

FAQs on Labour Codes

S. No.	Query	Reply
1.	Which rules will be applicable during the transition period?	<ul style="list-style-type: none"> As per the provisions of Section 6 of General Clauses Act, 1897, old rules will remain in force till final notification of new rules under the Code, to the extent these are in line with Codes.
2.	What does the term "wages" mean?	<p>The definition of "Wages" covers:</p> <ul style="list-style-type: none"> All remuneration whether by way of salaries, allowances or otherwise payable to a person employed. This includes: Basic pay, Dearness allowance, Retaining allowance, if any If the payments/allowances other than Basic pay, Dearness allowance and Retaining allowance exceed 50% or such percentage as notified of all remuneration, then amount exceeding 50% or such percentage as notified shall be added in the "Wages".
3.	Definition of wages and the components it would cover.	<p>The definition of "Wages" covers:</p> <ul style="list-style-type: none"> All remuneration whether by way of salary, allowances or otherwise. These include Basic pay, Dearness allowance and Retaining allowance, if any. If the allowances (except gratuity and retrenchment compensation) exceeds 50% of all remuneration, the excess amount shall be added back to wages. Performance based incentives, Employee Stock Option Plans (ESOPs), variable part of the component or reimbursement-based payments to the employee shall not be part of the wages.

4.	What is the 50% rule for allowances?	<ul style="list-style-type: none"> • If the allowances and benefits together (except gratuity and retrenchment compensation) exceed 50% of the all remuneration, the excess amount shall be added back to wages. • Such added amount shall be treated as wages for statutory purposes.
5.	Whether Leave Encashment be part of allowances?	<ul style="list-style-type: none"> • As mentioned in Section 2(y) of Code on Wages, 2019, leave encashment is not a part of allowances.
6.	Does this definition of wages apply to all labour laws?	<ul style="list-style-type: none"> • This single definition of wages applies across all four Labour Codes • The same definition applies uniformly for statutory calculations
7.	Explain the allowance rule with a clear illustration?	<ul style="list-style-type: none"> • Total remuneration: ₹76,000 per month • Basic Pay + Dearness Allowance: ₹20,000 • Allowances: ₹40,000 • Other components (Gratuity and retrenchment compensation): ₹16,000 • Total allowance paid: ₹56,000 • Max. allowance allowed for calculation of wages (50% of total remuneration): ₹38,000 • Excess allowance over 50% limit: ₹2000 • ₹2000 shall be added back to wages (Basic Pay + DA) for statutory compliances. • Statutory calculations shall be made on revised wages: ₹22,000
8.	Whether Gratuity calculation will be applicable prospectively or retrospectively.	<ul style="list-style-type: none"> • Gratuity will be applicable w.e.f. 21st Nov, 2025 i.e. date of enforcement of the Code.
9.	Clarification on gratuity calculation in view of many companies considering December month as year end.	<ul style="list-style-type: none"> • Gratuity will be applicable w.e.f. 21st Nov, 2025 i.e. date of enforcement of the Code. Establishments may make provision as per accounting norms.

10.	When gratuity is payable to an employee?	<p>Gratuity shall be payable on following events:</p> <ul style="list-style-type: none"> • On termination • On superannuation (retirement due to age) • On resignation • On death or disablement due to accident or disease • On expiration of a fixed-term employment contract • On any other event notified by the Central Government
11.	Are there any special provisions related to gratuity in certain cases?	<ul style="list-style-type: none"> • Completion of five years of continuous service is not necessary in case of: <ul style="list-style-type: none"> ❖ Death (paid to nominee or legal heirs) ❖ Disablement ❖ Expiration of fixed-term employment ❖ Other events notified by the Central Government • If the nominee or heir is a minor, the share shall be deposited with a competent authority and invested in bank/financial institution for the benefit of such minor until majority
12.	How is gratuity calculated?	<ul style="list-style-type: none"> • For every completed year of service or part thereof in excess of six months: • 15 days' wages per year (or such number as notified by Central Government) based on the rate of wages last drawn. <p>Special cases:</p> <ul style="list-style-type: none"> • Piece-rated employees: Daily wages calculated as average of total wages for the three months preceding termination (excluding overtime) • Seasonal employees: 7 days' wages per season • Fixed-term employment or deceased employees: Gratuity paid on pro-rata basis

