UPSC EPFO · EO/AO · APFC

Revision Module

LABOUR CODES

Wages · Industrial Relations · Social Security · OSH

The four Labour Codes in structured pointers and tables: every chapter, section by section, with the old law beside the present position.

The Four Labour Codes: Overview | Code on Wages, 2019 | Industrial Relations Code, 2020 | Code on Social Security, 2020 | OSH Code, 2020

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CHAPTER 1

The Four Labour Codes: Overview

Why Codification: Constitution | Path to Codification and Timel | From 29 Laws to Four Codes | Features, Key Thresholds and I

1 Why Codification: Constitutional Position and Old-Law Defects

Ch 1

➤ Constitutional Position

Labour is a subject on which both Parliament and the State Legislatures can make laws, because it is placed in the **Concurrent List** (List III) of the Seventh Schedule. Three entries matter most: **Entry 22** covers trade unions and industrial disputes, **Entry 23** covers social security, employment and unemployment, and **Entry 24** covers the welfare of labour, including conditions of work, provident funds, workmen's compensation, pensions and maternity benefits. Since both levels of government can legislate, a conflict is possible, and under **Article 254** a Central law prevails over a conflicting State law unless the State law has received the assent of the President.

The Constitution also tells the State what a good labour law should aim at, through the Directive Principles of State Policy. **Article 38** calls for a just social order, **Article 39** for an adequate livelihood and equal pay, **Article 42** for humane conditions of work and maternity relief, **Article 43** for a living wage, and **Article 43A** for the participation of workers in management. The four Labour Codes are the means by which these goals are given statutory shape.

Because labour is a concurrent subject, each Code works through the idea of the "appropriate Government". The **Centre** is the appropriate Government for railways, mines, oil fields, major ports, banking, insurance and Central public sector undertakings (CPSUs), while the **State** is the appropriate Government for most other establishments. Both Governments frame rules under the Codes, which is why the Codes needed Central and State rules before they could begin to operate.

➤ Four Defects of the Old Framework

Before the Codes, India had a large number of separate labour laws, made at different times and for different purposes. The table below sets out the main problems of that framework and the response that the Codes make to each.

Problem under old Acts	Response in the Codes
Multiple definitions (the same allowance was counted for bonus but not for PF or gratuity)	One uniform definition of wages across the Codes
Coverage limited by schedules and ceilings (Minimum Wages Act: scheduled employments only; Payment of Wages Act: wages up to ₹24,000 a month)	Minimum wage and timely payment for all employees
Multiple registrations, licences, returns and inspectors	Single registration, single licence, single return
Discretionary inspection; prosecution even for minor lapses	Inspector-cum-Facilitator, web-based randomised inspection, compounding and graded penalties
Only about 19% of the workforce had social security in 2015	Coverage extended to unorganised, gig and platform workers

Many of the old laws were also very old. Several were pre-independence statutes, namely the Workmen's Compensation Act 1923, the Trade Unions Act 1926, the Payment of Wages Act 1936 and the Industrial Employment (Standing Orders) Act 1946, and they had not kept pace with modern forms of work.

2 Path to Codification and Timeline

Ch 1

➤ Background

The idea of grouping labour laws is an old one. The **First National Commission on Labour** (chaired by Justice P.B. Gajendragadkar) submitted its report in 1969. The Second National Commission on Labour (chaired by Ravindra Varma) was constituted in 1999 and reported in June 2002. It recommended that the many laws be rationalised into a few functional codes covering industrial relations, wages, social security, safety, and welfare and working condi-

tions. In the final design, the subjects of safety, health, welfare and working conditions were merged into one Code, so that **four Codes** emerged rather than five.

➤ Timeline of the Codes

The table below shows how the four Codes passed through Parliament and when they were brought into force.

Date	Event
23 July 2019	OSH Code Bill introduced in Lok Sabha
8 August 2019	Code on Wages, 2019 receives assent (Act 29 of 2019); first Code enacted
28 Nov / 11 Dec 2019	IR Code Bill and Social Security Code Bill introduced; referred to the Standing Committee
19 September 2020	Revised IR, SS and OSH Bills introduced
22 and 23 September 2020	The three Bills passed by the Lok Sabha and the Rajya Sabha respectively
28 September 2020	Assent: IR Code (Act 35 of 2020), SS Code (Act 36) and OSH Code (Act 37)
18 December 2020	Code on Wages provisions on the Central Advisory Board brought into force
21 November 2025	All four Codes in force (S.O. 5319(E) to 5322(E))
8 May 2026	Central wage rules notified (G.S.R. 343(E))

➤ Why Five Years Passed Before Commencement

A Code becomes operative only when the Government notifies it and makes the rules that give it practical shape, such as forms, registers, wage fixation and the procedure for claims. Every State had to frame its own rules (draft rules were published in 2020-21), and the Centre chose to bring all four Codes into force on the same day. This is why the Codes enacted in 2019 and 2020 started working only in November 2025.

Two further points follow. First, the Codes contain a **savings** provision: rules, notifications, standards and schemes made under the old Acts continue until they are replaced. Second, the date of enactment is the date of the President's assent (8 August 2019 for the Code on Wages and 28 September 2020 for the other three), whereas the date of commencement is 21 November 2025 for all four.

3 From 29 Laws to Four Codes

Ch 1

➤ Laws Replaced by Each Code

The four Codes together replace **29 Central laws**. The table shows how many laws each Code subsumes and which Acts they are, and the total works out as 4 + 3 + 9 + 13 = 29.

➤ 4 + 3 + 9 + 13 = 29 central laws

Code	Laws subsumed	Central laws replaced
Code on Wages, 2019	4	Payment of Wages 1936; Minimum Wages 1948; Payment of Bonus 1965; Equal Remuneration 1976
Industrial Relations Code, 2020	3	Trade Unions 1926; Industrial Employment (Standing Orders) 1946; Industrial Disputes 1947
Code on Social Security, 2020	9	Employees' Compensation 1923; ESI 1948; EPF and MP 1952; Employment Exchanges (CNV) 1959; Maternity Benefit 1961; Gratuity 1972; Cine-Workers Welfare Fund 1981; Building Workers Welfare Cess 1996; Unorganised Workers' Social Security 2008
OSH and Working Conditions Code, 2020	13	Factories 1948; Plantations 1951; Mines 1952; Working Journalists 1955 and 1958; Motor Transport Workers 1961; Beedi and Cigar Workers 1966; Contract Labour 1970; Sales Promotion Employees 1976; Inter-State Migrant Workmen 1979; Cine-Workers and Cinema Theatre Workers 1981; Dock Workers 1986; Building Workers (Regulation) 1996

Arranged by the number of laws each Code absorbs, the order is OSH (13), Social Security (9), Wages (4) and IR (3). Each Code has a repeal and savings clause, so that action already taken under a repealed Act stays valid until it is replaced under the Code.

➤ Split Pairs and Laws Left Out

Some pairs of related Acts were deliberately placed in different Codes, depending on whether they dealt with money and benefits or with regulation. The **Building Workers Welfare Cess Act 1996** went to the Social Security Code, but the Regulation of Employment Act 1996 went to the OSH Code. In the same way, the **Cine-Workers Welfare Fund Act** went to the Social Security Code, but the Cine-Workers and Cinema Theatre Workers Act went to the OSH Code.

Four labour laws were not subsumed in any Code and continue to stand on their own: the Child and Adolescent Labour Act 1986, the Bonded Labour System (Abolition) Act 1976, the Apprentices Act 1961 and the Sexual Harassment of Women at Workplace Act 2013.

4 Features, Key Thresholds and Impact of the Codes

Ch 1

➤ Common Features

The four Codes share a common design. They use **uniform definitions** and the same split between the Central and State Governments as the appropriate Government. Compliance is simplified through an **Inspector-cum-Facilitator**, who works under a web-based randomised inspection scheme, and through a single electronic registration, a single licence and a single return.

The Codes also move away from heavy punishment for minor lapses. They follow a policy of **decriminalisation**: fines for minor first offences, compounding of offences, and an opportunity to comply before prosecution. In addition, every worker is to receive an appointment letter, the Codes are gender-neutral and include transgender persons, night work for women is allowed on a consent basis, and a savings clause protects action taken under the old laws.

➤ Highlights of the Other Three Codes

Although this book concentrates on the Code on Wages, the table below lists the main thresholds and rules of the other three Codes, because they are often compared with each other.

Provision	Position
IR Code: recognition	Union with 51% membership is the sole negotiating union; otherwise a council of unions with at least 20%
IR Code: standing orders, prior permission for lay-off, retrenchment, closure	300 or more workers (earlier 100)
IR Code: re-skilling fund	Employer contributes 15 days' last drawn wages per retrenched worker
IR Code: strike notice	60 days; no strike within 14 days of notice; applies to all industrial establishments
IR Code: Tribunal; grievance committee	Two-member Tribunal; Grievance Redressal Committee at 20 or more workers
SS Code: aggregator contribution	1-2% of annual turnover, capped at 5% of the amount paid to gig and platform workers
SS Code: ESI	Pan-India; voluntary below 10 employees; mandatory for hazardous processes even with one employee
SS Code: gratuity, fixed-term employee	After 1 year (earlier 5)
OSH Code: factory	20 workers with power, 40 without (earlier 10 and 20)
OSH Code: contract labour	50 or more (earlier 20)
OSH Code: annual leave; hours	After 180 days (earlier 240); 48 hours a week
OSH Code: safety committee; health check-up	500 or more workers; free annual check-up

➤ Impact and Concerns

According to the Government, social security coverage has risen from about 19% (2015) to over 64% (2025). There are also concerns. Higher thresholds may leave small units less protected, the strike notice requirement is wider, much of the detail is left to State rules, and facilitative inspection may weaken deterrence. The suggested way forward is timely State rules, awareness, simple digital systems and strong monitoring.

Three terms should be kept distinct. A **fixed-term employee** is engaged directly by the employer, while a **contract worker** is engaged through a contractor. A **gig worker** works outside an employer-employee relationship, and a **platform worker** reaches customers through an aggregator's online platform.

Two worked examples show how the figures operate. For the aggregator contribution, take a turnover of ₹1,000 crore, a payout to workers of ₹300 crore and a rate of 2%. Two per cent of turnover is ₹20 crore, while the cap of 5% of ₹300 crore is ₹15 crore; the amount payable is the lower figure, that is, ₹15 crore. For gratuity of a fixed-term employee with last wages of ₹26,000 and one year of service, the amount is 26,000 x 15 / 26 x 1 = ₹15,000, whereas under the old five-year rule it would have been nil.

CHAPTER 2

Code on Wages, 2019

Code on Wages: Nature, Objecti | Four Laws Subsumed and the Gap | Scheme of the Code: Chapters a
Universal Application, Highlig | Definitions: Scheme and Approp | Employee and Worker
Establishment, Contractor, Con | Other Definitions and the Same

1 Code on Wages: Nature, Objectives and Legislative History

Ch 2

➤ What the Code Is

Before the Code, the law on wages was spread across four separate Acts. The **Code on Wages, 2019** (Act No. 29 of 2019) was passed to bring them together. Its long title calls it "an Act to amend and consolidate the laws relating to wages and bonus", which means that it is both **consolidating** (it brings the four laws into one) and **amending** (it changes rules that were found unsatisfactory).

Under **Section 1**, the Code extends to the whole of India. It commences on the dates notified by the Centre, and different dates may be notified for different provisions. The Code applies to employees in both the **organised and unorganised sectors** and does not depend on a schedule of employments. The Government estimates that about 50 crore workers gain the right to a minimum wage and timely payment as a result.

➤ Objectives

The Code has several objectives. It consolidates four Acts with **one set of definitions and authorities**, and it ensures fair remuneration by linking wages to a minimum wage and a floor wage. It simplifies compliance through a uniform definition of wages, electronic records and facilitative inspection. It extends the minimum wage to all employees by abolishing scheduled employments. It also provides for equal pay irrespective of gender and for timely, transparent and digital payment of wages.

The Code gives effect to **Article 39(d)** (equal pay for equal work) and **Article 43** (living wage). It should be remembered that the minimum wage is a **floor**, not a living wage.

➤ Legislative History

The table below traces the Code from the first recommendation to the notification of the Central rules.

Date	Stage
June 2002	Second NCL recommends a code on wages
10 August 2017	Code on Wages Bill, 2017 introduced in Lok Sabha
21 August 2017	Referred to the Standing Committee on Labour
18 December 2018	Standing Committee report; 17 of 24 recommendations accepted
May 2019	Bill lapses on dissolution of the 16th Lok Sabha
23 July 2019	Bill of 2019 introduced in the 17th Lok Sabha
30 July 2019 / 2 August 2019	Passed by Lok Sabha / Rajya Sabha
8 August 2019	Presidential assent (date of enactment)
18 December 2020	Central Advisory Board provisions in force (S.O. 4604(E))
21 November 2025	Remaining provisions in force (S.O. 5322(E))
8 May 2026	Central rules notified (G.S.R. 343(E))

The Code on Wages was the **first Labour Code enacted** and the first to be partly brought into force. Note also that the date of passage in Parliament (2 August) is different from the date of the President's assent (8 August), which is the date of enactment.

2 Four Laws Subsumed and the Gaps They Left

Ss. 1, 69

➤ Gaps in the Old Coverage

Each of the four earlier Acts left some workers outside its protection. The table shows what each Act covered and the gap that the Code closes.

Old Act	Old coverage	Gap closed by Code
Payment of Wages Act, 1936	Factories, railways, notified establishments; wages up to ₹24,000 a month (ceiling since 2017)	Employees above the ceiling were unprotected
Minimum Wages Act, 1948	Only scheduled employments	Non-scheduled workers had no minimum wage
Payment of Bonus Act, 1965	Factories and establishments with 20 or more persons; employees earning up to ₹21,000	A different definition of salary or wage
Equal Remuneration Act, 1976	Men and women workers	No express protection for transgender persons; a separate authority

➤ Where Each Old Act Now Lies

The Code places each old Act in a chapter of its own and changes it along the way. The table shows the location of each Act in the Code and the main change made.

Old Act	Code location	Main change
Payment of Wages 1936 (Royal Commission on Labour 1931)	Ch III, ss. 15-25	Wage ceiling removed; time limits depend on the wage period
Minimum Wages 1948	Ch II, ss. 5-14	Schedule removed; floor wage (s. 9) introduced
Payment of Bonus 1965 (Bonus Commission 1964)	Ch IV, ss. 26-41	Common wage definition; ceilings by notification; bonus ceilings were ₹21,000 and ₹7,000 (2015)
Equal Remuneration 1976	Ch I, ss. 3-4	"Gender" covers transgender persons

Section 69 repeals the four Acts, but a savings clause keeps notifications under them (for example, minimum rates already fixed) alive until they are superseded. The advisory function on women's employment now passes to the **Central and State Advisory Boards**, one-third of whose members must be women.

The four Acts date from 1936, 1948, 1965 and 1976, with gaps of 12, 17 and 11 years between them. Only the Payment of Wages Act is a pre-independence law.

3 Scheme of the Code: Chapters and Sections

Scheme

➤ Chapters at a Glance

The Code has 9 chapters and 69 sections. The table gives the title of each chapter, its sections and the main provisions found in it.

Ch	Title	Sections	Contents
I	Preliminary	1-4	Short title; definitions (s.2); no gender discrimination (s.3); decision on same or similar work (s.4)
II	Minimum Wages	5-14	Minimum wage; fixation; components; procedure (s.8); floor wage (s.9); normal day (s.13); overtime (s.14)
III	Payment of Wages	15-25	Mode (s.15); wage period (s.16); time limit (s.17); deductions (s.18); fines (s.19); Government establishments (s.25)
IV	Payment of Bonus	26-41	Eligibility (s.26); set-on and set-off (s.36); time limit (s.39); public sector (s.40); non-applicability (s.41)
V	Advisory Board	42	Central and State Advisory Boards
VI	Dues, Claims and Audit	43-50	Dues (s.43); death (s.44); claims (s.45); disputes (s.46); audit (s.48); appeal (s.49); records and returns (s.50)
VII	Inspector-cum-Facilitator	51	Appointment and powers
VIII	Offences and Penalties	52-56	Cognizance (s.52); penalties (s.53, s.54); companies (s.55); composition (s.56)
IX	Miscellaneous	57-69	Burden of proof (s.59); rules (s.67); removal of difficulties (s.68); repeal and savings (s.69)

The section counts per chapter are 4 + 10 + 11 + 16 + 1 + 8 + 1 + 5 + 13 = 69. Chapter IV (16 sections) is the longest, while Chapters V and VII have one section each. A common slip is to place s. 50 (records and returns) in Chapter VII; it actually belongs to Chapter VI.

4 Universal Application, Highlights and Commencement

Coverage

➤ Who Is Covered

The Code is meant to apply universally, but its chapters differ somewhat in reach. The table shows to whom each part applies.

Part	Applies to
S. 3 (gender)	All employers and employees, including Government establishments
Ch II (minimum wages)	Every employee, whatever the employment and wage
Ch III (payment of wages)	Every employee; s.25 excludes Government establishments unless notified
Ch IV (bonus)	Factory or establishment with 20 or more persons on any day of the accounting year; employees within the notified wage limit; s.41 excludes bodies such as LIC, RBI, universities and non-profit hospitals

➤ Highlights: Old Position vs Code

The table below summarises the main features of the Code and, where relevant, how they differ from the old position.

Highlight	Code
Minimum wage	All employees (schedule abolished)
Timely payment, deductions	All employees, no ceiling (old: up to ₹24,000)
Floor wage	Statutory, fixed by the Centre; no State minimum below it (old NFLMW was non-statutory)
Payment mode	Coin, notes, cheque, bank credit, electronic mode
Inspection	Inspector-cum-Facilitator; web-based randomised scheme
Penalties	Graded; higher for repeat offences; composition of offences
Burden of proof	On the employer (s.59)
Claims limitation	3 years (old: 6 months under the Minimum Wages Act; 12 months under the Payment of Wages Act)

The longer limitation period makes a real difference. Take a worker underpaid ₹1,500 a month for 20 months. Under the old limit of 6 months, the worker could recover only 6 x 1,500 = ₹9,000, but under the Code the worker can recover 20 x 1,500 = ₹30,000.

➤ Commencement

The Code was brought into force in stages, as the table shows.

Notification	Date	Provisions
S.O. 4604(E)	18 Dec 2020	Central Advisory Board parts of s.42; related s.67; part of s.69
S.O. 5322(E)	21 Nov 2025	Ss. 1-41, 42(4)-(9), 43-66, rest of 67, 68, 69
G.S.R. 343(E)	8 May 2026	Central rules

States frame their own rules for establishments where they are the appropriate Government.

5 Definitions: Scheme and Appropriate Government

S. 2

➤ Scheme of Section 2

Every law needs a common vocabulary, and the four old Acts each had their own. **Section 2** of the Code now supplies 26 definitions, in clauses (a) to (z), which apply to every Chapter and replace the separate vocabulary of the four old Acts. Some definitions are of the "includes" kind: for example, "State" includes a Union territory. Others are borrowed from other laws: "company" from the Companies Act 2013 (s.2(20)), "factory" from the Factories Act 1948, and "Tribunal" from the ID Act 1947 (s.2(r)). The definition of wages is also adopted by the Code on Social Security, so it sets the base for PF and gratuity.

➤ Appropriate Government: s. 2(d)

The Code needs to say which Government, Central or State, fixes minimum wages and enforces the law for a given establishment. The Central Government is the appropriate Government for establishments of or under the Centre: railways, mines, oil fields, major ports, air transport, telecommunication, banking and insurance companies, cor-

porations established under Central Acts, CPSUs and their subsidiaries, and autonomous bodies of the Centre. It is also the appropriate Government for contractors of such establishments. The State Government is the appropriate Government for any other establishment.

The listing is by sector and not by ownership, so a private mine or a private bank is also a Central subject. The appropriate Government fixes minimum wages, appoints Inspector-cum-Facilitators and claims authorities, makes rules and receives returns. The table gives some examples.

Establishment	Appropriate Government
Private coal mine	Central (mines)
Private bank branch	Central (banking)
Contractor supplying staff to a CPSU	Central
Private textile mill	State
Municipal corporation office	State

6 Employee and Worker

s. 2(k), (z)

➤ Employee and Worker Compared

The Code uses two related terms, **employee** and **worker**, and the second is narrower than the first. The table compares them on the main points.

Basis	Employee, s. 2(k)	Worker, s. 2(z)
Scope	Any person employed on wages for skilled, semi-skilled, unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work	Person employed in any industry for manual, unskilled, skilled, technical, operational, clerical or supervisory work
Managerial and administrative staff	Included	Excluded
Supervisors	Included without limit	Included only if wages do not exceed ₹18,000 a month (S.O. 454(E), 30 Jan 2026; the text says ₹15,000)
Special inclusions	Person declared an employee by the appropriate Government	Working journalists; sales promotion employees; persons dismissed or retrenched in connection with an industrial dispute
Exclusions	Apprentices (Apprentices Act 1961); Armed Forces of the Union	Apprentices; Air Force, Army and Navy personnel; police; prison staff; managerial or administrative staff; supervisors above the ceiling

The result is that every worker is an employee, but not every employee is a worker. The term "employee" carries the protective guarantees of the Code, while "worker" is aligned with the IR Code. The ceiling test uses the word "exceeding", so a supervisor drawing exactly ₹18,000 remains a worker. The old ID Act ceiling was ₹10,000 (since 2010).

Two examples show the difference. A supervisor drawing ₹18,500 is an employee but not a worker. A branch manager drawing ₹16,000 is an employee but not a worker, because for a managerial person the amount of pay is irrelevant.

➤ Employer: s. 2(l)

An **employer** is a person who employs one or more employees, directly or through any person, in his establishment. The definition includes the occupier of a factory (Factories Act s.2(n)) and the manager (s.7(1)(f)). For other establishments it includes the person with ultimate control over the affairs or the manager or managing director. It also includes the contractor and the legal representative of a deceased employer. For a Government department the employer is the authority specified by the head of the department, and for a local authority it is the chief executive.

7 Establishment, Contractor, Contract Labour and Industrial Dispute

➤ Key Terms

s. 2(m), (n), (o), (f), (g), (q)

The Code defines a number of terms that decide who is covered and in what setting. The table gives the meaning of each.

Term	Meaning
Establishment, s.2(m)	Any place where any industry, trade, business, manufacture or occupation is carried on, including a Government establishment; there is no minimum size
Government establishment, s.2(o)	Any office or department of the Government or of a local authority
Factory, s.2(n)	As in s.2(m) of the Factories Act 1948: 10 or more workers with power, 20 or more without, on any day of the preceding 12 months (the OSH Code now uses 20 and 40, but the Wages Code still refers to the 1948 definition)
Contractor, s.2(f)	Undertakes to produce a given result through contract labour (other than mere supply of goods), or supplies contract labour as mere human resource; includes a sub-contractor
Contract labour, s. 2(g)	A worker hired in or in connection with the work of an establishment by or through a contractor, with or without the principal employer's knowledge; includes an inter-State migrant worker
Industrial dispute, s. 2(q)	(i) A dispute between employers and employers, employers and workers, or workers and workers on employment, terms or conditions; (ii) a dispute between an individual worker and the employer on discharge, dismissal, retrenchment or termination

Contract labour does not include a contractor's regular employee (other than a part-time one) who is engaged on mutually accepted standard terms, namely regular engagement, periodical increments, and social security and welfare benefits. The line between a contractor and a supplier is also important: a vendor who only supplies goods is not a contractor, but an agency supplying security guards is.

8 Other Definitions and the Same Work Test

s. 2(a)-(z)

➤ Same Work or Work of a Similar Nature: s. 2(v)

The equal pay provisions of the Code depend on when two jobs can be called the same. Under s. 2(v), this means work for which the skill, effort, experience and responsibility required are the same (the **S-E-E-R** test), done under similar working conditions, and where the difference between employees of any gender is not of practical importance in terms and conditions of employment. Educational qualification and job title are not factors. The old 1976 Act spoke of "men and women workers", whereas the Code speaks of "employees of any gender".

➤ Other Definitions

The table below lists some other definitions in s. 2 that are used in different Chapters of the Code.

Term	Meaning
Accounting year, 2(a)	Year commencing on 1 April (uniform; the old Bonus Act allowed varying years)
Advisory Board, 2(b)	Central or State Advisory Board under s.42
Company, 2(e)	As in the Companies Act 2013, s.2(20) (the old Bonus Act used the 1956 Act)
Corporation, 2(i)	Body corporate set up by or under a Central or State Act; excludes a company and a co-operative society
Direct tax, 2(j)	Income-tax Act 1961; Companies (Profits) Surtax Act 1964; agricultural income tax law; any other tax declared by the Centre; relevant to gross profit for bonus
Inspector-cum-Facilitator, 2(r)	Person appointed under s.51(1)
Minimum wage, 2(s)	Wage fixed under s.6
State, 2(w)	Includes a Union territory
Tribunal, 2(x)	As in s.2(r) of the ID Act 1947

9 Definition of Wages: Inclusions and Exclusions

s. 2(y)

➤ The Basic Definition

The definition of wages is the most important in the Code, because it decides the base for minimum wage, payment of wages, bonus and, through the Code on Social Security, PF and gratuity. **Wages** means all remuneration (salaries, allowances or otherwise) expressed in money or capable of being so expressed, which would be payable if the terms of employment were fulfilled. It expressly includes (i) basic pay, (ii) dearness allowance and (iii) retaining allowance, but it does not include the items listed at (a) to (k).

➤ Excluded Payments

The table lists the eleven excluded payments. The last column shows whether each is counted in the 50% test, which is explained in the next topic.

Item	Excluded payment	Counted in 50% test?
(a)	Statutory bonus not forming part of remuneration under the terms of employment	Yes
(b)	Value of house accommodation, light, water, medical attendance or other amenity	Yes
(c)	Employer's contribution to pension or provident fund, and accrued interest	Yes
(d)	Conveyance allowance or value of travelling concession	Yes
(e)	Sum paid for special expenses of the employment	Yes
(f)	House rent allowance	Yes
(g)	Remuneration under an award, settlement or order of a court or Tribunal	Yes
(h)	Overtime allowance	Yes
(i)	Commission	Yes
(j)	Gratuity on termination	No
(k)	Retrenchment compensation, retirement benefit or ex gratia on termination	No

The exclusion list is a closed one. A special allowance, city compensatory allowance or performance allowance that is paid under the terms of employment is not on the list and is therefore part of wages. The old laws were inconsistent: the Bonus Act used basic pay plus DA only, the Minimum Wages Act included HRA, and each Act differed. The Code has one definition for all purposes.

10 The 50 Per Cent Rule, Special Inclusion and Remuneration in Kind

s. 2(y)

➤ First Proviso: the 50% Rule

If employers could exclude any amount they wished by calling it an allowance, the definition would be easy to avoid. The first proviso prevents this. If the payments under items (a) to (i) exceed one-half (or any other percentage notified) of all remuneration, the excess is added back to wages. In other words, wages can never be less than 50% of total remuneration. In short form: Wages = total remuneration - excluded items + excess over 50%.

The reason for the rule is that employers kept the basic pay low and paid the rest as allowances, so as to reduce their liability for PF and similar charges; compare RPFC v. Vivekananda Vidyamandir (2019) on special allowances paid to all employees. If exactly 50% is excluded, the rule does not apply, because the excluded items must exceed one-half. The table gives two illustrations.

Component (₹/month)	Illustration 2	Illustration 3
Basic pay	20,000	15,000
Dearness allowance	10,000	5,000
Special allowance (not excluded)	-	15,000
HRA	25,000	12,000
Conveyance	5,000	3,000
Overtime	10,000	-
Commission	10,000	-
Total remuneration	80,000	50,000
Excluded items (a)-(i)	50,000	15,000
50% of total	40,000	25,000
Excess added back	10,000	Nil
Wages	40,000 (30,000 + 10,000)	35,000 (15,000 + 5,000 + 15,000)

The effect on gratuity is large. Gratuity is 15/26 x wages x years, so for wages of ₹40,000 and 10 years the gratuity is ₹2,30,769, against ₹1,73,077 if wages were only ₹30,000.

➤ Second Proviso: Equal Wages and Payment of Wages

For the purposes of **equal wages** (s. 3) and **payment of wages** (Chapter III) only, items (d) conveyance, (f) HRA, (g) award or settlement and (h) overtime are counted in wages. Bonus, amenities, PF contributions, special expenses and commission stay excluded. For example, take basic pay 20,000, DA 5,000, HRA 8,000, overtime 3,000, convey-

ance 2,000 and commission 4,000, a total of 42,000. The general wages are 25,000, but the wages for these two purposes are 38,000.

➤ Explanation: Remuneration in Kind

Where an employer gives remuneration in kind in lieu of wages, it counts as wages only up to 15% of the total wages payable, and any excess is ignored. For example, if the cash wage is ₹40,000 and goods worth ₹9,000 are given, only ₹6,000 (15%) is counted.

11 Equal Pay: Constitutional, International and Historical Foundations

Ch 4

➤ Sources of the Equal Pay Principle

The principle of equal pay for men and women rests on the Constitution and on international instruments. The table lists the main sources and what each says.

Source	Bearing
Art. 14, 15, 16	Equality; no sex discrimination; equal opportunity in public employment; Art. 15(3) permits special provisions for women
Art. 39(a), 39(d)	Equal right to livelihood; equal pay for equal work for men and women
Art. 42	Just and humane conditions; maternity relief
ILO Convention 100 (1951)	Equal remuneration for work of equal value; ratified 1958
ILO Convention 111 (1958)	No discrimination in employment and occupation; ratified 1960
CEDAW 1979	Art. 11 equal remuneration; India ratified 1993
UDHR 1948	Art. 23(2) equal pay for equal work

There is a difference of approach between Indian law and the ILO. Indian law compares same or similar work, whereas ILO Convention 100 compares work of equal value. SDG Target 8.5 seeks equal pay by 2030.

➤ Equal Remuneration Act, 1976

India's first dedicated law on the subject was the Equal Remuneration Act. An Ordinance was promulgated on 26 September 1975 (International Women's Year), and it was replaced by Act 25 of 1976. A 1987 amendment extended non-discrimination to promotion, training and transfer and raised the penalties.

Its main provisions were as follows. Section 4 required equal remuneration and barred any reduction of rates. Section 5 prohibited discrimination in recruitment. Section 6 set up an Advisory Committee with not less than one-half women. Section 7 provided an authority not below the rank of Labour Officer, and s. 16 allowed the Government to declare that a difference was based on a factor other than sex. The Act was repealed by s. 69 of the Code with effect from 21 November 2025, subject to the savings clause.

12 Section 3: Prohibition of Gender Discrimination

Ss. 3-4

➤ Provisions of Section 3

Section 3 is the core of the equal pay law. Under S. 3(1), there shall be no discrimination in an establishment or unit among employees on the ground of gender in matters relating to wages by the same employer, for the same work or work of a similar nature. Under S. 3(2)(i), an employer shall not reduce any employee's rate of wages in order to comply, which bars "levelling down". Under S. 3(2)(ii), there shall be no discrimination on the ground of sex in recruitment for the same or similar work and in conditions of employment, except where the employment of women is prohibited or restricted by law.

The word "gender" covers transgender persons, in line with NALSA v. Union of India (2014) and the Transgender Persons Act 2019. Custom, or the employer's view that the work is unsuitable for women, is not an exception. The table explains the elements of s. 3(1).

Element of s.3(1)	Meaning
Establishment or unit	Comparison is made within one establishment or unit
Among employees	All employees, including managerial staff (wider than "workers")
Matters relating to wages	Every component of pay, not only the basic rate
Same employer	Pay by a different employer is not a comparator

Two worked examples apply the rule. Sunita earns a basic pay of ₹19,000 against Ravi's ₹22,000 for the same work, for 10 months: her arrears are 3,000 x 10 = ₹30,000, her pay must be raised to ₹22,000, and Ravi's pay cannot be cut. In a garment unit, males are paid ₹650 and females ₹560 a day; for 26 days x 6 months, each of the 25 women is owed 90 x 156 = ₹14,040, a total of ₹3,51,000.

➤ Section 4: Authority

Whether work is the same or of a similar nature is decided by the authority notified by the appropriate Government. The money claim then follows the common claims procedure. This is a change from the 1976 Act, under which one authority (s. 7) did both tasks.

13 Permissible Differences, Case Law and Old Act vs Code

s. 3-4

➤ Permissible and Impermissible Differences

Equal pay does not mean that every employee must be paid the same. Differences based on objective factors are allowed, but differences based on gender are not. The table sets the two side by side.

Permissible	Impermissible
Higher pay for a higher skill grade, applied uniformly	Separate male and female rates for the same grade
Uniform seniority increments; shift, hazard or location allowances to all who qualify	Different job titles created to pay women less
Objective performance pay; maternity-related special treatment	A "family allowance" only for men; lower starting pay for women; denial of promotion or training

The Code adds experience as a factor in comparing work, and it must apply to all genders alike.

➤ Leading Cases

The courts have developed the equal pay principle through a number of decisions, summarised below.

Case	Principle
Randhir Singh v. UoI (1982)	Equal pay for equal work is a constitutional goal under Arts. 14, 16 and 39(d)
Air India v. Nergesh Meerza (1981)	Separate cadres allowed; termination on first pregnancy struck down
Mackinnon Mackenzie v. Audrey D'Costa (1987)	Lady stenographers entitled to equal pay; a union settlement or the employer's finances are no defence
State of AP v. G. Sreenivasa Rao (1989)	Reasonable differences (seniority, merit) allowed
State of Punjab v. Jagjit Singh (2016)	Temporary employees doing the same duties get at least the minimum of the regular scale
NALSA v. UoI (2014)	Transgender persons recognised as a third gender

➤ 1976 Act vs Code

The Code improves on the 1976 Act in several ways, as the table shows.

Aspect	1976 Act	Code
Persons	Men and women workers	All employees, every gender
Test	Skill, effort, responsibility	Skill, effort, experience, responsibility, similar conditions
Recruitment	Recruitment; promotion, training, transfer (1987)	Recruitment and all conditions of employment
Advisory body	Advisory Committee, at least one-half women	Advisory Boards, one-third women
Deciding similarity	s.7 authority (not below Labour Officer)	Authority notified under s.4
Government declaration	s.16 allowed	None

14 Wage Concepts, Norms and Judicial Foundations

Ch II

➤ Three Wage Concepts

Before looking at the minimum wage provisions, it helps to understand the three levels of wage described by the Committee on Fair Wages (1948). The table compares them.

➤ Committee on Fair Wages (1948)

Concept	Meaning	Capacity to pay
Minimum wage	Bare sustenance, efficiency, some education, medical needs and amenities	Irrelevant
Fair wage	Above the minimum; linked to productivity, prevailing rates and national income	Relevant (upper limit)
Living wage	Food, clothing, shelter, frugal comfort, education, insurance; the ideal under Art. 43	Ideal

➤ 15th Indian Labour Conference (1957) Norms

The method of working out a minimum wage was laid down by the 15th Indian Labour Conference in 1957. It assumes a standard working-class family and sets norms for each item of expenditure, as the table shows.

Norm	Content
Standard family	3 consumption units: earner 1 + spouse 0.8 + two children 0.6 each
Food	2,700 calories per adult per day (Dr. Aykroyd)
Clothing	18 yards per head per year; 72 yards for a family of four
Housing	Rent of the minimum area under the Government industrial housing scheme
Fuel, lighting, miscellaneous	20% of the total minimum wage
Education, medical, recreation, old age	25% of the total (added by Reptakos Brett, 1991)

A worked example shows how the percentages are used. If food, clothing and housing together cost ₹11,600, and the 45% (20% + 25%) is a share of the total wage W, then the ₹11,600 is the remaining 55% of W, so W = 11,600 / 0.55 = ₹21,091. Under the Central Rules 2026, Rule 3 leaves the criteria for fixation to an order of the Central Government, and the final rules omit the figures that appeared in the draft rules.

➤ Judicial Foundations

The courts have shaped the law on minimum wages, and the table lists the leading cases and what each decided.

Case	Principle
Bijay Cotton Mills v. State of Ajmer (1955)	Minimum Wages Act constitutional; a reasonable restriction
Crown Aluminium Works (1958)	An industry unable to pay the minimum wage has no right to exist
U. Unichoyi v. State of Kerala (1961)	Minimum wage payable irrespective of capacity to pay
PUDR v. UoI (1982) (Asiad)	Less than the minimum wage is forced labour under Art. 23
Sanjit Roy v. State of Rajasthan (1983)	Famine-relief workers entitled to the minimum wage
Workmen v. Reptakos Brett (1991)	Added the 25% component

15 Payment and Fixation of Minimum Wages

Ss. 5-6

➤ Section 5: The Duty to Pay

Section 5 lays down the basic rule that no employer shall pay any employee less than the minimum rate notified by the appropriate Government. The rule is absolute and universal, because the Schedule of employments has been abolished. An employee's agreement to accept less is void, and the employer's inability to pay is no defence. The Central Government's own employees are governed by their service rules (Central Rules 2026).

➤ Section 6: Fixation

Section 6 explains how the minimum rates are to be fixed. The table gives each sub-section and its provision.

Sub-section	Provision
6(1)	Rates are fixed as per s.8, subject to the floor wage (s.9)
6(2)	Rates are fixed for time work and piece work
6(3)	A piece-work rate must secure a minimum rate on a time-work basis
6(4)	Time rates may be by the hour, day or month
6(5)	The manner of calculation is as prescribed

Sub-section	Provision
6(6)	Fixation is primarily by skill (unskilled, semi-skilled, skilled, highly skilled) or geographical area or both; arduousness (temperature, humidity, hazardous or underground work) may be considered; prescribed norms apply
6(7)	The number of rates is kept to the minimum

➤ Conversion Rules (Rule 3, Central Rules 2026)

The rate is fixed on a daily basis, and the other rates are derived from it: hourly = daily / 8 and monthly = daily x 26. A fraction of half a rupee or more is rounded up. For example, a rate of ₹783 a day gives an hourly rate of 97.875, rounded to ₹98, and a monthly rate of ₹20,358. A rate of ₹624 a day gives ₹78 an hour and ₹16,224 a month.

Two further examples illustrate the rules. A piece worker who produces 30 units at ₹15 earns ₹450, but the time-work minimum is ₹600, so ₹600 is payable; higher earnings are payable in full, because the guarantee is only a floor. For arduous work, a skilled rate of ₹700 with a 15% underground allowance becomes ₹805 a day.

16 Components of Minimum Wages and COLA

S. 7

➤ Forms of the Minimum Rate

A minimum wage can be expressed in different ways. Under S. 7(1), the minimum rate may be fixed as (a) a basic rate plus a cost of living allowance (COLA); (b) a basic rate, with or without COLA, plus the cash value of concessions in essential commodities; or (c) an all-inclusive rate. Under S. 7(2), the COLA and the cash value of concessions are computed by an authority notified by the appropriate Government at specified intervals.

Rule 4 of the Central Rules 2026 provides that the variable dearness allowance (VDA) is revised twice a year, before 1 April and 1 October, on the average CPI-IW of the Labour Bureau.

➤ Worked Examples

Suppose the basic wage is ₹520 and the VDA ₹80, and the average CPI-IW rises from 140.0 to 143.5, a rise of 3.5 points. If neutralisation is ₹4 per point, the VDA rises by 14, and the revised wage is 520 + 94 = ₹614 a day. As an example of the total, a basic of 480, COLA of 120 and concessions of 40 gives ₹640 a day.

17 Procedure for Fixing and Revising Minimum Wages

S. 8

➤ Methods and Time Limits

Section 8 lays down how the appropriate Government must go about fixing and revising minimum wages. It may use a committee or a public notification of proposals, and the table sets out each step with its time limits.

Method / rule	Provision
Committee method, 8(1)(a)	The Government appoints committees to enquire and recommend
Notification method, 8(1)(b)	Proposals are notified; the date for consideration is not less than two months
Committee composition, 8(2)	Equal employer and employee representatives; independent persons not exceeding one-third
Notification of rates, 8(3)	In force on expiry of three months from the date of issue unless otherwise stated; the Advisory Board is consulted when revising by the notification method
Review, 8(4)	Ordinarily at intervals not exceeding five years

These are the same periods (two months, three months and five years) as under the Minimum Wages Act 1948. For example, a committee of 18 may have at most 6 independent members, with the others split 6:6. If a committee has 3 independent members, the remaining seats are split equally.

➤ Timeline Example

If proposals are notified on 1 January 2026, the earliest date of consideration is 1 March 2026. If the final notification is issued on 15 April 2026 without any date, the rates are in force from 15 July 2026, and the next review is due by April 2031.

18 Floor Wage and Old Act vs Code

S. 9

➤ Section 9: The Floor Wage

Section 9 introduces a **floor wage**, a national minimum below which no State may fix its rates. Under S. 9(1), the Central Government fixes the floor wage, taking into account minimum living standards, and may fix different floor wages for different geographical areas. Under S. 9(2), the minimum rates fixed by the appropriate Government shall not be less than the floor wage, and existing higher rates are not to be reduced. Under S. 9(3), the Centre may obtain the advice of the Central Advisory Board and consult the States.

Rule 10 of the Central Rules 2026 adds that the floor wage is based on food, clothing, housing and other factors, that the Board's advice is shared with the States, and that it is ordinarily revised at intervals not exceeding five years with a cost-of-living adjustment.

➤ History of the Floor Wage

The idea of a national floor was a long time in the making, as the table shows.

Year	Development
1991	National Commission on Rural Labour recommends a national floor level minimum wage
1996	Non-statutory NFLMW introduced at ₹35 a day
2002	Second NCL recommends a national minimum wage
2017	NFLMW revised to ₹176 a day (last revision); advisory only
2019	Expert Committee recommends ₹375 a day (July 2018 prices); the Code gives the floor wage statutory force

➤ 1948 Act vs Code

The table compares the old Minimum Wages Act with the Code.

Provision	Minimum Wages Act 1948	Code
Coverage	Scheduled employments (ss.3, 12)	Every employee (s.5)
Basis	Separate rate per employment	Skill, area or both (s.6(6))
Components	s.4: basic + COLA etc.	s.7: same three forms
Procedure	s.5 committee or notification	s.8: same
Review	s.3(1)(b) not exceeding 5 years	s.8(4): same
Floor wage	None (NFLMW advisory)	s.9 statutory
Advisory bodies	ss.7-8	s.42 one set of Boards

Two points have been asked in EPFO papers: Aykroyd's formula (EO/AO 2017) is about the minimum wage, and the maximum review interval is five years (EO/AO 2021).

