79 to sec. 84 has now been shifted in one sec. i.e. sec. 32.
- As per sec. 33 of the New Code, Records to be maintained electronically without any permission or manually like attendance, wages, OT, LWW, Dangerous occurrence, Wage slips, Employment of Adolescent.

CONTRACT LABOUR (REGULATION & ABOLITION) ACT

- Shall apply to factories employing 50 workers
- (Chapter XI, Section 45) for both registration and licensing.
- The license under CLRA will be of 5 years.
- Sec. 54 provides that in case Contractor works without license, then it would be the responsibility of the Principal Employer.
- Contractor would be responsible for making payments to its employees and in case he fails, the Principal employer will make payments to the Contractors employees.
- On the complaint by ELR, AG may pass orders for releasing payment from the security amounts of the Contractors.

Factories Act:

- In case after submission of all plans, no decision is taken by the AG within 30 days, then it is a deemed permission.
- By mere change of Plant and machinery, there is no need to get approval of site plans again (Sec. 79).
- Approval of SAC would be made within 30 days.
- Health & Safety Policy U/S 84(2), On-site emergency plans u/s 84(4).
- Penalties enhanced manifold provided u/s 94 to 106.
- Offences made compoundable under new law.
- A social security fund will be constituted for un-organized worker.
- U/S 119, a common license would be issued for Contractors, Factories or Industrial premises.

PENALTY / FINE

- -Obstructing the Inspector upto Rs.2.00 lacs but minimum Rs.1.00 lac, Imprisonment 6 months
- -Non-maintenance of record: upto Rs.1.00 lac but not less than Rs.50,000/-.
- -Continuing offence: Fine upto Rs.2.00 lacs

CONTRAVENTION OF ANY PROVISION :-

- -Upto Rs.1.00 lac
- -Continuing offence : Imprisonment 3 months
- -Fine Rs.2.00 lac.

PENALTY / FINE

VIOLATION OF SAFETY PROVISION RESULTING IN ACCIDENT:-

- Imprisonment 2 years
- Fine Rs.5.00 lacs

SERIOUS BODILY INJURY:-

- Fine Rs.4.00 lacs but not less than Rs.2.00 lac
- Imprisonment one year
- Continuing offence double punishment

CONTRAVENTION OF PROVISION UNDER BOCW :-

- Imprisonment upto 2 years
- Fine Rs.5.00 lacs but not less than Rs.2.00 lacs

PENALTY / FINE

- Now employee will also be subject to fine for not adhering the rules under Factories Act upto Rs.10,000/-
- All the above fines can be compounded under section 114.
- Onus of proving age of worker will be on employer.
- For assessment of age, medical authority will rely on Aadhar Card, Date of Birth Certificate, Matriculation Certificate etc.

FOR ANY QUERIES:

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