		<ul style="list-style-type: none"> • The maximum gratuity is as notified by the Central Government which is currently ₹ 20 lakhs. • For employees re-employed after disablement: <ul style="list-style-type: none"> ➢ Wages for the period preceding his disablement shall be taken to be the wage received by him during that period. ➢ Wages for the period subsequent to his disablement shall be taken to be the wages as so reduced.
13.	Does gratuity affect other agreements or awards?	<ul style="list-style-type: none"> • Nothing shall affect the right of an employee to receive better gratuity terms under any: • Award • Agreement • Contract with employer
14.	Whether the person drawing wages ₹18,000/- or more will be covered under the definition of worker as per OSH & WC Code.	<ul style="list-style-type: none"> • Any person, who is employed in a supervisory capacity drawing wages exceeding ₹18,000/- (or an amount as may be notified by the Central Government from time to time) is not included in the definition of worker.
15.	Clarity on Core and Non-core activities.	<ul style="list-style-type: none"> • Core and non-core activities are clearly defined under the OSH & WC Code, 2020 [Section 57]. Principal employer may engage contract labour for core activities which are ordinarily carried out through contractor, or of intermittent nature or involve sudden increase in volume of work requiring time-bound completion.
16.	Whether Journey Allowance for ISMW within the State for the long-distance workers may be allowed.	<ul style="list-style-type: none"> • As per OSH & WC Code, 2020, the employer shall pay to and fro journey allowance to ISMW once in a year from his native place to place of employment.
17.	How will the ESI coverage be governed until the finalisation of Rules?	<ul style="list-style-type: none"> • The definition of wage has come into force with notification of the Code w.e.f. 21st Nov, 2025.

FAQs - Code on Wages, 2019

Q1. Whether Data Entry Operators and employees in similar categories are included under the minimum wage provisions of the Code on Wages, 2019?

Ans: Yes. The concept of scheduled employment has been done away under the Code on Wages. The Code is now universally applicable to all employees, irrespective of their sector or category.

Q2. Is a daily wage worker not eligible for bonus??

Ans: Bonus is payable to every employee who has worked for at least thirty days in an accounting year as per the wage ceiling prescribed by the appropriate government.

Q3. Will the new concept of floor wage reduce the minimum wages fixed by the State??

Ans: No, Floor Wage is a baseline. Where the minimum rates of wages fixed by the State Government earlier is more than the floor wage, the State Government shall not reduce such minimum rates of wages fixed by it earlier.

Q4. Will the revised definition of wages under the Code, 2019 reduce employee wages?

Ans: No. The definition brings transparency and uniformity. Allowances exceeding a fixed percentage as notified by central government are added back to wages, increasing the base for PF, gratuity, and bonus, benefiting workers. It will strengthen social security of employees.

Q5. Does the Code on Wages allow employers to make too many deductions from workers' wages?

Ans: No. The Code caps all deductions at 50% of wages—uniform and protective compared to earlier 75% for cooperative deductions. The deduction are restricted to 50% of wages.

Q6. Will the fixation of minimum wages become arbitrary under Central Government control?

Ans: No. The Central as well as the State Governments will fix minimum wages within their respective jurisdictions. They must set these wages above the floor wage and after consulting workers and employers representatives. So, the process is fair, balanced, and not arbitrary.

Q7. Will the inspector under the Code facilitate only the employers?

Ans: No. The duties and powers of the inspector are retained, and he will enforce the provisions, simultaneously raising awareness among workers about their rights and guiding employers in compliance.

Q8. Is it true that working hours been extended in a way that deprives workers of overtime?

Ans: No. Flexibility in working hours will not curtail the minimum wage, and employees working beyond normal hours are entitled to the overtime rate which shall not be less than twice the normal rate of wages.

Q9. Are transgender persons not provided benefits under the Code on Wages, 2019?

Ans: The Employers shall not discriminate on ground of gender including transgender in matter relating to wages, recruitment of an employee for the same work or work of a similar nature and in the conditions of employment.

Q10. Does compounding of offences allow employers to escape punishment?

Ans: No. Deterrent and enhanced penalties are provided under the Code on Wages. Employers are given the opportunity to rectify irregularities; however, compounding is limited to the first offence and a repeat of offence within a period of 5 years is punishable with imprisonment that may extend up to 3 months or fine or with both. This system reduces unnecessary litigation while ensuring that employers cannot evade their responsibilities.

Q11. Is only permanent employee covered under the Code?

Ans: No. The Code covers all employees, including full-time, part-time, temporary, casual and contractual workers.

Q12. Does the Code on Wages benefit only organized sector workers?

Ans: No. The Code on Wages applies to all employees, employed in the organized or unorganized sector. It ensures minimum wages and timely payment. The Code universalizes minimum wages for all categories of employees.

FAQ on Myths and Realities of Industrial Relation (IR) Code 2020

Q 1. Whether the Industrial Relation Code in any way takes back workers' right relating to form trade unions?

Ans : No. The apprehension is totally incorrect. Provisions related to registration of trade union have been retained under Chapter-III of IR Code 2020.