19 Short Day, Mixed Classes of Work and Piece Work

Ss. 10-12

➤ Three Protective Rules

Sections 10 to 12 protect an employee whose work does not fit neatly into a normal day at a single rate. The table gives each section and its rule.

Section	Rule
S. 10	An employee with a daily minimum rate who works less than a normal day gets a full day's wage, unless the failure is due to his own unwillingness (not the employer's omission to provide work) or falls in prescribed cases
S. 11	Where two or more classes of work have different minimum rates, each class is paid at not less than its own minimum rate for the time spent
S. 12	In piece work where only a minimum time rate is fixed, pay is not less than the minimum time rate; higher piece earnings are payable

Section 6(3) binds the Government, because a piece rate must secure the time-work minimum, while s. 12 binds the employer where only a time rate has been fixed. Under the 1948 Act (ss. 15-17) these rules applied only to scheduled employments; they now apply to every employee.

➤ Worked Examples

Example	Computation	Result
S.11: 4 h at ₹150 + 4 h at ₹100	600 + 400	₹1,000 (not 800 or 1,200)

Example	Computation	Result
S.11: 5 h at ₹110 + 3 h at ₹90	550 + 270	₹820
S.12: piece earnings ₹690; time rate ₹95 x 8	760 > 690	₹760
S.10: ₹720 daily, power failure after 3 h	Employer's omission	Full ₹720

20 Normal Working Day, Weekly Rest and Exempted Employees

S. 13

➤ Section 13(1)

Section 13(1) allows the appropriate Government, in employments for which minimum rates are fixed, to (a) fix the hours of a normal working day, including intervals; (b) provide a day of rest in every period of seven days with remuneration; and (c) provide for payment for work on the rest day at not less than the overtime rate.

The Central Rules 2026 give detail on each of these points, as the table shows.

Rule (Central Rules 2026)	Provision
Rule 5	Normal day for daily-rated employees 8 hours; for other wage periods the hours are fixed so that the weekly total does not exceed 48
Rule 6	Weekly rest day, ordinarily Sunday; another day by advance notice; rest-day work needs a substituted rest day in the preceding or following week; not more than 10 consecutive days without a rest day; rest-day work at the overtime rate
Rule 6 proviso	If the daily rate = monthly rate / 26, no separate rest-day wage is due (the monthly wage covers rest days)
Rule 7	For a shift going beyond midnight, the rest day is 24 consecutive hours from the end of the shift; the post-midnight hours are counted in the previous day
Rule 8	Exempted categories may work beyond normal hours; the extra hours are paid as overtime

➤ Section 13(2): Five Categories (Limited Application)

Section 13(2) lists five categories of work to which the rules on the normal day and rest day apply in a limited way: urgent work or emergency; preparatory or complementary work; essentially intermittent employment (declared by the Government under s.13(3)); work stopped only for technical reasons; and work dependent on the irregular action of natural forces.

The old Central Rules fixed a nine-hour day, but it is now eight hours, in line with ILO Convention No. 1 (1919), which India ratified in 1921. Limits on hours for reasons of safety are found in the OSH Code.

21 Overtime

S. 14

➤ The Rule

Under S. 14, an employee whose minimum rate is fixed by the hour, day or a prescribed longer period, and who works beyond the normal day, is entitled for every hour or part of an hour to overtime at not less than twice the normal rate. Overtime is counted day by day, not on weekly totals. The rate is a minimum, so a higher rate is allowed, and it is based on the normal rate actually earned, not the minimum rate: if the normal rate is ₹110 and the minimum ₹90, overtime is ₹220. Under the 1948 Act (s.14) the overtime rate was whatever was fixed under the Act or any other law, but the Code writes the double rate into the statute itself.

➤ Worked Examples

Example	Computation	Result
Normal ₹100/h, works 10 h	8 x 100 + 2 x 200	₹1,200
₹120/h, 1.5 h overtime	1.5 x 240	₹360
Daily ₹880, works 9 h 45 min	Hourly 110; overtime 1.75 x 220 = 385	₹1,265
₹90/h, 11 h 20 min worked	3 1/3 h x 180	₹600
₹85/h, 8 h on rest day	85 x 2 x 8	₹1,360 plus a substituted rest day
Weekly: 48 normal hours, overtime 4.5 h at ₹100/h	Day-wise overtime	Weekly hours 51.5; overtime ₹900

The last example shows why overtime must be counted day-wise. A weekly total shortcut (51.5 - 48 = 3.5 h) understates the entitlement, since the overtime hours are counted on each day separately.

The OSH Code also provides overtime at twice the rate of wages, so the two Codes operate together. EPFO EO/AO 2021 asked for the maximum weekly hours of an adult worker, which is 48.

22 Payment of Wages: Background, Coverage and Mode (s. 15)

Ch III

➤ Background and Coverage

The Payment of Wages Act 1936 was passed on 23 April 1936 and came into force on 28 March 1937, on the advice of the Royal Commission on Labour (Whitley, 1931). The old Act applied to factories, railways and notified establishments, for wages up to ₹24,000 a month (since August 2017). Under the Code, Ss. 15-25 apply to all employees, except that s. 25 excludes Government establishments unless notified. Under the proviso to s.2(y), conveyance, HRA, amounts under awards and overtime count as wages for payment of wages.

➤ Section 15: Mode of Payment

Wages are to be paid in current coin or currency notes, by cheque, by crediting the bank account, or by electronic mode, and electronic mode is new. By a proviso, the appropriate Government may notify establishments that must pay only by cheque or bank credit, and the employee's consent cannot override this. Payment by tokens, coupons or goods (the "truck system") is not allowed. The table traces how the rule has developed.

Stage	Position
1936 Act	Coin or notes
1976 amendment	Cheque or bank credit only with the employee's written authorisation
Amendment Act 2017	No authorisation needed; the Government may notify compulsory bank payment
Code, s.15	Adds electronic mode; retains the notification power

23 Fixation of Wage Period

S. 16

➤ Section 16

The wage period is the interval for which wages are paid. Under S. 16, the employer fixes the wage period as daily, weekly, fortnightly or monthly, and no wage period may be more than one month. The period may differ between establishments. Under the old Act (s.4), the person responsible for payment fixed the period, and it also could not be above one month. A quarterly or two-month wage period is therefore illegal even if the employee consents.

The wage period is also the base for two caps: the cap on deductions (50%) and the cap on fines (3%) are both worked out on the wages of the period.

24 Time Limit for Payment of Wages

S. 17

➤ Section 17(1): Time Limits by Wage Period

A wage is of little use if it is paid late, so s. 17(1) sets a time limit for each wage period, as the table shows.

Wage period	Time limit, s.17(1)
Daily	At the end of the shift
Weekly	On the last working day of the week (before the weekly holiday)
Fortnightly	Before the end of the 2nd day after the end of the fortnight
Monthly	Before expiry of the 7th day of the succeeding month

The fortnightly and monthly limits count calendar days, and there is no requirement of payment on a working day (the 1936 Act required it). For example, for a fortnight ending on 15 November 2026, wages must be paid by 17 November, and October 2026 wages must be paid by 7 November 2026.

➤ Section 17(2): Exit

When an employee is removed, dismissed or retrenched, or resigns, or becomes unemployed because of closure of the establishment, the wages are payable within two working days. Resignation and closure are new additions, and the count starts on the day after the event. For example, if an employee is dismissed on Wednesday 18 November 2026 and Sunday is the only holiday, the wages are due by Friday 20 November. An employee who resigns on Friday 27 November in a five-day week must be paid by Tuesday 1 December. Terminal dues such as gratuity and retrenchment compensation have their own laws.

➤ Sections 17(3), (4) and Enforcement

Under S. 17(3), the Government may provide another reasonable time limit (for example, for remote plantations, ships or seasonal units), and under S. 17(4) the time limits in other laws are saved. Unpaid wages can be claimed within 3 years. If the employer fails to pay, the company, firm or owner is liable (s.43), and underpayment is an offence under s.54.

25 Payment of Wages Act, 1936 vs Code: Comparison

Ch III

➤ Comparison

The table compares the main provisions of the 1936 Act with the Code.

Provision	1936 Act	Code
Coverage	Up to ₹24,000 a month; notified establishments	All employees; Government establishments only if notified
Mode	Coin or notes; cheque or bank with authorisation (until 2017)	Coin, notes, cheque, bank credit, electronic
Wage period	Fixed by the person responsible; max one month	Employer; daily, weekly, fortnightly, monthly; max one month
Time limit	7th day (fewer than 1,000 persons); 10th day (1,000 or more)	By wage period; monthly 7th day for all
Working-day rule	Required	None
Exit payment	Discharge: second working day	Removal, dismissal, retrenchment, resignation, closure: 2 working days
Responsibility	Person responsible for payment	Employer; owner liable (s.43)

The main change in the time limit is that the Code does not distinguish establishments by size. Under the 1936 Act the limit was the 7th day for establishments with fewer than 1,000 persons and the 10th day for those with 1,000 or more, but under the Code the monthly limit is the 7th day for all.

➤ Points Often Tested

The EPFO 2025 paper contained a statement that the 7th-day limit applies to establishments with more than 1,000 persons, and this is wrong: it is the 7th day for fewer than 1,000 and the 10th otherwise under the 1936 Act, and under the Code no size distinction exists. For example, a factory of 1,500 persons paying September wages on 9 October was compliant under the old Act (10th day) but is late under the Code. Finally, if a State notifies security agencies for payment by bank only, then payment in cash, even with the guard's consent, is unlawful.

26 Deductions: General Rule and Permitted Heads

Ch 8 · s.18(1)

➤ The General Rule (s.18(1))

A worker's wage is the only income on which most families depend, and the employer controls the pay-roll. If an employer could subtract amounts freely, the wage that finally reached the worker might be a fraction of what was promised. **Section 18(1)** therefore lays down a strict rule: notwithstanding any other law, no deduction may be made from an employee's wages except those authorised under the Code. Because the list of permitted deductions is closed, the burden lies on the employer to justify every deduction, and even the worker's own agreement does not make an unauthorised deduction valid.

Two Explanations to the sub-section clarify what counts as a deduction. Under **Explanation 1**, any payment made by the employee to the employer or the employer's agent is **deemed a deduction** from wages; for example, an employer cannot get round the rule by asking a worker to hand back cash for a "uniform". Under **Explanation 2**, some losses of wages are **not deductions**: these are the loss of wages for good and sufficient cause through withholding of an increment or promotion (including stoppage at an efficiency bar), reduction to a lower post, time scale or stage, or suspension. This exception applies only if the employer's rules conform to the requirements notified by the appropriate Government.

➤ Fifteen Permitted Heads (s.18(2), clauses (a) to (o))

Section 18(2) lists the only fifteen heads under which deductions may be made. The table gives each clause, the deduction it allows and the condition attached to it.

Cl.	Deduction for	Condition
(a)	Fines	Only under s.19 (3% limit)
(b)	Absence from duty	Proportionate to absence (s.20)
(c)	Damage or loss of goods expressly entrusted for custody, or loss of money for which the employee must account, directly attributable to neglect or default	Not more than the actual loss; only after show cause (s.21)
(d)	House accommodation supplied by the employer, the Government, a housing board or another authority engaged in subsidising house accommodation	Only if accepted; not more than the value (s.22)
(e)	Amenities and services supplied by the employer, as authorised by the appropriate Government	Same conditions; 'services' excludes tools and raw materials required for the work
(f)	Recovery of advances of any nature (including travelling or conveyance allowance) with interest, adjustment of over-payment of wages, and recovery of loans made from a labour welfare fund with interest	Subject to ss.23 and 24
(g)	Recovery of loans for house-building or other purposes approved by the appropriate Government, with interest	Subject to s.24
(h)	Income-tax or any other statutory levy payable by the employee; deductions ordered by a court or competent authority	TDS; attachment of wages by a court
(i)	Subscriptions to, and repayment of advances from, any social security fund or scheme constituted by law (PF, pension, health insurance)	Employee's own contributions
(j)	Payments to co-operative societies approved by the appropriate Government	Subject to Government conditions
(k)	Fees and contributions for membership of a registered trade union	Written authorisation of the employee required
(l)	Railway losses from acceptance of counterfeit or base coins or mutilated or forged currency notes	Railway employees only
(m)	Railway losses from failure to invoice, bill, collect or account for the appropriate charges	Railway employees only
(n)	Railway losses from rebates or refunds wrongly granted through the employee's neglect or default	Railway employees only
(o)	Contributions to the Prime Minister's National Relief Fund or any other fund notified by the Central Government	Written authorisation of the employee required

The table shows that only **two heads** need the employee's written authorisation: clause (k), trade union fees, and clause (o), the PMNRF or other notified fund. Three heads, clauses (l), (m) and (n), concern railway employees alone. Compared with the 1936 Act, the Code groups related items together, so that all social security funds fall under one clause. LIC premiums, Government securities, Post Office savings and fidelity guarantee bonds are no longer listed separately.

27 The 50% Ceiling and Employer's Default

Ch 8 · s.18(3)–(5)

➤ The Provisions

Even when every deduction is individually authorised, too many of them together could leave a worker with almost nothing. **Section 18(3)** therefore sets an overall limit: the total of deductions under s.18(2) in any wage period shall not exceed 50% of the wages of that period. Where authorised deductions are more than 50%, **s.18(4)** allows the excess to be recovered in the prescribed manner. Under the Central Rules, 2026, the excess is carried forward and recovered in instalments from the following wage periods, and no month's total deduction may ever go above half of that month's wages. The purpose is simple: at least half of every wage must reach the worker in cash.

Section 18(5) protects the worker against the employer's own default. Where an employer deducts an amount from wages for deposit into a fund, trust or account under any law but then fails to deposit it, the employee is not responsible for the employer's default.

➤ Worked Example 1: The 50% Ceiling (monthly wages Rs 24,000)

Suppose an employee earning Rs 24,000 a month faces the following proposed deductions. The table adds them up and compares the total with the ceiling.

Deduction proposed	Rs
Income-tax TDS (h)	2,000
Employee's PF (i)	2,400

Deduction proposed	Rs
Co-operative society instalment (j)	5,000
Salary advance recovery (f)	6,000
House accommodation (d)	1,500
Fine (a)	500
Total proposed	17,400
Ceiling: 50% of 24,000	12,000
Excess carried forward	5,400
Minimum employee must receive	12,000

The proposed deductions total Rs 17,400, which is more than the ceiling of Rs 12,000. Only Rs 12,000 can be deducted this month, the excess of Rs 5,400 is carried forward, and the employee must receive at least Rs 12,000. Under the 1936 Act the cap would have been 75% (Rs 18,000) because co-operative society payments were involved, which would have left the worker only Rs 6,600. The Code removes this 75% exception.

➤ Worked Example 2: Employer's Default

A contractor deducts Rs 1,800 a month as PF contribution for six months but deposits nothing. Under s.18(5) the employee's account must still be credited, and he cannot be asked to pay the Rs 10,800 again.

28 Fines

Ch 8 · s.19

➤ Eight Safeguards (s.19)

A fine is a penalty for misconduct, and without limits it could become a way of cutting wages. **Section 19** therefore surrounds the power to fine with eight safeguards, set out in the table below.

Sub-s.	Rule
19(1)	A fine may be imposed only for acts or omissions specified by the employer by notice, with the previous approval of the appropriate Government or prescribed authority
19(2)	The notice of the acts and omissions must be displayed on the premises in the prescribed manner
19(3)	No fine until the employee has had an opportunity to show cause; fines only under the prescribed procedure
19(4)	Total fines in a wage period not more than 3% of the wages payable for that period
19(5)	No fine on an employee under 15 years of age
19(6)	No recovery by instalments or after 90 days from the day of imposition
19(7)	Every fine is deemed imposed on the day of the act or omission (this fixes the wage period for the 3% limit and the start of the 90 days)
19(8)	All fines and realisations are recorded in a register; realisations are used only for purposes beneficial to employees, as approved by the prescribed authority

➤ Procedure under the Central Rules, 2026

The Central Rules, 2026 add practical steps to this. The list of acts and omissions is approved by the Deputy Chief Labour Commissioner (Central). The notice is displayed physically or electronically in Hindi, English and the local language, and a copy goes to the inspector-cum-facilitator. Before any fine, the employee is informed in writing or electronically and given 7 days to show cause. Finally, the fine is entered in the prescribed register of wages, advances, fines and deductions.

➤ Worked Examples

Take an employee whose wages for the period are Rs 18,500. The maximum fines are 3%, that is Rs 555. If the first fine is Rs 300 for late arrival, only Rs 255 is left for any second fine. The balance cannot shift to the next month, because each fine belongs to the wage period of the act for which it is imposed.

For the 90-day rule, suppose the act took place on 28 February 2026. The fine is deemed imposed on 28 February, and recovery must be completed by 29 May 2026 (31 March + 30 April + 29 May = 90 days). Recovery of Rs 100 a month over several months is barred even if it falls within the 90 days, because instalments are not allowed.

➤ Old Act vs Code: Fines

Feature	1936 Act (s.8)	Code (s.19)
Limit	3%	3%

Feature	1936 Act (s.8)	Code (s.19)
Minimum age	Not below 15	Not below 15
Recovery period	60 days	90 days
Instalments	Barred	Barred

The only change from the 1936 Act is therefore the recovery period, which has been lengthened from 60 to 90 days.

29 Deductions for Absence, Damage or Loss, and Services

Ch 8 · ss.20–22

➤ Absence from Duty (s.20)

An employer may deduct wages for absence, but only to the extent that the worker actually failed to do the work. Under **s.20**, the deduction is allowed only for absence from the place where, by the terms of employment, the employee is required to work, whether for the whole or part of the required period. The deduction must not bear to the wages a larger proportion than the time of absence bears to the total period of required work in that wage period. The base is therefore the days of required work, not calendar days. For example, with a wage of Rs 26,000, 26 working days and 3 days of absence, the maximum deduction is Rs 26,000 x 3/26 = Rs 3,000.

A special rule applies to **concerted absence**. If 10 or more employees, acting in concert, absent themselves without due notice and without reasonable cause, the deduction may include up to 8 days' wages due to the employer in lieu of notice. All four conditions must be met together: 10 or more persons, acting in concert, without due notice and without reasonable cause. With only 9 workers the addition does not apply. In addition, an employee who is present but refuses to work, for instance in a stay-in strike or for any other unreasonable cause, is treated as **deemed absent**.

As an example, take a daily wage of Rs 800 and 2 days of concerted absence. The deduction is Rs 1,600 plus 8 x 800 = Rs 6,400, a total of Rs 8,000, which is within 50% of Rs 20,800. Under the Central Rules, 2026 the employer must give prior intimation and allow 7 days to reply. This provision is the same as s.9 of the 1936 Act.

➤ Damage or Loss (s.21)

Section 21 governs deductions under clause (c) and also clause (n), the railway rebate losses. The deduction is not to exceed the amount of the damage or loss caused by the employee's neglect or default. It cannot be made until the employee has had an opportunity to show cause, and the deductions and realisations must be recorded in a register. Three things are needed: goods or money expressly entrusted to the employee, a loss directly attributable to neglect or default, and a hearing. The deduction is compensation, not punishment.

The provision does not allow deduction for ordinary wear and tear, accidents without fault, defective equipment, or an estimated or notional loss such as "loss of goodwill". As an example, if a cashier has a shortage of Rs 15,000 and a wage of Rs 20,000, Rs 10,000 can be deducted this month (the 50% ceiling) and Rs 5,000 is carried forward.

➤ Services Rendered (s.22)

Under **s.22**, a deduction for house accommodation (clause (d)) or for amenities and services (clause (e)) is allowed only if the facility has been **accepted** by the employee, as a term of employment or otherwise, and the deduction does not exceed the **value** of what was supplied. The deduction for amenities and services is also subject to the conditions laid down by the Government.

For instance, if a quarter is valued at Rs 3,000, deducting Rs 4,000 is unlawful as to the extra Rs 1,000. Canteen meals charged at cost to workers who opted for them are a lawful deduction. Gloves or cutting blades cannot be charged, because tools and raw materials are not "services". A transport charge on a worker who never uses the bus is also unlawful, because the service was never accepted.

30 Advances, Loans, Government Establishments and Old vs New

Ch 8 · ss.23–25

➤ Advances (s.23) and Loans (s.24)

An advance is money paid to the worker before it is earned, and a loan is money lent for a larger purpose such as a house. Both may be recovered from wages, but the Code regulates how. The table shows the main types and the rule for each.

Type	Recovery	Provision
Advance before employment (other than travel)	Yes, from the first payment of wages for a complete wage period	s.23(a)
Travel advance before employment	No recovery	s.23(a)
Salary advance after joining	Yes, on prescribed conditions	s.23(b)

Type	Recovery	Provision
Advance of wages not yet earned	Yes, on prescribed conditions	s.23(c)
Over-payment of wages by mistake	Yes, by adjustment	s.18(2)(f)
Labour welfare fund loan; house-building and other approved loans	Yes, with interest, within the extent and rate prescribed	s.18(2)(f),(g); s. 24

Under s.24, the appropriate Government prescribes the extent to which such loans may be granted and the rate of interest. As an example, suppose Rs 10,000 is advanced on 20 October 2026, of which Rs 3,000 is for travel, and the employee joins on 10 November. November is not a complete wage period, so recovery of the Rs 7,000 starts from the December wages, and the Rs 3,000 travel advance can never be recovered. The reason for these rules is that they prevent advances from being used to tie workers to an employer (bonded labour) and keep the cost of bringing a worker to the job with the employer.

➤ Government Establishments (s.25)

Section 25 provides that nothing in Chapter III applies to a Government establishment unless the appropriate Government notifies its application. The 1936 Act had no such general exclusion. Government employees are mainly governed by their service rules, but a notification can extend protection, for example to daily-rated workers in departmental undertakings.

➤ Old Law and the Code Compared

The table below compares the main features of the 1936 Act with the Code, and shows how far the Code has changed or simplified them.

➤ 1936 Act vs Code on Wages

Provision	1936 Act	Code
General rule	No deduction except as authorised	Same, for all employees; payment to the employer is deemed a deduction
List of deductions	Long list (LIC, Government securities, Post Office savings, fidelity bonds)	15 heads (a)-(o); simplified
Overall ceiling	50%; 75% where co-operative society payments are involved	50% in all cases; excess recovered as prescribed
Employer's default	No specific provision	Employee not responsible (s.18(5))
Fines	3%; under 15; 60 days; no instalments	3%; under 15; 90 days ; no instalments
Absence, damage, services, advances, loans	ss.9 to 12A	ss.20 to 24, substantially the same
Government establishments	Covered if within scope	Excluded unless notified (s.25)

➤ Distinctions to Remember

A fine is imposed for an approved act or omission and is limited to 3%, whereas a damage deduction recovers the actual loss caused by neglect and is limited to that loss. The 50% ceiling applies to total deductions (s.18(3)), while the 3% limit applies to fines alone (s.19(4)). An amenity is chargeable at its value if accepted, but tools and raw materials are never chargeable. In the EPFO 2025 paper, a question asked whether deductions for amenities and services, advances and co-operative society payments are permitted; all three are, under s.18(2)(e), (f) and (j).

31 Bonus: Statutory Right, Evolution and Accounting Year

Ch 9 · Overview

➤ Meaning and Rationale

Statutory bonus is a yearly payment made in addition to wages. It is not a gift or an ex gratia payment but a legal right. The minimum bonus is treated as deferred wages and is payable even in a loss year, while the part above the minimum is a way of sharing profit. Bonus helps to bridge the gap between the actual wage and a living wage, and gives employees a stake in productivity.

The Payment of Bonus Act, 1965 has been repealed, and bonus is now governed by Chapter IV of the Code (ss.26 to 41), which has been in force from 21 November 2025 . The Chapter is arranged in three parts: eligibility and rates (ss.26-31), computation of surplus and adjustments (ss.32-38), and payment, public sector and exclusions (ss.39-41).

➤ Evolution of Bonus Law

The law on bonus grew out of a long dispute between employers and workers about whether bonus was a gift or a right. The table traces how it developed into a statutory scheme.

➤ Evolution

Year	Development
1950	Labour Appellate Tribunal: Full Bench Formula (prior charges deducted from gross profit; bonus paid from the balance)
1961-64	Bonus Commission (chairman M.R. Meher) recommended a statutory scheme: minimum bonus, a ceiling, and carry-forward of surplus and deficit
1965	Payment of Bonus Act enacted (first as an Ordinance); validity upheld in Jalan Trading Co. v. Mill Mazdoor Sabha (1967)
2015	Amendment raised the eligibility ceiling to Rs 21,000 and the calculation ceiling to Rs 7,000 or the minimum wage (whichever is higher), with effect from 1 April 2014
2025-26	Code in force from 21 November 2025; s.26 ceilings notified on 25 August 2026, deemed effective from 21 November 2025

➤ Accounting Year

Under **s.2(a)**, the accounting year is the year commencing on 1 April, so the bonus year now coincides with the financial year. The 1965 Act was more complicated: it allowed different years for corporations, for companies (the period for which accounts were laid before the annual general meeting) and for others.

32 Coverage, Branches, Public Sector and Exclusions

Ch 9 · ss.30, 40, 41

➤ Coverage (s.41(2))

The Chapter applies to every establishment in which 20 or more persons are or were employed on any day during an accounting year. The test is a head-count on any single day, not an average. For this count, "persons" includes managers, temporary hands and the contractor's workers, even if they are not themselves eligible for bonus. Once an establishment is covered for a year, every eligible employee is entitled to bonus for that year.

The table compares the coverage rules of the 1965 Act with the Code.

➤ 1965 Act vs Code: Coverage

Feature	1965 Act	Code
Basic test	Every factory and any establishment with 20 or more persons	20 or more persons on any day; no separate coverage of factories (a 12-worker factory is not covered)
10-19 persons	Government could extend the Act after 2 months' notice	No extension power
Continuity	Once covered, always covered	No continuity rule

➤ Departments, Undertakings and Branches (s.30)

Under **s.30**, all departments, undertakings or branches of an establishment, whether at the same place or different places, are treated as **one establishment** for bonus, so profit and loss are pooled. There is one exception: if a separate balance sheet and profit and loss account is prepared and maintained for a unit for that year, the unit is treated as a separate establishment. The proviso takes this away if the unit was, immediately before the accounting year began, treated as part of the establishment for the purpose of bonus.

➤ Public Sector Establishments (s.40)

The Chapter applies to a public sector establishment only if it sells goods or renders services in competition with a private establishment and that income is not less than 20% of its gross income for the year. Otherwise the Chapter does not apply. Thus 25% is covered, 15% is not, and exactly 20% is covered.

➤ Exclusions (s.41(1))

Section 41(1) lists categories of employees to whom the Chapter does not apply.

Cl.	Not covered
(a)	Employees of the Life Insurance Corporation of India
(b)	Seamen as defined in the Merchant Shipping Act, 1958
(c)	Employees registered or listed under a scheme under the Dock Workers (Regulation of Employment) Act, 1948 and employed by registered or listed employers
(d)	Employees of an establishment under a department of the Central or State Government or a local authority
(e)	Employees of the Indian Red Cross Society or similar institutions; universities and educational institutions; hospitals, chambers of commerce and social welfare institutions not established for profit

Cl.	Not covered
(f)	Employees of the Reserve Bank of India
(g)	Employees of public sector financial institutions other than banking companies, as notified by the Centre
(h)	Employees of inland water transport establishments operating on routes passing through any other country
(i)	Employees of any other establishment exempted by notification, having regard to the overall benefits under a profit-sharing scheme

The Code drops the ground of exemption for financial position found in the 1965 Act, and only the profit-sharing scheme ground remains. Banking companies, including public sector banks, are NOT excluded, whereas LIC and RBI are.

33 Eligibility, Days Deemed Worked and Disqualification

Ch 9 · ss.26(1), 28, 29

➤ Eligibility (s.26(1))

Under **s.26(1)**, every employee whose wages do not exceed the amount notified by the appropriate Government, and who has worked not less than 30 days in the accounting year, is entitled to the minimum bonus, whether or not the employer has any allocable surplus. The wage ceiling is Rs 21,000 per month in the central sphere (S.O. 4711(E), 25 August 2026, deemed effective from 21 November 2025). "Not exceeding" includes exactly Rs 21,000, while Rs 21,001 is ineligible. Permanent, temporary, casual, piece-rated and contract employees are equally eligible.

There is also a change in method. Under the old Act, the figure of Rs 21,000 was written into the definition of "employee" by the 2015 amendment, so Parliament had to act to change it. The Code instead uses a notification, which allows quick revision.

➤ Days Deemed Worked (s.28)

Where the minimum bonus is proportionately reduced under s.27, **s.28** says that an employee is deemed to have worked on certain days even when absent. These are days of (a) lay-off under an agreement, standing orders, the Industrial Disputes Act, 1947 or any other law; (b) leave with salary or wages; (c) temporary disablement from an accident arising out of and in the course of employment; and (d) maternity leave with salary or wages. Days of leave without pay, unauthorised absence and strike are not counted.

➤ Disqualification (s.29)

An employee dismissed on certain grounds loses the right to bonus. The table lists the four grounds under **s.29**.

Ground of dismissal	Note
Fraud	Dishonest act to cause loss to the employer or gain to oneself
Riotous or violent behaviour while on the premises of the establishment	Must occur on the premises
Theft, misappropriation or sabotage of any property of the establishment	Property of the establishment, not of a co-worker
Conviction for sexual harassment	New ground in the Code; needs a conviction; absent in the 1965 Act

Disqualification requires actual dismissal; suspension, warning, discharge simpliciter or resignation does not disqualify an employee. Misconduct that causes financial loss leads only to a deduction under s.38, not to forfeiture of bonus.

34 Wages for Bonus, Calculation Ceiling, Minimum and Maximum Bonus

➤ Wages and Calculation Ceiling (s.26(2))

Ch 9 · s.26(2)–(5), 31

Bonus is calculated on wages as defined in **s.2(y)**: basic pay, dearness allowance and retaining allowance, with excluded items added back where they exceed half of the total remuneration. Special inclusions such as conveyance, HRA and overtime do not enter the bonus base, and bonus itself is excluded. Where an employee's wages exceed the notified amount, bonus is computed as if the wages were that amount or the minimum wage, whichever is higher. The notified amount is Rs 7,000 per month (S.O. 4710(E), 25 August 2026, deemed from 21 November 2025). The ceiling only reduces higher wages; it never lifts a lower actual wage up to Rs 7,000.

The Code thus uses two different ceilings for two different questions, as the table shows.

➤ Two Ceilings

Ceiling	Provision	Amount	Answers
Eligibility	s.26(1)	Rs 21,000/month	Is the employee entitled at all?
Calculation	s.26(2)	Rs 7,000/month or minimum wage, whichever is higher	On what monthly wage is bonus computed?

The following examples show how the wage actually used is worked out (minimum wage Rs 7,000 unless stated).

➤ Worked Examples (min. wage Rs 7,000 unless stated)

Actual wage	Wage used	8.33% p.m. base / 20% p.m. base
6,000	6,000 (actual)	Rs 6,000 base
12,000	7,000	Rs 7,000 base
21,000	7,000	Rs 7,000 base
25,000	Not eligible	-
10,000 (min wage 9,000)	9,000	Minimum wage is higher
18,000 (min wage 8,000)	8,000	Annual 96,000

Take Employee G, whose annual bonus-wages are 8,000 x 12 = Rs 96,000. The minimum bonus at 8.33% is Rs 7,997, at 12% it is Rs 11,520, and the maximum at 20% is Rs 19,200. A note on arithmetic: exact 8 1/3% of Rs 84,000 is Rs 7,000, whereas 8.33% gives Rs 6,997. In exams, work with 8.33%, or choose the nearest option.

➤ Minimum Bonus (s.26(1))

The minimum bonus is 8 1/3% of the wages earned in the accounting year or Rs 100, whichever is higher. It is payable even in a loss year, and any deficiency is carried forward for set-off. Under the 1965 Act the figure was Rs 100 for adults but Rs 60 for employees below 15; the Code removes this age distinction. For example, on wages of Rs 1,20,000, 8.33% is Rs 9,996, which is higher than Rs 100 and therefore payable. On wages of Rs 1,050 earned over all 30 working days, 8.33% is Rs 87.47, so the Rs 100 floor applies.

➤ Maximum Bonus (s.26(3), (4))

Where the allocable surplus exceeds the amount of minimum bonus payable to all employees, a higher bonus in proportion to wages is paid, up to a maximum of 20% of wages. The rate is whatever the allocable surplus supports, taking set-on and set-off under s.36 into account (s.26(4)). For example, wages of Rs 84,000 at 14% give Rs 11,760. On wages of Rs 2,40,000 where the surplus supports 25%, the bonus is capped at 20%, that is Rs 48,000, and the excess may be set on.

➤ Productivity-Linked Bonus (s.26(5))

By agreement or settlement, a bonus linked to production or productivity may replace the profit-based bonus. The total, including the minimum bonus, cannot exceed 20% of the wages earned in the year, and the minimum bonus remains payable. For example, on wages of 84,000, the minimum of 6,997 plus 15% (12,600) comes to 19,597, which is more than the ceiling of 16,800 (20%); the amount payable is therefore Rs 16,800.

➤ Payment out of Allocable Surplus (s.31)

Bonus above the minimum is paid from the allocable surplus under **s.31**: 60% of the available surplus for a banking company and 67% for any other establishment. In a dispute, the notified authority may call for the balance sheet, but it cannot disclose its contents without the employer's consent.

35 Proportionate Reduction, New Establishments, Time and Mode of Payment

Ch 9 · ss.26(6)–(9), 27, 39

➤ Proportionate Reduction (s.27)

An employee who joined late or was absent during the year should not be treated as if he had worked every day. Under **s.27**, where an employee has not worked all the working days in the year, the Rs 100 minimum, if it is higher than 8 1/3% of the wages for the days worked, is proportionately reduced. Only the fixed floor is reduced, because the percentage of wages is already proportionate, and days deemed worked under s.28 are counted.

For example, if Rs 1,050 was earned in 30 out of 300 working days, the floor is reduced to Rs 100 x 30/300 = Rs 10, while 8.33% of the wages is Rs 87.47, so the minimum bonus is Rs 87.47. In another example, an employee who joined on 1 October 2025 (6 months of work) with a minimum wage of 8,000 has bonus-wages of 48,000, a minimum bonus of Rs 3,998 and a maximum of Rs 9,600.

➤ New Establishments (s.26(6) to (9))

A newly started business cannot be expected to earn profits at once, so the Code gives it relief. During the first five accounting years following the year in which the employer first sells goods produced or renders services, bonus is payable only for a year in which a **profit** is derived, and the set-on and set-off of s.36 does not apply. In the sixth and seventh years, s.36 applies with modifications prescribed by Central Government rules, and from the eighth year onwards it applies in full. Under **s.26(9)**, the same scheme applies to new departments, undertakings or branches of an existing establishment.

Profit is deemed to be derived only if the depreciation admissible under the Income-tax Act (or the agricultural income-tax law) has been provided for, and earlier losses and arrears of depreciation have been fully set off. The table applies the scheme to an establishment whose first sale was in 2020-21.

➤ Example: First Sale in 2020-21

Year	Position	Bonus / Set-on-off
2021-22 to 2025-26	1st to 5th year	Only if profit; set-on/off not applicable
2026-27	6th	Yes; modified set-on/off (5th and 6th years considered)
2027-28	7th	Yes; modified (5th, 6th, 7th)
2028-29 onwards	8th and later	Yes; full set-on/off

➤ Time Limit and Mode of Payment (s.39)

Under **s.39**, bonus is paid by credit to the employee's bank account, whereas the 1965 Act allowed payment in cash. It must be paid within 8 months of the close of the accounting year; for the accounting year 2025-26 this means by 30 November 2026. On the employer's application for sufficient reasons, the appropriate Government or specified authority may extend the time, but the total extension cannot exceed 2 years (that is, 31 March 2028).

Where a dispute is pending, the bonus is paid within 1 month of the date on which the award becomes enforceable or the settlement comes into operation. However, the undisputed minimum of 8 1/3% is still payable within 8 months. For example, if an award becomes enforceable on 10 January 2027, the balance is due by 10 February 2027, while the 8 1/3% is due by 30 November 2026.

➤ Year of Transition 2025-26

For 2025-26 the law changed during the year. The period from 1 April to 20 November 2025 is governed by the 1965 Act and the remainder by the Code. The ceilings are the same (Rs 21,000 and Rs 7,000 or the minimum wage), but the wage base is now the Code's uniform definition of wages and the mode of payment is now bank credit.

36 2026 Notifications and 1965 Act vs Code on Bonus

Ch 9 · Comparison

➤ The 2026 Position in the Central Sphere

The numbers that apply to bonus today come from notifications issued under the Code. The table lists the three items that matter, the section that gives the power, the notification and the resulting position.

➤ 2026 Position (Central sphere)

Item	Provision	Notification	Position
Commencement	s.1(3)	S.O. 5322(E)	In force 21 Nov 2025; Bonus Act 1965 repealed
Eligibility ceiling	s.26(1)	S.O. 4711(E), 25 Aug 2026	Rs 21,000/month, deemed from 21 Nov 2025
Calculation ceiling	s.26(2)	S.O. 4710(E), 25 Aug 2026	Rs 7,000/month or minimum wage, whichever is higher, deemed from 21 Nov 2025

These central notifications cover establishments for which the Centre is the appropriate Government, namely railways, mines, oilfields, major ports, air transport, banking and insurance companies and CPSUs. For other establishments the States issue their own notifications.

➤ 1965 Act Compared with the Code

The Code keeps the basic scheme of the 1965 Act but changes several details. The table compares them point by point.

➤ 1965 Act vs Code

Provision	1965 Act	Code
Coverage	Every factory; establishments with 20+ persons	20+ persons on any day (s.41(2))

Provision	1965 Act	Code
Extension to 10-19	Government could extend	No power
Continuity	Once covered, always covered	None
Accounting year	Varied	Year commencing 1 April (s.2(a))
Eligibility ceiling	Rs 21,000 in the definition of 'employee'	By notification; Rs 21,000
Calculation ceiling	Rs 7,000 or minimum wage, written in the Act	Notified amount or minimum wage, whichever is higher; Rs 7,000
Minimum bonus	8.33% or Rs 100 (Rs 60 below 15)	8 1/3% or Rs 100; no age distinction
Maximum	20%	20%
Disqualification	Fraud; riotous or violent behaviour; theft, misappropriation, sabotage	Same, plus conviction for sexual harassment
New establishments	First five years only if profit; 6th and 7th modified	Same scheme, s.26(6)-(9)
Exemptions	Financially weak establishments could be exempted	Only for a better profit-sharing scheme
Mode of payment	Cash	Bank credit
Time limit	8 months; extendable to 2 years	Same (s.39)

➤ Distinctions to Remember

Coverage counts all persons employed, but entitlement belongs only to employees within the wage ceiling who have worked 30 days. Disqualification under s.29 forfeits the whole bonus, whereas misconduct causing financial loss allows only a deduction under s.38. Section 27 reduces the Rs 100 floor, while s.28 lists the days treated as worked. In APFC 2023, a question gave a wage of Rs 9,000 (equal to the minimum wage) and a rate of 10%: the bonus is 9,000 x 12 x 10% = Rs 10,800, because the calculation is made on the higher of Rs 7,000 and the minimum wage.

37 Bonus Computation: Gross Profit, Prior Charges, Available Surplus

Ch 10 · ss.32–35

➤ The Four Steps

The Code does not leave the amount of bonus to the employer's discretion. It fixes a method that begins with the profit shown in the accounts and ends with the bonus payable. The owner first gets a return for depreciation, tax and capital, and the workers share what remains. This scheme derives from the Bonus Commission (1964), and the fixed method makes the workers' share predictable. The table shows the four steps.

Step	Quantity	How found	Section
1	Gross profits	Profit from the accounts, computed in the manner prescribed by the Central Government	32
2	Available surplus	Gross profits minus prior charges, plus the tax adjustment for the previous year's bonus	33, 34, 35
3	Allocable surplus	67% of available surplus for a company (other than a banking company) without prescribed arrangements for dividends in India; 60% in every other case	2, 31
4	Bonus payable	Allocable surplus after adding set-on or deducting set-off, distributed in proportion to wages; floor 8.33%, ceiling 20%	26, 36

➤ Gross Profits (s.32)

Gross profits are calculated in the manner prescribed by the Central Government, and a different method may be prescribed for banking companies and other classes. Under the 1965 Act the method was in the First Schedule (banks) and the Second Schedule (others); the Code moves these details into rules. Broadly, the calculation starts from net profit, adds back certain items (bonus, depreciation, direct taxes, reserves) and excludes others (capital receipts, non-recurring profits).

➤ Prior Charges (s.34)

Prior charges are the sums that the employer is allowed to take out of gross profits before the workers' share is worked out. The table gives the three kinds.

Prior charge	Content
Depreciation	Amount admissible under s.32(1) of the Income-tax Act or the agricultural income-tax law
Direct tax	Payable for the accounting year, calculated under s.35

Prior charge	Content
Other sums	As prescribed; under the 1965 Act (Third Schedule) these included a return on paid-up capital and reserves

For example, depreciation of Rs 1 crore, direct tax of Rs 1.5 crore and other sums of Rs 50 lakh make prior charges of Rs 3 crore.

➤ Direct Tax (s.35)

Under **s.35**, the tax is calculated at the rates applicable to the employer's income for the year on the bonus base, and not as the tax actually shown in the return. The employer cannot reduce this tax by earlier years' losses brought forward, arrears of depreciation, or specified exemptions, rebates and deductions. For example, if the actual tax is Rs 1.6 crore after setting off an old loss, but the tax computed on the bonus base is Rs 2 crore, the prior charge is Rs 2 crore.

➤ Available Surplus (s.33)

The **available surplus** is the gross profit for the year after deducting the sums in s.34. For years commencing after the Code's commencement, there is also an addition: the tax saved by the previous year's bonus. This is the direct tax (under s.35) on the previous year's gross profits, minus the tax on those profits after deducting the bonus paid or payable for that year. It is not simply "tax minus bonus": at a 25% tax rate, a bonus of Rs 10 lakh gives an adjustment of Rs 2.5 lakh, not Rs 40 lakh.