Q 2. Whether IR Code bans all strikes?

Ans : No. The Industrial Relations (IR) Code, 2020 does not ban strikes. Right to strike remains intact under IR Code with mandatory 14 days notice period before going on strike.

Q 3. Whether the worker will need government permission to go on strike in IR Code?

Ans : No permission is required from the Government under the IR Code. However, 14-Days prior strike notice will be required which will facilitate both employer and union for immediate resolution of their dispute through timely conciliation leading to reduced their conflict.

Q 4. Whether IR Code allows employers to retrench workers freely?

Ans : No. The provisions for mandatory one month notice and retrenchment compensation continue to exist. Prior permission will be required for retrenchment by establishments having 300 or more workers.

Q 5. Is it true that trade unions lose their grievance redressal role?

Ans : No. It is not true. Instead Trade Unions get statutory backing in the form of negotiating union/negotiating council under the code thereby strengthening their collective bargaining. The code also provides for bipartite forums like Works Committee and Grievance Redressal Committee, having equal representation will facilitate time bound redressal of grievances of workers.

Q 6. Whether, the Code ends job security for permanent workers and promotes hire and fire?

Ans : No. The workers rights and job security remain protected in the IR Code with provisions for mandatory one month notice and retrenchment compensation. Prior permission will be required for retrenchment by establishments having 300 or more workers

Q 7. Is it true that Fixed-Term Employment (FTE) is exploitative?

Ans : No. Fixed Term Employees will be eligible for all benefits (EPF, ESI, flexible working hours, timely and minimum wages) equal to permanent employees. They will also be eligible for Gratuity on completion of one year of service. This will reduce

contractualisation. Fixed Term Employee will get appointment letter directly from the employer enhancing their pride. This will also increase their employability as freshers can gain experience in a short span of time and enhance specialized skills.

Q 8. Whether the new provisions under IR Code will allow the employers with less than 300 workers to fire without restriction?

Ans : No. The requirement for mandatory one month notice and retrenchment compensation for every completed year of service continue. Prior permission will be required for retrenchment by establishments having 300 or more workers. Also, additional provision of re-skilling fund for retrenched workers to enhance their skills to get better job perspective has been introduced for the welfare of the worker.

Q 9. Whether the conciliation mechanism is abolished under IR Code?

Ans : No. Rather, the conciliation mechanism have been streamlined and conciliation is now made compulsory in all strike notice and conciliation proceeding shall be commenced on the 1st meeting of conciliation. Fixed time-line, digital process and clear jurisdiction will now facilitate for faster settlement of disputes.

Q 10. Is it true that Labour Courts are being abolished?

Ans : The Labour Courts and Industrial Tribunals will be replaced with a **simplified two-tier tribunal system** reducing delays and multiplicity of forums. Instead of one member the IR Code has introduced two member Tribunals for speedy delivery of justice.

Q 11. Is it true that workers cannot collectively bargain or protest?

Ans : No. Mandatory recognition of a sole negotiating union/council strengthens structured bargaining by the workers with their employer.

Q 12. Is it true that Industry closure no longer needs approval?

Ans : Lay-off/Retrenchment/Closure have been well regulated under IR Code. Industries having 300 workers on any day of previous year will need prior permission from the Government. All benefits such as retrenchment compensation, priority in re-employment, etc. have been kept under IR Code.

Q 13. Is it true that workers' participation in management is removed?

Ans : Workers' participation have been ensured through Bipartite forums such as Works Committees and Grievance Redressal Committees under the IR Code.

Q 14. Whether penalty provision for employer violations in IR Code are removed?

Ans : No. Penal provisions are not compromised instead penalties have been substantially increased and made commensurate with the offences.

Q 15. Is it correct that IR Code centralizes all labour powers?

Ans : No. "Labour" is a concurrent subject under the Constitution of India and its jurisdiction is clearly defined in the codes. The State governments are appropriate government under all the four Labour Codes and they have to exercise their power as appropriate government.

Q 16. Whether abolition of Labour Courts will delay the workers justice?

Ans : No. With the provision of 2 member Industrial Tribunal, the justice will be speedily delivered.

Q 17. Whether the Code favours employers only?

Ans : No. The code protects the interest of workers through the provisions of negotiating unions/councils, works committee, Grievance redressal committee, requisite safeguards before retrenchment/lay-off and closure and effective dispute resolution mechanism.

Q 18. Whether sales promotion employees are not treated as "employees" and therefore not entitled to labour protections?

Ans : No. The sales promotion employees are legally recognized under the definition of 'worker' under the IR code.

Q 19. Is it true that the "Journalists" are freelancers and therefore not "employees"?