As a complete example, gross profit of Rs 10 crore minus prior charges of Rs 3 crore gives Rs 7 crore. If the previous year's tax was Rs 2 crore without the bonus and Rs 1.9 crore after it, the adjustment is Rs 10 lakh, and the available surplus is Rs 7.10 crore.

38 Allocable Surplus, Set-on and Set-off, Customary Bonus, Deductions

Ch 10 · ss.36–38

➤ Allocable Surplus and the Bonus Range

The **allocable surplus** is the workers' share of the available surplus. It is 67% for a company (not a banking company) that lacks the prescribed arrangement for dividends in India, which in practice means a foreign company, and 60% otherwise. The bonus paid equals the allocable surplus, after set-on or set-off, but must lie within a range: a minimum of 8.33% and a maximum of 20% of the eligible employees' wages, distributed in proportion to wages. The table works an example with an available surplus of Rs 40,00,000 and bonus wages of Rs 1,50,00,000.

➤ Example: available surplus Rs 40,00,000; bonus wages Rs 1,50,00,000

Item	Indian company	Foreign company
Allocable surplus	Rs 24,00,000 (60%)	Rs 26,80,000 (67%)
Minimum 8.33% / maximum 20%	Rs 12,49,500 / Rs 30,00,000	Same
Bonus payable	Rs 24,00,000 (16%)	Rs 26,80,000 (17.87%)

➤ Set-on and Set-off (s.36)

Profits vary from year to year, but workers prefer a steady bonus. **Section 36** smooths this out by carrying amounts forward. **Set-on** applies when the allocable surplus exceeds the maximum bonus: the excess is carried forward to the succeeding years, up to and inclusive of the fourth accounting year, and the amount carried forward from any year cannot exceed 20% of the total wages of that year. **Set-off** applies when there is no allocable surplus, or it is less than the minimum bonus, and there is no sufficient set-on: the employer still pays the minimum, and the deficiency is carried forward to be set off against later allocable surplus, again up to the fourth year.

The carried amounts are used as follows. Set-on is added to, and set-off is deducted from, that year's allocable surplus, and the earliest year's amount is adjusted first. Set-on is not only for lean years: it can raise the next year's bonus up to the 20% ceiling. An unabsorbed set-off lapses after the fourth succeeding year, so a Year 1 set-off can be used until Year 5 but not in Year 6.

The table runs a five-year schedule with wages of Rs 15,00,000, a minimum bonus of Rs 1,24,950 and a maximum of Rs 3,00,000.

➤ Five-Year Schedule

Year	Allocable surplus	Bonus paid	Carried forward
1	4,00,000	3,00,000	Set-on 1,00,000
2	80,000 (+1,00,000 set-on = 1,80,000)	1,80,000	Nil
3	50,000	1,24,950 (minimum)	Set-off 74,950
4	2,00,000 (-74,950 = 1,25,050)	1,25,050	Nil

Year	Allocable surplus	Bonus paid	Carried forward
5	3,50,000	3,00,000	Set-on 50,000 (usable up to Year 9)

The cap on set-on can be seen from another example: with wages of Rs 10 lakh and an allocable surplus of Rs 5 lakh, the maximum bonus is Rs 2 lakh and the set-on is limited to 20% of wages, which is Rs 2 lakh. The remaining Rs 1 lakh is not carried forward.

➤ Customary and Interim Bonus (s.37)

Under **s.37**, a puja or other customary bonus paid in the year, or any part of the bonus paid before the due date (an interim bonus), may be deducted from the bonus payable, and the employee gets the balance. For example, if the bonus payable is 20,000 and a Diwali bonus of 5,000 was paid, the balance is 15,000. If the bonus payable is 25,000 and an interim bonus of 10,000 was paid, the balance is 15,000.

➤ Deduction for Financial Loss (s.38)

Where an employee is found guilty of misconduct that causes financial loss to the employer, **s.38** allows the employer to deduct the loss from that year's bonus, and the employee gets the balance, if any. This differs from disqualification under s.29, where the whole bonus is lost. For example, with a bonus of 30,000 and a loss of 8,000, the amount payable is 22,000. If the loss is 35,000, nothing is payable, and the excess of Rs 5,000 cannot be recovered from later bonus.

➤ 1965 Act and Code: Section Mapping

The table shows where each topic of this Chapter stood in the 1965 Act and where it now stands in the Code.

➤ 1965 Act vs Code (section mapping)

Subject	1965 Act	Code
Gross profits	s.4 with First/Second Schedules	s.32 (rules)
Available surplus	s.5	s.33
Prior charges	s.6 with Third Schedule	s.34
Direct tax	s.7	s.35
Set-on/set-off	s.15 with Fourth Schedule	s.36
Customary/interim bonus	s.17	s.37
Deduction for financial loss	s.18	s.38

39 Advisory Boards

Ch 11 · s.42

➤ Scheme and Purpose

Chapter V of the Code (Advisory Board) contains only **s.42**. Chapter VI (Payment of Dues, Claims and Audit) covers ss.43-50, and s.50 on records, returns and notices is discussed with inspection and penalties. Sections 43-49 apply uniformly to wages, minimum wages, bonus and equal remuneration; the old claim provisions were s.20 of the MW Act, s.15 of the PW Act, s.7 of the ER Act and s.21 of the Bonus Act.

On advisory bodies, the Code keeps the tripartite model of the Minimum Wages Act, 1948 and absorbs the Advisory Committee of the Equal Remuneration Act, 1976, which dealt with women's employment. The Boards are advisory only: their recommendations are not binding, and the final decision rests with the appropriate Government. The table compares the Central and State Boards.

➤ Central vs State Advisory Board

Point	Central Board (s.42(1)-(3))	State Board (s.42(4)-(11))
Constituted by	Central Government	State Government
Employers and employees	Equal in number	Equal in number
Independent persons	Not exceeding one-third of the total	Not exceeding one-third of the total
Government representatives	Five State Government representatives, nominated by the Centre	No separate category
Women	One-third of members	One-third (also in committees)

Point	Central Board (s.42(1)-(3))	State Board (s.42(4)-(11))
Chairperson	One of the independent members, appointed by the Central Government	One of the independent members, appointed by the State Government; for a committee or sub-committee, by the State Board
Committees	Not provided	May constitute committees and sub-committees (s.42(5)); same composition
Advice leads to	Directions by the Centre to State Governments	Directions by the State Government after hearing representations

➤ Functions (s.42(3), (4))

The Boards advise on four matters: (a) the fixation or revision of minimum wages and connected matters; (b) increasing employment opportunities for women; (c) the extent to which women may be employed in notified establishments; and (d) any other matter referred to them. On women's employment, **s.42(8)** requires the State Board to consider the number of women employed, the nature and hours of work, suitability, the need for more opportunities including part-time work, and other factors. Under s.42(9), State directions may be issued only after establishments, employees and others have had an opportunity to make representations. Procedure and terms of office are prescribed by rules under s.42(10) and (11).

➤ Worked Examples

For the Central Board, take 10 employers plus 10 employees plus 5 State representatives, which is 25 members. If I is the number of independent members, I must not be more than one-third of the total, so I <= (25+I)/3, giving I <= 12. The Board then has 37 members, and women must be at least 13. For a State Board with 8 employers and 8 employees, I <= 8, the Board has 24 members and women must be at least 8. With only 4 independent members, the Board has 20 members and women must be at least 7.

➤ Old Law and the Code

Under the Minimum Wages Act, there were Advisory Boards (s.7) and a Central Advisory Board (s.8) which advised the Centre and the States and coordinated the State Boards, with composition under s.9 and an independent chairman. The Advisory Committee under s.6 of the ER Act had at least half women. The Code merges the two, drops the Central Board's coordinating role, adds five State representatives, and replaces "at least half" women with a uniform one-third. The Central Board was reconstituted in July 2026. In EPFO 2016, a question asked who is the Chairman of the Central Advisory Board; the answer is one of the independent members.

40 Responsibility for Payment of Dues and Undisbursed Dues

Ch 11 · ss.43–44

➤ Responsibility for Payment (s.43)

Under **s.43**, every employer must pay all amounts due under the Code to every employee, whether wages, minimum wages, overtime, bonus or any other sum. If the employer fails to do so, the company, firm, association or any other person who is the proprietor of the establishment is responsible. "Firm" has the meaning given in the Indian Partnership Act, 1932. The purpose is to prevent the owner from escaping liability through a man of straw such as a manager, supervisor or contractor.

The old law was more fragmented: s.3 of the PW Act named separate responsible persons for factories (the manager), industrial establishments, railways and contractors. The Code instead has one general rule plus a fallback. For example, if the works manager of a partnership firm fails to pay the March wages, the manager is primarily liable, and the firm, as proprietor, is then responsible.

➤ Undisbursed Dues on Death or Missing Employee (s.44)

Sometimes wages cannot be paid because the employee has died or cannot be traced. Under **s.44(1)**, such amounts are paid (a) to the nominee under the rules, or (b) if there is no nomination or payment to the nominee is impossible, deposited with the prescribed authority, which deals with them as prescribed. On payment to the nominee or deposit, the employer is discharged of liability (s.44(2)). This avoids the delay of a succession certificate, protects the employer from a second claim, and covers missing migrant workers. The old provision was s.25A of the PW Act, which covered wages only; the Code extends it to every amount, including bonus.

41 Claims Authority

Ch 11 · s.45

➤ Authority and Applicants

Under **s.45(1)**, the appropriate Government appoints by notification one or more authorities to hear and decide claims; the officer must be not below the rank of Gazetted Officer. One authority handles claims for minimum

wages, delayed wages, unauthorised deductions, bonus and unequal remuneration. Under **s.45(4)**, an application may be made by (a) the employee, (b) a registered trade union (under the Trade Unions Act, 1926) of which the employee is a member, or (c) the Inspector-cum-Facilitator. Under s.45(5), one application may cover any number of employees of the same establishment, subject to the rules.

Under **s.45(7)**, the authority (and the appellate authority under s.49) has the powers of a civil court under the CPC, 1908 for evidence, witnesses and documents, and is deemed a civil court for offences against public justice, so a false statement is punishable.

➤ Limitation, Compensation and Recovery

A claim must be made within three years from the date on which it arises (**s.45(6)**), and a later application is admitted if sufficient cause is shown. Under **s.45(2)**, the authority may direct compensation in addition to the amount due, up to ten times the claim, and shall endeavour to decide the matter within three months; this is not mandatory, and a later decision is not void. If payment is not made, **s.45(3)** provides for a certificate of recovery to the Collector or District Magistrate, and the amount is recovered as arrears of land revenue and remitted to the authority for the employee. The compensation is paid to the employee and is not a fine; the separate offence of short payment under s.54(1)(a) leads to a fine that goes to the State.

➤ Worked Examples

On limitation, suppose the wages for March 2026 are payable by 7 April 2026 and remain unpaid. The claim can be filed up to 7 April 2029, and a filing in June 2029 would need condonation. Under the MW Act the same worker would have had only till about October 2026. On liability, suppose the minimum wage for 3 months is Rs 42,000 and Rs 30,000 was paid: the claim is Rs 12,000, the maximum compensation is Rs 1,20,000 and the maximum total is Rs 1,32,000.

The table compares the claims procedure under the old laws with the Code.

➤ Old Laws vs Code: Claims

Feature	MW Act s.20	PW Act s.15	Code s.45
Authority	Commissioner for Workmen's Compensation, Labour Commissioner or similar	Similar officers or those with judicial experience	Officer not below Gazetted Officer
Applicants	Employee, legal practitioner, union official, Inspector, permitted person	Same type	Employee, his registered union, Inspector-cum-Facilitator
Limitation	6 months	12 months	3 years, condonable
Compensation	Up to 10 times the shortfall	Fixed limit for delayed wages	Up to 10 times the claim in every case
Appeal	None (final)	Court within 30 days, with deposit	Appellate authority within 90 days; no pre-deposit
Recovery	As a fine by the Magistrate	As a fine by the Magistrate	By the Collector, as arrears of land revenue

42 Bonus Disputes, Accounts, Audit and Appeal

Ch 11 · ss.46–49

➤ Bonus Disputes (s.46)

Under **s.46**, a dispute between an employer and employees about (a) the bonus payable or eligibility, or (b) the application of the Code, in respect of bonus, to a public sector establishment, is deemed an industrial dispute under the Industrial Disputes Act, 1947. That Act has since been repealed and replaced by the Industrial Relations Code, 2020 (in force 21 November 2025), which is read in through s.8 of the General Clauses Act, 1897, so these disputes go through IR Code conciliation, arbitration and the Industrial Tribunal. The old provision was s.22 of the Bonus Act. Section 45 remains available for simple claims of amounts that are already determinable.

➤ Accounts and Audit (ss.47 and 48)

In a bonus dispute, the employer's accounts are the main evidence. Sections 47 and 48 set out how much trust the authority may place in them and what happens if they are not audited. The table summarises the provisions.

Provision	Rule
s.47(1)	In proceedings before the claims authority, appellate authority, Tribunal or arbitrator, if the employer is a corporation or company (other than a banking company) and produces a balance sheet and profit and loss account audited by the CAG or by auditors qualified under s.141 of the Companies Act, 2013, the authority may presume accuracy; by the proviso, if it is satisfied that the statements are inaccurate, it may inquire further

Provision	Rule
s.47(2)	The trade union party (or the employees if there is no union) may seek clarification of any item; the authority may direct the company to furnish it within a specified time
s.48(1)	For employers who are not corporations or companies (proprietors, partnerships, societies), accounts audited by an auditor qualified under s.141 carry the s.47 presumption
s.48(2)	If the accounts are unaudited and the authority considers an audit necessary, it may direct an audit within a specified time by an auditor it thinks fit
s.48(3)-(4)	On non-compliance, the authority may, without prejudice to s.54 penalties, appoint the auditor itself; accounts so audited carry the s.47 presumption
s.48(5)	Audit expenses (including remuneration) are fixed by the authority and paid by the employer; recoverable through the Collector as in s.45(3)

➤ Appeal (s.49)

Any person aggrieved, whether employee or employer, by an order under s.45(2) may appeal within ninety days of the order to the appellate authority notified by the appropriate Government (**s.49(1)**); under the proviso to s.49(2), a later appeal is allowed if sufficient cause is shown. The appellate authority is an officer at least one rank higher than the s.45(1) authority, and endeavours to dispose of the appeal within three months (s.49(3)). An unpaid amount under the appellate order is recovered by the s.45 authority through a recovery certificate as in s.45(3). The employer need not make any pre-deposit.

The old position was different: under s.20(6) of the MW Act the order was final (only a writ to the High Court was possible), and under s.17 of the PW Act an appeal lay to a court within 30 days with a deposit. For example, for an order made on 15 June 2026, the last day for appeal is 13 September 2026 (16-30 June is 15 days, July 31, August 31 and 13 September, which makes 90).

➤ Other Changes and Distinctions

➤ Other Changes and Distinctions

Point	Rule
Independents vs women (s.42)	Independents are capped (not more than 1/3); women are required (not less than 1/3); the chairperson must be independent
Compensation vs penalty	Compensation (up to 10x the claim) is awarded by the claims authority to the employee; a penalty is criminal
3 years vs 90 days	3 years is the limitation for a claim; 90 days is the limitation for an appeal; both are condonable for sufficient cause
Nominee vs prescribed authority (s.44)	The nominee receives the dues; the authority receives the deposit where there is no nominee or payment fails

43 Records, Notices and Wage Slips

Ch 12 · s.50

➤ Place in the Code

The last section of Chapter VI, s.50, deals with records, returns, notices and wage slips. It begins the run of sections on compliance and enforcement, and the table shows these sections together with their counterparts in the old laws.

Section	Subject	Old counterparts
50	Records, returns, notices; wage slips (last section of Ch VI)	MW s.18; PW s.13A; Bonus s.26; ER s.8
51	Inspector-cum-Facilitators (Ch VII, single section)	MW s.19; PW s.14; Bonus s.27; ER s.9
52	Cognizance of offences (Ch VIII: ss.52-56)	MW s.22B; Bonus s.30; ER s.12
53	Officers to impose penalty	None
54	Penalties	MW ss.22, 22A; PW s.20; Bonus s.28; ER s.10
55	Offences by companies	MW s.22C; Bonus s.29; ER s.11
56	Composition of offences	No general counterpart

➤ Provisions of s.50

Under **s.50(1)**, the employer maintains a register with the particulars of employees, a muster roll, wages and other prescribed particulars. The Central Rules allow this to be kept in electronic form, and one set of records replaces the many old registers. Under **s.50(2)**, the employer must display a notice at a prominent place showing an ab-

stract of the Code, category-wise wage rates, the wage period, the day, date and time of payment, and the name and address of the Inspector-cum-Facilitator having jurisdiction.

Under **s.50(3)**, wage slips must be issued to all employees in the prescribed form and manner, physical or electronic, on or before payment. No earlier Central Act required a slip for all employees. For example, a slip for March 2026 might show basic plus DA of 16,000 and overtime of 640, a gross of 16,640, deductions of 1,920 and a net of 14,720.

➤ Small Employer Exemption (s.50(4))

Sections 50(1) to (3) do not apply to an employer to the extent that he employs not more than five persons for agriculture or a domestic purpose. The proviso requires him, on demand, to produce reasonable proof of the payment of wages before the Inspector-cum-Facilitator. The Explanation defines "domestic purpose" as any matter relating only to the house or family of the employer, and it excludes any establishment, industry, trade, business, manufacture or occupation.

The exemption covers only paperwork and not the duty to pay. A farmer with 4 labourers is exempt, but a farmer with 9 is not. A household with a cook, driver and gardener is exempt, but a shopkeeper with 2 helpers is not. A cook who also cooks for the owner's restaurant is not exempt for that work.

➤ The Old Position

Under s.13A of the PW Act, registers of employed persons, work, wages, deductions, fines and receipts had to be preserved for three years after the last entry (APFC 2023 asked this; the answer is 3 years). The Code leaves the forms, electronic maintenance and preservation period to the rules.

44 Inspector-cum-Facilitator

Ch 12 · s.51

➤ The Concept

Under the old laws, Inspectors only enforced the law through visits, checking records and prosecution, and small employers faced repeated visits and the Inspector's discretion. The Code gives the officer a dual role: to advise on compliance and to inspect. Inspections follow a published scheme, may be web-based and may be allotted by randomisation. The table gives the provisions on appointment and the scheme.

➤ Appointment and Scheme: s.51(1)-(4)

Sub-s.	Provision
51(1)	The appropriate Government appoints Inspector-cum-Facilitators by notification; they have powers throughout the State or within assigned limits or establishments
51(2)	The notified inspection scheme may provide for a web-based inspection schedule and for calling for information electronically
51(3)	The Government may assign jurisdiction for inspections selected by randomisation
51(4)	Every Inspector-cum-Facilitator is deemed a public servant (s.21 IPC, now BNS, 2023)

➤ Functions and Powers (s.51(5)-(8))

Under **s.51(5)**, the functions are (a) to advise employers and workers on compliance and (b) to inspect the assigned establishments as per Government instructions. Under **s.51(6)**, the powers are (a) to examine any person on the premises reasonably believed to be an employee; (b) to require any person to give information on names and addresses; (c) to search, seize or copy registers, wage records or notices relating to an offence; (d) to bring to the Government's notice defects or abuses not covered by law; and (e) other prescribed powers. Persons required to produce documents or information are legally bound to do so (s.51(7)), and searches and seizures follow the criminal procedure for searches under warrant (s.51(8)).

The table contrasts the old Inspector with the Inspector-cum-Facilitator.

➤ Old Inspector vs Inspector-cum-Facilitator

Point	Old	Code
Role	Enforcement only	Advice plus inspection and enforcement
Selection	Inspector's discretion	Published scheme; web-based; randomised
Information	Physical visits	May be called for electronically
Before prosecution	Could prosecute on detection	Written direction to comply for s.54(1)(c) and s.54(2), except on repeat within 5 years
Claims	Under the MW and PW Acts	May file claims under s.45 and complaints under s.52

Point	Old	Code
Officers	Separate under each Act	One officer for the whole Code

45 Cognizance, Officer Penalty and Graded Penalties

Ch 12 · ss.52–54

➤ Cognizance (s.52)

A court takes cognizance of an offence only on a complaint made by or under the authority of the appropriate Government or an authorised officer, or by an employee, a registered trade union or an Inspector-cum-Facilitator. No court inferior to that of a Metropolitan Magistrate or Judicial Magistrate of the first class may try any offence under the Code. Under the old law, s.22B of the MW Act allowed a complaint only by or with the sanction of the Inspector, and a worker's complaint only with the claims authority's sanction, with short limits. The Code has no special limitation in s.52, so the general criminal law limitation applies (for example, 6 months for fine-only offences).

➤ Penalty by Officers (s.53)

Notwithstanding s.52, under **s.53** the appropriate Government may appoint an officer not below the rank of Under Secretary to the Government of India (or the equivalent in a State) to hold an enquiry and impose a penalty for offences under ss.54(1)(a), 54(1)(c), 54(2) and 56(7). The officer may summon and enforce attendance and the production of documents. All of these are fine-only offences, while repeat offences carrying imprisonment (s.54(1)(b), (d)) remain with the Magistrate. There is no old counterpart to this provision.

➤ Graded Penalties (s.54)

Section 54 sets penalties that rise with the seriousness of the offence and with repetition. The table shows the three groups of offences.

➤ Graded Penalties: s.54

Clause	Offence	First offence	Second or subsequent within 5 years
54(1)(a), (b)	Paying an employee less than the amount due	Fine up to Rs 50,000	Imprisonment up to 3 months, or fine up to Rs 1,00,000, or both
54(1)(c), (d)	Contravening any other provision of the Code, rules or orders	Fine up to Rs 20,000	Imprisonment up to 1 month, or fine up to Rs 40,000, or both
54(2)	Failure to maintain, or improper maintenance of, records	Fine up to Rs 10,000	No enhanced penalty prescribed

Under the five-year rule, the higher penalty applies where an employer previously convicted is again guilty of the same offence (clause (b)) or a similar offence (clause (d)) within five years from the date of commission of the first or subsequent offence. The earlier offence must have resulted in a conviction, and the period runs from the date of commission. For an offence committed in March 2026, February 2031 is within the period and May 2031 is outside it.

Section 54(3) gives an opportunity to comply: before prosecution, the Inspector-cum-Facilitator gives a written direction with a time limit, and if the employer complies there is no prosecution. This is not available for a repeat of the same violation within five years. It applies only to s.54(1)(c) and s.54(2), and not to paying less than the amount due (s.54(1)(a)).

Some examples show how this works. If 40 workers are paid Rs 11,000 against a minimum of Rs 13,500, the fine can be up to Rs 50,000, with no opportunity to comply; the workers may also claim Rs 1,00,000 (40 x 2,500) plus up to 10 times compensation under s.45. If the same employer repeats this in January 2029, the punishment is 3 months' imprisonment or Rs 1,00,000 or both. An unauthorised deduction for the first time falls under s.54(1)(a), with a fine of Rs 50,000. Failing to display the notice is an offence under s.54(1)(c), with Rs 20,000 only if the direction is not complied with. A missing muster roll, repeated after 2 years, attracts Rs 10,000. Compensation under s.45 and fines under s.54 are fully separate.

The table shows the penalties under the old Acts for comparison.

➤ Old Penalties

Act	Principal penalty
MW Act s.22	Imprisonment up to 6 months or fine up to Rs 500 or both; s.22A general: fine up to Rs 500
PW Act s.20	Graded fines; imprisonment only for repeat
Bonus Act s.28	Imprisonment up to 6 months or fine up to Rs 1,000 or both
ER Act s.10	Fine Rs 10,000 to 20,000 or imprisonment 3 months to 1 year or both; up to 2 years for repeat

Act	Principal penalty
Code s.54	Fine only for first offence; imprisonment only for repeat within 5 years; higher fines

46 Offences by Companies and Composition

Ch 12 · ss.55–56

➤ Offences by Companies (s.55)

When a company commits an offence, the company itself cannot be sent to jail, so the law must decide which individuals answer for it. Under **s.55(1)**, every person in charge of, and responsible to, the company for the conduct of its business at the time of the offence, and the company itself, are deemed guilty. By the proviso, such a person is not liable if he proves that the offence was committed without his knowledge or that he exercised all due diligence. Under **s.55(2)**, where the offence is committed with the consent or connivance of, or is attributable to the neglect of any director, manager, secretary or other officer, that person is also deemed guilty.

The Explanation says that "company" means any body corporate, including a firm, a limited liability partnership (under the LLP Act, 2008) or another association of individuals, and that "director" of a firm means a partner. The inclusion of the LLP is new. The two sub-sections differ in who must prove what: the person in charge must prove his innocence, whereas a director or officer is liable only if consent, connivance or neglect is proved.

➤ Composition of Offences (s.56)

Composition (compounding) lets an accused settle an offence by paying a sum instead of facing trial. Under **s.56(1)**, any offence that is not punishable with imprisonment only, or with imprisonment and fine, may on the accused's application, before or after prosecution, be compounded by a Gazetted Officer notified by the appropriate Government for 50% of the maximum fine. Under s.56(2), there is no compounding for an offence committed a second time or later within five years of a similar offence that was earlier compounded or led to conviction. Under s.56(3) and (4), the officer acts under the Government's direction, control and supervision, and the application is made in the prescribed manner.

The effect of compounding is set out in the next sub-sections. If the offence is compounded before prosecution, no prosecution follows (s.56(5)); if after prosecution, the officer informs the court in writing and the accused is discharged (s.56(6)). Under s.56(7), failure to comply with the composition order attracts an additional sum of 20% of the maximum fine, and under s.56(8) no offence may be compounded except under this section. The table works out the amounts.

➤ Composition Amounts

Offence	Maximum fine (Rs)	Composition 50% (Rs)	Additional on default 20% (Rs)
Paying less than due, first offence (s.54(1)(a))	50,000	25,000	10,000
Other contravention, first offence (s.54(1)(c))	20,000	10,000	4,000
Record-keeping (s.54(2))	10,000	5,000	2,000
Repeat offences (s.54(1)(b), (d))	1,00,000 / 40,000	Not compoundable (s. 56(2))	-

➤ Path of a Record-Keeping Lapse (Example)

Suppose a randomised inspection finds that the muster roll is missing. The Inspector-cum-Facilitator first gives a written direction to comply within 30 days (s.54(3)), and if the employer complies, the matter ends there. Otherwise, the employer may compound the offence for Rs 5,000 (s.56(1)), or a penalty of up to Rs 10,000 may be imposed by an Under Secretary-level officer (s.53) or by a Magistrate on a complaint (s.52). If a similar lapse occurs within five years, there is neither an opportunity to comply nor compounding.

➤ Enforcement: Old Law and Code Compared

The table brings together the main changes in enforcement discussed in this Chapter.

➤ Old vs Code: Enforcement

Provision	Old law	Code
Registers	Separate under each Act; PW records kept 3 years	One set; electronic; period by rules
Wage slip	Not universal	Mandatory for all
Small employers	No general exemption	Up to 5 persons in agriculture or domestic work exempt

Provision	Old law	Code
Complaint	MW: by or with sanction of Inspector	Government or officer, employee, registered union, Inspector-cum-Facilitator
Court	General Magistrate	Not below Metropolitan Magistrate or JMFC
Administrative penalty	None	Under Secretary-level officer (s.53)
Companies	Companies, firms, associations	Also LLPs; partner = director
Compounding	None	50% of maximum fine; 20% on default; 5-year bar

Note that the number five appears three times in this Chapter: for the higher penalty after conviction (s.54(1)(b)), for the denial of the opportunity to comply (s.54(3)), and for the bar on a second compounding (s.56(2)). Note also the difference between s.52 and s.53: s.52 is prosecution before a Magistrate on a complaint, while s.53 is an administrative penalty for fine-only offences.

47 Miscellaneous (I): Protection of the Employee's Claim

Ch 13 · ss.57–60

➤ Scheme of Chapter IX (ss.57-69, thirteen sections)

Chapter IX contains thirteen sections, ss.57 to 69. Sections 57 to 60 protect the employee's claim, ss.61 to 65 deal with the powers of Government, and ss.66 to 69 cover saving, rules and repeal. Put another way, Chapters II to V create the rights, Chapters VI to VIII provide the machinery, and Chapter IX supplies the legal framework. The table below describes the four sections that protect the employee's claim.

Section	Provision	Old position
57 Bar of suits	No civil court entertains a suit for recovery of minimum wages, deductions, wages lost through discrimination, or bonus to the extent that the amount (a) is the subject of a s.45 claim, (b) is the subject of a direction under the Code, (c) has been adjudged under the Code, or (d) could have been recovered under the Code (the widest ground)	PW Act s.22; MW Act s.24 (separate bars)
58 Good faith	No suit, prosecution or proceeding lies against the appropriate Government or its officers for anything done or intended to be done in good faith; this does not cover malice or acts outside the Code, and does not protect employers (their defences are in ss.55 and 63)	-
59 Burden of proof	In a dispute on non-payment or short payment of wages or bonus, or on unauthorised deductions, the burden of proving payment is on the employer	None; new
60 Contracting out	Any contract or agreement, made before or after commencement, by which an employee gives up his right to wages or bonus due is null and void "in so far as" it deprives him; the rest of the contract survives	PW s.23; MW s. 25 (not bonus)

Some examples show how these sections work. If a packer is short-paid Rs 8,000, his civil suit is barred under clause (d) of s.57, but a defamation suit outside the Code is unaffected. If an employer claims that bonus was paid in cash, he must produce a signed register or bank record, because the burden under s.59 lies on him. Where an agreement fixes pay at Rs 8,500 against a minimum of Rs 10,400 for 7 months, the employee can recover (1,900 x 7) = Rs 13,300, and the other terms of the agreement stay valid.

48 Miscellaneous (II): Overriding Effect, Delegation, Offender, Attachment, Directions

Ch 13 · ss.61–65

➤ Powers and Protections of Government and Employers

Sections 61 to 65 deal with how the Code relates to other laws and agreements, who exercises the Government's powers, and what happens in special situations. The table gives each section with the provision and a note.

Section	Provision	Note
61 Overriding effect	The Code prevails notwithstanding any inconsistent provision of any other law or the terms of any award, agreement, settlement or contract of service	Only where there is real inconsistency; more favourable terms survive. Old: Bonus Act s. 34. Example: a 6% settlement yields to 8.33%
62 Delegation	The appropriate Government may by notification delegate its powers to a subordinate officer or authority; the Central Government may also delegate to a State Government or the State's subordinate officers	Central Rules 2026: the Deputy Chief Labour Commissioner (Central) approves the list of acts and omissions for fines

Section	Provision	Note
63 Actual offender	An employer charged may, on a complaint in due form, have the actual offender brought before the court; if the employer proves (a) due diligence to enforce the Code and (b) that the offence was committed without his knowledge, consent or connivance, the other person is punished as the employer and the employer is discharged; the employer may be examined on oath and cross-examined	Old: MW Act s.23 (that Act only). Differs from s.55 (which adds persons in charge)
64 Attachment	The amount deposited by an employer with the appropriate Government to secure the performance of a contract, and other amounts due from the Government under the contract, are not attachable under any court decree for the employer's debts, other than debts to employees employed on the contract	Example: deposit Rs 6,00,000; bill Rs 2,50,000; a supplier's decree of Rs 4,00,000 cannot attach; workers' dues of Rs 1,80,000 may
65 Central directions	The Central Government may give directions to a State Government on carrying the Code into execution; the State shall comply	Old: MW Act s.28; for uniform implementation

As an illustration of s.63, suppose an accounts officer forges wage slips so that 40 workers are underpaid Rs 600 each. If the owner proves monthly internal audits and a police complaint, the officer is convicted and the owner is discharged.

49 Miscellaneous (III): Saving, Rules, Removal of Difficulties and Repeal

Ch 13 · ss.66–69

➤ Laws Saved (s.66)

Under **s.66**, the Code does not affect the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 or the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, or schemes made under them. One reason is that the MGNREGA wage rate (notified by the Centre under s.6 of that Act) may differ from the State minimum wage. Only these two Acts are saved, and they should not be confused with the four Acts repealed by s.69.

➤ Rules (s.67)

Under **s.67(1)**, the appropriate Government makes rules, subject to previous publication, that is, a draft published for objections and suggestions. Section 67(2) lists the matters on which both the Central and State Governments may make rules: minimum wages and hours; deductions and fines; boards, dues, claims and appeals; registers, slips, further powers of Inspectors, fines and compounding; and a residuary item.

Section 67(3) gives the Centre alone the power to make rules on certain matters: the manner of fixing the floor wage (s.9(1)) and consultation with States (s.9(3)); set-on and set-off for the 6th and 7th years of new establishments (s.26(7)); computation of gross profit (s.32) and further sums deductible (s.34(c)); carry-forward of allocable surplus or deficiency (s.36); and the manner of enquiry by the penalty-imposing officer (s.53(1)). Under s.67(4), Central rules are laid before each House of Parliament for a total of 30 days (in one or more successive sessions); if both Houses modify or annul the rule, it has effect only in the modified form or not at all, without affecting what was done earlier. Under s.67(5), State rules are laid before the State Legislature as soon as may be, with no fixed number of days.

➤ Removal of Difficulties (s.68)

Under **s.68**, the Central Government alone may, by order in the Official Gazette, make provisions not inconsistent with the Code to remove any difficulty. No order may be made after three years from the commencement, and each order is laid before each House of Parliament. With commencement on 21 November 2025, the last date is 20 November 2028.

➤ Repeal and Savings (s.69)

Section 69(1) repeals four Acts: the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976. Under s.69(2), anything done or any action taken under the repealed Acts (a notification, nomination, appointment, order or direction) is deemed to have been done under the corresponding provision of the Code and continues until superseded, if it is not inconsistent. For example, State minimum rates notified on 1 October 2025 continue under s.7 of the Code until new rates are fixed.

Under s.69(3), s.6 of the General Clauses Act, 1897 applies, so the previous operation of the repealed Acts, accrued rights and liabilities, penalties and pending proceedings are preserved. Thus arrears for October 2025 survive, a short payment of September 2025 can still be prosecuted under the old Act, and pending claims continue. The table sums up the changes made in the miscellaneous provisions.

➤ Old Acts vs Code: Miscellaneous

Provision	Old	Code
Bar of suits	PW s.22; MW s.24	One bar, s.57, including bonus

Provision	Old	Code
Burden of proof	Claimant proved non-payment	Employer proves payment (s.59)
Contracting out	Wages and deductions only	Wages or bonus (s.60)
Overriding clause	Bonus Act s.34	Whole Code (s.61)
Actual offender	MW s.23	All offences (s.63)
Central directions	MW s.28	Whole Code (s.65)
Rule-making	Four powers or sets	One power; Central Rules 2026 replace 17 rule-sets

50 Commencement and 2025–26 Notifications

Ch 13 · Notifications

➤ Timeline

The Code was brought into force in stages, and the Government has since issued a series of notifications to put it into operation. Under **s.1(3)**, the Code comes into force on the date notified by the Centre, and different dates may be fixed for different provisions. The table lists the main instruments in date order.

➤ Timeline

Date	Instrument	Effect
8 Aug 2019	Act No. 29 of 2019	Code enacted after Presidential assent
18 Dec 2020	S.O. 4604(E)	Central Advisory Board provisions (parts of ss.42, 67, 69) in force first
21 Nov 2025	S.O. 5322(E)	Main provisions in force (ss.1-41, 43-66 and the remaining parts of ss.42, 67, 68, 69); four old Acts repealed
30 Dec 2025	G.S.R. 936(E)	Draft Central Rules published (45 days for objections), s.67(1)
30 Jan 2026	S.O. 454(E)	Supervisory ceiling for 'worker': Rs 18,000 per month
8 May 2026	G.S.R. 343(E)	Code on Wages (Central) Rules, 2026
15 Jul 2026	G.S.R. 629(E)	Corrigendum: short title 'Wages (Central) Rules, 2026'
21 Jul 2026	S.O. 3985(E)	Central Advisory Board reconstituted under s.42 (replacing S.O. 527(E))
25 Aug 2026	S.O. 4711(E), S.O. 4710(E)	Bonus eligibility Rs 21,000; calculation Rs 7,000 or minimum wage (higher); deemed effective 21 Nov 2025

➤ Supervisory Ceiling (S.O. 454(E))

Under **s.2(z)(d)**, the definition of "worker" excludes a person employed in a supervisory capacity who draws wages exceeding a notified amount. That amount is now Rs 18,000 (earlier Rs 15,000). A supervisor drawing exactly Rs 18,000 is still a worker, while one drawing Rs 19,200 is not. A skilled manual worker at Rs 26,000 is a worker, because the ceiling applies only to supervisory staff.

➤ Central Rules (G.S.R. 343(E), 8 May 2026)

The Central Rules are made under s.67 and apply where the Centre is the appropriate Government (railways, mines, oilfields, major ports, banks, CPSUs). They took effect on publication, and have 8 chapters, 54 rules, 9 forms and 4 appendices. They supersede 17 earlier rule-sets: 16 under the repealed Acts, plus the Central Advisory Board Rules, 2021. The table gives the main content of the chapters.

Chapter	Content
II Minimum wages (rr. 3-9)	Rates per day; hourly = daily/8; monthly = daily x 26; variable DA revised twice a year (1 April, 1 October) on AICPI; 8-hour day; one rest day a week, never more than 10 days continuously without one
III Floor wage (r.10)	After consulting the Central Advisory Board and States; reviewed at intervals not exceeding five years
IV Payment of wages (rr.11-20)	Deductions above 50% carried forward in instalments; fines after 7-day show cause; procedure for absence, damage, advances, loans
V Bonus (rr.21-28)	Principal employer pays minimum bonus if the contractor fails; set-on and set-off for 6th and 7th years; gross profit schedules for banking and other companies

Chapter	Content
VII Undisbursed dues (rr.45-47)	Nomination in Form VII; deposit of dues unpaid after the prescribed period; unclaimed money dealt with as the Centre directs after seven years
VIII Registers and forms (rr.48-54)	Registers (Forms I, IV, IX) kept electronically or physically 5 years; wage slip Form V; claim Form II; appeal Form III within 90 days; compounding Form VI at 50% of maximum fine, payable within 30 days

For example, under rule 3, if the daily wage is Rs 650, the monthly wage is 650 x 26 = Rs 16,900 and the hourly wage is 650/8 = Rs 81.25.

➤ Central Advisory Board (S.O. 3985(E), 21 July 2026)

The reconstituted Board includes senior officers of the Ministries of Labour and Employment and of MSME, and five State representatives (Uttar Pradesh, Odisha, Maharashtra, Andhra Pradesh and Assam). Employers are represented by CII, ASSOCHAM, Laghu Udyog Bharati and the Council of Indian Employers, and workers by BMS, HMS, SEWA and UTUC. Members ordinarily hold office for three years.

➤ Bonus Ceilings (25 August 2026)

S.O. 4711(E) under s.26(1) fixes eligibility at wages not exceeding Rs 21,000, and **S.O. 4710(E)** under s.26(2) fixes the calculation on Rs 7,000 or the minimum wage, whichever is higher. Both are deemed to be in force from 21 November 2025, and the bonus for 2025-26 is due by 30 November 2026. In the worked examples (8.33%, 12 months), calculation bases of Rs 12,000, Rs 6,800 and Rs 9,500 give bonus of Rs 11,995, Rs 6,797 and Rs 9,496, and an employee drawing Rs 23,000 is ineligible and gets nothing.

51 Key Numbers & Thresholds at a Glance

Appendix A

➤ How to Use this Appendix

This appendix collects the numbers, dates and thresholds from the whole Code in five tables, so that they can be revised quickly. Each table covers one group of topics, and every entry points back to the Chapter where it was explained.

➤ A.1 Labour Codes and Code on Wages

Item	Position
Codification recommendation	Second National Commission on Labour (Ravindra Varma), report 2002
Consolidation	29 central laws into 4 Codes: Wages 4, Industrial Relations 3, Social Security 9, OSH 13
Code on Wages, 2019	Act No. 29 of 2019; assent 8 Aug 2019; first of the four Codes (the other three: assent 28 Sept 2020)
Commencement	CAB provisions 18 Dec 2020; whole Code (all four Codes) 21 Nov 2025 (S.O. 5322(E))
Central Rules	G.S.R. 343(E), 8 May 2026
Repealed (s.69) / saved (s.66)	PW 1936, MW 1948, Bonus 1965, ER 1976 / MGNREGA 2005 and Coal Mines PF Act 1948
Structure	9 chapters, 69 sections; Chapter IV (bonus) is the longest
Constitutional basis	Concurrent List Entries 22, 23, 24; Articles 39(d), 43
Definitions (s.2)	26 clauses (a) to (z); worker excludes supervisors above Rs 18,000 (S.O. 454(E), 30 Jan 2026)
Wages (s.2(y))	Basic + DA + retaining allowance; 11 exclusions (a)-(k); the excess over 50% of total remuneration is added back; remuneration in kind up to 15%

➤ A.2 Wages: Equality, Minimum Wage, Hours, Payment

Provision	Rule
s.3	No gender discrimination in wages for the same or similar work; none in recruitment
s.5	No payment below the notified minimum rate (universal coverage)
s.6, 7	Time or piece work; skill and geography, arduousness; basic + COLA, basic + concessions, or an all-inclusive rate
s.8	Committee or notification; two months for representations; effect after three months; review within five years
s.9	Floor wage by the Centre; the minimum cannot be below it; a higher existing rate is not reduced

Provision	Rule
Need-based norms	15th ILC 1957: 3 units, 2,700 calories, 72 yards cloth, rent, 20% fuel; Reptakos Brett 1991: 25%
ss.10-13	Full day's wage for a short day not the employee's fault; one paid rest day in seven
s.14	Overtime at not less than twice the normal rate, for every hour or part
s.15	Coin, currency notes, cheque, bank credit or electronic mode
s.16	Wage period daily, weekly, fortnightly or monthly; never above one month
s.17	Daily: end of shift; weekly: last working day before the holiday; fortnightly: before the end of the second day; monthly: before the expiry of the 7th day; on removal, dismissal, retrenchment, resignation or closure: within two working days

➤ A.3 Deductions, Fines, Bonus

Item	Rule
Deductions	15 heads s.18(2)(a)-(o); total at most 50% of wages (old Act 75% with co-operative payments)
Fines	Approved acts; show cause; at most 3%; not under 15; recovered within 90 days; credited to the employees' fund
Concerted absence	10 or more without notice: up to 8 days' wages
Damage or loss	Not more than the actual loss, after show cause
Bonus coverage / eligibility	20 or more persons on any day / wages up to Rs 21,000 and at least 30 days' work
Calculation / rates	Rs 7,000 or minimum wage (higher) / minimum 8.33% or Rs 100, maximum 20%
Public sector	Covered if competitive income is at least 20% of gross income
New establishments	First five years: bonus only for profit years
Time	Bank credit within 8 months; extension up to 2 years; in a dispute: 1 month of the award
Disqualification	Fraud; riotous or violent behaviour; theft, misappropriation, sabotage; conviction for sexual harassment
Available surplus (s.33)	Gross profit - prior charges (depreciation, direct tax, prescribed sums) + tax saved on the previous year's bonus
Allocable surplus	60%; 67% for a company without dividend arrangements in India
Set-on / set-off (s.36)	Excess over maximum (capped at 20% of wages) / deficiency below minimum; both up to the fourth year
ss.37, 38	Customary or interim bonus deducted; financial loss from misconduct deducted

➤ A.4 Boards, Claims, Inspection, Penalties

Item	Rule
Central Advisory Board (s.42)	Equal employers and employees; independents at most 1/3; five State representatives; 1/3 women; independent chairperson
Claims (s.45)	Gazetted Officer; 3 years; compensation up to 10 times; arrears of land revenue
Appeal (s.49)	90 days; authority one rank higher; no pre-deposit; 3 months (endeavour)
Inspector-cum-Facilitator (s.51)	Advises and inspects; web-based, randomised scheme
Penalties (s.54)	Less than due: Rs 50,000; repeat within 5 years: 3 months or Rs 1 lakh or both. Other: Rs 20,000; repeat: 1 month or Rs 40,000 or both. Records: Rs 10,000 after a direction to comply
Compounding (s.56)	Gazetted Officer; 50% of maximum fine; not for a repeat within 5 years
Burden of proof (s.59)	On the employer

➤ Previous Year Questions at a Glance

The last table lists previous year questions on the Code and the laws it replaced, with the answers.

➤ A.5 PYQ at a Glance

Exam	Question in brief	Answer
EPFO 2016	Chairman of the Central Advisory Board under the MW Act	One of the independent members
EO/AO 2017	Dr. Aykroyd's formula	Minimum wage

Exam	Question in brief	Answer
EO/AO 2021	Maximum period for review of minimum wages (1948 Act)	5 years
EO/AO 2021	Maximum weekly hours, adult worker	48 hours
APFC 2023	Bonus at 10% on minimum wage Rs 9,000	Rs 10,800
APFC 2023	Preservation of registers under the PW Act	Three years
EO/AO 2023	Wage ceiling for coverage under the PW Act	Rs 24,000 a month
EPFO 2025	PW Act: coin, weekly wage period, seventh day for over 1,000 persons	(a) statements 1 and 2
EPFO 2025	Permitted deductions: amenities, advances, co-operative societies	(d) all three

The questions most likely to appear in new forms are those on the Rs 18,000 supervisory ceiling, the Rs 21,000 and Rs 7,000 limits for bonus, the two working days on exit, the 3% limit on fines, the 50% limit on deductions and the floor wage.

CHAPTER 3

Industrial Relations Code, 2020

Industrial Relations: Meaning, | Growth of Industrial Relations | Four Labour Codes, Legislative | Three Acts Subsumed, Structure | Scheme of Section 2 and Approp | Industry and Industrial Establ | Worker, Employee and Employer | Industrial Dispute, Industrial

1 Industrial Relations: Meaning, Parties and Concepts of Labour

Ch 1

➤ Meaning and Parties

Industrial relations means the relations between employers and workers in an industry, together with the part played by trade unions and the State in shaping those relations. Three parties are involved. The **employer** (and, collectively, employers' associations) owns or runs the enterprise. The **workers**, who usually act through trade unions, supply the labour. The **State** makes the law and provides the machinery for settling disputes.

The relationship between employer and workers is partly cooperative and partly conflicting. It is cooperative because both sides need the enterprise to keep running. It is conflicting because they divide the income of the enterprise between wages and profits, so a gain for one side is often felt as a loss by the other. Industrial relations law exists to manage this mixed relationship.

➤ Stages of Evolution

Industrial relations did not appear all at once; it developed as the economy changed. The table below traces the stages, from an agricultural economy with no organised employment to the single framework of the IR Code, 2020.

Stage	Position of workers	Result
Agricultural economy	Farms and small crafts; much self-employment	No organised employer-worker relationship
Industrial Revolution (18th-19th c.)	Factories; long hours, low wages, unsafe conditions	Distinct class of wage earners; conflict
Trade unions (20th c.)	Collective organisation; strikes and negotiation	Collective bargaining; stronger voice
Multiple labour laws	Separate laws for separate issues; expansion after Independence	Wider protection but fragmentation
IR Code, 2020	One framework for unions, standing orders, disputes	Industrial peace, efficiency, worker welfare

The pattern is clear: protection grew with each stage, but the many separate laws of the fourth stage became fragmented, and the IR Code, 2020 was meant to bring them under one framework.

➤ Concepts of Labour

How a society treats workers depends on how it understands labour itself. The table lists the main concepts, from the harshest view (labour as a commodity) to the most progressive (the worker as a citizen of the industry).

Concept	Meaning
Commodity	Labour is bought and sold like a good; the wage is set by demand and supply
Machinery / factor-of-production	The worker is part of the production process, like a machine
Humanitarian / welfare	Workers are human beings; the employer should promote housing, health and education
Paternalistic	The employer acts as a parent; workers are expected to be loyal
Citizen	The worker is a citizen of the industry with a right to be consulted on terms and conditions of work

The **citizen concept** is the most modern of these. Because the worker is treated as a citizen of the industry, it supports worker participation and collective bargaining. The EPFO question papers have tested this background twice: in 2012 (market forces and globalisation versus union power) and in 2017 (the citizen concept of labour). Both questions were about background ideas, not about a statute.

2 Growth of Industrial Relations Law in India

Ch 1

➤ Colonial Period and Early Unionism

Early Indian labour law was written mainly to protect employers and to keep work going, not to protect workers. The **Workmen's Breach of Contract Act, 1859** made it a criminal offence for an artisan or workman who had taken an advance to leave work before completing the contract. The **Employers' and Workmen's (Disputes) Act, 1860** provided for speedy settlement of the wage disputes of railway, canal and public works workers by magistrates. The **Factories Act, 1881** was the first law regulating working conditions in factories, and it dealt mainly with children.

Organised labour began to take shape a little later. The **Bombay Mill Hands Association (1890)**, formed by N. M. Lokhande, was an association of workers but not a modern trade union. The first modern trade union was the Madras Labour Union (1918), organised by B. P. Wadia. The Ahmedabad Textile Labour Association grew out of the 1918 mill strike led by Gandhi and was formally set up in 1920. The **AITUC** was founded on 31 October 1920, with Lala Lajpat Rai as its first president.

➤ Case Behind the Trade Unions Act

In 1920 the Madras High Court granted an injunction against B. P. Wadia and the Madras Labour Union in the Buckingham and Carnatic Mills dispute, treating strike activity as an unlawful conspiracy. The effect was that union leaders could be sued or prosecuted for ordinary union activity. This danger led to the **Trade Unions Act, 1926**, which gave registered unions immunity.

➤ Timeline

The table gives the main laws and events from 1919 to 2026 in order. It shows how the law moved from the 1926 recognition of unions, through wartime control and permanent dispute machinery, to the Codes of 2020 and their commencement in 2025.

Year	Law or event	Significance
1919	ILO founded	India a founding member
1926	Trade Unions Act	Registration and immunity; in force 1 June 1927
1929	Trade Disputes Act	Courts of inquiry, boards of conciliation; restrictions on strikes in public utility services
1929-31	Royal Commission on Labour (Whitley)	Comprehensive survey; basis of later laws
1938	Bombay Industrial Disputes Act	First provincial law with compulsory machinery and union recognition
1942	Rule 81-A, Defence of India Rules	Wartime compulsory adjudication and strike ban
1946	Industrial Employment (Standing Orders) Act	Written conditions of service
1947	Industrial Disputes Act	Permanent dispute machinery; in force 1 April 1947
1976	Chapter VB added to ID Act	Government permission for lay-off, retrenchment, closure (300 workmen; reduced to 100 in 1982)
2002	Second National Commission on Labour (chair Ravindra Varma)	Recommended grouping central labour laws into a few broad codes
2020	IR Code (Act 35 of 2020)	Assent 28 September 2020
2025	Codes brought into force	All four codes from 21 November 2025; three old Acts repealed
2026	Amendment Act; Central Rules	IR Code (Amendment) Act, 2026 (assent 16 Feb 2026); IR (Central) Rules notified 8 May 2026

3 Four Labour Codes, Legislative Journey and Objectives

Ch 1

➤ From 29 Laws to Four Codes

The Second National Commission on Labour found that the many overlapping central labour laws made compliance difficult and enforcement weak. It therefore recommended grouping them with common definitions. Parliament acted on this by replacing 29 central labour laws with four codes, and all four came into force from 21 November 2025. The table shows the subject of each Code.

Code	Main subject
Code on Wages, 2019	Minimum wages, payment of wages, bonus, equal remuneration
Industrial Relations Code, 2020	Trade unions, standing orders, industrial disputes

Code	Main subject
Code on Social Security, 2020	Provident fund, insurance, maternity benefit, gratuity, compensation
OSH and Working Conditions Code, 2020	Safety, health, working conditions in factories, mines and other establishments

➤ Legislative Journey

The Bill was introduced in the Lok Sabha in November 2019 and referred to the Parliamentary Standing Committee on Labour. It was then withdrawn, and a revised Bill was introduced in September 2020. The Lok Sabha passed it on 22 September 2020 and the Rajya Sabha on 23 September 2020; Presidential assent was given on 28 September 2020.

Under **section 1(2)** the Code extends to the whole of India. Under **section 1(3)** it comes into force on the date notified by the Central Government, and different dates may be fixed for different provisions. Labour is in the Concurrent List of the Constitution, so the Centre and the States each frame rules for the establishments for which each is the appropriate Government.

➤ Objectives (Long Title)

The long title describes the Code as an Act to consolidate and amend the laws relating to **Trade Unions, conditions of employment in industrial establishment or undertaking, investigation and settlement of industrial disputes** and matters connected therewith. To consolidate means to bring the law into one text; to amend means to change its substance. The Code has five main aims.

The first is **simplification**: one set of definitions replaces the definitions of three Acts. The second is **industrial peace**, pursued through bipartite forums, conciliation, and notice before strikes and lock-outs. The third is **flexibility for employers**, through higher thresholds for standing orders and Government permission, and the recognition of fixed-term employment. The fourth is **protection for workers**, through the Worker Re-skilling Fund, grievance redressal, and direct access of individual workers to the Tribunal. The fifth is **ease of compliance**, through electronic registration and filing and the compounding of many first offences.

4 Three Acts Subsumed, Structure, Commencement and Transition

Ch 1

➤ Acts Subsumed

The Code absorbs three earlier Acts, each dealing with a different part of industrial relations. The table shows each Act, its subject and the place where its content now lies in the Code.

Earlier Act	Year	Area	Now in Code
Trade Unions Act	1926	Registration, rights of unions	Chapter III (ss.5-27)
Industrial Employment (Standing Orders) Act	1946	Standing orders	Chapter IV (ss.28-39)
Industrial Disputes Act	1947	Industrial disputes	Chapters II and V to XIII

The **Trade Unions Act, 1926** provided for voluntary registration. A registered union became a body corporate with immunity from criminal conspiracy and civil suits, but the Act had no provision for recognition. The Code keeps these features and adds statutory recognition. The **Standing Orders Act, 1946** required written standing orders certified by a Certifying Officer, and model standing orders applied until certification. The Code allows an employer to adopt model standing orders, which are then deemed certified.

The **Industrial Disputes Act, 1947** set up Works Committees, Conciliation Officers, Boards of Conciliation, Courts of Inquiry, Labour Courts, Industrial Tribunals and National Tribunals. The Code drops Boards of Conciliation, Courts of Inquiry and Labour Courts and adds the Grievance Redressal Committee and the Worker Re-skilling Fund.

➤ Key Changes

The table compares the old Acts with the Code on the most important subjects. Its main message is that the Code raises thresholds for employers (300 workers instead of 100), widens the notice requirement and the adjudication structure, and adds a re-skilling contribution for retrenched workers.

Subject	Old Acts	Code
Definitions	Separate in each Act	One set in s.2
Union recognition	No central law	Negotiating union or negotiating council
Standing orders	100 or more workmen	300 or more workers
Fixed-term employment	By rules only (2016 apparel; 2018 all sectors)	Defined in Code, with parity in wages and benefits

Subject	Old Acts	Code
Strike/lock-out notice	Compulsory only in public utility services	Compulsory in all industrial establishments
Govt permission (lay-off, retrenchment, closure)	100 or more workmen	300 or more workers (can be raised by notification)
Adjudication	Labour Court, Industrial Tribunal, National Tribunal	Industrial Tribunal (two members) and National Industrial Tribunal
Retrenched workers	Compensation only	Compensation plus contribution to Worker Re-skilling Fund
Penalties	Mainly prosecution and imprisonment	Higher fines; compounding; imprisonment mainly for repeat offences

➤ Structure: 14 Chapters, 104 Sections, 3 Schedules

The Code has 14 Chapters, 104 sections and 3 Schedules. The table lists the chapters with their section numbers.

Chapter	Subject	Sections
I	Preliminary	1-2
II	Bi-partite Forums	3-4
III	Trade Unions	5-27
IV	Standing Orders	28-39
V	Notice of Change	40-41
VI	Voluntary Reference of Disputes to Arbitration	42
VII	Mechanism for Resolution of Industrial Disputes	43-61
VIII	Strikes and Lock-outs	62-64
IX	Lay-off, Retrenchment and Closure	65-76
X	Special Provisions: Lay-off, Retrenchment, Closure in Certain Establishments	77-82
XI	Worker Re-skilling Fund	83
XII	Unfair Labour Practices	84
XIII-XIV	Offences and Penalties; Miscellaneous	85-104

The three Schedules are as follows. The **First Schedule** lists the matters that standing orders must cover. The **Second Schedule** lists unfair labour practices. The **Third Schedule** lists the conditions of service for which a notice of change is needed.

➤ Commencement, Repeal, Transition

The Code is in force from 21 November 2025. **Section 104** repeals the 1926, 1946 and 1947 Acts, and a Ministry notification of February 2026 clarified that the repeal operates from 21 November 2025. The **IR Code (Amendment) Act, 2026** (assent 16 February 2026, effective 21 November 2025) substituted s.104(1) and provided that tribunals and authorities under the repealed Acts continue until the corresponding Code bodies begin to function.

The IR (Central) Rules, 2026 were notified on 8 May 2026, after a draft of 30 December 2025, and the States frame their own rules. Disputes pending before commencement continue under the old law, and the Supreme Court confirmed this in 2026 for pending ID Act references.

5 Scheme of Section 2 and Appropriate Government

s. 2

Section 2 is the dictionary of the Code. It defines 44 terms in clauses (a) to (zr) for the whole Code, and so replaces three different sets of definitions (those of the Trade Unions Act, the Standing Orders Act and the Industrial Disputes Act). It opens with the words "unless the context otherwise requires", which means that a defined term may carry a different meaning where the context clearly demands it. Some terms are defined fully in the section itself (industry, worker, strike, wages), while others are borrowed from other Acts.

➤ Appropriate Government (s.2(b))

Many powers in the Code are exercised by the "appropriate Government", which may be the Centre or the State depending on the establishment. The table shows which establishments fall under each.

Central Government is appropriate for	State Government is appropriate for
Establishments carried on by or under authority of Central Government; railways incl. metro railways	All other industrial establishments
Mines, oil fields, major ports, air transport, telecommunications	State public sector undertakings
Banking and insurance companies; Central PSUs and autonomous bodies; specified Central corporations	Subsidiaries set up by State undertakings; bodies owned or controlled by the State
Companies with not less than 51% paid-up share capital held by Central Government	

There is a special rule for contract labour. For a dispute between a contractor and contract labour, the appropriate Government is the one that controls the industrial establishment where the labour works.

➤ Authorities and Procedural Terms

The Code also defines the authorities that handle its procedures. The table lists the main ones with their clause numbers.

Term (clause)	Meaning
Appellate authority (a)	Authority notified by appropriate Government in Official Gazette for appellate functions
Arbitrator (c)	Person to whom dispute is referred for arbitration; expressly includes an umpire
Certifying Officer (g)	Officer appointed by notification for standing orders under Chapter IV
Conciliation Officer (i)	Officer appointed under s.43
Registrar (zg)	Registrar of Trade Unions appointed by State Government under s.5, incl. Additional, Joint and Deputy Registrars
Tribunal (zn)	Industrial Tribunal constituted under s.44; replaces Labour Court and Industrial Tribunal of ID Act
National Industrial Tribunal (y)	Constituted under s.46; disputes of national importance or affecting more than one State
Notification (za)	Published in Official Gazette of India or of a State
Prescribed (zc)	Prescribed by rules under the Code (Central rules 8 May 2026)

6 Industry and Industrial Establishment

s. 2(p), (r), (k)

➤ Industry (s.2(p))

The Code applies only to an "industry", so this definition decides who is covered. **Industry** means any **systematic activity** carried on by **cooperation between an employer and a worker** (directly or through a contractor) for the **production, supply or distribution of goods or services** to satisfy human wants or wishes. Capital investment and profit motive are irrelevant. In this way the Code writes into the statute the test laid down by the Supreme Court and adds express exclusions.

➤ Excluded from industry by s.2(p)

Exclusion	Effect
Institutions of organisations wholly or substantially engaged in charitable, social or philanthropic service	Genuine charities outside dispute machinery
Sovereign functions of appropriate Government, incl. all activities of Central departments dealing with defence research, atomic energy and space	Three departments named
Domestic service	Household workers outside
Any other activity notified by Central Government	Open power to exclude

➤ Old Definition and Triple Test

The old Industrial Disputes Act defined industry in s.2(j) as any business, trade, undertaking, manufacture or calling of employers, and any calling, service, employment, handicraft or industrial occupation of workmen. Because this wording was very wide, the courts had to decide where its limits lay. In Bangalore Water Supply v. A. Rajappa (1978), decided by seven judges with Justice Krishna Iyer, the Supreme Court laid down the **triple test**: (i) systematic activity, (ii) organised by cooperation of employer and employee, and (iii) production or distribution of goods and services for human wants. For mixed activities it applied the dominant nature test.

The table traces the later history of the question, up to the nine-judge decision of 2026.

Year	Development
1960	State of Bombay v. Hospital Mazdoor Sabha: Government hospital held an industry
1978	Bangalore Water Supply v. Rajappa (7 judges): triple test
1982	Amendment of s.2(j) to exclude hospitals, educational and charitable institutions; never brought into force
2005	State of U.P. v. Jai Bir Singh (5 judges): doubted 1978 ruling, referred to larger bench
2020	IR Code s.2(p): statutory definition with exclusions
2026	Jai Bir Singh (9 judges, CJ Surya Kant), judgment 20 August 2026

In the 2026 judgment the nine-judge bench did not overrule the triple test. The test continues to apply to pending ID Act cases, and any refinements (for example, the commercial character of an activity) operate only prospectively. Section 2(p) is to be read on its own text. Sovereign functions are read narrowly (defence, law and order, legislation, justice, taxation), and State welfare activities are not excluded merely because the State runs them.

➤ Industrial Establishment (s.2(r)) and Controlled Industry (s.2(k))

An **industrial establishment or undertaking** is one in which any industry is carried on. A severable industrial unit is treated as a separate establishment; if the predominant activity is industry and the other activities are not severable, the whole is an industrial establishment. A **controlled industry** is an industry whose control by the Union has been declared by a Central Act to be expedient in the public interest.

7 Worker, Employee and Employer

s. 2(zr), (l), (m)

➤ Worker (s.2(zr))

A **worker** is any person, **except an apprentice under the Apprentices Act, 1961**, employed in any industry for manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment are express or implied. The definition includes working journalists and sales promotion employees. For the purpose of an industrial dispute, it also includes a person who has been dismissed, discharged, retrenched or terminated in connection with that dispute.

Some persons are excluded: members of the armed forces (Air Force, Army and Navy Acts), police and prison staff, persons employed mainly in a managerial or administrative capacity, and supervisors drawing wages exceeding Rs 18,000 per month (or a notified amount). The test is the nature of the person's main duties, not the designation.

➤ Workman (ID Act) vs Worker (Code)

Point	Workman, s.2(s) ID Act	Worker, s.2(zr)
Apprentices	Included	Excluded
Supervisory limit	Rs 10,000 a month (since 2010) or mainly managerial	Rs 18,000 a month or notified amount
Working journalists, sales promotion employees	Covered under own Acts	Included in definition
Armed forces, police, prison staff, managers	Excluded	Excluded

The table shows that the Code widens the definition in some respects (journalists and sales promotion staff are now inside it, and the supervisory ceiling is higher) but narrows it for apprentices.

➤ Employee (s.2(l)) and Employer (s.2(m))

An **employee** is any person (not an apprentice) employed by an industrial establishment for skilled, semi-skilled, unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work. It includes persons declared to be employees by the appropriate Government and excludes members of the Armed Forces. The term is wider than "worker": every worker is an employee, but not every employee is a worker. The Code uses "worker" for the rights to raise disputes, to strike and to receive retrenchment compensation.

An **employer** is one who employs, directly or through any person, one or more employees or workers in an establishment. The definition names who counts as the employer in different settings: the head of the department (for Government), the chief executive (for a local authority), the occupier and the named manager (for a factory), the person with ultimate control or the manager or managing director (for other establishments), a contractor, and the legal representative of a deceased employer.

8 Industrial Dispute, Industrial Action and Loss of Employment

s. 2

➤ Industrial Dispute and Outcome

The table gives the definitions that describe a dispute and the ways in which it ends. A key change is that an individual dispute over discharge, dismissal, retrenchment or termination is now itself an industrial dispute; the ID Act needed a separate s.2A for this.

Term (clause)	Meaning
Industrial dispute (q)	Dispute between employers and employers, employers and workers, or workers and workers, connected with employment/non-employment, terms of employment or conditions of labour. Includes individual dispute over discharge, dismissal, retrenchment or termination (ID Act needed separate s.2A)
Trade Union dispute (zm)	Dispute between two or more Trade Unions or between members of a Trade Union
Award (e)	Interim or final determination by Industrial Tribunal or National Industrial Tribunal, incl. arbitration award under s.42
Settlement (zi)	Settlement in conciliation proceedings, or written agreement between employer and workers signed in prescribed manner with copy to authorised officer and Conciliation Officer
Conciliation proceeding (j)	Any proceeding before a Conciliation Officer (ID Act also had Boards of Conciliation, now dropped)

➤ Strike, Lock-out, Closure

A **strike** (s.2(zk)) is a cessation of work by persons acting in combination, or a concerted refusal (or a refusal under a common understanding) to continue work or to accept employment. It includes concerted casual leave on a day by 50% or more of workers, which closes the mass casual leave route. For example, if 220 of 400 workers take casual leave together, that is 55% and it is a strike.

A **lock-out** (s.2(u)) is the temporary closing of a place of employment, the suspension of work, or the employer's refusal to continue to employ any number of persons. A **closure** (s.2(h)) is the permanent closing down of a place of employment or of a part of it.

➤ Lay-off (s.2(t)) and Retrenchment (s.2(zh))

Lay-off means the failure, refusal or inability of an employer, because of shortage of coal, power or raw materials, accumulation of stocks, machinery breakdown, natural calamity or a connected reason, to give employment to a worker who is on the muster rolls and has not been retrenched. A worker who reports at the appointed time and is not given work within two hours is deemed to be laid off for that day. If the worker is asked to report in the second half and is given work, the lay-off is only for half a day; if no work is given then, the worker is not laid off for that half but is entitled to full basic wages and dearness allowance for it.

Retrenchment means termination by the employer for any reason other than disciplinary punishment. Five cases are excluded from it: (i) voluntary retirement; (ii) superannuation; (iii) non-renewal of a contract on expiry or under a stipulation in it; (iv) completion of fixed-term employment (new in the Code); and (v) continued ill-health.

The table compares the five terms. The main dividing line is between the temporary ones (strike, lock-out, lay-off), where the employment relationship continues, and the permanent ones (retrenchment, closure), where it ends.

Term	Nature	Who acts	Employment relationship
Strike	Temporary	Workers in combination	Continues
Lock-out	Temporary	Employer, as weapon	Continues
Lay-off	Temporary	Employer, reasons beyond control	Continues; on muster rolls
Retrenchment	Permanent, individual	Employer, non-disciplinary	Ends; business continues
Closure	Permanent	Employer closes place or part	Ends with business

9 Wages, Average Pay and Fixed Term Employment

s. 2

➤ Wages (s.2(zq))

The Code needs a clear meaning of "wages" because several rights (such as retrenchment compensation and subsistence allowance) are calculated from it. **Wages** means all remuneration (salary, allowances or otherwise) in money or capable of being expressed in money, payable for employment or work done. It includes basic pay, dearness allowance and retaining allowance.

Certain items are excluded: (a) bonus under any law; (b) the value of house accommodation, light, water, medical attendance and amenities; (c) the employer's pension or PF contribution and interest on it; (d) conveyance allow-

ance or travelling concession; (e) special expenses of employment; (f) HRA; (g) remuneration under an award or settlement; (h) overtime; (i) commission; (j) gratuity; and (k) retrenchment compensation, retirement benefits and ex gratia payments.

Two rules prevent an employer from keeping wages artificially low by moving pay into excluded items. Under the **50% rule**, if the payments excluded under (a), (f), (g), (h) and (i) exceed one-half of the total remuneration (or a notified percentage), the excess is added back to wages. Under the **15% rule**, remuneration in kind, up to 15% of the total wages payable, is part of wages. For equal wages for all genders and for payment of wages, items (d), (f), (g) and (h) are taken into account.

➤ Worked example

Item	Rs
Basic + DA + retaining allowance	20,000
HRA + overtime + commission	30,000
Total remuneration	50,000
Permitted exclusions (50%)	25,000
Excess added back (30,000 - 25,000)	5,000
Wages	25,000

➤ Average Pay (s.2(d))

Average pay is the base for several payments, and the period used depends on how the worker is paid. The table gives the period for each category with an example.

Worker	Period	Example
Monthly-paid	Preceding 3 complete calendar months	Rs 60,000 / 3 = Rs 20,000
Weekly-paid	Preceding 4 complete weeks	Rs 12,000 / 4 = Rs 3,000
Daily-paid	Preceding 12 full working days	Rs 6,000 / 12 = Rs 500

If the full period has not been worked, the average is taken over the period actually worked.

➤ Fixed Term Employment (s.2(o))

Fixed term employment is the engagement of a worker on a **written contract** for a fixed period. The worker's hours, wages, allowances and benefits must be not less than those of a permanent worker doing the same or similar work. The worker is eligible for all statutory benefits in proportion to the period of service, and gratuity is payable after one year of service under the contract.

The ID Act did not recognise this form of employment. It was introduced earlier by amending the central standing orders rules (for apparel in 2016 and for all sectors in 2018), and the Code now gives it a statutory basis. Termination on completion of the term is not retrenchment, so no retrenchment compensation is payable.

10 Trade Union and Borrowed Definitions; Key Distinctions

s. 2

The table below collects the remaining definitions of section 2. The first group defines trade union terms; the second group borrows terms from other Acts, so that their meaning is the same as in those Acts.

Term (clause)	Meaning
Trade Union (zl)	Any combination, temporary or permanent, primarily for regulating relations between workers and employers, workers and workers, or employers and employers, or imposing restrictive conditions on trade; includes federation of two or more unions
Registered Trade Union (zf)	Union registered under the Code
Registered office (ze)	Office registered as head office
Executive (n)	Body, by whatever name, entrusted with management
Office bearer (zb)	Any member of executive; auditor expressly excluded
Negotiating union or council (z)	Under s.14; represents workers in negotiations with employer
Standing orders (zj)	Rules on matters in First Schedule
Unfair labour practice (zo)	Any practice in the Second Schedule

Term (clause)	Meaning
Banking company (f)	s.5 Banking Regulation Act, 1949; includes EXIM Bank, SIDBI, RBI, SBI, nationalised banks
Insurance company (s)	s.2 Insurance Act, 1938
Major port (v)	s.3(8) Indian Ports Act, 1908
Metro railway (w)	s.2(1)(i) Metro Railways (Operation and Maintenance) Act, 2002
Mine (x)	s.2(1)(j) Mines Act, 1952
Railway (zd)	s.2(31) Railways Act, 1989
Unorganised sector (zp)	s.2(l) Unorganised Workers' Social Security Act, 2008

➤ Distinctions

Several pairs of terms in section 2 are close in meaning and should be kept apart. A lock-out is temporary and is used as a weapon in a dispute, whereas a closure is permanent. In a lay-off the worker stays on the muster rolls, whereas retrenchment ends the service; dismissal for misconduct is a disciplinary measure and is excluded from retrenchment. An award is a determination made by a Tribunal or arbitrator, whereas a settlement is an agreement between the parties.

The EPFO papers have tested this area: in 2021 a question asked candidates to match closure, workmen, strike and lock-out, and in 2025 a question was based on the triple test judgment (Bangalore Water Supply, 1978).

11 Bipartite Forums and the Works Committee

Ch II, s. 3

A **bipartite forum** is a body in which only the employer and the workers take part. A tripartite forum adds the Government (for example, the Indian Labour Conference), while third-party settlement uses a conciliation officer, an arbitrator or a Tribunal. Bipartite forums are the first rung of the ladder of dispute resolution, because the parties try to settle matters among themselves before outside authorities are involved.

Chapter II (ss.3-4) draws on ss.3 and 9C of the ID Act, and the Central Rules, 2026 fill in the details. Its constitutional background is **Article 43A** (inserted by the 42nd Amendment, 1976), which directs the State to secure the participation of workers in the management of industry. The Royal Commission on Labour (1931) had recommended works committees. Section 3 of the ID Act 1947 gave them a statutory basis for establishments with 100 or more workmen, and s.9C, inserted by the ID (Amendment) Act, 2010, made a Grievance Redressal Committee compulsory at 20 or more workmen.

➤ Works Committee (s.3)

Where an industrial establishment has 100 or more workers employed, or employed on any day in the preceding 12 months, the appropriate Government **may**, by general or special order, require the employer to constitute a Works Committee. The word "may" matters: the Committee is not automatic and arises only on a Government order.

The Committee has representatives of the employer and of the workers, and the worker representatives must not be fewer than the employer representatives. The workers' representatives are chosen in the prescribed manner, in consultation with the registered Trade Union, if there is one. Its duty is to promote measures that secure amity and good relations, to comment on matters of common interest, and to try to compose material differences of opinion. It is only advisory and consultative: it gives no binding awards and cannot replace a registered union in collective bargaining on wages or bonus.

The Central Rules, 2026 add detail on the working of the Committee, as shown in the table.

➤ Central Rules, 2026 (Works Committee)

Matter	Position
Size	Not more than 20 members
Balance	Workers not fewer than employer representatives
Representation	All categories, groups, classes of workers and women adequately represented
Office-bearers	Chairperson, Vice-Chairperson, Secretary, Joint Secretary
Meetings	At least once in every three months
Term	3 years (2 years under 1957 Rules)

An illustration shows how the size and balance rules work together. A Committee of 8 employer and 12 worker representatives is valid. A Committee of 12 employer and 8 worker representatives is invalid, because workers are fewer. A Committee of 11 and 11 is also invalid, because the total of 22 exceeds 20. A seasonal factory that has 140 workers in the season stays within s.3 for the following year.

12 Grievance Redressal Committee and Direct Route to Tribunal

s. 4

➤ Constitution (s.4)

While the Works Committee deals with collective matters, the Grievance Redressal Committee (GRC) deals with the complaints of individual workers. Every industrial establishment with 20 or more workers shall have one or more Grievance Redressal Committees, so this body is compulsory. It must have an equal number of employer and worker members, with a total of not more than 10. The chairperson comes alternately from the employer side and the worker side, and the position rotates every year.

Women workers must be represented in the Committee in a number not less than their proportion in the total workforce; for example, with 40% women and 10 members, at least 4 must be women. Under the Central Rules, the employer members are nominated by the employer, and the worker members are nominated by the negotiating union or council or, if there is none, chosen by the workers. The term of the Committee is 3 years.

➤ Procedure

The table sets out each step, from the worker's application to the final remedy before the Tribunal.

Step	Rule
Application	By aggrieved worker within 1 year of cause of action
Disposal	Committee may complete proceedings within 30 days of receipt
Decision	By majority view, provided more than half of worker-side members agree; otherwise no decision
Further remedy	If dissatisfied or not decided in 60 days, apply to conciliation officer through Trade Union within 60 days
Individual termination dispute	Treated as industrial dispute even if no union or other worker is party; worker may apply directly to Tribunal after 45 days from conciliation application, within 2 years of discharge, dismissal, retrenchment or termination; Tribunal has full power as if referred

Two examples show how the rules work. On voting in a Committee of 5 + 5, a decision backed by 5 employer members and 2 worker members has 7 of 10 votes but fails, because only 2 of 5 worker members agree; a decision backed by 3 employer and 3 worker members is valid. On dates, if a worker is dismissed on 15 January 2027 and applies for conciliation on 10 February 2027, a direct application to the Tribunal may be made from 28 March 2027, and the deadline falls before 15 January 2029.

The next table compares the position under the ID Act (ss.9C and 2A) with the Code. In short, the Code allows a larger Committee, a faster disposal period and a stricter voting rule, but gives a shorter period to approach the adjudicator.

➤ ID Act (ss.9C, 2A) vs Code (s.4)

Feature	ID Act	Code
Threshold	20 or more workmen	20 or more workers
Maximum size	6 members	10 members
Chairperson	Alternately, every year	Same, rotational
Time to apply	No limit in s.9C	1 year of cause of action
Disposal	45 days	30 days
Voting	No special rule	Majority plus more than half of worker members
Next step	Appeal to employer, decided in 1 month	Conciliation officer through union within 60 days
Direct approach to adjudicator	Labour Court/Tribunal after 45 days, within 3 years	Tribunal after 45 days, within 2 years

Finally, the two bipartite forums of Chapter II differ in many ways. The table below compares them side by side.

➤ Works Committee vs GRC

Point	Works Committee (s.3)	GRC (s.4)
Matters	Collective, common interest	Individual grievances
Applies to	100 or more workers in preceding 12 months	20 or more workers
Force	Only on Government order	Compulsory
Balance	Workers not fewer than employer	Exactly equal
Size	Up to 20 (Central Rules)	Up to 10
Outcome	Comments and recommendations	Decision, then conciliation if needed

13 Trade Unions: Background, Registrar and Registration

Ch III, ss. 5-11

➤ Background

The history of trade union law begins with the Madras Labour Union (1918, B. P. Wadia), the formation of the AITUC and the Madras High Court injunction of 1920. These events led to the **Trade Unions Act, 1926**, passed through the efforts of N. M. Joshi and in force from 1 June 1927. It provided for voluntary registration, with civil and criminal immunities for registered unions. The Trade Unions (Amendment) Act, 2001 later required a minimum membership of 10% or 100 workers, limited the number of outsiders, and required elections at least every 3 years.

Article 19(1)(c) of the Constitution guarantees the right to form unions. Registration is only a facility that gives legal personality and immunities. An unregistered union is lawful but gets none of these benefits. Neither the Constitution nor the Code gives a guaranteed right to recognition or to strike. Chapter III of the Code (ss.5-27) keeps the scheme of the 1926 Act and adds the recognition of negotiating unions and of Central and State trade unions. Registration is optional.

➤ Registrar (s.5) and Criteria (s.6)

Under **section 5**, the State Government appoints a Registrar of Trade Unions for the State, along with Additional, Joint and Deputy Registrars. There is no Central Registrar, so unions in the Central sphere register in the State where their head office is located.

Section 6 sets the membership conditions. Under **s.6(1)**, any seven or more members may apply for registration. Under **s.6(2)**, no trade union of workers can be registered unless at least 10% of the workers or 100 workers, whichever is less, engaged in the establishment or industry are members on the date of application; the minimum of seven always applies. Under **s.6(3)**, an application is not invalid if, after it is filed, some applicants (not more than half) cease to be members or dissociate themselves. Under **s.6(4)**, a registered union must at all times keep 10% or 100 members, whichever is less, subject to the minimum of seven.

A union of employers needs only seven members. The examples show how the rule works: with 2,500 workers, 10% is 250, so the lower figure of 100 applies; with 40 workers, 7 members suffice; with 1,100 workers, 10% is 110, so the requirement is 100 (EPFO 2023).

➤ Rules (s.7) and Application (s.8)

Under **section 7**, the rules of a union must provide for its name; its objects; the purposes of its general funds; a list of members and its inspection; the admission of ordinary members engaged in the industry and of honorary or temporary members as office-bearers; subscription; benefits and fines; the annual general meeting; the election and removal of the executive and office-bearers for a term of not more than 3 years; the safe custody of funds, annual audit and inspection; amendment of the rules; and dissolution.

Under **section 8**, the application goes to the Registrar, electronically or otherwise. It must be accompanied by an affidavit declaration, a copy of the rules and the resolution adopting them, a resolution authorising the applicants, a resolution of each member union in the case of a federation, and a statement of assets and liabilities if the union has existed for more than one year. The Registrar may call for further information and must require a change of name if the name is identical or deceptively similar to that of an existing union.

➤ Registration, Cancellation, Appeal (ss.9-11)

Under **section 9**, the Registrar enters the union in the register and issues a certificate, which is conclusive evidence of registration. A union registered under the 1926 Act is deemed to be registered under the Code. Registration can be cancelled on the union's own application, if the union has contravened the Code, its rules or its constitution, if its membership has fallen below the threshold, or where the Tribunal so orders. Except where the union itself applies, the Registrar must give at least 60 days' previous written notice stating the grounds and must record reasons.

Under **section 10**, an appeal against refusal or cancellation lies to the **Tribunal** within the prescribed period; a late appeal is admitted for sufficient cause, and the Tribunal may dismiss the appeal or direct registration or restoration. Under **section 11**, communications go to the registered head office, and the union must inform the Registrar of changes of address and of any fall below the membership threshold.

The table compares the Code with the 1926 Act. The main changes are electronic applications, a shorter and clearer notice period before cancellation, appeal to the Tribunal instead of the civil court, and a new ground of cancellation on the Tribunal's order.

Feature	TU Act, 1926	Code
Membership for registration	7 members; from 2001 10% or 100, whichever less (s.4)	Same (s.6)
Continuing membership	s.9A	s.6(4); fall is ground of cancellation
Application	Paper	Electronically or otherwise
Notice before cancellation	Two months	At least 60 days
Appeal	Civil court or High Court	Tribunal
Cancellation on Tribunal order	No such ground	New ground

14 Legal Status, Funds and Immunities of Registered Unions

ss. 12-18

➤ Status (ss.12-13)

Under **section 12**, a registered union is a body corporate with perpetual succession and a common seal. It can acquire, hold and dispose of property, make contracts, and sue and be sued in its registered name. Under **section 13**, the Societies Registration Act, 1860, the Cooperative Societies Act, 1912, the Multi-State Co-operative Societies Act, 2002, the Companies Act, 2013 and State co-operative laws do not apply to a registered union, and registration under any of them is void. The 1926 Act listed the Companies Act, 1956; the Code adds the Multi-State Act, 2002.

➤ Funds (s.15)

A union's **general fund** may not be spent on objects other than those prescribed by the rules (the 1926 Act listed the objects in the statute itself). A union may also keep a **separate political fund**, built from separately levied contributions, for the civic and political interests of its members. Contribution to the political fund is optional. A member who does not contribute cannot be excluded from any benefit or disadvantaged, except in the control of that fund, and the contribution cannot be made a condition of admission.

➤ Immunities (ss.16-18): registered unions only

The great purpose of registration is the protection it gives against ordinary civil and criminal liability, which came out of the 1920 Madras case. Only registered unions enjoy these immunities. The table shows the three immunities and the limits of each.

Section	Immunity	Limit
s.16 Civil	No civil suit against registered union, office-bearers or members for act in contemplation or furtherance of an industrial dispute to which a member is party, on the ground only that it induces breach of employment contract or interferes with trade, business or employment or right to dispose of capital or labour. Union not liable for agent's tort done without knowledge of, or contrary to express instructions of, the executive	Only these two grounds; violence, property damage, defamation, trespass not covered; agent personally liable
s.17 Criminal conspiracy	No punishment for criminal conspiracy for agreement between members to further a lawful object of the union	Not if agreement is to commit an offence (earlier IPC s. 120B(2); now BNS s.61(2))
s.18 Restraint of trade	Agreement between members not void or voidable merely because an object is in restraint of trade	Civil court will not entertain suit to enforce or recover damages for breach of agreement on conditions of selling, business, work, employing

It is important to note that the immunity from suit for inducing breach of an employment contract is not a power to change that contract (the EPFO 2025 answer was (D)).

15 Members, Office-Bearers and Union Disputes

ss. 19-23

Sections 19 to 23 deal with the internal life of a union: who may be a member, who may hold office, and how disputes inside the union are settled. The table gives the main rule of each section.

Section	Provision
s.19	Account books and list of members open to inspection by any office-bearer or member at times provided by rules
s.20 Minors	Person aged 14 years or above employed in a non-hazardous industry may be a member, with all member rights (1926 Act: 15 years). Aligned with Child and Adolescent Labour Act (adolescents 14-18 in non-hazardous work)
s.21 Disqualification of office-bearers	Not attained 18 years; convicted of offence involving moral turpitude and imprisoned, unless 5 years elapsed since release; disqualified by Tribunal for specified period; member of Council of Ministers or holds office of profit under Central/State Government (other than employment in the connected establishment)
s.23 Proportion of office-bearers	Unorganised sector union: not less than one-half must be persons actually engaged or employed in the establishment/industry (Government may exempt). Other unions: all must be insiders except one-third of total office-bearers or 5, whichever is less may be outsiders. Retired or retrenched employees not outsiders
s.22 Disputes	Disputes between unions; between union and members/office-bearers on registration, administration, management, election; between union and person refused membership; specified federation-constituent disputes: decided by the Tribunal having jurisdiction over registered office area; civil courts barred

A few points from the table deserve explanation. The rule on minors (s.20) is aligned with the Child and Adolescent Labour Act, which allows adolescents of 14 to 18 years to do non-hazardous work. The rule on outsiders (s.23) keeps union leadership mainly in the hands of those who work in the industry. A worked example shows the limit on outsiders: with 18 office-bearers, one-third is 6, but the lower figure of 5 applies; with 9 office-bearers, the limit is 3.