Ans : "Working Journalist" employed in a newspaper/agency have now been included under the definition of worker under the IR Code.

FAQs on Occupational Safety, Health and Working Conditions (OSH) Code, 2020

Q 1. Whether raising the threshold for definition of “factory” (from 10 workers with power / 20 without power to 20 workers with power / 40 without power) will exclude workers from safety and welfare protections?

Ans: No. The rights of workers regarding health, safety and welfare would be protected as these provisions are applicable for the establishments having 10 or more employees.

Q 2. Does increased licensing threshold for contract labour from 20 to 50 will deprive contract workers of protections?

Ans: No. All establishments having 10 or more employees must comply with safety and welfare measures. The increases licensing threshold is for administrative ease and does not affect workers’ entitlements/protections.

Q 3. Will allowing flexibility in working hours up to 12 hours per day will exploit workers?

Ans: No. The Code prescribes 8 hours per day and 48 hours per week as standard, with some flexibility to extend daily hours with the consent of workers on payment of overtime, at twice the rate wages.

Q 4. Whether it is not unsafe to allow women to work at night?

Ans: No. The Code gives women’s right to work in any establishment and night shift with the safeguard of adequate safety, transport, and security arrangements—thus promoting gender equality with safeguards. Moreover, consent of women worker is mandatory to work in night.

Q 5. Will replacing inspectors with inspector-cum-facilitators not weaken the enforcement?

Ans : No. The new system of inspection promotes transparent, technology-based inspections while maintaining accountability and facilitating employer ensuring better compliance. Code promotes compliance. Better compliance will ensure better protection to workers.

Q 6. Is it true that health and welfare facilities are limited to large establishments only?

Ans : No. The Code mandates health and safety provisions for all workers employed in establishments employing 10 or more employees.

Q 7. Will rationalization of 13 labour laws into one Code, dilute workers’ rights?

Ans : No. The Code simplifies and harmonizes provisions with protection of worker rights. Simplification and harmonization remove ambiguities and brings consistence in protection of workers.

Q 8. Whether portability of migrant worker benefits is ineffective and would not reach to beneficiary?

Ans : No. The Code requires setting up of Toll free helpline number for Inter State Migrant Worker (ISMW). ISMW can reach to govt through toll free number in case of difficulty faced by them.

Q 9. Will state rule-making powers cause dilution of worker protections?

Ans : Labour is in concurrent list of the Constitution. Accordingly, State are allowed to make rules for certain allocated sphere keeping in view of the local conditions and responsiveness to regional needs.

Q 10. Is it true that duties of employers are towards regular workers only and do not cover contract workers and inter-state migrant worker (ISMW) ?

Ans : No. The Code does not distinguish regular and contract workers or ISMW. The Code extends benefits to all workers, including contract and inter-state migrant workers.

Q 11. Is it true that allowing women to work in hazardous occupations is unsafe?

Ans: No. The Code ensures women's right to work in any occupation with adequate safety and with sufficient safeguards to promote gender equality

Q 12. Is it true that no protection provided to fixed-term employment workers in the code?

Ans : The Code covers all employees, including fixed-term employment workers and they will get all benefits like appointment letters, annual health check-ups etc.

Q 13. Whether OSH & WC Code favours employers by reducing penalties for violations?

Ans : No. Rather, penalties have been rationalized and only minor offences are compoundable, while serious safety breaches attract severe penalties including imprisonment.

Q 14. Does OSH Code provide any specific welfare facilities for transgender workers?

Ans : Yes. The Code recognizes first time the transgender workers and mandates separate bathing, toilet, restroom etc facilities for them ensuring dignity, privacy and equal access at the workplace.

Q 15. Is there any specific provision for drivers under the OSH Code?

Ans : Yes. The Motor Transport Workers including drivers are covered under the Code. The provisions on safety, health and welfare under the Code apply to them, including working hours, rest intervals etc.

Q 16. Are contract workers covered for welfare facilities?

Ans : Yes. The Contract workers are covered for welfare facilities which will now be provided by the principal employer.

Q 17. Is it true that stuntmen and dubbing artists are not provided any benefits under the OSH Code?

Ans : No. Under the definition of “audio-visual worker” in the Code, stuntmen and dubbing artists are also covered and will get the safety, health and welfare benefits provided to audio-visual workers.

Q 18- What is the minimum criterion in terms of number of days for a worker to be eligible for annual leave with wages as per the provisions of OSH&WC Code, 2020?

Ans- A worker should have worked for 180 or more days in a calendar year to be eligible for annual leave with wages.

Q 19. Whether contract labour worker be issued an experience certificate?

Ans- Yes, a contract worker can demand from concerned contractor to issue experience certificate.