16 Name Change, Amalgamation, Dissolution, Returns; Act vs Code

ss. 24-26

Sections 24 to 26 deal with major changes in the life of a union and with its yearly reporting duties. The table gives the rule for each, with the time limits and majorities that apply.

Section	Rule
s.24 Change of name	Consent of not less than two-thirds of total members (900 members: 600). Notice to Registrar signed by secretary and 7 members; Registrar refuses identical or deceptively similar name. No effect on rights, obligations or pending proceedings
s.24 Amalgamation	Two or more registered unions may amalgamate in prescribed manner; notice signed by secretary and 7 members of each union; if head office in another State, notice also to that State's Registrar; creditors' rights not prejudiced
s.25 Dissolution	Notice signed by 7 members and secretary to Registrar within 14 days of dissolution; if dissolution followed the rules, Registrar registers it and it takes effect from date of registration; if rules silent on distribution, Registrar divides funds as prescribed
s.26 Annual return	Audited as prescribed; receipts and expenditure for year ending 31 December and assets and liabilities on that date; with statement of changes in office-bearers and amended rules. Copy of every rule alteration within 15 days. Registrar may inspect records at registered office or require them within 15 km

The next table compares the 1926 Act with the Code across the chapter as a whole. The most important changes are that union disputes now go to the Tribunal instead of civil courts, the minimum age of members is lowered to 14 years, and recognition is now provided for.

➤ TU Act, 1926 vs Code

Provision	TU Act	Code
Minor members	15 years (s.21)	14 years, non-hazardous industry (s.20)
Cancellation notice	2 months	60 days; new grounds
Appeal	Civil court or High Court	Tribunal (s.10)
Union disputes	Civil courts	Tribunal; civil courts barred (s.22)
Objects of funds	Listed in statute	Prescribed by rules (s.15)

Provision	TU Act	Code
Amalgamation	Votes of at least half of members of each union, 60% in favour	Prescribed manner
Recognition	None	Negotiating union/council; Central and State unions (ss.14, 27)

➤ Distinctions

Registration (s.9) gives a union legal status, whereas recognition (s.14) makes it the bargaining agent. The figure of 7 members is both the minimum number of applicants and the absolute floor, while "10% or 100" is the workers' threshold.

Several numbers in this chapter are easily confused. The age of **14 years** applies to membership, and **18 years** to holding office. **Two-thirds** is the majority for a change of name, and **one-third (or 5)** is the limit on outsiders. **14 days** is the period for a dissolution notice, and **15 days** is the period for sending a copy of an altered rule.

17 Recognition: Negotiating Union and Negotiating Council

s. 14

➤ Background

Registration gives a union legal status, but it does not oblige an employer to talk to it. Recognition, which makes a union the bargaining agent of the workers, was for a long time left to voluntary codes and State laws. The table shows how the position developed, from no duty at all under the 1926 Act to a statutory duty under the IR Code, 2020.

Stage	Position on recognition
TU Act, 1926	Registration only; no duty to recognise
TU (Amendment) Act, 1947	Compulsory recognition by Labour Court order; never brought into force
Code of Discipline, 1958 (voluntary)	Union functioning at least 1 year after registration with 15% membership (25% for industry in local area); recognition not changed for 2 years
State laws	e.g. Maharashtra Recognition of Trade Unions and Prevention of ULP Act, 1971: at least 30% membership
Second NCL (2002)	Sole negotiating agent with 66% support, else negotiating college of unions above 25%
IR Code, 2020	Negotiating union at 51%, else negotiating council of unions with at least 20%

➤ Section 14

Section 14 creates a duty on the employer to deal with a recognised body. Its seven sub-sections are set out in the table. In brief, a union with 51% support becomes the sole negotiating union; if no union has 51%, a council of the larger unions is formed.

Provision	Rule
s.14(1)	Establishment with registered unions shall have a negotiating union or negotiating council to negotiate with employer on prescribed matters
s.14(2)	Only one registered union: employer recognises it as sole negotiating union, subject to prescribed criteria
s.14(3)	More than one union: union with support of 51% or more of workers on muster roll, verified in prescribed manner, is sole negotiating union
s.14(4)	No union at 51%: employer constitutes negotiating council of representatives of unions with support of at least 20% of muster roll workers
s.14(5)	One representative for every 20% support; remainder as prescribed. Council agreement needs consent of majority of members
s.14(6)	Valid for 3 years, extendable by mutual agreement but not beyond 5 years in all
s.14(7)	Establishment provides prescribed facilities

➤ Rule 9, IR (Central) Rules, 2026

The statute leaves the detailed method to the rules. Rule 9 of the IR (Central) Rules, 2026 explains how support is verified and which facilities the employer must provide. The table summarises it.

Matter	Position
Single union	Recognised as sole negotiating union if members are at least 30% of total workers on muster roll
Verification	Secret ballot (may be electronic) by a Verification Officer appointed by Central Government, who has no interest in any union

Matter	Position
Voters' list	Prepared by employer from muster roll, verified before ballot
Result	Officer declares and reports to employer, who grants recognition; unions may watch counting
Cost	Borne by employer
Matters for negotiation	Wages and allowances, hours and shifts, rest days, leave and holidays, promotion and transfer policy, disciplinary procedure, safety, health and working conditions, others agreed
Facilities	Notice board, place for discussions, access of office-bearers; 300 or more workers: office accommodation

The worked examples below assume 1,000 workers on the muster roll. They show how the 30%, 51% and 20% limits operate in practice.

➤ Worked examples (1,000 workers on muster roll)

Support	Result
Only A, 420	Sole negotiating union (above 30%)
Only A, 220	Below 30%; not recognised
A 550, B 300, C 150	A (55%) sole negotiating union
A 400, B 350, C 250	Council; A 2 seats, B 1, C 1 plus remainder as prescribed
A 450, B 300, C 150, D 100	Council of A and B only (C 15%, D 10% below 20%)
A 510, B 490	A exactly 51%: sole negotiating union

Two further points about validity and duration should be remembered. If a union is recognised on 1 April 2026, the recognition is valid to 31 March 2029 and can be extended at most to 31 March 2031; beyond that, fresh verification is needed. The base for counting support is always the muster roll and not the claims of the unions, because the same worker may appear on several membership lists. A secret ballot is therefore preferred to check-off, and a deduction of union subscription from wages needs the worker's written consent.

18 Central and State Trade Unions; Old Position vs Code

s. 27

Section 14 deals with recognition inside one establishment. Section 27 deals with recognition at the level of the whole country or State. Under **s.27(1)**, the Central Government may, if necessary or expedient, recognise a trade union or federation as a Central Trade Union at the Central level, in the prescribed manner, and disputes about this are decided by the authority it prescribes. Under **s.27(2)**, the State Government has the same power to recognise a **State Trade Union**, with disputes decided by its own prescribed authority.

The purpose of such recognition is representation in the Indian Labour Conference, the Standing Labour Committee, the Central Board of Trustees of the EPF and delegations to the ILO International Labour Conference. Earlier, these unions were recognised only administratively by the Ministry of Labour; the Code now gives the process a statutory basis.

The main central trade union organisations are shown below, with their year of founding and political association (asked in EPFO 2023).

➤ Central trade union organisations (EPFO 2023)

Organisation	Founded	Political association
AITUC	1920	CPI
INTUC	1947	Indian National Congress
HMS	1948	Socialist tradition; independent
BMS	1955	BJP (Sangh Parivar)
CITU	1970	CPI(M)

The next table compares recognition before the Code with the position under it. The key change is that recognition has moved from voluntary or administrative arrangements to a statutory duty, with a higher threshold, a secret ballot, and a role for minority unions.

➤ Before the Code vs Code

Matter	Before	Code
Basis	Code of Discipline 1958, State laws	Statutory duty (s.14)

Matter	Before	Code
Threshold	15% (Code of Discipline)	51% (several unions); 30% single union (Rule 9)
Minority unions	No role	Council seats at 20% or more
Verification	Membership records	Secret ballot, Verification Officer
Duration	2 years	3 years, up to 5
Central unions	Administrative recognition	Statutory (s.27)

It is useful to keep three ideas separate. Registration (by the Registrar) gives legal status, while recognition makes the union a bargaining agent. Among the percentages, 51% is the majority required where there are several unions, 30% is the threshold for a single union (Rule 9), and 20% is the minimum for a place in the council and also the size of one seat.

19 Standing Orders: Meaning, Coverage and Model Standing Orders

Ch IV, ss. 28-29

Standing orders are rules on the conditions of employment in an establishment, dealing with the matters listed in the First Schedule. Once they are certified, they form part of the contract of employment and have statutory force. Chapter IV (ss.28-39) replaces the Industrial Employment (Standing Orders) Act, 1946. The purposes of standing orders are certainty about the terms of work, uniformity between workers, a check on arbitrary action by the employer, fairness through an outside check by the Certifying Officer, and a basis for adjudication when a dispute arises.

➤ Applicability (s.28)

Chapter IV applies to every industrial establishment in which 300 or more workers are employed, or were employed on any day of the preceding 12 months. The 1946 Act applied at 100 or more, and several States had lowered the limit to 50. The same figure of 300 applies to the special rules on lay-off, retrenchment and closure in Chapter X.

Section 28(2) excludes workers who are governed by service rules of their own, namely the Fundamental and Supplementary Rules, the Civil Services (CCA) and (Temporary Service) Rules, the Revised Leave Rules, the Civil Service Regulations, the Civilians in Defence Service (CCA) Rules, the Indian Railway Establishment Code, or other notified rules.

➤ Model Standing Orders (s.29)

Under **s.29(1)**, the Central Government makes the model standing orders. Under the 1946 Act, the appropriate Government prescribed them (s.12A), and they applied only temporarily. Under **s.29(2)**, until an establishment's own orders are finally certified and operate, the model orders are deemed to be adopted, and ss.33(2) and 35 apply as if they were certified. This means there is no gap in coverage. The Central Rules 2026 were accompanied by model orders for the manufacturing, mining and service sectors.

The First Schedule lists the 11 matters that standing orders must provide for, as shown in the table.

➤ First Schedule: matters standing orders must provide (11)

No.	Matter
1	Classification of workers (permanent, temporary, apprentice, probationer, badli, fixed term employment)
2	Manner of intimating hours of work, holidays, pay days and wage rates
3	Shift working
4	Attendance and late coming
5	Leave and holidays: conditions, procedure, granting authority
6	Entry and search: gates and liability to search
7	Closing and reopening of sections; temporary stoppages; resulting rights and liabilities
8	Termination of employment: grounds and notice by employer and worker
9	Suspension or dismissal for misconduct; acts amounting to misconduct
10	Redress of grievances against unfair treatment or wrongful exactions
11	Any other matter specified by appropriate Government

20 Certification of Standing Orders, Powers and Appeals

ss. 30-32

Standing orders become binding only after a Certifying Officer has certified them. Section 30 lays down the procedure, and the table sets out each step from the draft to the delivery of certified copies. A notable feature is the time limit: if the Certifying Officer does not decide within 60 days, the draft is deemed to be certified.

➤ Procedure (s.30)

Step	Rule
Draft	Employer prepares within 6 months of commencement of Code (or of Chapter becoming applicable, s. 30(4)); based on model orders, covering every First Schedule matter (s.30(1))
Consultation	With Trade Union or negotiating union/council before forwarding (s.30(2))
Submission	To Certifying Officer, electronically or otherwise, with prescribed particulars of workers and unions
Comments	Certifying Officer sends draft to union/negotiating body or worker representatives for comments
Decision	After hearing, decides modifications; within 60 days of receipt, failing which draft is deemed certified (s. 30(5) proviso)
Copies	Certified copies to employer and union/representatives within 7 days of certification (s.30(8))

There is a shortcut for employers. Under **s.30(3)**, an employer who adopts the Central model orders is deemed to have certified standing orders and only has to inform the Certifying Officer. Where the employer submits its own draft, the test under **s.30(6) and (7)** is that the orders provide for every applicable First Schedule matter and conform to the Code. The officer also judges their fairness and reasonableness by reference to the model orders; for example, making union membership a misconduct would be unfair.

A group of employers in similar establishments may submit a joint draft (s.30(10)). Standing orders already made under the 1946 Act continue if they are consistent with the Code and are deemed to be certified (s.30(11)).

➤ Powers and Appeals (ss.31-32)

Under **section 31**, the Certifying Officer and the Appellate Authority have the powers of a civil court in respect of evidence, oaths, witnesses and documents, and are treated as civil courts for CrPC ss.345-346 (contempt). Clerical or arithmetical mistakes and accidental slips can be corrected at any time, also by a successor in office.

Under **section 32**, an appeal against an order under s.30(5) may be filed by the employer, a Trade Union, a negotiating union or council, or another worker representative body. It must be filed within 60 days of receipt of the order, before the Appellate Authority notified by the appropriate Government. The table compares the position under the 1946 Act with the Code.

Point	1946 Act	Code
Certification time limit	None	60 days, else deemed certified
Model adoption	No deeming	Deemed certified
Appeal period	30 days from sending of certified copies	60 days from receipt of order
Who may appeal	Employer, workman, union, prescribed representatives	Employer, Trade Union, negotiating union/council, other worker body

21 Operation, Modification, Interpretation, Suspension and Exemption

ss. 33-39

Sections 33 to 39 deal with what happens after standing orders are certified: when they take effect, how they may be changed or interpreted, and how suspension of a worker and exemption of establishments are handled. The table gives the rule of each section.

Section	Rule
s.33 Operation	No appeal: operate on expiry of 30 days from sending of authenticated copies. Appeal filed: on expiry of 7 days from sending of Appellate Authority's order. Employer must make text available in prescribed language and manner (Central Rules: Hindi, English, local language)
s.34 Register	Certifying Officer keeps register (or uploads electronically) of finally certified orders; copy on prescribed fee
s.35 Modification	Not liable to modification until 6 months from operation of orders or last modification, except by agreement of employer and workers/union; same procedure as certification
s.36 Oral evidence	No oral evidence adding to, varying or contradicting finally certified orders admitted in any court

Section	Rule
s.37 Interpretation	Employer, worker or union refers question to the Tribunal having jurisdiction; decision final and binding (1946 Act s.13A: Labour Court)
s.38 Suspension	Investigation/inquiry ordinarily completed within 90 days from suspension
s.39 Exemption	Appropriate Government may by notification exempt any establishment or class, conditionally or unconditionally, from all or any provisions (1946 Act s.14)

A few dates show how s.33 works. If certified copies are sent on 10 August 2026 and no appeal is filed, the orders operate on 9 September 2026. If an Appellate Authority's order is sent on 2 November, the orders operate on 9 November. For the certification time limit, a draft submitted on 1 July is deemed certified once 60 days lapse without a decision.

➤ Subsistence Allowance (s.38)

A worker who is suspended pending an inquiry is entitled to a subsistence allowance, since the worker cannot earn during the suspension. For the first 90 days, the allowance is **50%** of the wages the worker was drawing immediately before the suspension. For the remaining period it rises to **75%** if the delay is not directly attributable to the worker; if the worker causes the delay, it stays at 50%.

The 90-day limit is directory, because the section says the inquiry should "ordinarily" be completed within that time. A later inquiry is therefore not void, but the higher allowance becomes payable. Disputes on the allowance go to the Tribunal (earlier the Labour Court). The worked examples below apply these rules.

➤ Worked examples

Facts	Calculation	Amount
Wages Rs 30,000/month; suspended 150 days; employer delay	90 days 50%: 45,000 + 2 months at 75%: 45,000	Rs 90,000
Same, delay by worker's adjournments	45,000 + 2 months at 50%: 30,000	Rs 75,000
Daily wage Rs 800; 60 days	50% x 800 x 60	Rs 24,000

22 Notice of Change and Third Schedule

ss. 40-41

➤ Notice of Change (s.40)

The rule on notice of change has its origin in s.9A of the ID Act, which was inserted in 1956. Its purpose is to prevent an employer from suddenly altering the terms on which workers are employed. Under s.40, an employer who proposes to change a condition of service listed in the **Third Schedule** shall not effect the change (i) without giving notice, in the prescribed manner, to the workers likely to be affected, or (ii) within 21 days of giving notice.

Both conditions apply together. The notice goes to the workers and not to the Government, so no Government permission is needed. Under the Central Rules 2026, the notice is given electronically or by post, and is displayed on the notice board and on the portal. For example, if notice is given on 1 December 2026, the earliest date of change is 23 December 2026; if it is given on 10 March, the earliest date is 1 April.

No notice is needed in four situations, listed in the table. The exception for an emergent situation is new in the Code, and it requires consultation with the Grievance Redressal Committee and not the Works Committee.

➤ Exceptions: no notice needed

Clause	Situation
(a)	Change in pursuance of a settlement or award
(b)	Workers governed by Fundamental and Supplementary Rules, Civil Services (CCA), Civil Services (Temporary Service), Revised Leave Rules, Civil Service Regulations, Civilians in Defence Service (CCA) Rules, Indian Railway Establishment Code or other notified rules
(c)	Emergent situation requiring change of shift or shift working otherwise than per standing orders, made in consultation with the Grievance Redressal Committee (new in Code; not Works Committee)
(d)	Change effected under orders of appropriate Government

The Third Schedule lists the 11 conditions of service for which notice is required. It corresponds to the Fourth Schedule of the ID Act.

➤ Third Schedule: conditions of service (11 items; Fourth Schedule of ID Act)

No.	Condition
1	Wages, including period and mode of payment
2	Contribution by employer to any provident fund or pension fund or for workers' benefit under any law
3	Compensatory and other allowances
4	Hours of work and rest intervals
5	Leave with wages and holidays
6	Starting, alteration or discontinuance of shift working otherwise than per standing orders
7	Classification by grades
8	Withdrawal of any customary concession or privilege or change in usage
9	New rules of discipline or alteration of existing rules/interpretation, except as in standing orders
10	Rationalisation, standardisation or improvement of plant or technique likely to lead to retrenchment
11	Increase or reduction (other than casual) in persons employed in any occupation, process, department or shift, not occasioned by circumstances beyond employer's control

Some examples show how the Schedule is applied. A change from weekly to monthly wages needs notice (item 1). A new night shift outside the standing orders needs notice (item 6). The withdrawal of a free transport facility enjoyed for 15 years needs notice (item 8). A packing line that would make 40 workers surplus needs notice (item 10). An 8% rise under a settlement does not need notice, and neither does a loss of staff caused by a flood (item 11, since it is beyond the employer's control).

➤ Exemption (s.41)

Under s.41, the appropriate Government may, by notification, direct that s.40 does not apply, or applies only subject to conditions, to a class of establishments or workers. Three conditions must be met together: application of s.40 is likely to prejudice employers, the prejudice would cause serious repercussions on the industry, and public interest requires the exemption. The exemption is given by class and not for one employer. It corresponds to s.9B of the ID Act and is distinct from s.39, which exempts establishments from the standing orders Chapter.

The table compares the ID Act with the Code. The notice period and the number of items are the same; the main changes are the new exception for an emergency shift change and the way a breach is penalised.

Point	ID Act (ss.9A, 9B)	Code (ss.40, 41)
Notice period	21 days	21 days
Matters	Fourth Schedule (11)	Third Schedule (11, same substance)
Exceptions	Settlement/award; Government service rules	Same plus emergency shift change with GRC and Government orders
Exemption	s.9B	s.41
Breach	Penalty under s.31(2)	Penalty under offences chapter; challengeable as industrial dispute

23 Voluntary Reference of Disputes to Arbitration

s. 42

Arbitration is a method of settling a dispute in which the parties choose an arbitrator and agree in advance to accept the award. It differs from conciliation, in which a third party only helps the parties to reach agreement, and from adjudication, in which the State compels the parties to appear before a Tribunal. The **Giri approach** (named after V. V. Giri, Labour Minister in 1952; EPFO 2015) favours settlement through collective bargaining and voluntary arbitration. It was also favoured by the Code of Discipline 1958 and by the National Commission on Labour.

Section 42 provides the procedure for voluntary arbitration. The table sets out each sub-section.

➤ Section 42

Sub-section	Rule
42(1)	Where dispute exists or is apprehended, employer and workers may refer it by written agreement to arbitration; agreement names the arbitrator(s)
42(2)	Even number of arbitrators: agreement must provide for an umpire, who enters the reference if arbitrators are equally divided; umpire's award prevails and is deemed the arbitration award

Sub-section	Rule
42(3)	Prescribed form, signed in prescribed manner (Form V, Central Rules, with arbitrator's written consent)
42(4)	Copy forwarded to appropriate Government and conciliation officer
42(5)	If Government satisfied that persons making reference represent majority of each party, it may notify; non-party employers and workers concerned may present case before arbitrator
42(6)	Arbitrator(s) investigate and submit award, signed by arbitrator or all arbitrators, to appropriate Government
42(7)	After reference and notification under 42(5), Government may by order prohibit continuance of any strike or lock-out connected with the dispute
42(8)	Arbitration and Conciliation Act, 1996 does not apply (ID Act excluded 1940 Act)

On representation, in a dispute that is not an individual one the workers are represented by the negotiating union or council; failing that, by a Trade Union; failing that, by representatives chosen by the workers. In an individual termination dispute, the worker appears in person or through an authorised representative.

The next table compares s.10A of the ID Act with s.42 of the Code. The substance is similar, but the Code does not require publication in the Gazette and excludes the 1996 Act instead of the 1940 Act.

➤ ID Act s.10A vs Code s.42

Point	ID Act	Code
Arbitrator	Any person incl. presiding officer of Labour Court/ Tribunal	Any person named in agreement
Copy	To Government and conciliation officer; published in Gazette within one month	To Government and conciliation officer
Majority notification, strike prohibition	s.10A(3A),(4A)	s.42(5),(7)
General arbitration law excluded	1940 Act	1996 Act

The last table places arbitration beside the other two ways in which a dispute can end, namely settlement and adjudication.

➤ Arbitration, settlement and adjudication

Point	Arbitration	Settlement	Adjudication award
Begins	Written agreement	Agreement, in or outside conciliation	Application/reference to Tribunal
Who decides	Arbitrator (umpire if needed)	Parties themselves	Industrial Tribunal / National Industrial Tribunal
Nature	Voluntary, quasi-judicial	Voluntary, bipartite	Compulsory, judicial
Challenge	Limited (writ for lack of jurisdiction/ natural justice)	Fraud, coercion, misrepresentation	Writ or appeal to higher courts

Two points should be kept clear. Notice of change (given by the employer to the workers under s.40) is different from notice of strike (given by the workers to the employer). And an arbitrator decides the dispute, while an umpire acts only when the arbitrators are evenly divided. The merits of arbitration are that it is informal, quick and inexpensive; its limits are that it needs the agreement of both sides, it can be challenged only on narrow grounds, and it is rarely used.

24 Dispute Machinery: From the 1947 Act to the Code

Ch 8 | Ss. 43–61

➤ Background

When an industrial dispute cannot be settled by the parties themselves, the law provides a ladder of outside help. At the lower rung a **conciliation officer** tries to help the parties reach a settlement; at the higher rung a **Tribunal** decides the dispute and gives its decision as an **award**. Under the Industrial Disputes Act, 1947 this ladder had many separate bodies. Chapter VII (Ss. 43–61) of the Industrial Relations Code, in force since 21 November 2025, simplifies it to three authorities.

The Code also changes how a dispute reaches adjudication. Under the 1947 Act, most disputes went to a court or Tribunal only if the Government chose to refer them. Under the Code, the parties may approach the Tribunal themselves. Only references to the **National Industrial Tribunal (NIT)** remain with the Central Government.

The table below compares each authority under the 1947 Act with its position under the Code. It shows that only the conciliation officer and the voluntary arbitrator survive unchanged, while the Board of Conciliation, the Court of Inquiry and the Labour Court disappear.

➤ Authorities: 1947 Act vs Code

1947 Act authority	Section	Position under the Code
Conciliation Officer	s.4	Retained (s.43)
Board of Conciliation	s.5	Abolished
Court of Inquiry	s.6	Abolished
Labour Court	s.7	Abolished; work goes to Industrial Tribunal
Industrial Tribunal (one presiding officer)	s.7A	Industrial Tribunal of two members (s.44)
National Tribunal	s.7B	National Industrial Tribunal of two members (s.46)
Voluntary arbitrator	s.10A	Retained (s.42)

➤ Reason and Ladder

There were practical reasons for the change. Boards of Conciliation and Courts of Inquiry were seldom used. The division of work between the Labour Court (matters in the Second Schedule) and the Tribunal (matters in the Third Schedule) caused delay and frequent disputes about which body had jurisdiction. Under the Code, each adjudicating body has a **Judicial Member** and an **Administrative Member**, so that legal skill and administrative experience are combined in one bench.

The resulting ladder of dispute resolution runs in this order. First comes in-establishment machinery, namely the Works Committee, the Grievance Redressal Committee and collective bargaining. Next the parties may go to an arbitrator (s.42), then to the conciliation officer (ss.43, 53), and finally to the Industrial Tribunal (s.44) or, in special cases, to the NIT (s.46).

25 Conciliation Officers and Conciliation Procedure

Ss. 43, 53

➤ Conciliation Officer (s.43)

Conciliation is the first formal step outside the establishment. Under **Section 43**, the appropriate Government appoints, by notification, as many conciliation officers as it thinks fit. Their task is to mediate in and promote the settlement of industrial disputes. An appointment may be for a specified area, for specified industries in an area, or for one or more industries, and it may be permanent or for a limited period.

It is important to understand that the officer is a **mediator, not a judge**, and cannot impose a decision on the parties. In the Central sphere the officers belong to the organisation of the Chief Labour Commissioner (Central); in the States they belong to the Labour Department.

➤ Conciliation Procedure (s.53)

Section 53 lays down how conciliation is conducted, from the moment it begins to the time the officer must report. The table below sets out each sub-section and the rule it contains.

➤ Section 53: Procedure

Sub-section	Subject	Rule
53(1)	When held	Dispute exists or apprehended, or notice of strike/lock-out under s.62 given; held in prescribed manner
Proviso	Two-year bar	No conciliation after 2 years from the date the dispute arose
53(2)	Duty	Investigate dispute and merits, settle without delay, induce fair and amicable settlement
53(3)	Settlement	Report to Government with memorandum of settlement signed by parties
53(4)	No settlement	Failure report to parties and Government: steps taken, facts, reasons for failure
53(5)	Time limit	Report within 45 days of commencement (or shorter period fixed by Government); 14 days where s.62 strike/lock-out notice received; extendable by period agreed in writing, with officer's approval
53(6)	Application to Tribunal	Any party may apply in prescribed form within 90 days of receipt of failure report

Two points stand out from this table. The 2-year bar runs from the date the dispute arose, not from the date of the failure report. And the 90-day period for applying to the Tribunal runs from the date the party receives the failure report.

➤ Old Act vs Code

The Code changes the timelines, the limitation rule and, most importantly, the route to adjudication. The following table compares the two laws point by point.

➤ Old Act vs Code

Point	Industrial Disputes Act, 1947	Code
Report time	14 days from commencement (s.12(6)), extendable; 14 days after strike/lock-out notice	45 days; 14 days after strike/lock-out notice
Limitation	No general bar; individual claims under s.2A within 3 years	No conciliation after 2 years from date dispute arose
Route to adjudication	Government reference (s.10); direct application only by dismissed workman under s.2A after 45 days	Any party applies directly to Tribunal within 90 days of failure report
Bodies	Conciliation officer and Board of Conciliation	Conciliation officer only

➤ Worked Dates

The time limits are easiest to understand through examples. If conciliation begins on 2 November 2026 and no strike notice has been given, the officer must report by 17 December 2026 (45 days). If a strike notice has been given and conciliation begins on 5 November 2026, the report is due by 19 November 2026 (14 days). If a failure report is received on 1 December 2026, the party may apply to the Tribunal up to 1 March 2027 (90 days). If a dispute arose on 10 October 2024, conciliation is barred after 10 October 2026.

Finally, remember the effect of a settlement. A settlement reached in conciliation binds all workers, present and future, because it is checked by a public officer. A private settlement between the parties does not have this wide effect.

26 Industrial Tribunal, NIT, Decisions and Disqualifications

Ss. 44–48

➤ Industrial Tribunal (ss.44, 45)

The **Industrial Tribunal** is the main adjudicating body under the Code. Under Section 44(1), the appropriate Government constitutes one or more Tribunals by notification, for adjudication and for any other functions assigned to them. Every Tribunal has 2 members: a Judicial Member and an Administrative Member. A bench may consist of both members, or of a single Judicial Member or a single Administrative Member (s.44(2),(3)).

A Central Tribunal also exercises jurisdiction under the **EPF & MP Act, 1952**, where it hears appeals against orders of the EPFO authorities, such as orders on dues and damages. This arrangement follows a change made in 2017, when the separate EPF Appellate Tribunal was merged with the Central Government Industrial Tribunal-cum-Labour Courts; the Code continues it.

The qualifications and service conditions of Central members follow the tribunal rules made under the Finance Act, 2017. A person below the rank of Joint Secretary is not eligible to be an Administrative Member (s.44(4)). Section 45 protects the system from technical challenges: no appointment or proceeding can be questioned merely because of a vacancy or a defect in the constitution of the Tribunal.

➤ National Industrial Tribunal (ss.46, 54)

Some disputes are too large for one State or one Tribunal. Under Section 46(1), the Central Government alone constitutes **National Industrial Tribunals** for disputes that involve **questions of national importance** or that affect establishments in **more than one State**. The Judicial Member must be, or have been, a **High Court Judge**. The Administrative Member must be, or have been, a **Secretary to the Government of India** or equivalent, with experience in labour matters.

Under Section 54, the Central Government refers the dispute to the NIT, and the NIT submits its award within the period stated in the reference or within the extended period allowed. The table below compares the two kinds of Tribunal and shows that the key differences lie in who constitutes the body and how a dispute reaches it.

➤ Industrial Tribunal vs NIT

Feature	Industrial Tribunal (s.44)	NIT (s.46)
Constituted by	Appropriate Government	Central Government

Feature	Industrial Tribunal (s.44)	NIT (s.46)
Disputes	After failed conciliation; other assigned functions	National importance or more than one State
Access	Application by party within 90 days of failure report	Reference by Central Government (s.54)
Members	Judicial and Administrative; single-member benches allowed	HC Judge and Secretary-rank
Old equivalent	Labour Court (s.7) and Tribunal (s.7A)	National Tribunal (s.7B)

➤ Decision and Disqualification (ss.47, 48)

Under **Section 47**, the Tribunal's decision is taken by consensus of its members. If the members differ, they state the points of difference and refer them to the Government, which appoints a **Judicial Member of another Tribunal or NIT**. The point is then decided by the majority of the members who heard it, including this additional member.

Section 48 protects the independence of the Tribunal. A person cannot be appointed, or continue, as a member if he is not an **independent person**, meaning that he is connected with the dispute or with an affected industry, or if he has attained the age of 65 years. This is the same rule as Section 7C of the 1947 Act.

27 Procedure, Powers, Relief and Transfer of Cases

Ss. 49–52

➤ Procedure and Powers (s.49)

Section 49 gives the arbitrator, the conciliation officer, the Tribunal and the NIT the freedom and the powers they need to do their work. The table lists each sub-section with its content, from the right to follow their own procedure to the power to execute awards like a civil court decree.

➤ Section 49: Procedure and Powers

Sub-section	Power or rule	Content
49(1)	Own procedure	Arbitrator, conciliation officer, Tribunal and NIT follow procedure they think fit, subject to Code and rules
49(2)	Entry	Conciliation officer, or member/authorised officer of Tribunal/NIT, may enter establishment premises after reasonable notice
49(3)	Civil court powers	Conciliation officer, Tribunal, NIT have CPC, 1908 powers: summoning, oath, documents, commissions; inquiries are judicial proceedings
49(4)	Conciliation officer	May enforce attendance, call for and inspect documents relevant to dispute or to verify implementation of award
49(5)	Assessors	Government may appoint persons with special knowledge as assessors or experts
49(6)	Public servants	Conciliation officers and members of Tribunals and NITs are public servants
49(7)	Costs	In Tribunal's discretion; unpaid costs recovered as arrears of land revenue
49(8)	Deemed civil court	Tribunal and NIT deemed civil courts for specified Cr.P.C. purposes
49(9)	Execution	Every award, order or settlement executed under Order XXI CPC, 1908 as a civil court decree

The most significant rule is Section 49(9). Execution as a decree of a civil court is a new and stronger tool. Under the 1947 Act, failure to implement an award was mainly treated as an offence, and recovery of money went through the Government.

➤ Relief in Dismissal (s.50) and Wages Pending Appeal (s.56)

Section 50 deals with the case of a worker who has been discharged, dismissed or terminated. Under **s.50(1)**, if the Tribunal or NIT finds that the action was **not justified**, it may set it aside and direct reinstatement on such terms as it thinks fit, or it may give some other relief, including a **lesser punishment**. Under **s.50(2)**, the Tribunal may also grant **interim relief** while the case is pending. In deciding, it relies only on the material on record and takes no fresh evidence.

This provision corresponds to Section 11A of the old Act, which was inserted in 1971 after the Supreme Court held that tribunals could not normally interfere with the punishment chosen by the employer. The Code retains the power.

Section 56 protects the worker while the employer appeals. If the employer challenges a reinstatement award in the High Court or the Supreme Court, it must pay the worker full wages last drawn, including any admissible

maintenance allowance, during the pendency of the proceedings. The condition is that the worker has not been employed elsewhere and files an affidavit to that effect. If the court finds that the worker was in fact employed and adequately paid, no wages are payable for that period. This section reproduces Section 17B of the 1947 Act.

➤ Transfer of Pending Cases (ss.51, 52)

When the Code came into force, cases and people had to be moved to the new bodies. Under **Section 51**, matters pending before a Labour Court or Tribunal go to the corresponding Industrial Tribunal, and matters pending before a National Tribunal go to the NIT. The transferred proceedings may start afresh or continue from the stage at which they were transferred.

Under **Section 52**, the presiding officers of a Labour Court, Tribunal or National Tribunal who are in office and qualified become the **Judicial Member** of the corresponding body for the rest of their term.

28 Awards: Form, Enforceability, Persons Bound, Period of Operation

Ss. 55–58

➤ Form and Enforceability (s.55)

An award is the final decision of an arbitrator, Tribunal or NIT. It must be in writing and signed, electronically or otherwise, by the member or members. Every arbitration, Tribunal and NIT award is communicated to the parties and to the Government. Under **s.55(3)**, the award becomes enforceable on the expiry of 30 days from its communication.

There is a safeguard for the public interest. If the Government (the Central Government in the case of an NIT) thinks that giving effect to all or part of the award is **inexpedient on public grounds affecting the national economy or social justice**, it may notify that the award is not enforceable after 30 days. Within 90 days of communication it may then reject or modify the award, and it must lay the award and its order before the Legislature (or Parliament) (s.55(4),(5)).

A rejected or modified award becomes enforceable 15 days after it is laid. If the Government makes no order within 90 days, the award becomes enforceable on the expiry of those 90 days. Under s.55(6), the award operates from the date specified in it, and otherwise from the date on which it becomes enforceable. The table gives worked examples of each case.

➤ Worked Dates: s.55

Facts	Rule	Enforceable
Communicated 1 Jun 2026; no declaration	30 days	From 2 Jul 2026
Declaration made; no order within 90 days	90 days	From 31 Aug 2026
Award modified; laid before Legislature 1 Oct 2026	15 days after laying	From 17 Oct 2026

➤ Persons Bound (s.57)

Different instruments bind different people. The table below shows who is bound by a private settlement, by an arbitration award and by the wider group of settlements and awards.

Instrument	Persons bound
Settlement by agreement otherwise than in conciliation	Only the parties to the agreement (s.57(1))
Enforceable arbitration award	Parties who referred the dispute (s.57(2)); wider effect if s.42(5) notification issued
Settlement in conciliation; arbitration award after s.42(5) notification; Tribunal/NIT award	(a) all parties to the dispute; (b) other parties summoned to appear; (c) employer's heirs, successors, assigns; (d) where party is workers, all persons employed on the date of dispute and all employed later (s.57(3))

The reason for this difference is that a conciliation settlement is checked by a public officer, so it is treated like an award. A private bipartite settlement binds only those who signed it.

➤ Period of Operation (s.58)

A settlement or award does not last forever. Section 58 fixes when each begins, how long it runs and what happens afterwards, as the following table shows.

Point	Settlement	Award
Comes into operation	Date agreed, else date memorandum signed	Date it becomes enforceable under s.55 (or date specified)
Period	Period agreed, else 6 months from signing	1 year from becoming enforceable; Government may reduce

Point	Settlement	Award
Extension	Not applicable	Government may extend before expiry by up to 1 year at a time; total not exceeding 3 years
After the period	Binds until 60 days after written notice of intention to terminate by a party	Binds until 60 days after notice of intention to terminate by a party bound
Valid notice	By party representing majority of persons bound (s.58(7))	Same

Two further rules apply. Under s.58(4), if circumstances materially change, the Government may refer the award to a Tribunal to decide whether its period should be shortened, and that decision is final. Under s.58(5), the period rules do not apply to one-time awards, such as an award for payment of arrears. The old Act (s.19) had the same 6-month, 1-year and 3-year rules, but allowed 2 months after a termination notice, whereas the Code says 60 days.

Some examples show how these rules work. A settlement signed on 1 April 2026 with no agreed period binds up to 30 September 2026, and after that until 60 days after a notice to terminate. An award enforceable from 1 January 2026 and extended twice by 1 year each time cannot go beyond 31 December 2028. If notice to terminate is given on 1 November 2026, the instrument binds until 31 December 2026.

29 Recovery of Money, Commencement of Proceedings, Confidentiality

Ss. 59–61

➤ Recovery of Money Due (s.59)

Section 59 gives workers a way to recover money that is due to them without going through a long court process. It applies to money due under a settlement or an award, or under the provisions on lay-off, retrenchment and closure. The worker, a person authorised by him in writing, or, if the worker has died, his assignee or heirs may apply to the appropriate Government. A single application may be made for several workers of the same employer.

If the Government is satisfied that the money is due, it issues a certificate to the **Collector**, who recovers the amount as arrears of land revenue. The application must be made within 1 year from the date on which the money became due, but a later application may be entertained if there is sufficient cause for the delay.

Sometimes the amount, or the money value of a benefit, is in question. In that case the Government refers the question to the **Tribunal**, which decides it within 3 months (extendable for reasons recorded) and may appoint a commissioner for the purpose. The table compares the position with the 1947 Act.

Point	1947 Act (s.33C)	Code (s.59)
Recovery through	Government; application in 1 year; land revenue arrears	Same; delay condonable
Computation	Labour Court computes within 3 months	Tribunal decides within 3 months

➤ Commencement and Conclusion of Proceedings (s.60)

It is often necessary to know exactly when a proceeding begins and ends, because strikes and lock-outs are prohibited while a proceeding is pending and for a period after it concludes. Section 60 fixes these dates for each kind of proceeding, as the table shows.

Proceeding	Commences	Concludes
Conciliation	Date of first meeting held by officer after receipt of strike/lock-out notice	Memorandum of settlement signed; or failure recorded in report; or reference to NIT during conciliation
Arbitration	Date of reference to arbitration	Date award becomes enforceable
Tribunal or NIT	Date of filing of application or of reference	Date award becomes enforceable (30 days after communication unless postponed)

The Code makes one change here. Section 20 of the 1947 Act started conciliation on receipt of the strike or lock-out notice, whereas the Code ties it to the date of the first meeting held by the officer.

➤ Confidentiality (s.61)

Section 61 protects sensitive business and union information. Where information about a trade union or an individual business is obtained in an investigation and is not otherwise available as evidence, it is left out of the report or award if the union, person or firm asks in writing for confidentiality. It cannot be disclosed without the written consent of the union secretary or the firm, except for a prosecution for false evidence. Wilful disclosure is an offence. This section reproduces Section 21 of the 1947 Act.

30 Tribunal Chapter: 1947 Act vs Code and Distinctions

Ch 8 | Revision

➤ Comparison

This revision topic brings together the main changes made by the Code in the dispute machinery. The first table compares the 1947 Act and the Code provision by provision.

➤ Comparison

Provision	Industrial Disputes Act, 1947	Code
Adjudicating bodies	Labour Court, Tribunal, National Tribunal (one person each)	Industrial Tribunal and NIT (2 members each)
Access	Government reference (s.10); s.2A for individuals	Direct application within 90 days of failure report; NIT by Central reference
Conciliation report	14 days	45 days; 14 days on strike notice
Limitation for conciliation	None in general	2 years from date dispute arose
Dismissal relief	s.11A	s.50, with interim relief
Wages pending appeal	s.17B	s.56
Enforceability of award	30 days; Government may reject/modify within 90 days (s.17A)	Same (s.55)
Execution	Recovery through Government; penalty for breach	Also as civil court decree (s.49(9))
Notice to terminate	2 months (s.19)	60 days (s.58)
Recovery of money	s.33C; Labour Court computes	s.59; Tribunal decides

➤ Distinguishing Similar Terms

Several terms in this chapter look alike and are easily confused. The second table sets out the difference between each pair.

➤ Distinguishing Similar Terms

Pair	Distinction
Conciliation vs adjudication	Mediation by Government officer who cannot decide vs binding Tribunal decision
Settlement in vs outside conciliation	First binds all present and future workers; second only signatories
Industrial Tribunal vs NIT	Appropriate Government, by application vs Central Government only, national/multi-State, by reference
14 vs 45 days	Conciliation report with vs without strike/lock-out notice
6 months vs 1 year	Default period of settlement vs award
s.50 vs s.56	s.50 sets aside or reduces dismissal; s.56 protects wages while employer challenges reinstatement in higher court

➤ EPFO Link

For EPFO candidates, one link is especially useful. The Central Government Industrial Tribunal hears appeals against EPFO orders under the EPF Act. In the EPFO 2017 examination, a question asked for the term that describes a third person facilitating a settlement through mediation, which is **conciliation**.

31 Strikes and Lock-outs: Nature of the Right

Ch 9 | Ss. 62–64

➤ Meaning

Strikes and lock-outs are the two main weapons in an industrial dispute: the first is used by workers and the second by the employer. Until 20 November 2025 the rules were found in Ss. 22–25 of the 1947 Act. They now form Chapter VIII (Ss. 62–64) of the Code, in force since 21 November 2025.

A **strike** is a cessation of work by a body of persons acting in combination, or a concerted refusal, or a refusal under a common understanding, to continue to work or to accept employment. The Code adds a new case: concerted casual leave taken on a given day by 50 per cent or more of the workers is also a strike. This closes the device of "mass casual leave", by which workers used to stop work without technically striking. A **lock-out** is the temporary

closing of a place of employment, the suspension of work, or the refusal of an employer to continue to employ any number of persons employed by him.

➤ Is There a Right to Strike?

Article 19(1)(c) of the Constitution protects the right to form associations or unions, but it does not protect the strike itself. There is therefore no fundamental right to strike. The right to strike is a **statutory right**, which exists only to the extent that the law allows it; it is not a common-law or equitable right. The Code does not grant the right in so many words. By prohibiting strikes in stated cases, it leaves strikes in all other cases lawful.

The Supreme Court has said this in several cases. In All India Bank Employees' Association v. National Industrial Tribunal (1962), the Court held that the right to form a union does not guarantee the right to strike or to bargain collectively. In Kameshwar Prasad v. State of Bihar (1962), peaceful demonstration was held to be protected, but a strike was not. In Radhey Shyam Sharma v. Post Master General (1965), the Court again held that there is no fundamental right to strike. In T.K. Rangarajan v. Government of Tamil Nadu (2003), it held that Government employees have no fundamental, legal, moral or equitable right to strike. At the same time, B.R. Singh v. Union of India (1989) recognised the strike as a weapon in collective bargaining, though not an absolute one.

➤ Forms of Strike

Workers use many methods of protest, and only some of them are strikes in law. The table below lists the main forms, describes what happens in each and states the legal position.

➤ Forms of Strike

Form	What happens	Legal position
General strike	Workers of establishment/industry stop work	Strike; lawful if s.62 followed
Sit-down / stay-in	Workers occupy premises, do not work	Strike; may add offences like trespass
Sympathetic	Support to another employer's workers, no own demand	Not connected with dispute with own employer; may be treated as unauthorised absence
Hunger strike	Fast at/near workplace	Strike only if work ceases
Go-slow	Stay at work, deliberately reduce output	Not a strike; serious misconduct (Bharat Sugar Mills v. Jai Singh, 1961)
Work-to-rule	Follow every rule to the letter	Not a strike; no cessation of work
Concerted casual leave	50% or more take casual leave same day	Strike under Code; notice rules apply

The test is whether work actually ceases. Go-slow and work-to-rule are not strikes because the workers remain at work, although go-slow is treated as serious misconduct. Concerted casual leave by 50% or more of the workers, by contrast, is a strike under the Code.

32 Prohibition of Strikes and Lock-outs; Duty to Report

Ss. 62(1)–(6)

➤ Section 62(1): Strikes (Seven Situations)

Section 62(1) lays down that no person employed in an industrial establishment shall go on strike **in breach of contract** in any of seven situations. The rule applies to **every industrial establishment**, whatever the number of workers and whether or not it is a public utility service. The table below lists the seven situations and the purpose behind each.

Cl.	No strike	Purpose
(a)	Without notice to employer within 60 days before striking	Notice must be recent; stale notice cannot be kept in reserve
(b)	Within 14 days of giving notice	Cooling-off period
(c)	Before expiry of the date of strike specified in notice	Employer may rely on date
(d)	During conciliation before a conciliation officer and 7 days after conclusion	Time to react to outcome
(e)	During Tribunal/NIT proceedings and 60 days after conclusion	No force while binding decision made
(f)	During arbitration and 60 days after, where notification issued under s.42(5)	Chosen arbitration not to be defeated

Cl.	No strike	Purpose
(g)	While a settlement or award is in operation, on matters covered by it	Settled dispute not reopened by force; other matters not barred by this clause

➤ Notice Window

Clauses (a) to (c) together create a window within which a strike may begin. A strike cannot begin within 14 days of the notice, and it cannot begin after 60 days from the notice. Within the window, it can begin only on or after the date specified in the notice. After 60 days the notice lapses and a fresh notice is needed.

For example, suppose notice is given on 1 March 2026 and the strike date is 20 March. The 14-day bar ends on 15 March, the earliest date for the strike is 20 March, and the notice remains valid for a strike beginning on or before 30 April 2026. Again, if conciliation begins on 10 March and fails on 25 March, clause (d) bars a strike until 1 April.

In practice, a notice of strike or lock-out requires the conciliation officer to hold conciliation, so clause (d) almost always applies as well.

➤ Lock-outs and Reporting (s.62(2)–(6))

The same restraints apply to employers, and the Code adds rules on notice and reporting. The table summarises sub-sections (2) to (6).

Sub-s.	Rule
62(2)	No employer shall lock out workers in the same seven situations (cl. (a)–(g)); equal restraint on both sides
62(3)	Notice not necessary where a strike or lock-out already exists; employer must intimate the lock-out/strike on the day it is declared to authority specified by Government
62(4)	Notice of strike given by such number of persons, to such persons, in such manner as prescribed
62(5)	Notice of lock-out in prescribed manner
62(6)	Employer receiving notices of strike or giving notices of lock-out on any day must report their number within 5 days to appropriate Government (or authority) and conciliation officer

As an example of the reporting duty, if an employer receives three strike notices on 4 June, he must report them by 9 June.

33 Strike Law: Industrial Disputes Act vs Code

Ch 9 | Old vs Code

➤ What the 1947 Act Provided

The 1947 Act dealt with strikes and lock-outs in two separate sections. **Section 22** applied only to public utility services. It required notice within six weeks before striking, a wait of 14 days, no strike before the date specified in the notice, and no strike during conciliation and for 7 days after. The same rules applied to lock-outs.

Section 23 applied to all establishments, but only during particular proceedings: a Board of Conciliation (plus 7 days), a Labour Court, Tribunal or National Tribunal (plus 2 months), arbitration (plus 2 months), and the operation of a settlement or award. As a result, private non-utility workers could strike without notice if no proceeding was pending. The Code merges Ss. 22 and 23 into **Section 62** and extends the notice rules to all industrial establishments.

➤ Comparison

The table below compares the two laws on each important point. The main changes are that notice is now required everywhere, the notice window is 60 days rather than six weeks, and mass casual leave is now a strike.

Point	1947 Act	Code
Who gives notice	Only public utility services (s.22)	All industrial establishments (s.62)
Notice window	Within six weeks before striking	Within 60 days before striking
Cooling-off	14 days	14 days
Conciliation bar	Officer (public utility only) or Board (all) + 7 days	Officer, all establishments, + 7 days
Adjudication bar	Labour Court/Tribunal/National Tribunal + 2 months	Tribunal/NIT + 60 days
Arbitration bar	Pendency + 2 months, s.10A(3A)	Pendency + 60 days, s.42(5)
Mass casual leave	Not expressly a strike	50% or more workers on a day is a strike

Point	1947 Act	Code
Reporting of notices	Within 5 days (s.22(6))	Within 5 days to Government and conciliation officer (s.62(6))
Illegality; financial aid	Ss. 24, 25	Ss. 63, 64

The Second National Commission on Labour (2002) had suggested both a notice requirement and a strike ballot. The Code adopts the notice but not the ballot. Trade unions criticise the notice rule because a notice triggers conciliation, which then bars the strike for the whole duration of conciliation plus 7 days.

34 Illegal Strikes, Financial Aid and Wages

Ss. 63–64

➤ Illegality (s.63)

Section 63 says when a strike or lock-out is illegal. Under **s.63(1)**, it is illegal if it is (i) commenced or declared in contravention of s.62, or (ii) continued in contravention of an order made under s.42(7), by which the Government may prohibit the continuance of a strike or lock-out in a dispute that has been referred to arbitration.

Two provisions protect certain strikes and lock-outs. Under **s.63(2)**, a strike or lock-out that already exists when a dispute is filed before a Tribunal, or referred to an arbitrator or the NIT, is not illegal in its continuance, provided that it was lawful when it began and has not been prohibited under s.42(7). Under **s.63(3)**, a lock-out in consequence of an illegal strike, or a strike in consequence of an illegal lock-out, is not illegal. This protects only the response; any later unrelated action is judged separately.

The table gives practical examples showing how these rules apply.

Situation	Legal?	Reason
Strike on 10th day after notice	Illegal	Breach of 14-day bar, s.62(1)(b)
Strike 70 days after notice	Illegal	No notice within 60 days before striking
Strike 4 days after conciliation fails	Illegal	Within 7 days of conclusion
Bonus strike while wage settlement operates	Not barred by cl.(g)	Only matters covered barred; notice rules still apply
Lawful strike continuing when dispute filed	Legal	s.63(2)
Lock-out because of illegal strike	Legal	s.63(3)

➤ Financial Aid (s.64)

Section 64 reproduces Section 25 of the 1947 Act. It provides that no person shall knowingly expend or apply any money in direct furtherance or support of any illegal strike or lock-out. The section applies only to illegal strikes and only where the person acts knowingly, so support given to a lawful strike is not barred.

➤ Wages for Strike Period (case law)

Whether a worker is paid for the days of a strike is decided by case law and not by the Code. In Crompton Greaves v. Workmen (1978), the Supreme Court held that wages are payable only if the strike is both legal and justified. In Syndicate Bank v. K. Umesh Nayak (1994, Constitution Bench), it was held that justification depends on the facts, such as the reasonableness of the demands, attempts at settlement and the conduct of both sides. The table below sets out the result for each type of strike.

Type of strike	Wages	Further consequence
Legal and justified	Payable	No penalty; continuity of service maintained
Legal but unjustified	Not payable	No penalty
Illegal	Not payable	Penalty under Code; disciplinary action; may break continuous service

On continuity of service, the break caused by a strike that is not illegal, or by a lock-out, does not interrupt continuous service.

35 Strikes: Distinctions and Revision Points

Ch 9 | Revision

➤ Distinctions

This revision topic collects the pairs of ideas in the strike chapter that are most easily confused. The table states the difference in each pair.

Pair	Distinction
Strike vs go-slow	Cessation of work vs deliberate reduced output (misconduct)

Pair	Distinction
Lock-out vs closure	Temporary closing as weapon, employment continues vs permanent closing, ends employment (Kairbetta Estate v. Rajamanickam, 1960)
Lock-out vs lay-off	Employer's pressure in dispute vs inability to give work (power/raw material shortage), carries compensation
60 days vs 14 days	Life of notice vs minimum wait after notice
7 days vs 60 days	After conciliation vs after Tribunal, NIT or arbitration
Illegal vs unjustified	Illegality is law (breach of s.62/s.42(7) order); justification is fact, relevant to wages
Old ss.22 vs 23	s.22 public utility, notice; s.23 all establishments, only during proceedings

➤ EPFO Link

Two points from past EPFO papers are worth remembering. EPFO 2023 asked about the nature of the right to strike, and the answer is that it is a statutory right. EPFO 2025 asked who was covered by the six-week notice rule of the 1947 Act; the answer is public utility workmen before striking and public utility employers before a lock-out, and not workmen in any service.

36 Lay-off, Retrenchment and Closure: Scheme, Application, Continuous Service

Ch 10 | Ss. 65–66

➤ Background

Lay-off, retrenchment and closure are the three ways in which an employer may stop giving work to workers for reasons other than misconduct. Chapter IX (Ss. 65–76) of the Code replaces Chapter V-A (Ss. 25A–25J) of the 1947 Act, which was added in 1953, with compensation on transfer and closure added in 1957.

The key numbers to remember in this chapter are 240 days, 50 per cent, 45 days, 15 days' average pay, 60 days' notice and a cap of three months. A stricter regime of prior permission applies to larger establishments, but that is dealt with separately. The table below gives the scheme of the chapter, section by section, with the corresponding section of the old Act.

➤ Scheme

Section	Subject	Core rule	Old Act
65	Application of ss.67–69	Lay-off rules for factories, mines, plantations with 50+ workers	25A
66	Continuous service	240 days (190 underground) in 12 months	25B
67	Lay-off compensation	50% of basic wages + DA	25C
68	Muster rolls	Maintained even during lay-off	25D
69	No compensation	Refusal of alternative work within 8 km, absence, strike in another part	25E
70	Retrenchment	1 month notice, 15 days' average pay per year, notice to Government	25F
71	Procedure	Last employed is retrenched first	25G
72	Re-employment	Preference if hiring within 1 year	25H
73	Transfer	Notice and compensation as if retrenched unless exempt	25FF
74	Notice of closure	60 days to Government; not below 50 workers	25FFA
75	Closure compensation	As in retrenchment; caps and special cases	25FFF
76	Inconsistent laws	Chapter overrides; more favourable benefits survive	25J

➤ Application of Lay-off Provisions (s.65)

The rules on lay-off compensation (Ss. 67–69) do not apply to every establishment. Under Section 65, they do not apply to (a) establishments covered by the special prior-permission Chapter X, (b) establishments with less than 50 workers on average per working day in the **preceding calendar month**, or (c) seasonal or intermittent establishments. The decision of the appropriate Government on whether an establishment is seasonal or intermittent is final (s.65(2)).

For these sections, an industrial establishment means a factory (under the Factories Act, 1948), a mine (under the Mines Act, 1952) or a plantation (under the Plantations Labour Act, 1951). By contrast, the rules on retrenchment, transfer and closure (Ss. 70–75) have no size limit unless a particular section says so.

➤ Continuous Service (s.66)

Many rights in this chapter depend on **continuous service**. Under Section 66, a worker is in continuous service if his service is uninterrupted. Service remains uninterrupted even if it is interrupted by sickness, authorised leave, an accident, a **strike that is not illegal**, a lock-out, or a cessation of work that is not due to the worker's fault.

Even where there has been a break, a worker is deemed to have completed continuous service if he has actually worked for the number of days shown in the table below.

➤ Deemed continuous service (Explanation 1)

Period	Underground in mine	Any other case
One year (preceding 12 months)	Actually worked 190 days	Actually worked 240 days
Six months (preceding 6 months)	95 days	120 days

Explanation 2 allows certain days to be added to the days actually worked. These are days of lay-off under an agreement or law, paid leave earned in previous years, days of temporary disablement from an employment accident, and maternity leave up to the limit in the Maternity Benefit Act, 1961. For example, a worker who has worked 210 days, with 18 days of paid leave and 15 days of lay-off, has 243 days, which is more than 240, so he has continuous service for a year. A miner with 100 days in six months passes the 95-day test.

37 Lay-off Compensation

Ss. 67–69

➤ Entitlement (s.67)

A worker who is laid off is not at fault, so the law gives him compensation for the days without work. Under Section 67, the right belongs to a worker who is not a **badli** or **casual** worker, whose name is on the muster rolls and who has completed at least one year of continuous service, and who is laid off continuously or intermittently. A **badli worker** is one employed in place of a muster-roll worker; he ceases to be a badli worker after one year of continuous service.

The compensation is 50 per cent of the total of the basic wages and dearness allowance for all the days of lay-off, except for any weekly holidays that fall in between.

➤ 45-Day Provisos

Where a worker is laid off for more than 45 days in 12 months, the employer and worker may agree that no compensation will be paid for the days after the first 45. The first 45 days are always payable. After the first 45 days the employer may retrench the worker under s.70, and any lay-off compensation paid in the preceding 12 months may be set off against the retrenchment compensation.

A worked example shows the calculation. If basic wage is Rs 20,000 and DA is Rs 5,000, the total is Rs 25,000, the daily rate is Rs 833.33 and 50% of it is Rs 416.67 per day. For 20 days of lay-off the compensation is Rs 8,333.40. For 60 days with an agreement, the employer pays 45 x 416.67 = Rs 18,750; without an agreement, all 60 days are paid.

➤ Muster Rolls (s.68) and Disentitlement (s.69)

Under Section 68, the employer must maintain the muster roll even during a lay-off and must provide for entries by workers who present themselves at the appointed time during normal working hours. This entry proves that the worker was available for work.

Section 69 lists the cases in which no lay-off compensation is payable. The table below shows the three grounds.

➤ No lay-off compensation if (s.69)

Ground	Detail
Refuses alternative employment	In same establishment, or another of same employer in same town/village or within 8 km; work needs no special skill and carries normal wages
Does not report	Does not present himself for work at appointed time during normal hours at least once a day
Strike or slowing-down	Lay-off due to strike or slowing-down by workers in another part of the establishment

➤ Old Act vs Code

The lay-off rules are largely unchanged from the 1947 Act. The notable changes are the distance for alternative work, which becomes eight kilometres in place of five miles, and the use of the word "worker" in place of "workman".

➤ Old Act vs Code

Point	1947 Act	Code
Coverage	Factories, mines, plantations, 50+ workmen (s.25A)	Same, 50+ workers (s.65)
Rate	50% of basic + DA (s.25C)	Unchanged (s.67)
Beyond 45 days	Agreement permitted, set-off on retrenchment	Same
Alternative work radius	Five miles (s.25E)	Eight kilometres (s.69)
Persons covered	Workman	Worker, including supervisory staff drawing wages up to Code limit

38 Retrenchment: Conditions, Order and Re-employment

Ss. 70–72

➤ Conditions Precedent (s.70)

Retrenchment is the termination of a worker's service for any reason other than punishment, and the law protects the worker by laying down conditions that the employer must meet first. Under Section 70, a worker in any industry who has at least one year of continuous service cannot be retrenched until three conditions are met.

The first condition is **notice**: the employer must give one month's written notice with the reasons for retrenchment, and the period of notice must have expired, or the worker must be paid wages in lieu of notice. The second is **compensation**, which must be paid at the time of retrenchment and is equal to 15 days' average pay (or any other number of days the Government notifies) for every completed year of service or any part in excess of six months. The third is **notice to the appropriate Government** or a notified authority, in the prescribed manner. The power of the Government to notify a number of days higher than 15 is new in the Code; until it does so, the figure is 15 days.

If these conditions are not met, the retrenchment is void and the worker continues in service with back wages (SBI v. N. Sundara Money, 1976, decided under s.25F of the old Act).

Two examples show how compensation is calculated. If the average pay is Rs 1,000 per day and the service is 4 years 8 months, the 8 months exceed six months and are counted as a full year, making 5 years: 15 x 5 x 1,000 = Rs 75,000, plus notice. If the average pay is Rs 1,200 per day and the service is 6 years 5 months, the 5 months are not counted: 15 x 6 x 1,200 = Rs 1,08,000.

➤ Order of Retrenchment (s.71)

Section 71 applies the principle of "last come, first go". Where a worker who is a **citizen of India** is to be retrenched from a particular category, the employer shall ordinarily retrench the last person employed in that category, unless there is an agreement to the contrary. The employer may depart from this order only for reasons that he records.

➤ Re-employment (s.72)

If the employer proposes to employ any person within one year of the retrenchment, he must first give the retrenched workers who are citizens of India an opportunity to offer themselves for employment, and they get preference over others. The old Section 25H had no time limit; the Code limits the right to one year.

➤ Old Act vs Code

➤ Old Act vs Code

Point	1947 Act	Code
Notice	One month in writing with reasons or wages in lieu (s.25F(a))	Unchanged (s.70(a))
Compensation	15 days' average pay per year, part over six months	Same, or higher number of days as Government notifies
Notice to Government	In prescribed manner (s.25F(c))	To Government or notified authority (s.70(c))
Order	Last employed first retrenched (s.25G)	Same, for citizens of India (s.71)
Re-employment	No time limit (s.25H)	Only if hiring within one year (s.72)

39 Transfer, Closure and Inconsistent Laws

Ss. 73–76

➤ Transfer of Establishment (s.73)

When an establishment changes hands, the workers should not lose their dues. Under Section 73, when ownership or management is transferred, by agreement or by operation of law, every worker with one year's continuous service immediately before the transfer is entitled to notice and compensation under s.70, as if he had been retrenched.

However, no dues are payable if all three of the following conditions are met: (a) the worker's service is not interrupted by the transfer; (b) the terms of service after the transfer are not less favourable than before; and (c) the new employer is legally liable to pay compensation on any future retrenchment, treating the earlier service as continuous. For example, if the buyer takes the workers on fresh probation at lower wages, the exemption fails and the seller must pay.

➤ Notice of Closure (s.74)

An employer who intends to close an undertaking must serve a notice with the reasons on the appropriate Government at least 60 days before the date of closure. This does not apply to (a) an undertaking with less than 50 workers on average per working day in the preceding **12 months**, or (b) a construction undertaking, such as one for buildings, bridges, roads, canals, dams or other construction work.

For example, if a unit with 200 workers will close on 31 December 2026, the notice must be given by 1 November 2026. A shop with 40 workers needs no notice, but its workers still receive compensation.

➤ Closure Compensation (s.75)

Section 75 deals with the compensation to a worker who has completed one year of service when the undertaking closes. The general rule is that he receives notice and compensation under s.70 as if he had been retrenched. The table lists the general rule and the special cases.

Situation	Entitlement (worker with one year's service)	Remarks
Closure for any reason (s.75(1))	Notice and compensation under s.70 as if retrenched	General rule
Unavoidable circumstances beyond employer's control	Compensation not above average pay for three months	Financial difficulties, losses, unsold stock, expiry of lease/licence, exhaustion of minerals are not unavoidable
Mine closed as minerals exhausted (s.75(2))	No notice or compensation if alternative employment offered within 20 km, same remuneration and terms, service uninterrupted, employer liable for future compensation	All conditions must be met
Construction undertaking (s.75(4))	No compensation if work completed within two years; if not, notice and compensation per completed year or part over six months	Temporary by nature

Two calculations illustrate the rules. A worker with 6 years 4 months of service, earning Rs 1,000 per day with one month's pay of Rs 26,000, receives 15 x 6 x 1,000 = Rs 90,000; with the pay in lieu of notice the total is Rs 1,16,000. Where a flood destroys a unit and a worker has 12 years of service at Rs 1,200 per day, the normal compensation would be Rs 2,16,000, but the cap of three months' pay limits it to 3 x 30 x 1,200 = Rs 1,08,000.

➤ Inconsistent Laws (s.76)

Chapter IX overrides any inconsistent law, including standing orders. However, more favourable benefits that a worker already has under any law, agreement, award, contract or standing order continue. The Chapter does not affect State laws on the settlement of disputes, and rights relating to lay-off and retrenchment are decided under this Chapter.

40 Lay-off, Retrenchment, Dismissal, Closure Compared

Ch 10 | Revision

➤ Four Ways of Ending or Stopping Work

The terms lay-off, retrenchment, dismissal and closure all describe the stopping of work or the ending of employment, but they differ in meaning, in the worker's fault and in the compensation. The table below compares them on each feature.

Feature	Lay-off	Retrenchment	Dismissal	Closure
Meaning	Inability/refusal to give work (power, raw material shortage, stock, breakdown)	Termination for any reason other than punishment and statutory exclusions	Disciplinary punishment for misconduct	Permanent closing of place of employment
Employment	Continues; name on muster roll	Ends	Ends	Ends for all
Worker's fault	No	No	Yes, misconduct	No
Compensation	50% of basic + DA	15 days' average pay per year	None	As in retrenchment, with caps
Notice	None to worker	1 month to worker; notice to Government	Per standing orders and enquiry	60 days to Government (50 or more workers)
Re-employment preference	Not needed	Yes, within 1 year	No	No

➤ Distinctions

The second table explains the pairs of ideas in this chapter that are most often confused.

➤ Distinctions

Pair	Distinction
Badli vs casual	Badli substitutes a muster-roll worker; casual engaged for casual work; neither gets lay-off pay; badli status ends after one year
Worker vs Government notice	Retrenchment: 1 month to worker + notice to Government; closure: 60 days to Government
50 workers in s.65 vs s.74	Preceding calendar month vs preceding 12 months
8 km vs 20 km	Alternative work refused in lay-off (s.69) vs on closure of exhausted mine (s.75(2))
Unavoidable vs financial	Flood/fire cap compensation at 3 months; losses, unsold stock, lease expiry do not
Retrenchment vs transfer	Retrenchment ends service; transfer passes worker to new employer, dues only if service, terms or liability not protected

41 Prior-Permission Regime: Background and Application (S. 77)

Ch X | Ss. 77–82

➤ Background & Origin

Large establishments need the **prior permission of the appropriate Government** before they lay off workers, retrench them or close down, because mass job loss affects the whole local economy and not only the workers concerned. The regime began as Chapter V-B of the Industrial Disputes Act, 1947. It is now Chapter X (Ss. 77–82) of the Code, in force from 21 November 2025. The table below traces how the regime developed, including the important court decisions that shaped it.

➤ Development of the regime

Stage	Position
ID (Amendment) Act, 1976	Chapter V-B inserted during the Emergency; prior permission for lay-off, retrenchment, closure in factories, mines, plantations with 300 or more workmen
Excel Wear v. Union of India (1978)	Supreme Court struck down original s.25-O (closure) as unreasonable restriction under Art. 19(1)(g): power unguided, no reasons, no review
ID (Amendment) Act, 1982	S.25-O re-enacted with safeguards (reasoned order, hearing, deemed permission, review, validity one year); threshold cut to 100 workmen (in force from 1984)
Meenakshi Mills (1992); Orissa Textile and Steel v. State of Orissa (2002)	Supreme Court upheld s.25N (retrenchment) and amended s.25-O as reasonable restrictions
State amendments from 2014	Rajasthan first (2014); several States raised threshold to 300
IR Code, 2020	Threshold 300 or more workers; Government may notify a higher number

The history shows that the threshold started at 300 workmen in 1976, was cut to 100 in 1982, and has returned to 300 under the Code, following the lead of several State amendments. The Supreme Court struck down the first

version of the closure rule in Excel Wear (1978) because it had no safeguards, and later upheld the revised rules as reasonable restrictions.

➤ Higher Threshold: Arguments

The decision to raise the threshold from 100 to 300 is debated. Those **in favour** argue that permission was rarely granted, which discouraged firms from growing beyond 99 workers and pushed them towards contract labour; the Economic Survey 2018–19 noted that many small firms stay small. Those **against** argue, as the unions do, that most Indian factories employ fewer than 300 workers, so the safeguard is removed for most workers, and that flexibility could be achieved through fixed-term employment.

➤ Application of Chapter X (S. 77)

Chapter X applies to an **industrial establishment** with not less than 300 workers (or a higher notified number) on average per working day in the preceding twelve months. An establishment of a **seasonal character**, or one in which work is performed only **intermittently**, is excluded, and the Government's decision on this question is **final** (s.77(2)). Under s.77(3), **industrial establishment** means a **factory** (Factories Act, 1948), a **mine** (Mines Act, 1952) or a **plantation** (Plantations Labour Act, 1951).

As a result, shops, hotels, banks and IT offices are outside Chapter X however many workers they employ, and the general rules on retrenchment and closure apply to them. The Government may **raise but not lower** the figure of 300 by notification.

➤ Worked Example

Take a textile mill with an average of 320 workers over the period 1 April 2025 to 31 March 2026, even though only 280 were employed in March 2026. Chapter X applies to it from 1 April 2026, because the test is the 12-month average and not the figure for any single month. By contrast, a software company with 2,000 employees is not a factory, mine or plantation, so Chapter X does not apply to it.

42 Prohibition of Lay-off without Permission (S. 78)

S. 78

➤ Key Provisions

Under Section 78(1), no worker on the muster rolls, other than a **badli or casual** worker, may be laid off without the prior permission of the appropriate Government. There are exceptions where the lay-off is due to a shortage of power or a natural calamity; in the case of a mine, the exceptions also include fire, flood, excess of inflammable gas or an explosion.

The application for permission is made electronically or otherwise, states the reasons clearly, and a copy of it is served at the same time on the workers concerned (s.78(2)). For **mines**, where the lay-off is due to fire, flood, excess of inflammable gas or explosion, the employer must apply to continue the lay-off within 30 days of its commencement (s.78(3)).

The table below sets out how the Government deals with the application and what follows from the decision.

➤ Procedure: S. 78(4)–(10)

Sub-section	Rule
78(4)	Government may enquire, gives reasonable opportunity of hearing to employer, workers and interested persons; grants or refuses by written, reasoned order
78(5)	Order considers genuineness and adequacy of reasons, interests of workers and other relevant factors; if no order in 60 days, permission is deemed granted on expiry
78(6)	Order is final and binding; remains in force for one year from its date
78(7)	Government may review on own motion or on application of employer or any worker, or refer to Tribunal, which must award within 30 days
78(8)	No application, or permission refused: lay-off deemed illegal from its date; workers entitled to all benefits as if not laid off
78(9)	Exceptional circumstances (accident, death of employer): Government may exempt establishment from s.78(1) or (3) for a specified period
78(10)	S.67 (lay-off compensation) applies, except its second proviso

➤ Compensation & Explanation

A worker who is lawfully laid off receives lay-off compensation at 50 per cent of basic wages and dearness allowance, as in the general rules. Because the second proviso of s.67 does not apply, the employer cannot convert a lay-off lasting beyond 45 days into retrenchment on his own; retrenchment needs permission under s.79.

The Explanation adds that a worker is not deemed to be laid off if he is given alternative employment that needs no special skill or experience. The alternative employment must be in the same establishment or in another establishment of the same employer in the same town or village (or at a distance that causes no undue hardship), and at normal wages.

➤ Illustration: Coal Mine

Suppose a fire on 5 August stops work in a mine with 600 workers. The lay-off may begin without permission, but the employer must apply to continue it by 4 September (30 days). If he does not, the lay-off is illegal from its commencement and the workers are entitled to full benefits.

43 Retrenchment and Closure: Permission Procedures (Ss. 79–80)

Ss. 79–80

➤ Retrenchment (S. 79)

In an establishment covered by Chapter X, retrenchment is subject to stricter conditions than under the general rules. Under Section 79(1), no worker with not less than one year of continuous service may be retrenched until (a) he has been given three months' notice in writing with the reasons, or wages in lieu of notice, and (b) prior permission has been obtained on an application. The application states the reasons, and a copy is served at the same time on the workers concerned (s.79(2)).

On retrenchment, under **s.79(9)**, every worker who was employed immediately before the date of the application receives **compensation** of 15 days' average pay (or the notified number of days) for every completed year of service or any part in excess of six months. The table sets out the procedure for the application.

➤ S. 79(3)–(8)

Sub-section	Rule
79(3)	Enquiry, hearing, reasoned written order; genuineness and adequacy of reasons, workers' interests
79(4)	No order in 60 days: permission deemed granted
79(5), (6)	Order final, in force one year; review by Government or reference to Tribunal, award within 30 days
79(7)	No application or permission refused: retrenchment illegal from date of notice; worker entitled to all benefits as if no notice given
79(8)	Exemption in exceptional circumstances (accident, death of employer) for specified period

Worked example: a factory with 500 workers applies on 1 February 2026 and gives notice on the same day. If the Government is silent, permission is deemed granted on 2 April 2026, and the retrenchment takes effect when the notice ends on 1 May 2026 (or earlier, if three months' wages are paid in lieu). A worker with 8 years' service at Rs 900 per day receives 15 × 8 × 900 = Rs 1,08,000.

➤ Closure (S. 80)

An employer who intends to close an undertaking must apply for prior permission at least 90 days before the intended date of closure. The application states the reasons, and a copy is served at the same time on the representatives of the workers (s.80(1)). Undertakings set up for the construction of buildings, bridges, roads, canals, dams or other construction work are exempt.

The Government decides after an enquiry and a hearing, by a reasoned order, having regard to the genuineness and adequacy of the reasons, the general public interest and other relevant factors (s.80(2)). Note that for lay-off and retrenchment, the interests of the workers are weighed instead. The remaining sub-sections are in the table below.

➤ S. 80(3)–(8)

Sub-section	Rule
80(3)	No order within 60 days of application: permission deemed granted
80(4), (5)	Order final, in force one year; review or Tribunal reference, award within 30 days
80(6)	No application in time, or permission refused: closure illegal from date of closure; all benefits as if not closed
80(7)	Exemption in exceptional circumstances (accident, death of employer)
80(8)	Compensation of 15 days' average pay (or notified days) per completed year or part over six months to every worker employed immediately before application

Closure timetable: a unit planning to close on 31 December 2026 must apply on or before 2 October 2026 and serve a copy on the workers' representatives. If the Government is silent for 60 days, permission is deemed granted.

44 Muster Rolls, Borrowed Provisions and Comparisons (Ss. 81–82)

Ss. 81–82

➤ Ss. 81 and 82

Section 81 requires that, even when workers are laid off, the employer must maintain a **muster roll** and allow workers who present themselves at the appointed time during normal working hours to make entries in it.

Section 82 borrows some provisions from the general Chapter so that they need not be repeated. The following sections apply so far as may be: 66 (continuous service), 71 (last come first go), 72 (re-employment within one year), 73 (transfer of establishment) and 76 (inconsistent laws). Lay-off compensation, the conditions for retrenchment and the rules on closure are not borrowed, because Chapter X has its own.

➤ General Rules vs Chapter X

The table below compares the general rules, which apply to all establishments, with the stricter rules of Chapter X for establishments with 300 or more workers. The main difference is that Chapter X asks for the Government's permission, while the general rules require only notice.

➤ General Rules vs Chapter X

Point	General rules (all establishments)	Chapter X (300+ workers)
Lay-off	No permission; compensation 50 per cent	Prior permission, except power shortage, natural calamity, mine accidents; compensation 50 per cent
Retrenchment notice	One month	Three months
Government's role in retrenchment	Notice only	Prior permission
Closure	Notice 60 days before (if 50 or more workers)	Application for permission 90 days before
Compensation	15 days' average pay per year; cap of three months' pay in unavoidable closure	15 days' average pay per year; no cap
Deemed permission	Not applicable	After 60 days of silence
Action without permission	Retrenchment without notice or compensation is void	Lay-off, retrenchment or closure illegal; all benefits continue

➤ Old Act vs Code

The next table compares Chapter V-B of the 1947 Act with Chapter X of the Code. The change that matters most is the threshold, which rises from 100 to 300 workers; the procedural safeguards remain the same.

➤ ID Act, 1947 (Chapter V-B) vs IR Code (Chapter X)

Point	ID Act, 1947	IR Code, 2020
Threshold	100 or more workmen (s.25K)	300 or more workers, or higher notified number (s.77)
Lay-off, retrenchment, closure	Ss. 25M, 25N, 25-O	Ss. 78, 79, 80
Application	Physical	"Electronically or otherwise"
Compensation	15 days' average pay per year	15 days' or such higher days as notified
Deemed permission, validity, review	60 days; one year; review or Tribunal in 30 days	Unchanged

➤ Distinguishing Similar Terms

Several numbers and terms in this chapter resemble those of the general rules. The table below explains the differences.

➤ Distinguishing Similar Terms

Pair	Distinction
Calendar month vs twelve months	General lay-off rules use 50 workers in preceding calendar month; Chapter X uses 300 workers over preceding twelve months
Notice vs application	General closure notice (60 days) informs Government; Chapter X application (90 days) asks permission

Pair	Distinction
30 days in s.78(3) and s. 78(7)	Mine employer applies within 30 days to continue lay-off; Tribunal gives award within 30 days of reference
Illegal from when	Retrenchment: from date of notice; closure: from date of closure; lay-off: from date of lay-off
Interests weighed	Workers' interests for lay-off and retrenchment; general public interest for closure

➤ Relevance

No EPFO question has yet been asked on these sections. However, the change in the threshold from 100 to 300 is a likely subject for a statement-based question, and the numbers (3 months, 90 days, 60 days, one year and 30 days) are suitable for matching-type items.

45 Worker Re-skilling Fund

Ch 12 | S. 83

➤ Provision (Chapter XI, s.83)

When a worker loses his job through retrenchment, he often needs new skills to find another one. The Code therefore creates something that the 1947 Act did not have: under Section 83(1), the appropriate Government sets up, by notification, a **Worker Re-skilling Fund**. There is no counterpart to this provision in the 1947 Act.

The Fund has two sources under s.83(2). The first is the employer's contribution of 15 days' wages last drawn by each retrenched worker, paid immediately before retrenchment, or any other number of days that the **Central Government** notifies; this applies to **retrenchment only**. The second is any other prescribed source. Under s.83(3), the money is used by crediting 15 days' wages last drawn to the retrenched worker's account within 45 days of the retrenchment.

The provision applies to every industrial establishment that retrenches workers, with no size threshold. It is not payable on lay-off, closure, dismissal for misconduct, superannuation or resignation.

➤ Central Rules, 2026

The Industrial Relations (Central) Rules, 2026 were notified on 8 May 2026, after the draft was published on 30 December 2025. Under the Rules, the employer deposits 15 days' wages last drawn for each retrenched worker within 10 days of the retrenchment into an account maintained by the Government, and the Government credits the worker within the 45-day limit in the Code.

This payment is in addition to the retrenchment compensation and the notice (or wages in lieu). The worker may use it for a training course of his choice, and no proof of enrolment is required.

For example, suppose 12 workers are retrenched on 1 March 2027 and each earned Rs 900 per day. The contribution for each worker is 15 x 900 = Rs 13,500, and the total is Rs 1,62,000. The employer must deposit it by 11 March 2027, and each worker must be credited by 15 April 2027. If the same workers were laid off or the establishment were closed, no contribution would be due.

The table compares the position under the old law and the Code.

➤ Old Law vs Code

Feature	1947 Act	Code
Payments on retrenchment	Notice/wages in lieu and compensation (s.25F)	Same, plus 15 days' wages to Fund (s.83)
Fund	None	Worker Re-skilling Fund by appropriate Government
Who receives	Worker directly	Compensation directly; re-skilling amount through the fund
Power to change days	Not applicable	Central Government only
Penalty for not contributing	Not applicable	General penalty: fine up to Rs 1 lakh (s.86(20)), imposable by an inquiry officer

It is important not to confuse the two payments. The re-skilling contribution is a flat 15 days' wages last drawn, independent of the length of service, whereas retrenchment compensation is 15 days' average pay for each completed year of service. The re-skilling amount is not deducted from the compensation.

46 Unfair Labour Practices: Concept, Development and Prohibition

Ch 12 | S. 84

➤ Concept

An **unfair labour practice (ULP)** is conduct by either side that defeats the workers' freedom to organise and bargain collectively, or that uses force, fraud or bad faith in place of lawful pressure. The Code does not give an abstract definition. Under s.2(zo), a ULP means only the practices listed in the Second Schedule, so a practice that is not listed is not a ULP.

The concept was borrowed from the US National Labor Relations Act, 1935 (the Wagner Act). The first Indian law to contain a schedule of such practices was the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971.

➤ Development

Until 1982, India had no statutory list of unfair labour practices. The table below shows how the law developed, from case-by-case decisions to the present Code.

➤ Development

Stage	Position
Before 1982	No statutory list; courts set aside victimisation and mala fide dismissals case by case
ID (Amendment) Act, 1982 (in force 21 Aug 1984)	Added s.2(ra), s.25T (prohibition), s.25U (penalty), Fifth Schedule: Part I employers (16 items), Part II workmen (8 items)
s.25U penalty	Imprisonment up to 6 months, or fine up to Rs 1,000, or both
Code (21 Nov 2025)	Definition s.2(zo); prohibition s.84; Second Schedule (same 16 + 8 items); penalty s. 86(5), (6)

➤ Section 84

Section 84 prohibits unfair labour practices. No employer, worker or Trade Union, whether registered under the Code or not, shall commit any ULP listed in the Second Schedule. Registration of a union is voluntary, and limiting the duty to registered unions would allow unregistered unions to use coercion without consequence. The old Section 25T was the same, covering unions registered under the Trade Unions Act, 1926 or not.

Under the Code, it is the Central Government that may amend the Second Schedule, by a notification laid before Parliament. Under the old Act, the power belonged to the appropriate Government.

47 Unfair Labour Practices by Employers (16 Items)

Second Schedule, Part I

➤ The Sixteen Practices

Part I of the Second Schedule lists the unfair labour practices that an employer may commit. The practices fall broadly into three groups: interference with the workers' union (items 1 to 4), unfair treatment of individual workers (items 5 to 11), and failure to follow the law or the agreed rules (items 12 to 16). The table gives each item and the forms in which it may occur.

No.	Practice	Forms listed
1	Interference with right to organise	Interfering/restraining/coercing workers in forming, joining, assisting a union: (a) threatening discharge/dismissal for joining; (b) threatening lock-out or closure if union organised; (c) wage increase at crucial period of organisation to undermine it
2	Domination of a union	Dominating, interfering with or supporting union financially or otherwise: (a) active interest in organising own workers' union; (b) partiality to one of several unions where none is recognised
3	Employer-sponsored union	Establishing employer-sponsored trade unions
4	Discrimination for union activity	(a) punishing worker urging others to join; (b) discharging for taking part in a lawful strike; (c) changing seniority; (d) refusing promotion; (e) unmerited promotions to weaken union; (f) discharging office-bearers or active members
5	Wrongful discharge or dismissal	(a) victimisation; (b) colourable exercise, not good faith; (c) falsely implicating in criminal case; (d) patently false reasons; (e) untrue absence-without-leave allegations; (f) disregard of natural justice or undue haste in domestic inquiry; (g) minor or technical misconduct with shockingly disproportionate punishment
6	Strike-breaking through contractors	Abolishing regular work and giving it to contractors to break a strike

No.	Practice	Forms listed
7	Mala fide transfer	Transfer mala fide under guise of management policy
8	Good-conduct bond	Insisting individual workers on a legal strike sign a good-conduct bond before rejoining
9	Favouritism	Partiality to one set of workers regardless of merit
10	Permanent temporariness	Employing as badlis, casuals or temporaries for years to deprive permanent status
11	Retaliation for evidence	Discharging/discriminating for filing charges or testifying in industrial dispute proceedings
12	Recruitment during strike	Recruiting workers during a strike which is not an illegal strike
13	Non-implementation	Failure to implement award, settlement or agreement
14	Force or violence	Indulging in acts of force or violence
15	Refusal to bargain	Refusing to bargain collectively, in good faith, with recognised trade unions
16	Illegal lock-out	Proposing or continuing a lock-out deemed illegal under the Code

➤ Reading Part I

Certain items protect only a lawful strike. Items 4(b), 8 and 12 apply to a lawful strike, so dismissal for an illegal strike, or recruitment during an illegal strike, is not listed as a ULP. In the same way, item 15 covers only recognised unions, and a refusal to bargain with an unrecognised union is not listed.

Item 5 does not forbid dismissal as such; it forbids dismissal used as a cover for victimisation, bad faith, false charges or a grossly disproportionate punishment. Item 10 also needs care: fixed-term employment on equal terms is permitted and is not by itself a ULP. For example, if 60 packers are kept as badlis for 8 years, that falls under item 10 and may be prosecuted under s.86(5).

48 Unfair Labour Practices by Workers and Trade Unions (8 Items) Second Schedule, Part II

➤ The Eight Practices

Part II of the Second Schedule is the counterpart of Part I: it lists the unfair labour practices that workers and trade unions may commit. They relate mainly to illegal strikes, to coercion of other workers and the management, and to damage to property. The table below gives all eight items.

No.	Practice	Forms listed
1	Illegal strike	Advising, actively supporting or instigating any strike deemed illegal under the Code
2	Coercion of workers	(a) picketing so that non-striking workers are physically debarred from entering workplace; (b) force, violence or intimidation against non-striking workers or managerial staff in connection with a strike
3	Refusal to bargain	Recognised union refusing to bargain collectively in good faith with employer
4	Opposing certification	Coercive activities against certification of a bargaining representative
5	Coercive actions	Staging, encouraging or instigating wilful go-slow, squatting on premises after working hours, or gherao of managerial or other staff
6	Demonstrations at homes	Demonstrations at residences of employers or managerial staff
7	Damage to property	Inciting or indulging in wilful damage to employer's property connected with the industry
8	Preventing attendance	Force, violence or intimidation against any worker to prevent attending work

➤ Go-slow and Gherao

Item 5 uses two terms that the Schedule explains. Under Explanation 1, a go-slow means several workers acting jointly and deliberately slowing down work to obtain a demand, compared with the usual rate. Under Explanation 2, the **usual rate** is the fixed output standard; if there is none, it is the average output of the preceding three months. For example, if the standard is 60 pieces and the union directs workers to produce 35, this is a wilful go-slow.

A **gherao** is the physical encirclement of management staff. In Jay Engineering Works v. State of West Bengal (1968), the Calcutta High Court held that a gherao involving physical confinement is not legitimate trade union activity and may amount to wrongful confinement. Sit-down or stay-in strikes and work-to-rule are not named in Part II; a stay-in is judged under the rules on strikes, while squatting after working hours is covered by item 5.

Some points should be kept in mind. A lawful strike after due notice is not a ULP, while supporting an illegal strike or forcing others to join is. Item 3 binds only a recognised union, which mirrors item 15 of Part I. A peaceful demonstration at the factory gate is not listed. Finally, item 8 (violence to stop a worker from attending work) is different from item 2(a) (coercive picketing that bars entry into the workplace).

49 Consequences of ULP and Distinctions

Ch 12 | Revision

➤ Consequences

An unfair labour practice has criminal and civil consequences. For a first offence, the fine is Rs 10,000 to Rs 2 lakh (s.86(5)). For a repeat offence after conviction, the punishment is a fine of Rs 50,000 to Rs 5 lakh, or imprisonment up to 3 months, or both (s.86(6)).

On the civil side, the affected worker or union may raise an industrial dispute, and the Tribunal can set aside a dismissal that amounts to victimisation and order reinstatement with back wages. A union that indulges in ULPs also weakens its claim to recognition and to the protection of its office-bearers.

➤ Old Act vs Code

The next table compares the 1947 Act and the Code. The list of practices is unchanged, but the penalty has changed from imprisonment or a small fine to heavier fines, with a separate penalty for repeat offences.

➤ Old Act vs Code

Feature	1947 Act	Code
Prohibition	s.25T	s.84
List	Fifth Schedule (Part I: 16, Part II: 8)	Second Schedule (Part I: 16, Part II: 8)
Who is bound	Employer, workman, any union registered or not	Employer, worker, any Trade Union registered under Code or not
First offence	Up to 6 months, or fine up to Rs 1,000, or both (s.25U)	Fine Rs 10,000 to Rs 2 lakh; no imprisonment
Repeat offence	No separate provision	Fine Rs 50,000 to Rs 5 lakh, or up to 3 months, or both
Amend list	Appropriate Government	Central Government, laid before Parliament

➤ Distinctions

The last table explains the pairs of terms in Chapter XI that are easily confused.

➤ Distinctions

Terms	Distinction
Deposit vs credit	Employer deposits within 10 days (Central Rules); worker credited within 45 days (Code)
Appropriate vs Central Government in s.83	Appropriate Government sets up fund; only Central Government can alter 15 days
Lawful vs illegal strike	Recruiting during/dismissing for lawful strike is employer ULP; instigating illegal strike is worker ULP
Picketing	Peaceful not listed; coercive picketing barring entry is ULP
Go-slow vs strike	Strike: work stops, wages forgone; go-slow: wages drawn, output deliberately reduced
Squatting vs stay-in strike	Squatting after hours is item 5; stay-in during hours judged under strike rules
Domination vs employer-sponsored union	Interference with existing union (item 2) vs union set up by employer (item 3)
Badli vs fixed-term	Badli kept for years is unfair; fixed-term engaged for set period on parity is permitted

50 Approach to Offences and Inquiry Officer

Ch 13 | Ss. 85–89

➤ Approach of the Code

The penalties in the old labour laws had become very small and had little deterrent effect. For example, a worker in an illegal strike could be fined only Rs 50, and a union that failed to file returns could be fined Rs 5. The Code rewrites the penalties in Chapter XIII (Ss. 85–89), with fines running into thousands and lakhs of rupees.

The Code follows three ideas. The first is **decriminalisation**: most first offences are punished by a fine only, and imprisonment is kept for repeat offences and for offences linked to illegal strikes, lock-outs, breach of settlement and disclosure of confidential information. The second is that fines are given as ranges with a minimum and a maximum, so that there are no token fines. The third is **administrative adjudication**: under s.85, an inquiry officer imposes fines, so that the courts are not burdened. In addition, **compounding** (s.89) allows an offender to settle the matter by paying money, which goes to the Social Security Fund.

Chapter XIV (Ss. 90–104) contains miscellaneous provisions. The Code has been in force since 21 November 2025, and the Central Rules were notified on 8 May 2026. The table below gives the scheme of Chapters XIII and XIV and the counterpart of each section in the repealed laws.

➤ Scheme of Chapters XIII and XIV

Section	Subject	Repealed-law counterpart
85	Inquiry officer to impose penalty	New
86	Penalties	ID Act ss.25Q, 25R, 25U, 26–31; TU Act ss.31–32; IESO Act s.13
87	Cognizance of offences	ID Act s.34
88	Offences by companies	ID Act s.32
89	Composition of offences	New
90–91	Conditions unchanged during proceedings; complaints	ID Act ss.33, 33A
92–96	Transfer, protection of persons, representation, interpretation, exemption	ID Act ss.33B, 35, 36, 36A, 36B
97–100	Civil courts barred, good faith, rules, delegation	s.97 new; ID Act ss.37, 38, 39
101–104	Schedules, Finance Act amendment, difficulties, repeal and savings	ID Act s.40; rest new

➤ Inquiry Officer (s.85)

Under Section 85, the appropriate Government may appoint an officer not below the rank of Under Secretary to the Government of India (or an equivalent State officer) to hold an inquiry and impose a penalty. The officer deals with the offences in s.86(3), (5), (7)–(11) and (20), all of which are punishable by a fine only. The officer may summon persons and documents, and must give a reasonable opportunity of being heard.

If the penalty is not paid within 90 days of receipt of the order, a further fine of Rs 50,000 to Rs 2 lakh is payable.

51 Penalties under Section 86

S. 86

➤ The Penalty Table

Section 86 is the main penalty provision of the Code. It consolidates the penalties scattered across the Industrial Disputes Act, the Trade Unions Act and the Industrial Employment (Standing Orders) Act and raises them sharply. The table below gives each sub-section, the offence, the penalty under the Code and the penalty under the repealed Act, so that the increase can be seen directly.

s. 86	Offence	Penalty under Code	Repealed Act
(1)	Employer contravening ss.78, 79, 80 (lay-off, retrenchment, closure without permission; 300+ workers)	Fine Rs 1 lakh to Rs 10 lakh	ID s.25Q: up to 1 month or Rs 1,000 or both; s.25R (closure): up to 6 months or Rs 5,000 or both
(2)	Repeat of (1) after conviction	Fine Rs 5 lakh to Rs 20 lakh, or up to 6 months, or both	No separate provision
(3)	Employer contravening ss.67, 70, 73, 75 (lay-off, retrenchment, transfer, closure compensation)	Fine Rs 50,000 to Rs 2 lakh	Recovery as dues; general penalty
(4)	Repeat of (3) after conviction	Fine Rs 1 lakh to Rs 5 lakh, or up to 6 months, or both	No separate provision
(5)	Unfair labour practice (Second Schedule)	Fine Rs 10,000 to Rs 2 lakh	s.25U: up to 6 months or Rs 1,000 or both
(6)	Repeat ULP	Fine Rs 50,000 to Rs 5 lakh, or up to 3 months, or both	No separate provision

s. 86	Offence	Penalty under Code	Repealed Act
(7)	Registered Trade Union failing to give notice or send statement/document; office-bearer (else every executive member) liable	Fine Rs 1,000 to Rs 10,000, plus Rs 50 per day of continuing default	TU Act s.31: up to Rs 5, plus Rs 5 a week, total not above Rs 50
(8)	Wilful false entry or omission in general statement (s.26) or copies of rules	Fine Rs 2,000 to Rs 20,000	TU Act s.31(2): up to Rs 500
(9)	False copy of union rules with intent to deceive, or passing off unregistered union's rules as registered	Fine Rs 5,000 to Rs 20,000	TU Act s.32: up to Rs 200
(10)	Employer failing to submit draft standing orders (s.30) or modifying otherwise than under s.35	Fine Rs 50,000 to Rs 2 lakh, plus Rs 2,000 per day of continuing offence	IESO s.13(1): up to Rs 5,000, plus Rs 200 a day
(11)	Employer acting against finally certified standing orders	Fine Rs 1 lakh to Rs 2 lakh	IESO s.13(2): up to Rs 100, plus Rs 25 a day
(12)	Repeat of (11)	Fine Rs 2 lakh to Rs 4 lakh, or up to 3 months, or both	No separate provision
(13)	Worker commencing, continuing or furthering illegal strike	Fine Rs 1,000 to Rs 10,000, or up to 1 month, or both	ID s.26(1): up to 1 month or Rs 50 or both
(14)	Employer commencing or continuing illegal lock-out	Fine Rs 50,000 to Rs 1 lakh, or up to 1 month, or both	ID s.26(2): up to 1 month or Rs 1,000 or both
(15)	Instigating or inciting illegal strike or lock-out	Fine Rs 10,000 to Rs 50,000, or up to 1 month, or both	ID s.27: up to 6 months or Rs 1,000 or both
(16)	Knowingly spending money in support of illegal strike or lock-out	Fine Rs 10,000 to Rs 50,000, or up to 1 month, or both	ID s.28: up to 6 months or Rs 1,000 or both
(17)	Breach of binding settlement or award	Fine Rs 20,000 to Rs 2 lakh, or up to 3 months, or both	ID s.29: up to 6 months, or fine, or both
(18)	Continuing breach under (17) after conviction	Further fine up to Rs 1,000 per day; court may pay part of fine as compensation to injured person	s.29: up to Rs 200 a day
(19)	Wilful disclosure of confidential information in breach of s.61 (only on complaint by union/business affected)	Fine up to Rs 20,000, or up to 1 month, or both	ID s.30: up to 6 months or Rs 1,000 or both
(20)	Any other contravention with no penalty provided	Fine up to Rs 1 lakh	ID s.31(2): fine up to Rs 100

➤ Patterns

Some patterns help in remembering the table. The highest fine is Rs 20 lakh, which applies to a repeat of the offences under Ss. 78–80. The longest imprisonment is 6 months, and it is available only for repeat offences under (2) and (4). Imprisonment up to three months applies to a repeat ULP, a repeat breach of standing orders and a breach of a settlement or award, while imprisonment up to one month applies to an illegal strike, an illegal lock-out, instigation, financial aid and disclosure of confidential information.

The daily amounts for continuing offences are Rs 50 (union returns), Rs 1,000 (continuing breach of settlement) and Rs 2,000 (draft standing orders).

Two examples show the table at work. If a union is in default for 40 days, the fine is Rs 1,000 to Rs 10,000 plus Rs 50 x 40 = Rs 2,000. If an employer with 450 workers is convicted under (1) and two years later retrenches 60 workers without permission, (2) applies because it is a repeat offence.

52 Cognizance, Offences by Companies and Compounding

Ss. 87–89

➤ Cognizance and Trial (s.87)

Section 87 controls who may start a prosecution and which court may try the offence. Under s.87(1), no court takes cognizance of an offence except on a complaint made by, or under the authority of, the appropriate Government. Under s.87(2), no court inferior to a **Metropolitan Magistrate** or a **Judicial Magistrate of the first class** may try an offence. There is one exception: an offence under s.86(19) can be prosecuted only on a complaint by the trade union or business whose information was disclosed. The old Act (s.34) had the same rule.

➤ Offences by Companies (s.88)

When an offence is committed by a company, Section 88(1) deems the company and every person in charge of, and responsible for, the conduct of its business to be guilty. The person has a defence if he proves that the offence was committed without his knowledge, or that he exercised all **due diligence**. Under s.88(2), a director, manager, secretary or other officer is also liable if the offence was committed with his consent or connivance or is attributable to his neglect.

For this purpose, a company means any body corporate, including a firm, a **limited liability partnership (LLP)** or an association of individuals; for a firm, a director means a partner. The old Section 32 had no due diligence defence and did not expressly cover LLPs.

➤ Composition of Offences (s.89)

Compounding is a new feature of the Code. It allows an accused to settle an offence by paying a sum of money, so that the case ends without a trial or conviction. The table below sets out the rules.

Point	Rule
Which offences	Any offence not punishable with imprisonment only, or with imprisonment and also fine; so fine-only, or imprisonment or fine
By whom	Gazetted Officer specified by appropriate Government, on accused's application, before or after prosecution
Amount	50 per cent of maximum fine (fine-only offence); 75 per cent (imprisonment up to one year or fine)
Credited to	Social Security Fund under s.141, Code on Social Security, 2020
Bar on repeat	No compounding of offence committed again within 3 years of similar offence compounded or convicted
Effect	Before prosecution: none instituted; after: officer informs court in writing, accused discharged
Non-compliance	Accused pays 20 per cent of maximum fine in addition

The examples below show how the amount is worked out from the maximum fine for the offence.

➤ Compounding examples

Offence	Maximum fine	Rate	Amount
First ULP, s.86(5)	Rs 2,00,000	50%	Rs 1,00,000
Draft standing orders not submitted, s.86(10)	Rs 2,00,000	50%	Rs 1,00,000 (plus daily fine)
Worker in illegal strike, s.86(13)	Rs 10,000	75%	Rs 7,500
Illegal lock-out, s.86(14)	Rs 1,00,000	75%	Rs 75,000
General offence, s.86(20)	Rs 1,00,000	50%	Rs 50,000

53 Protection of Workers during Pending Proceedings

Ss. 90–91

➤ The Rule and Its Purpose

While a dispute is being heard, the employer should not be able to pressure the workers by changing their conditions or punishing them. Section 90 therefore reproduces Sections 33 and 33A of the 1947 Act, with the same limits of 1 per cent, 5 and 100 for protected workers.

Under **s.90(1)**, during the pendency of conciliation, arbitration or a Tribunal proceeding, the employer shall not, on a matter **connected with the dispute**, alter the conditions of service to the prejudice of the workers, or discharge or punish them for misconduct connected with the dispute, except with the express written permission of the authority before which the proceeding is pending.

Under **s.90(2)**, for a matter **not connected** with the dispute, the employer may act under the standing orders or the contract. A worker may be discharged or dismissed only if he is paid one month's wages and the employer has applied for **approval** of the action. For example, if a worker is found guilty of theft in a domestic inquiry during a wage dispute, the theft is unconnected with the dispute, so the employer may dismiss him but must pay one month's wages and apply for approval at the same time. If approval is refused, the dismissal fails and the worker is treated as continuing in service.

Under **s.90(3) and (4)**, a **protected worker** is an office-bearer of a registered trade union who is recognised as such under the rules, and no prejudicial action may be taken against him without written permission. The number of protected workers is 1 per cent of the workers, with a minimum of 5 and a maximum of 100. The table gives three examples.

➤ Protected workers examples

Establishment	Workers	1 per cent	Protected workers
A	320	3.2	5 (minimum)
B	2,600	26	26
C	14,000	140	100 (maximum)

Under s.90(5), the authority decides an application for approval or permission within 3 months, which may be extended for reasons recorded, and the proceeding does not lapse on the expiry of that time.

➤ Complaints (s.91)

Under Section 91, a worker aggrieved by a contravention of s.90 may complain in writing to the conciliation officer, who considers it in the course of mediation, or to the arbitrator, Tribunal or NIT, which adjudicates it as an industrial dispute.

54 Other Miscellaneous Provisions

Ss. 92–103

➤ Provisions of Chapter XIV

Chapter XIV contains a number of administrative and general provisions that complete the scheme of the Code. The table below states the rule in each section from 92 to 103.

Subject	Rule
Transfer of proceedings (s.92)	Appropriate Government may by written order with reasons withdraw a pending proceeding and transfer to another Tribunal; Central Government may transfer to NIT; receiving Tribunal proceeds afresh or from stage reached
Protection of persons (s.93)	Worker refusing to join illegal strike or lock-out cannot be expelled, fined or disadvantaged by union despite its rules; civil court may order compensation from union funds instead of restoring membership
Representation (s. 94)	Worker by office-bearer of own union/federation (or union connected with the industry, or another worker of the industry); employer by officer of its association/federation. Legal practitioner barred in conciliation; before Tribunal/NIT only with consent of other parties and leave of Tribunal
Removal of doubts (s.95)	Difficulty in interpreting an award or settlement may be referred by Government to a Tribunal/NIT; decision final and binding
Exemption (s.96)	Appropriate Government may exempt an establishment where adequate alternative provisions exist, and a new establishment in public interest for a specified period; earlier State exemptions continue for unexpired period
Civil courts barred (s.97)	No civil court jurisdiction over a matter to which the Code applies; no injunction in respect of action under the Code
Good faith (s.98)	No suit against Government or officer for anything done in good faith
Rules (s.99)	Appropriate Government makes rules after previous publication; rules on recognition of central trade unions and s.85 inquiry by Central Government; central rules laid before Parliament for 30 days
Delegation (s.100)	Powers delegable by notification to subordinate officers/authorities, including State authorities
Amendment of Schedules (s.101)	Central Government may amend First (standing-order matters), Second (ULPs) and Third (change of conditions notice) Schedules by notification laid before Parliament
Finance Act, 2017 (s. 102)	Updates Eighth Schedule entry for Central Government Industrial Tribunal to refer to Tribunal under s.44
Removal of difficulties (s.103)	Central Government order, consistent with Code, within 3 years of commencement (until 21 Nov 2028); laid before Parliament

➤ Notes on Ss. 97 and 103

Under s.103, the Removal of Difficulties Order, 2025 (8 December 2025) provided that the existing Labour Courts, Industrial Tribunals and National Tribunals continue to decide pending and new cases until the Tribunals under the Code are constituted. This arrangement was later written into s.104(1) by the Amendment Act, 2026.

Section 97 builds on case law. In Premier Automobiles v. Kamlakar Shantaram Wadke (1975), the Supreme Court held that rights created only by industrial law can be enforced only under that law. Section 97 codifies this rule and adds a bar on injunctions. The writ jurisdiction of the High Courts and the Supreme Court under Articles 226 and 32 is not affected.

55 Repeal and Savings; Distinctions

S. 104

➤ Repeal and Savings

Section 104(1) repeals three older laws: the **Trade Unions Act, 1926**, the **Industrial Employment (Standing Orders) Act, 1946** and the **Industrial Disputes Act, 1947**. In the original text, the repeal was to take effect by a notification of the Central Government. The Industrial Relations Code (Amendment) Act, 2026 (assent on 16 February 2026, effective from 21 November 2025) substituted s.104(1) so that the repeal is express, and it provided that the tribunals and authorities under the repealed Acts continue until the bodies under the Code begin to function.

Under s.104(2), anything done under the repealed Acts, such as a rule, notification, appointment, registration, certified standing order, award or settlement, is deemed to have been done under the Code, if it is not inconsistent with it. These savings do not limit Section 6 of the General Clauses Act, 1897, which protects rights, liabilities, penalties and pending proceedings. Registered unions, certified standing orders, settlements and awards therefore continue. The Contract Labour Act, 1970 and the Factories Act, 1948 are not repealed by the Code.

The table lists the three repealed Acts, the date on which each came into force and the main subject of each.

Repealed Act	In force from	Main subject
Trade Unions Act, 1926	1 June 1927	Registration, rights, liabilities, immunities of unions
Industrial Employment (Standing Orders) Act, 1946	23 April 1946	Standing orders and certification
Industrial Disputes Act, 1947	1 April 1947	Dispute resolution, strikes and lock-outs, lay-off, retrenchment, closure, ULPs

➤ Distinctions

The final table explains the pairs of terms in Chapters XIII and XIV that are easily confused.

➤ Distinctions

Terms	Distinction
Inquiry officer (s.85) vs court (s.87)	Officer fines fine-only offences; Magistrate tries offences on Government complaint, including imprisonment
50% vs 75% compounding	Fine-only offences vs imprisonment up to one year or fine
Compounding vs inquiry penalty	Compounding on accused's application ends case; s.85 inquiry started by officer, ends in penalty order
Connected vs unconnected misconduct (s.90)	Prior written permission vs one month's wages plus simultaneous application for approval
Permission vs approval	Permission before action; approval sought after, by application made at same time
s.92 vs s.95	Transfer of pending case vs reference for interpretation of award or settlement
s.101 vs s.103	Permanent power to amend Schedules vs 3-year power to remove difficulties
Repeal vs savings	Repeal ends old Acts; savings keep alive what was done, if consistent with Code

56 Key Numbers & Thresholds at a Glance: The Code and Coverage

Appendix A

➤ The Code at a Glance

This appendix collects, in one place, the numbers that are most often needed in revision. The first table gives the basic facts about the Code itself: its number, its date of assent, the laws it replaces and the dates on which it and its Rules came into force.

➤ The Code at a Glance

Item	Position
Act number and assent	Act No. 35 of 2020; assent 28 September 2020
Codification recommended by	Second National Commission on Labour (Ravindra Varma), report 2002
Laws consolidated	29 central laws into 4 Codes: Wages 4, Industrial Relations 3, Social Security 9, OSH 13
Acts repealed (s.104)	Trade Unions Act 1926; Industrial Employment (Standing Orders) Act 1946; Industrial Disputes Act 1947
Commencement	21 November 2025, with the other three Codes

Item	Position
Removal of Difficulties Order	8 December 2025: existing Labour Courts/Tribunals continue until Code Tribunals constituted
Amendment Act	IR Code (Amendment) Act, 2026; assent 16 February 2026; substituted s.104(1)
Central Rules	Industrial Relations (Central) Rules, 2026 notified 8 May 2026 (draft 30 Dec 2025)
Structure	14 chapters, 104 sections, 3 Schedules (First: standing-order matters; Second: ULPs; Third: matters needing notice of change)

➤ Section Map

The second table is a map of the Code. It shows which sections belong to which chapter and what each chapter deals with, so that a section number can quickly be linked to its subject.

➤ Section Map

Chapter	Sections	Subject
I	1–2	Preliminary, definitions
II	3–4	Works Committee, Grievance Redressal Committee
III	5–27	Trade unions (negotiating union/council s.14; central/State unions s.27)
IV	28–39	Standing orders
V	40–41	Notice of change
VI	42	Voluntary arbitration
VII	43–61	Dispute resolution machinery
VIII	62–64	Strikes and lock-outs
IX	65–76	Lay-off, retrenchment, closure
X	77–82	Special provisions, 300+ workers
XI	83	Worker Re-skilling Fund
XII	84	Unfair labour practices
XIII	85–89	Offences and penalties
XIV	90–104	Miscellaneous, repeal and savings

➤ Membership, Recognition and Coverage

The third table lists the thresholds that decide who is covered by a provision and who may claim a right, such as the number of members needed to register a union, the support needed for recognition, and the establishment sizes at which each rule applies.

➤ Membership, Recognition and Coverage

Item	Key number
Union registration / continued membership	At least 10 per cent of workers or 100 workers, whichever is less, minimum 7
Sole negotiating union	Support of 51 per cent or more of workers on muster roll
Negotiating council seat	Not less than 20 per cent support; one representative per 20 per cent
Validity of recognition (Central Rules, Rule 9)	3 years; extendable by agreement up to 5 years in all; verification by secret ballot
Minimum age: member / office-bearer	14 years / 18 years
Outsiders as office-bearers (organised sector)	Not more than one-third of office-bearers or 5, whichever is less
Unorganised sector office-bearers	At least 50 per cent actually engaged in the establishment or industry
Change of name / amalgamation	Consent of not less than two-thirds of members
Works Committee (s.3)	100 or more workers on any day in preceding 12 months
Grievance Redressal Committee (s.4)	20 or more workers; not more than 10 members
Standing orders (s.28) and Chapter X (s.77)	300 or more workers (old: 100 under both IESO Act and Chapter V-B)
Supervisor excluded from worker	Wages above Rs 18,000 a month or higher notified amount (old Act: Rs 10,000)

Item	Key number
Lay-off provisions	Factories, mines, plantations with 50 or more workers
Closure notice not required	Fewer than 50 workers
Strike includes	Concerted casual leave on a day by 50 per cent or more workers
Protected workers (s.90)	1 per cent of workers, minimum 5, maximum 100

57 Key Numbers & Thresholds at a Glance: Time Limits

Appendix A

➤ Unions, Grievances, Standing Orders

Many questions on the Code depend on the exact time limit within which something must be done. The first table gives the time limits for the grievance machinery, trade unions and standing orders.

➤ Unions, Grievances, Standing Orders

Item	Period
Application to Grievance Redressal Committee	Within 1 year of cause of action
GRC to complete proceedings	Within 30 days of application
Dispute to conciliation officer through union after GRC	Within 60 days of GRC decision or expiry of 30 days
Direct application to Tribunal (discharge, dismissal, retrenchment)	After 45 days of conciliation application; before 2 years from the action (old s.2A: 3 years)
Notice before cancelling union registration	Not less than 2 months (60 days)
Notice of dissolution of union to Registrar	Within 14 days
Intimation of change in union rules/office-bearers	Within 15 days
Draft standing orders to be submitted	Within 6 months of Code applying to establishment
Certification of draft standing orders	Within 60 days, else deemed certified
Copies of certified standing orders sent	Within 7 days of certification
Appeal against certifying officer's order	Within 60 days (old: 30 days)
Standing orders come into operation	After 30 days of certification; or 7 days after copies of appellate order sent
Modification of standing orders	Not within 6 months of last operation, except by agreement
Inquiry against suspended worker	Ordinarily within 90 days; subsistence allowance 50% for first 90 days, then 75% if delay not due to worker
Notice of change in Third Schedule matter (s. 40)	No change within 21 days of notice

➤ Disputes, Strikes, Lay-off, Retrenchment, Closure

The second table gives the time limits for the dispute machinery, strikes and lock-outs, and the rules on lay-off, re-trenchment and closure.

➤ Disputes, Strikes, Lay-off, Retrenchment, Closure

Item	Period
Bar on conciliation (s.53(1))	Not after 2 years from date dispute arose
Conciliation report	45 days of commencement; 14 days where strike/lock-out notice
Application to Tribunal	90 days of failure report
Award enforceable	30 days from communication
Award in operation	1 year; extendable 1 year at a time; max 3 years
Settlement binding	Agreed period, else 6 months; then until 60 days after notice of termination
Recovery of money due (s.59)	Application within 1 year; Tribunal decides within 3 months
Strike/lock-out notice (s.62)	Within 60 days before; not within 14 days of notice; 7 days after conciliation; 60 days after Tribunal/arbitration
Employer reports notices	Within 5 days to Government authority and conciliation officer
Old strike notice (s.22)	Six weeks, public utility services only

Item	Period
Notice of intended closure (s.74)	At least 60 days before closure
Application for permission to close (Chapter X)	At least 90 days before intended closure
Deemed permission (Chapter X)	If no order communicated within 60 days of application
Re-employment preference	Within 1 year of retrenchment
Re-skilling Fund	Employer deposit within 10 days (Central Rules); credit to worker within 45 days (s. 83)
Approval/permission decision (s.90)	Within 3 months, extendable for recorded reasons
Inquiry officer's penalty to be paid (s. 85)	Within 90 days of order
Removal of difficulties (s.103)	Within 3 years of commencement

58 Key Numbers & Thresholds at a Glance: Compensation, Penalties, Old vs Code

➤ Continuous Service, Compensation and Others

Appendix A

The first table in this part lists the numbers on continuous service and on the compensation payable in lay-off, re-trenchment and closure, along with a few other figures that are often confused.

➤ Continuous Service, Compensation and Others

Item	Key number
Continuous service, 1 year	190 days (below ground in mine) / 240 days (others) in 12 months
Continuous service, 6 months	95 days (below ground) / 120 days (others)
Lay-off compensation	50% of basic wages and DA
Lay-off beyond 45 days in 12 months	No compensation for further period if agreed; employer may retrench instead
Refusal of alternative job (lay-off)	No compensation if job within 8 km
Retrenchment notice (s.70)	1 month in writing, or wages in lieu (Chapter X, s.79: 3 months)
Retrenchment compensation	15 days' average pay per completed year or part above 6 months
Worker Re-skilling Fund	15 days' wages last drawn per retrenched worker; retrenchment only
Closure due to unavoidable circumstances	Compensation not above 3 months' average pay
Closure of mine with alternative job	No compensation if job within 20 km on same terms
Construction project closed	No compensation if completed within 2 years
Go-slow usual rate (no fixed standard)	Average output of preceding 3 months
Second Schedule	Part I employers 16 practices; Part II workers 8 practices
Compounding (s.89)	50% of maximum fine (fine only); 75% (imprisonment or fine); no repeat within 3 years

➤ Penalties at a Glance (s.86)

The next table summarises the penalties under Section 86, showing the range of fine for a first offence and the higher punishment for a repeat offence.

➤ Penalties at a Glance (s.86)

Offence	First offence	Repeat offence
Lay-off/retrenchment/closure without permission (ss.78–80)	Rs 1–10 lakh	Rs 5–20 lakh or 6 months or both
Compensation provisions (ss.67, 70, 73, 75)	Rs 50,000–2 lakh	Rs 1–5 lakh or 6 months or both
Unfair labour practice	Rs 10,000–2 lakh	Rs 50,000–5 lakh or 3 months or both
Union notices/returns not sent	Rs 1,000–10,000 + Rs 50/day	-
False entry in union statement / false copy of rules	Rs 2,000–20,000 / Rs 5,000–20,000	-

Offence	First offence	Repeat offence
Draft standing orders not submitted or unlawful modification	Rs 50,000–2 lakh + Rs 2,000/ day	-
Acting against certified standing orders	Rs 1–2 lakh	Rs 2–4 lakh or 3 months or both
Worker in illegal strike	Rs 1,000–10,000 or 1 month or both	-
Employer in illegal lock-out	Rs 50,000–1 lakh or 1 month or both	-
Instigating or financing illegal strike/lock-out	Rs 10,000–50,000 or 1 month or both	-
Breach of settlement or award	Rs 20,000–2 lakh or 3 months or both	Continuing: up to Rs 1,000/day
Disclosure of confidential information (s.61)	Up to Rs 20,000 or 1 month or both	-
Any other contravention	Up to Rs 1 lakh	-
Inquiry officer's penalty unpaid in 90 days (s.85)	Rs 50,000–2 lakh	-

➤ Old Acts vs Code: Key Changes

The last table compares the repealed Acts with the Code on the subjects where the change is most important. It shows that the Code raises thresholds, lengthens notice periods for strikes, introduces new institutions such as the Worker Re-skilling Fund, and replaces case-law rules with express provisions.

➤ Old Acts vs Code: Key Changes

Subject	Repealed Acts	Code
Supervisor wage limit	Rs 10,000 a month (ID Act)	Rs 18,000 a month or notified amount
Fixed-term employment	Not in ID Act (allowed by rules from 2018)	Defined; parity with permanent workers; gratuity after 1 year under Social Security Code
Recognition of unions	No central law	Negotiating union (51%) or council (20%)
Grievance Redressal Committee	s.9C: 20 workers, max 6 members, 45 days	s.4: 20 workers, max 10 members, 30 days
Standing orders / prior permission threshold	100 workers (IESO Act; Chapter V-B)	300 workers (Chapter X); Government may raise by notification
Adjudicating bodies	Labour Court, Industrial Tribunal, National Tribunal	Industrial Tribunal (two members) and NIT; no Labour Court
Strike notice	6 weeks; public utility services only	60 days; every industrial establishment
Re-skilling	None	Worker Re-skilling Fund: 15 days' wages per retrenched worker
ULP	Fifth Schedule; up to 6 months or Rs 1,000	Second Schedule; Rs 10,000–2 lakh, no imprisonment first offence
Illegal strike (worker)	Up to 1 month or Rs 50 or both	Rs 1,000–10,000 or 1 month or both
Compounding	Not provided	s.89: 50/75% of maximum fine
Civil court jurisdiction	Excluded by case law (Premier Automobiles, 1975)	Expressly barred (s.97)

59 Previous Year Questions (UPSC EPFO) at a Glance

Appendix A

➤ Questions Asked So Far

The table below lists the questions on industrial relations that the UPSC has asked in the EPFO examinations, with the answer to each. Reading it shows the kind of knowledge the examiners expect, which ranges from basic definitions to the names of important cases.

Exam	Question (in brief)	Answer
EPFO 2015	'Giri' approach in industrial relations espouses	Arbitration (voluntary settlement instead of compulsory adjudication)

Exam	Question (in brief)	Answer
EPFO 2017	Works Committee, Safety Committee, Canteen Management Committee are examples of	Workers' participation in management
EPFO 2017	Third party bringing sides together through mediation	Conciliation
EPFO 2017	Body for questions on certified standing order (1946 Act)	Labour Court
EPFO 2021	Match Closure, Workmen, Strike, Lock-out	Closure: permanent closing; strike: cessation of work by employees; lock-out: temporary closing by employer
EPFO 2021	Disputes counted as trade disputes under Trade Unions Act, 1926: employment, non-employment, conditions of labour	All three
EPFO 2023	Five unions (100, 370, 110, 275, 80 members) in 1,100-worker establishment: which can be registered	Those with 100 or more members (10% or 100, whichever less)
EPFO 2023	Registration of trade union under 1926 Act is	Optional
EPFO 2023	Right of workers to strike is a	Statutory right
EPFO 2023	Match CITU, INTUC, BMS, AITUC with parties	CITU: CPI(M); INTUC: Congress; BMS: BJP; AITUC: CPI
EPFO 2025	Triple test for industry	Bangalore Water Supply and Sewerage Board v. A. Rajappa (1978)
EPFO 2025	Not a public utility service under First Schedule of 1947 Act	Tea plantation
EPFO 2025	Persons to whom six weeks' notice rule applied	Workmen in public utility services before strike; their employers before lock-out

Every law question so far has been set on the old Acts, namely the Trade Unions Act, 1926 and the Industrial Disputes Act, 1947. The favourite subjects have been union registration (7 members; 10% or 100), the definitions of industry, strike, lock-out and closure, and the rules on strike notice.

Now that the Code is in force, the likely subjects for future questions are the figure of 300 workers for standing orders and prior permission, the 60-day strike notice for all establishments, the 51% and 20% thresholds for recognition, the Rs 18,000 limit for supervisors, the 15 days' wages for the Re-skilling Fund, the ranges of penalties, the compounding percentages and the three Schedules.

➤ Last-Day Checklist

The following points summarise the Code in the order of its chapters and are meant for a last revision before the examination.

On the Code itself: it subsumes 3 Acts, has 104 sections and 3 Schedules, and has been in force since 21 November 2025. For trade unions, a union needs 7 members and 10% or 100 workers, and the ages are 14 for a member and 18 for an office-bearer. For recognition, a sole negotiating union needs 51%, a negotiating council 20%, and recognition lasts 3 to 5 years.

On committees and orders: the Works Committee needs 100 workers, and the Grievance Redressal Committee needs 20 workers, has 10 members at most and works within 30 days. Standing orders and Chapter X apply at 300 workers, and the notice of change period is 21 days.

On strikes and job loss: strike notice is 60 days with a wait of 14 days, and the bars after proceedings are 7 and 60 days. Lay-off compensation is 50%, retrenchment compensation is 15 days per year, and the notice is 1 month (3 months in Chapter X). Closure notice is 60 days, the application for permission is 90 days, and deemed permission follows after 60 days. The Re-skilling Fund is 15 days' wages, with 10 days for the employer's deposit and 45 days for the worker's credit.

On offences and protection: the Second Schedule has 16 + 8 items, and the fine for a ULP is Rs 10,000 to Rs 2 lakh. Compounding is at 50% or 75% of the maximum fine, and protected workers are 1% of the workers, with a minimum of 5 and a maximum of 100.

CHAPTER 4

Code on Social Security, 2020

Social Security: Concept, Cons | Evolution, Enactment and Place | Objectives, Key Features and S
The Seven Schedules of the Cod | Third, Fourth, Fifth, Sixth an | Section 1: Extent, Commencemen
First Schedule: Which Chapter | Definitions of Persons: Employ

1 Social Security: Concept, Constitutional Basis and History

Ch 1

➤ What Social Security Means

Workers earn their living from wages, so anything that stops or reduces those wages, such as sickness, an accident, old age, unemployment or the death of the earner, pushes the family into distress. **Social security** is the protection that society provides, through public measures, against this kind of distress caused by the stoppage or reduction of earnings. At the international level, **ILO Convention No. 102 (1952)** lists nine branches of social security: medical care, sickness, unemployment, old age, employment injury, family responsibilities, maternity, invalidity and survivors' benefit.

The Code gives its own definition in **Section 2(78)**. It describes social security as protection for employees, unorganised workers, gig workers and platform workers, in the form of access to health care and income security. The income security covers old age, unemployment, sickness, invalidity, work injury, maternity and the loss of the breadwinner. This definition is wider than that of any earlier Indian law, because it names unorganised, gig and platform workers expressly.

Social security can be delivered in two ways, and the Code uses both. The table below compares **social insurance**, where benefits are earned through contributions, with **social assistance**, where the State provides help to those in need out of general revenue.

➤ Social insurance vs social assistance

Feature	Social insurance	Social assistance
Financing	Employer and employee contributions, sometimes State share	General tax revenue
Entitlement	Right earned through contributions and service	Need-based, often after means test
Covered	Employees of organised establishments	Poor, aged, disabled, unorganised workers
Code examples	PF, pension, EDLI (Ch III); ESI (Ch IV)	Unorganised workers' schemes (Ch IX); building workers' welfare funded by cess (Ch VIII)
Employer liability	Gratuity (Ch V), maternity benefit (Ch VI) and employees' compensation (Ch VII) are paid directly by the employer; they are neither insurance nor State assistance	

The last row of the table deserves attention: gratuity, maternity benefit and employees' compensation fit neither model neatly, because the employer pays them directly from its own resources.

➤ Constitutional Basis

Social security is a subject in the Concurrent List (Seventh Schedule, List III), which means that both Parliament and the State Legislatures can legislate on it. This is why the Code uses the term **appropriate Government**, which means the Centre or the State depending on the establishment. Two entries of the Concurrent List are relevant. **Entry 23** covers social security and social insurance, and employment and unemployment. **Entry 24** covers the welfare of labour, including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions, and maternity benefit.

The Directive Principles of State Policy supply the moral basis for the Code. **Article 38** calls for a just social order and the extension of social security. **Article 39(e)** protects the health and strength of workers, which is reflected in ESI and compensation. **Article 41** provides for public assistance in unemployment, old age, sickness and disablement, which is reflected in pensions and disablement benefits. **Article 42** requires just and humane conditions of work and maternity relief, which is reflected in Chapter VI. **Article 43** speaks of a living wage and is reflected in the welfare schemes for unorganised, gig and platform workers.

➤ History of the Laws Now Subsumed

Indian social security law grew slowly, one scheme at a time. The **Royal Commission on Labour (1931)** recommended sickness insurance, and the report of **Prof. B. P. Adarkar (1944)** on health insurance led to the ESI Act, 1948. The ESI scheme was first launched at Kanpur and Delhi on 24 February 1952. On the provident fund side, the EPF Ordinance of 1951 was replaced by the EPF Act, 1952, which was renamed the EPF and Miscellaneous Provisions Act in 1961. Three schemes were later added under it: the Family Pension Scheme in 1971, the EDLI Scheme in 1976 and the Employees' Pension Scheme in 1995. The oldest of all was the Workmen's Compensation Act, 1923, the first social security law in India, which a 2009 amendment renamed the Employees' Compensation Act.

Section 164 of the Code repeals nine Acts, listed below with the Chapter of the Code that now carries each of them.

➤ Nine Acts repealed by Section 164

Year	Act	Where in the Code
1923	Employees' (Workmen's) Compensation Act	Ch VII
1948	Employees' State Insurance Act	Ch IV
1952	EPF and Miscellaneous Provisions Act	Ch III
1959	Employment Exchanges (Compulsory Notification of Vacancies) Act	Ch XIII
1961	Maternity Benefit Act (leave raised to 26 weeks in 2017)	Ch VI
1972	Payment of Gratuity Act (earlier ceiling now Rs 20 lakh)	Ch V
1981	Cine-Workers Welfare Fund Act (cess on feature films)	Audio-visual production; unorganised worker schemes
1996	Building and Other Construction Workers' Welfare Cess Act	Ch VIII
2008	Unorganised Workers' Social Security Act	Ch IX and Section 6 boards

2 Evolution, Enactment and Place in Labour Law Reform

Ch 1

➤ Timeline

The idea of grouping India's many labour laws into a few codes is old. The **Second National Commission on Labour**, chaired by Ravindra Varma, made this recommendation in 2002. The table below traces how the recommendation finally became the Code and how it was brought into force.

Date	Event
2002	Second National Commission on Labour (chair Ravindra Varma) recommends grouping labour laws into a few functional codes
11 Dec 2019	Code on Social Security, 2019 introduced in Lok Sabha; referred to Standing Committee on Labour
19-23 Sep 2020	Revised Code introduced (19 Sep); passed by Lok Sabha (22 Sep) and Rajya Sabha (23 Sep)
28 Sep 2020	President's assent; Act No. 36 of 2020
3 May 2021	Section 142 (identity of beneficiaries through Aadhaar) brought into force early
21 Nov 2025	Code in force, with the other three Labour Codes
8 May 2026	Central rules notified; States notify own rules for matters within their sphere

Note that Section 142, which deals with Aadhaar-based identification of beneficiaries, was brought into force early, in May 2021, while the rest of the Code waited until 21 November 2025. Because social security is a Concurrent List subject, the Centre notifies rules for its own sphere and each State notifies rules for the matters within its sphere.

➤ The Four Labour Codes

The Code on Social Security is one of four Codes created by a single reform that merged 29 central labour laws into 4 Codes (the laws subsumed being 4 + 3 + 9 + 13). The **Code on Wages, 2019** covers minimum wages, payment of wages, bonus and equal remuneration. The **Industrial Relations Code, 2020** covers trade unions, standing orders and industrial disputes. The **Code on Social Security, 2020** covers PF, ESI, gratuity, maternity, compensation, building workers' cess, unorganised workers and employment information. The **OSH and Working Conditions Code, 2020** covers factories, mines, plantations, contract labour, migrant workers, working journalists and other sectoral laws.

Some laws were split between Codes, which is a common source of confusion. The 1996 BOCW (Regulation of Employment and Conditions of Service) Act went to the OSH Code, but building workers' welfare boards are set up un-

der **Section 7** of this Code, and the cess law is wholly subsumed here. The Payment of Wages, Minimum Wages and Bonus Acts went to the Wages Code, the Factories Act and the Contract Labour Act went to the OSH Code, and the Industrial Disputes Act went to the IR Code, not to this Code.

➤ Savings on Repeal (Section 164)

A repeal could have left existing schemes and proceedings in doubt, so Section 164 repeals the nine Acts but saves anything done or action taken under them, including schemes, notifications, appointments and pending proceedings. In particular, the **EPF Scheme 1952, the Pension Scheme 1995 and the EDLI Scheme 1976** continue as schemes under the Code until they are replaced.

3 Objectives, Key Features and Scheme of the Code

Ch 1

➤ Long Title and Key Features

The long title describes the Code as an Act to amend and consolidate the laws relating to social security, with the goal of extending social security to all employees and workers in the organised, unorganised or any other sector. Several features follow from this goal.

First, the Code aims at **universal coverage**, and for the first time gig and platform workers are covered by statute. Second, it brings **consolidation**: nine laws are replaced by one, with common definitions of employee, wages and establishment, and a single registration. Third, it builds **digital systems**, including electronic registration, returns and records, Aadhaar identity under Section 142 and portability of benefits. Fourth, it fixes **threshold coverage**: ESI applies across India to establishments with 10 or more employees (in areas not notified district by district) and may extend to hazardous establishments even with 1 employee, while PF applies to every establishment with 20 or more employees, because the EPF Schedule I industry list has been dropped.

Fifth, **voluntary coverage** is allowed: establishments below the threshold may join PF or ESI by agreement of the employer and a majority of employees, and may exit by the same route. Sixth, there are **new benefits**: gratuity for fixed-term employees on a pro rata basis, recognition of commissioning and adopting mothers, and compensation for accidents while commuting. Seventh, there are **new funds**: a Social Security Fund for unorganised, gig and platform workers, financed partly by an aggregator contribution of 1 to 2 per cent of annual turnover, capped at 5 per cent of the amount paid to such workers. Finally, the Code promotes **facilitation**: Inspectors become Inspector-cum-Facilitators, inspection is web-based, first offences can be compounded, and career centres replace employment exchanges.

➤ Structure: 14 Chapters, 164 Sections, 7 Schedules

The table below shows how the Code is organised. Knowing which Chapter carries which subject is the quickest way to find any provision.

Chapter	Sections	Subject
I	1-3	Preliminary: title, application, definitions, registration
II	4-13	Social Security Organisations: Central Board, ESI Corporation, national and State boards, building workers' welfare boards
III	14-23	Employees' Provident Fund
IV	24-52	Employees' State Insurance Corporation
V	53-58	Gratuity
VI	59-72	Maternity Benefit
VII	73-99	Employees' Compensation
VIII	100-108	Social Security and Cess for Building and Other Construction Workers
IX	109-114	Unorganised, Gig and Platform Workers
X	115-121	Finance and Accounts
XI	122-132	Authorities, Assessment, Compliance and Recovery
XII	133-138	Offences and Penalties
XIII	139-140	Employment Information and Monitoring
XIV	141-164	Miscellaneous: Aadhaar (s.142), power to exempt, rules, repeal and savings (s.164)

Chapters III to VII correspond to the five classic benefit Acts, namely PF, ESI, gratuity, maternity and compensation. Chapter IX is entirely new in substance, since the 2008 Act covered only unorganised workers. The Code also faces practical challenges: building reliable digital infrastructure and a national worker database, raising low awareness

among workers, coordinating the Centre and the States, defining and reaching gig workers who have no fixed employer, and funding schemes for unorganised workers through budgets and cess.

4 The Seven Schedules of the Code

Schedules

The Schedules carry lists of establishments, occupations, diseases, injuries, scheme matters, actuarial factors and aggregator categories. Most of them can be amended by notification of the Central Government, which keeps the Code flexible. The table below gives a one-line map of all seven.

Schedule	Subject	Contents
First	Applicability of Chapters	Establishments to which Chapters III to IX and XIII apply; thresholds (20 for PF, 10 for ESI)
Second	Persons who are employees for Chapter VII	Occupations: railways, construction, mines, ports, plantations, ferry boats, fishing, aerial ropeways etc.
Third	Occupational diseases	Parts A, B, C each linked to an employment; contracting one is deemed employment injury
Fourth	Injuries deemed to cause disablement	Part I: permanent total; Part II: permanent partial with percentage loss of earning capacity
Fifth	Matters for schemes under s.15	Part A PF Scheme; Part B Pension Scheme; Part C Deposit-Linked Insurance Scheme
Sixth	Relevant factors	Age-wise factors for lump-sum compensation for death and permanent disablement
Seventh	Classification of aggregators	Nine categories for contribution under s.114(4)

The **Second Schedule** matters most for Chapter VII (employees' compensation), because it lists the occupations whose workers count as employees. Some of these occupations are covered only if a numerical limit is met, as the next table shows.

➤ Second Schedule: numerical limits

Occupation	Condition
Construction of building	More than one storey, or 12 feet or more in height from ground to roof apex
Dam or embankment	12 feet or more in height from lowest to highest point
Excavation	Explosives used, or depth from highest to lowest point exceeds 12 feet
Ferry boat	Capable of carrying more than 10 persons
Advertisement artist	Drawing at height of 3.66 m (12 ft) or more from ground

Many other occupations in the Second Schedule have no numerical limit at all. These include telegraph and telephone lines, aerial ropeways, canals, pipelines, sewers, petroleum and natural gas, aircraft work, mechanised farming, plantations (cardamom, cinchona, coffee, rubber, tea), radiation and X-ray work, sea fishing, cleaning of sewers and septic tanks, pesticide spraying, mechanised harvesting, and work with bulldozers and tractors. The general point is that the nature of the work, not the size of the employer, is the coverage test under Chapter VII.

5 Third, Fourth, Fifth, Sixth and Seventh Schedules in Detail

Schedules

➤ Third Schedule: Occupational Diseases

Some diseases are caused by the work itself, such as lung disease among miners or lead poisoning among battery workers. The **Third Schedule** lists such occupational diseases in three parts, and a worker who contracts one of them is treated as having suffered an employment injury. The parts differ in the length of service required before the disease is accepted.

➤ Third Schedule (occupational diseases)

Part	Service condition	Examples
A	No minimum service	Infectious and parasitic diseases in health, laboratory, veterinary work; compressed air diseases; lead poisoning; nitrous fumes; organophosphorus poisoning
B	Continuous employment of not less than 6 months	Phosphorus, mercury, benzene, chromium, arsenic, manganese, cadmium diseases; noise-induced hearing loss; occupational asthma; tar/pitch skin cancer; asbestos lung cancer and mesothelioma; snow blindness

Part	Service condition	Examples
C	Continuous employment for period specified for each employment	Pneumoconioses (silicosis, asbestosis, anthracosis), bagassosis, byssinosis, extrinsic allergic alveolitis, hard metal diseases, high-altitude pulmonary oedema

➤ Fourth and Sixth Schedules: Disablement and Compensation Factors

The **Fourth Schedule** fixes the degree of disablement for specified injuries. **Part I** lists injuries causing permanent total disablement (100%), such as loss of both hands, loss of a hand and a foot, double leg amputation, total loss of sight of both eyes, absolute deafness and very severe facial disfigurement. **Part II** gives a fixed percentage for each injury causing permanent partial disablement, for example amputation through the shoulder joint at 90% and loss of a thumb at 30%. These percentages are a statutory deeming figure, not a medical opinion.

The **Sixth Schedule** supplies the actuarial factor used to compute lump-sum compensation for death and permanent disablement. The relevant factor is read against the completed year of age on the last birthday, and it falls as age rises: 228.54 for age 16 or less and 99.37 for age 65 or more.

➤ Fifth Schedule: Matters for Schemes

The Code gives only the frame of the PF, pension and insurance schemes, and the detail is left to the schemes themselves. The **Fifth Schedule** lists the matters on which the schemes under Section 15 may make provision.

➤ Fifth Schedule matters

Part	Matters
A: PF Scheme	Membership and exemption, contributions and recovery (including contract employees), administrative charges, accounts and investment, withdrawals and forfeiture, interest rate, nomination, registers and returns, identity cards, transfer of accumulations, life insurance premium from fund, powers of Inspector-cum-Facilitator
B: Pension Scheme	Employees covered, crediting part of employer's contribution to Pension Fund, protection against default, eligibility, kinds of pension, family, widow, orphan and dependant pension
C: Insurance Scheme	Employees covered, Insurance Fund, employer's contribution and administration, nomination, scale of benefit and payment conditions

➤ Seventh Schedule: Aggregator Categories

Aggregators are digital platforms that connect service providers with customers, and they must contribute to the Social Security Fund under Section 114(4). The **Seventh Schedule** classifies them into nine categories, each with a typical illustration.

➤ Seventh Schedule: aggregator categories

Category	Illustration
Ride sharing services	App-based cab and bike taxi
Food and grocery delivery	Online food delivery, quick-commerce
Logistic services	Platform-based transport and shipment
e-Marketplace (marketplace and inventory model)	B2B and B2C platforms for wholesale or retail sale
Professional services provider	Legal, financial, tutoring, home-service platforms
Healthcare	Patients-doctors and diagnostic platforms
Travel and hospitality	Hotel booking, home-stay
Content and media services	Streaming and digital content
Any other goods and services provider	Residual category

6 Section 1: Extent, Commencement and Voluntary Coverage

Ch 2 / s.1

➤ What Section 1 Provides

Section 1 decides where and when the Code applies and how an establishment outside the compulsory thresholds can still join. Its sub-sections are summarised below.

Sub-section	Provision
1(1)	Short title: Code on Social Security, 2020
1(2)	Extends to the whole of India

Sub-section	Provision
1(3)	Commencement on date notified by Central Government (different dates possible); all provisions except s.142 commenced 21 November 2025
1(4)	Each Chapter named in the First Schedule applies to establishments shown against it
1(5)	Voluntary application of Chapter III (PF) by the Central Provident Fund Commissioner (CPFC)
1(6)	Central Government may extend the Code to establishments of a specified size after not less than two months' notice
1(7)	Voluntary application of Chapter IV (ESI) by the Director General of the ESI Corporation
1(8)	Establishment once covered stays covered even if employees later fall below threshold

➤ Voluntary Coverage and Exit

An establishment below the compulsory threshold may still choose to be covered. Where the employer and a majority of employees agree, the **CPFC** (for Chapter III) or the **Director General of ESIC** (for Chapter IV) may apply the Chapter to that establishment by notification, from the date of the agreement or a later date. Neither the employer nor the majority of employees alone is enough; both must agree.

The Code also allows a way out. A proviso lets the employer apply for withdrawal, and if the authority is satisfied that the employer and the majority of employees agree, the Chapter ceases to apply as prescribed. This is the only exit from the rule of 'once covered, always covered' in Section 1(8).

➤ Old law vs Code

Old law	Code
EPF Act s.1(4) allowed voluntary coverage by agreement but no statutory exit	Voluntary entry and exit for both PF and ESI
ESI Act had no general voluntary coverage	Authority: CPFC for Ch III; DG for Ch IV

7 First Schedule: Which Chapter Applies Where

First Schedule

➤ Applicability of Each Chapter

Not every Chapter applies to every employer. The **First Schedule** states, Chapter by Chapter, which establishments are covered, and it works together with Section 1(4). The table below sets out the position, and the thresholds for PF (20 or more employees) and ESI (10 or more persons) are the most frequently used.

Chapter	Establishments covered	Conditions and exceptions
III: Provident Fund	Every establishment with 20 or more employees	EPF Schedule I industry list dropped; voluntary below 20 under s.1(5)
IV: ESI	Every establishment with 10 or more persons, other than a seasonal factory	Hazardous or life-threatening occupations notified by Centre covered even with 1 employee; plantation employer may opt in where ESI benefits are better
V: Gratuity	(a) Every factory, mine, oilfield, plantation, port, railway company; (b) every shop or establishment with 10 or more employees on any day of preceding 12 months	No minimum number for (a); Government may notify others
VI: Maternity	(a) Every factory, mine, plantation (including Government ones) and establishments for equestrian, acrobatic and other performances; (b) shop or establishment with 10 or more employees on any day of preceding 12 months	No minimum for (a); Government may notify others
VII: Compensation	Employers and employees to whom Chapter IV does not apply	Employees are those in Second Schedule and others notified
VIII: Building workers	Every establishment carrying on building or other construction work	Follows nature of work
IX: Unorganised, gig, platform	Unorganised, gig and platform workers	Follows worker status, not establishment size
XIII: Employment information	Career centres, vacancies, persons seeking services	Reporting of vacancies to career centres

The Code changes the earlier position in several respects, as the following comparison shows.

➤ Earlier law vs Code: applicability

Subject	Earlier law	Code
PF	Factories in scheduled industries and notified establishments with 20 or more	Every establishment with 20 or more; list gone
ESI	Factories and notified establishments, only in areas notified district by district	Pan-India, 10 or more; hazardous even 1; voluntary with exit
Gratuity	10 or more in shops and establishments	Same threshold; Government may extend to smaller
Maternity	Factories, mines, plantations, performance establishments; shops with 10 or more under State laws	Uniform 10-employee threshold for shops and establishments, plus notified
Compensation	Could overlap with ESI	Applies only where Ch IV does not apply

➤ Worked Illustration

Consider a firm with 14 persons. ESI applies, because the threshold is 10 or more. Chapters V and VI also apply, as it is a shop or establishment with 10 or more employees. Chapter III is not compulsory because the firm is below 20, but it may be opted into. Since ESI applies, employment-injury benefit comes from the Corporation, and Chapter VII (compensation) does not apply.

If the firm grows to 22 persons, Chapter III applies compulsorily. If it later shrinks to 18, Chapter III continues to apply under Section 1(8), because an establishment once covered stays covered.

8 Definitions of Persons: Employee, Employer, Contract Labour, Fixed Term

Ch 2 / s.2

➤ Employee: Section 2(26)

Before the Code, each of the six repealed Acts had its own definition of an employee, so a person could be an employee under one Act and not under another. The Code gives **one definition**. An employee is any person employed on wages in an establishment, directly or through a contractor, for skilled, semi-skilled, unskilled, manual, operational, supervisory, managerial, administrative, technical, clerical or other work, whether the terms of employment are express or implied. It also includes a person declared to be an employee by the appropriate Government.

Two groups are excluded: an apprentice under the Apprentices Act, 1961, and a member of the Armed Forces of the Union. The meaning also shifts slightly with the Chapter. For PF and ESI membership, only employees whose wages do not exceed the notified wage ceiling are members, although those earning above it are still counted when deciding whether the establishment is covered. For Chapter VII, an employee means persons in the Second Schedule and others notified.

➤ Related Terms

The Code defines a number of other persons connected with employment. The table below sets out the most important of them.

➤ Related terms

Term	Meaning
Employer, 2(27)	Person employing one or more employees directly or otherwise; includes head of Government department, chief executive of local authority, occupier of factory, owner/agent/manager of mine, person with ultimate control, a contractor, legal representative of deceased employer
Contract labour, 2(19)	Worker employed in connection with establishment's work by or through a contractor; includes inter-State migrant worker
Contractor, 2(20)	Undertakes to produce a given result (other than mere supply of goods) or supplies contract labour; includes sub-contractor
Agent, 2(1)	Person acting for owner who takes part in management, control, supervision or direction
Inter-State migrant worker, 2(41)	Employee recruited in one State for work in another, or who comes on own and gets employment in another State; earns up to Rs 18,000 a month or higher notified amount
Home-based worker, 2(36)	Produces goods or services for an employer at home or premises of choice, for remuneration
Building worker, 2(7)	Skilled, semi-skilled, unskilled, manual, technical or clerical work in building or construction; excludes managerial, supervisory, administrative staff (earlier: supervisors above Rs 1,600 a month excluded)

➤ Fixed Term Employment: Section 2(34)

Fixed term employment is the engagement of an employee on a written contract for a fixed period. The Code protects such employees from being treated as second-class workers. Their hours, wages, allowances and other benefits must be not less than those of a permanent employee doing the same or similar work. They are also eligible for all statutory benefits of a permanent employee in proportion to the period of service, even if that period is shorter than the qualifying period. No earlier social security Act defined this category, and it had been recognised only through the standing orders rules in 2018.

9 Unorganised, Gig and Platform Workers and Aggregators

Ch 2 / s.2

➤ The New Categories of Workers

Earlier social security laws were built around a factory worker with a single employer. Today many people work in small enterprises, from home, or through mobile applications, and the Code defines these categories so that they can be brought into social security. The table below gives the definitions.

Term	Definition
Unorganised sector, 2(85)	Enterprise owned by individuals or self-employed workers, producing or selling goods or services, which if it employs workers employs fewer than ten
Unorganised worker, 2(86)	Home-based worker, self-employed worker or wage worker in unorganised sector; also organised-sector worker not covered by Industrial Disputes Act, 1947 or Chapters III to VII
Wage worker, 2(90)	Employed for remuneration in unorganised sector directly or through contractor, including home-based, temporary, casual, migrant and domestic workers, wages up to notified amount
Self-employed worker, 2(75)	Not employed by an employer; unorganised-sector occupation; earns up to notified monthly amount or holds cultivable land up to notified ceiling
Gig worker, 2(35)	Performs work or participates in a work arrangement and earns outside a traditional employer-employee relationship
Platform work, 2(60)	Work arrangement outside traditional employment in which organisations or individuals use an online platform to access others to solve problems or provide services for payment
Platform worker, 2(61)	Person engaged in or undertaking platform work
Aggregator, 2(2)	Digital intermediary or marketplace for a buyer or user of a service to connect with the seller or service provider

➤ How the Terms Relate

Every platform worker is a gig worker in the wider sense, and the difference lies in the online platform. A freelance photographer engaged for a single wedding is a gig worker, whereas a delivery rider who is assigned work through an app is a platform worker. An **aggregator** is only a digital intermediary connecting the buyer and the provider of a service, and it is not treated as the employer of gig or platform workers.

No earlier law defined these terms, and the 2008 Act did not reach app-based work. The Code is the first statute to bring gig and platform workers into social security.

10 Wages: Section 2(88) and Wage Ceiling

s.2(88)

➤ Definition of Wages

Almost every benefit and contribution under the Code is calculated on **wages**, so this definition is the foundation of the whole Code. Wages means all remuneration (salary, allowances or otherwise) expressed in money, payable if the terms of employment are fulfilled, and it includes basic pay, dearness allowance and retaining allowance. The definition is the same as that in the Code on Wages, 2019, so there is one wage base across all four Codes.

The definition exists to stop a common practice: employers kept basic pay low and paid most of the salary as allowances, which reduced the PF and gratuity payable. To prevent this, certain items are excluded from wages, but only within a limit, as explained below.

➤ Exclusions from Wages

Section 2(88) lists eleven items that are not counted as wages. The last column of the table shows whether each item is counted in the 50% test explained in the next sub-heading.

➤ Exclusions from wages

Clause	Excluded item	Counted in 50% test?
(a)	Bonus under Code on Wages not part of remuneration	Yes
(b)	House accommodation, light, water, medical attendance or other amenity excluded by order	Yes
(c)	Employer's PF or pension contribution and interest	Yes
(d)	Conveyance allowance or travel concession value	Yes
(e)	Sum paid for special expenses due to nature of employment	Yes
(f)	House rent allowance	Yes
(g)	Remuneration under award, settlement or court/Tribunal order	Yes
(h)	Overtime allowance	Yes
(i)	Commission	Yes
(j)	Gratuity payable on termination	No
(k)	Retrenchment compensation, other retirement benefit or ex gratia on termination	No

➤ Three Provisos

The first proviso is the **50 per cent rule**. If the payments under clauses (a) to (i) exceed one-half of all remuneration (or another notified percentage), the excess is deemed to be remuneration and is added to wages. Clauses (j) and (k), being terminal payments, are ignored in this test. The second proviso applies only for payment of wages and equal wages: there, conveyance (d), HRA (f), award amounts (g) and overtime (h) are counted as wages. The third proviso deals with **remuneration in kind**, whose value is counted as wages up to 15 per cent of total wages.

The worked examples below show how these rules operate on monthly figures.

➤ Worked examples (monthly, Rs)

Case	Calculation	Wages
Basic+DA 20,000; HRA 16,000; conveyance 4,000; special allowance 10,000; total 50,000	Exclusions 30,000 vs half 25,000: excess 5,000 added back	20,000 + 5,000 = 25,000
Basic+DA 30,000; HRA 12,000; commission 8,000; total 50,000	Exclusions 20,000 less than half (25,000); nothing added	30,000
Cash wages 20,000; free meals worth 4,000	Kind counts only up to 15% of total wages (3,000 of 20,000)	23,000
Basic+DA 40,000; gratuity 2 lakh on resignation	Gratuity is clause (j), ignored in 50% test	40,000

➤ Wage Ceiling: Section 2(89)

The **wage ceiling** is the amount of wages notified by the Central Government for membership under Chapters III and IV. It is a membership limit, not a minimum or maximum wage. Employees earning above the ceiling are not compulsory members, but they are still counted when deciding whether the establishment meets the coverage threshold.

11 Family, Dependant, Injury, Maternity and Place Definitions

Ch 2 / s.2

➤ Persons and Events

Benefits under the Code are paid not only to the employee but also to the family and dependants, and they depend on events such as injury, disablement and retirement. The Code therefore defines these persons and events precisely, as the table below shows.

➤ Persons and events

Term	Meaning
Family, 2(33)	Spouse; minor legitimate or adopted children dependent; wholly dependent child up to 21 years if in education, or unmarried daughter; wholly dependent infirm child while infirmity lasts; dependent parents (incl. parents-in-law of woman employee) within prescribed income limit; wholly dependent minor brother or sister if employee unmarried and parents not alive

Term	Meaning
Dependant, 2(24)	Widow, minor legitimate or adopted son, unmarried daughter, widowed mother; son/daughter 18 or above, infirm and wholly dependent (age 25 for ESI); if partly or wholly dependent: widower, other parents, minor illegitimate children, unmarried or widowed sisters, widowed daughter-in-law, grandparents where no parent alive
Completed year of service, 2(17)	Continuous service of twelve months
Superannuation, 2(82)	Age fixed in contract or service conditions; for Chapter III it is 58 years
Retirement, 2(70)	Termination of service otherwise than on superannuation
Employment injury, 2(28)	Personal injury by accident or occupational disease arising out of and in course of employment, insurable or not
Occupational disease, 2(51)	Disease specified as peculiar to an employment in Third Schedule
Permanent partial disablement, 2(55)	Reduces earning capacity in every employment employee was capable of at time of accident
Permanent total disablement, 2(56)	Incapacitates for all work employee was capable of at time of accident
Temporary disablement, 2(83)	Employment injury needing medical treatment that temporarily prevents previous work

➤ Maternity Terms

Chapter VI uses a separate set of terms, and the Code widens them to include commissioning mothers and adopting mothers.

➤ Maternity terms

Term	Meaning
Child, 2(12)	For Chapter VI, includes a still-born child
Commissioning mother, 2(13)	Biological mother who uses her egg to create an embryo implanted in another woman
Confinement, 2(18)	Labour resulting in a living child, or labour after 26 weeks of pregnancy resulting in a child alive or dead
Delivery, 2(23)	Birth of a child
Miscarriage, 2(48)	Expulsion of pregnant uterus contents before or during 26th week, other than a criminally punishable miscarriage
Woman, 2(91)	Woman employed for wages directly or through contractor; for ESI, insured woman includes commissioning mother and woman who legally adopts a child up to 3 months of age

➤ Places and Institutions

The last group of definitions explains the kinds of places, bodies and officers that the Code refers to. Several of them replace older terms, for example Inspector-cum-Facilitator for Inspector and career centre for employment exchange.

➤ Places and institutions

Term	Meaning
Establishment, 2(29)	Place where industry, trade, business, manufacture or occupation is carried on; includes factories, motor transport undertakings, newspaper establishments, audio-visual productions, building and construction work, plantations, mines, ports
Building or other construction work, 2(6)	Construction, alteration, repair, maintenance or demolition of buildings, roads, railways, tramways, airfields, dams, canals, pipelines, towers including internet towers, power and telecom lines; excludes factory/mine work, work employing fewer than ten workers in preceding twelve months, and individual's own residence costing up to Rs 50 lakh
Plantation, 2(59)	Land of 5 hectares or more for tea, coffee, rubber, cinchona or cardamom; other plants if 5 ha or more with 10 or more persons in preceding twelve months and State-declared (earlier 15 persons under Plantations Labour Act, 1951); includes offices, hospitals, schools on it, not a factory on the premises

Term	Meaning
Seasonal factory, 2(74)	Exclusively cotton ginning, cotton/jute pressing, groundnut decortication, manufacture of coffee, indigo, lac, rubber, sugar (incl. gur) or tea; or works not more than 7 months a year in a notified process. Tea and coffee blending/packing were earlier automatically seasonal; now only on notification
Audio-visual production, 2(4)	Films, TV programmes, advertisements, animation, web series, talk shows, reality shows, sports shows, other digital productions
Social Security Organisation, 2(79)	Central Board, ESI Corporation, National and State Boards for unorganised workers, Building Workers' Welfare Boards, other notified bodies
Inspector-cum-Facilitator, 2(37)	Officer who inspects and also advises employers and workers on compliance (replaces Inspector)
Career centre, 2(9)	Government office or portal registering job seekers and vacancies and giving counselling and vocational guidance (replaces employment exchange)
Vacancy, 2(87)	Unoccupied or newly created post, including trainee and apprentice posts, filled for remuneration
Appropriate Government, 2(3)	Centre for its establishments, railways, mines, oilfields, major ports, air transport, banks, central PSUs and specified cases; State for others. State Government includes Union Territories with and without legislature

In all, the Code has 91 common definitions in Section 2. The new terms it introduces are aggregator, gig worker, platform work, platform worker, fixed term employment, inter-State migrant worker, social security organisation and wage ceiling.

12 Registration of Establishments (Section 3)

s.3

➤ What Section 3 Requires

Under the old laws an employer had to register separately under each Act, receiving an EPF code number, an ESI code number and others. **Section 3(1)** replaces this with a single duty: every establishment to which the Code applies shall be registered, electronically or otherwise, within the time and in the manner prescribed by the Central Government. A proviso avoids double registration: an establishment already registered under any other Central labour law need not register again, and that registration is deemed to be registration under the Code.

The section also deals with closure. Under **Section 3(2)**, an establishment under Chapter III or IV whose business is in the process of closure may apply for cancellation of its registration, and under **Section 3(3)** the manner of application, the conditions and the procedure for cancellation are prescribed by the Central Government. Cancellation is available only to Chapter III or IV establishments in closure; a fall in the number of employees is not a ground.

➤ Earlier Law and the Code

Aspect	Earlier law	Code
Who registers	Separately under each Act (EPF code number, ESI code number, others)	Every covered establishment, under one provision
Mode	Rules of each Act; electronic systems introduced administratively	Electronic registration recognised by statute
Cross-recognition	None	Registration under any other Central labour law deemed registration
Cancellation	No common mechanism for a closing establishment	Chapter III or IV establishments in closure may apply

The key change is cross-recognition: one registration under any Central labour law serves for the Code as well.

13 Central Board of Trustees (EPF) and ESI Corporation

ss.4-5

➤ Central Board, Section 4

Chapter III needs a body to hold and manage the provident fund money, and Section 4 provides it. The Central Government may notify a **Board of Trustees (Central Board)** for Chapter III, to administer the funds vested in it. Under Section 4(2) it is a body corporate named the Board of Trustees of the Employees' Provident Fund, with perpetual succession and a common seal. The working organisation that does the day-to-day work is the **EPFO**, under the Ministry of Labour and Employment. The Board is tripartite, with employers and employees represented in equal numbers alongside the Central and State Governments.

The remaining sub-sections of Section 4 deal with how the Board functions. An Executive Committee is formed from among its members (s.4(3)), other committees may be formed by order (s.4(4)), powers may be delegated to the Chairperson, the Executive Committee or officers (s.4(5)), and members continue in office until a successor is appointed (s.4(6)). Under Section 4(7), the Board administers the Provident Fund, the Pension Fund and the Insurance Fund. Its composition is shown below.

Member	Number
Chairperson and Vice-Chairperson	1 + 1, appointed by Central Government
Central Government officials	Not more than 5
State Government representatives	Not more than 15, from States Centre specifies
Employers' representatives	10, after consulting recognised employers' organisations
Employees' representatives	10, after consulting recognised employees' organisations
Central Provident Fund Commissioner	Ex officio

Under the old law, the Board was constituted under Section 5A and its Executive Committee under Section 5AA of the EPF and MP Act, 1952. The Code keeps the pattern and the numbers, and adds the post of Vice-Chairperson. In practice the Union Labour Minister has been the Chairperson.

➤ ESI Corporation, Section 5

The ESI scheme is run by a separate body. The **ESI Corporation** is established by notification of the Central Government to administer ESI under Chapter IV, and under Section 5(2) it is a body corporate with perpetual succession and a common seal. It administers the ESI Fund, provides medical care and cash benefits for sickness, maternity, disablement and death, and runs or supervises ESI hospitals and dispensaries. Its chief executive is the **Director General**.

➤ Composition of the Corporation

Member	Number / appointment
Chairperson, Vice-Chairperson	Appointed by Central Government
Central Government officials	Not more than 5
State representatives	One for each State, as prescribed
Union territory representative	1
Employers' and employees' representatives	10 each, after consultation with recognised organisations
Medical profession	2, after consultation with organisations of medical practitioners
Members of Parliament	3 (2 Lok Sabha, 1 Rajya Sabha), elected by members of each House
Director General	Ex officio

The Corporation works through committees. The **Standing Committee** (s.5(3), (4)) is constituted by the Centre from among the members of the Corporation and administers its affairs under the general superintendence of the Corporation. The **Medical Benefit Committee** (s.5(5)) is constituted by the Centre by notification and assists the Corporation and the Standing Committee in medical benefit; it replaces the Medical Benefit Council under Section 10 of the ESI Act. Other committees may be formed by order (s.5(6)), and Regional Boards and local committees are formed under Section 12(2). For reference, the ESI Act provided for the Corporation in Section 3, its composition in Section 4, the Standing Committee in Section 8 and the Council in Section 10.

The two bodies differ in several ways, which are brought together in the table below.

➤ Key contrasts

Point	Central Board	ESI Corporation
State representation	Up to 15 States	One from every State
MPs / medical members	None	3 MPs (elected), 2 medical
Ex officio	CPFC	Director General
Executive body	Executive Committee	Standing Committee

14 National and State Social Security Boards (Unorganised, Gig and Platform Workers)

s.6

➤ National Social Security Board, Section 6(1)-(8)

Unorganised workers have no single employer to pay contributions, so the Code sets up boards to plan and watch over schemes for them. The **National Social Security Board** is constituted by notification of the Central Government for unorganised workers. It is an advisory and monitoring body and has no fund and no contributions. Members other than the Chairperson must be persons of eminence in labour welfare, management, finance, law or administration (s.6(3)), and there must be adequate representation of Scheduled Castes, Scheduled Tribes, minorities and women (s.6(4)). The term of the Board is three years (s.6(5)), and it meets at least three times a year (s.6(6)).

The Chairperson is the Union Minister for Labour and Employment, the Vice-Chairperson is the Secretary of the Ministry of Labour and Employment, and the Member-Secretary (ex officio) is the Director General (Labour Welfare). In addition, 40 members are nominated by the Central Government, drawn from representatives of unorganised workers, employers of the unorganised sector, eminent civil society persons, Members of Parliament (2 from Lok Sabha and 1 from Rajya Sabha), the concerned Central Ministries, State Governments and Union territories.

Under Section 6(7), the Board recommends suitable schemes for unorganised, gig and platform workers, advises on the administration of the Code, monitors Central welfare schemes, and reviews State-level record-keeping and the expenditure of funds. The Central Government may constitute advisory committees under Section 6(8). For gig and platform workers, Section 114(6) makes the National Board their welfare board, adding 5 aggregator representatives and 5 gig and platform worker representatives.

➤ State Unorganised Workers' Board, Section 6(9)-(16)

Each State has a corresponding board. Its Chairperson is the State Labour and Employment Minister (ex officio), the Vice-Chairperson is the Principal Secretary or Secretary (Labour), and there is one Central Government representative from the Ministry of Labour. The State Government nominates 31 members from unorganised workers, employers, members of the State Legislative Assembly, eminent persons and State departments, and the Member-Secretary is as notified.

The rules on eminence, representation of SC/ST, minorities and women, and the three-year term are the same as for the National Board. The State Board meets at least once every quarter, that is, four times a year. Under Section 6(15), it recommends schemes to the State, advises on administration, monitors State schemes, reviews registration and the issue of cards, and reviews district record-keeping and expenditure. The State may form advisory committees under Section 6(16).

➤ Old law vs Code

Point	2008 Act	Code
National Board	s.5; 34 nominated members; unorganised only	40 nominated; adds Parliament and UT representation, minimum meetings; gig and platform workers
Meetings	Not fixed	National 3 a year; State 4 a year

15 Building and Other Construction Workers' Welfare Boards (Section 7)

s.7

➤ Constitution and Composition

Construction workers move from site to site and have no stable employer, so each State has a welfare board funded by the building cess collected under Chapter VIII. Every State Government shall notify a Board named (State) Building and Other Construction Workers' Welfare Board. It is a body corporate with perpetual succession and a common seal, and it can sue and be sued (s.7(2)).

Under **Section 7(3)**, the Chairperson is nominated by the State, one person is nominated by the Central Government, and the other members, not exceeding 15, are appointed by the State. A proviso requires an equal number of members representing the State Government, employers and building workers, and at least one woman. The Board appoints a Secretary, who is its chief executive officer, and its staff (s.7(5)).

➤ Functions, Section 7(6)

The Board uses the cess money for the welfare of building workers, and the table below lists its functions.

Clause	Function
(a)	Assistance to beneficiary or dependants on death or disability
(b)	Pension to beneficiaries who have completed age of sixty years

Clause	Function
(c)	Premium for Group Insurance Scheme of beneficiaries
(d)	Financial assistance for education of children
(e)	Medical expenses for major ailments of beneficiary or dependant
(f)	Maternity benefit
(g)	Skill development and awareness schemes
(h)	Transit accommodation or hostel facilities
(i)	Other welfare schemes framed by State with concurrence of Centre
(j)	Other welfare measures prescribed by Central Government

Under the old law, the Board was constituted under Section 18 of the BOCW Act, 1996, with functions in Section 22, on the same pattern. The Code adds skill development and transit accommodation, and lets the Centre prescribe further welfare measures.

16 Disqualification, Procedure, Executive Heads and Supersession

ss.8-13

➤ Disqualification and Removal

Members of all these bodies must be fit to hold public trust, and **Section 8(1)** lists the grounds on which a person is disqualified from being a member.

➤ Disqualification, s.8(1)

Cl	Ground
(a)	Is or has been adjudged insolvent
(b)	Found of unsound mind
(c)	Is or has been convicted of an offence involving moral turpitude
(d)	Employer whose establishment has defaulted in payment of dues under the Code (dispute decided finally by appropriate Government)
(e)	MP or MLA who has ceased to be such member
(f)	MP or MLA who becomes a Minister, Speaker, Deputy Speaker or Deputy Chairman of Council of States (not applicable to ex officio Ministers)

Under **Section 8(2)**, a member may be removed by the Central Government (in the case of the Central Board, the Corporation and the National Board) or by the State Government (in the case of the State Board and the Welfare Board). The grounds are disqualification, absence without leave for more than three consecutive meetings, and abuse of position or unfitness; for the last two grounds a show-cause opportunity is needed. Membership of the Executive Committee or Standing Committee ends when the person ceases to be a member of the Board or Corporation. A member may resign in writing, and the seat becomes vacant on acceptance (s.8(3)). A member with a pecuniary interest must disclose it and must not take part in the decision (s.8(5)).

➤ Sections 9 to 13

The next five sections deal with procedure, the executive heads, supersession and extra functions, as the table below summarises.

➤ Sections 9-13

Section	Subject	Provision
9	Procedure	Meetings and quorum as prescribed; orders authenticated by CPFC, DG or State Labour Secretary or notified officer; acts not invalid for vacancy or defect; prescribed fees and allowances
10	Executive heads	CPFC is chief executive of Central Board and Director General of the Corporation; both whole-time officers, no other work without prior Central approval
11	Supersession	Appropriate Government may supersede by notification for inability, persistent default, or exceeding/abusing powers; show cause first; alternative arrangements meanwhile; full report to Parliament or State Legislature within three months of notification
12(1)	State Boards of Trustees	Centre may, after consulting State, constitute a State Board with notified powers

Section	Subject	Provision
12(2)	Regional Boards and local committees	Corporation may appoint by order, functions per regulations
13	Additional functions	Centre may entrust an organisation with other social security laws or schemes, fix terms and meet cost

On supersession, it is the Centre that supersedes the Central Board, the Corporation and the National Board, and the State that supersedes the State Unorganised Workers' Board and the Building Workers' Welfare Board. Supersession suspends the body until it is reconstituted, but the organisation itself continues to exist in law.

17 Chapter III Overview: From EPF Act, 1952 to the Code

Ch III

➤ Background

Chapter III of the Code (Sections 14 to 23) carries forward the provident fund law that began with the EPF Ordinance of 15 November 1951 and the EPF Act, passed on 4 March 1952 (Act 19 of 1952), under which the EPF Scheme 1952 was framed. The Act first covered six industries (cement, cigarettes, electrical, mechanical and general engineering products, iron and steel, paper, and textiles), with a contribution of 6.25% of basic wages and DA. The rate rose in stages to 12% for most establishments in 1997. Over the years two more schemes were added, the Employees' Family Pension Scheme in 1971 and the EDLI Scheme from 1 August 1976, which gives life insurance and is wholly employer-funded. In 1995 the Employees' Pension Scheme (from 16 November 1995) replaced the 1971 scheme, with 8.33% of the employer share diverted to pension. The table below summarises the main developments.

Year	Development
1951-52	EPF Ordinance (15 Nov 1951); EPF Act passed 4 March 1952 (Act 19 of 1952); EPF Scheme 1952
Origin	Six industries (cement, cigarettes, electrical/mechanical/general engineering products, iron and steel, paper, textiles); 6.25% of basic wages and DA; rose in stages to 12% for most establishments in 1997
1971	Employees' Family Pension Scheme
1976	EDLI Scheme (from 1 August 1976): life insurance, wholly employer-funded
1995	Employees' Pension Scheme (from 16 November 1995) replaces 1971 scheme; 8.33% of employer share diverted to pension
2001 / 2014	Wage ceiling Rs 6,500 (2001); Rs 15,000 (1 Sep 2014); minimum pension Rs 1,000 from same date
21 Nov 2025	Code in force; 1952 Act repealed; Chapter III = ss.14-23
29 Jun 2026	EPF Scheme, EDLI Scheme and Employees' Pension Scheme, 2026 notified (G.S.R. 525(E), 526(E), 527(E)), superseding 1952, 1976, 1995 schemes
17 Sep 2026	Wage ceiling under s.2(89) raised from Rs 15,000 to Rs 25,000 a month

Note that the ceiling for membership was Rs 6,500 in 2001 and Rs 15,000 from 1 September 2014, the same date from which the minimum pension of Rs 1,000 applies. The most recent change, on 17 September 2026, raised the ceiling to Rs 25,000 a month.

➤ Applicability

Chapter III is **mandatory** for every establishment with 20 or more employees (First Schedule read with Section 1(4)). The Code has no industry list, whereas the old Act tied coverage to the industries in Schedule I or to notified classes. It can also be **voluntary** under Section 1(5): the CPFC may apply Chapter III to an establishment below 20 if the employer and the majority of employees agree, and the employer may later apply for withdrawal.

At the level of the individual, an employee whose wages are up to the ceiling must be a member. An employee above the ceiling is an 'excluded employee' but may join with the employer's agreement. An establishment excluded from Chapter III remains covered under other Chapters such as ESI and gratuity.

➤ Scheme of Chapter III

The Chapter runs from Section 14 to Section 23, and the table below lists the subject of each section.

➤ Scheme of Chapter III

Section	Subject
14	Officers of the Central Board (CPFC, FA&CAO)

Section	Subject
15	Schemes (EPF, Pension, EDLI, self-employed)
16	Funds and contributions
17	Employees of contractors
18	Recognition under Income-tax Act
19	Priority of contributions
20	Exclusions
21	Employer-maintained accounts (100+)
22	Transfer of accounts
23	Appeal to Tribunal

18 Officers (Section 14) and Schemes (Section 15)

ss.14-15

➤ Section 14: Officers

The Central Provident Fund Commissioner is the head of the whole provident fund organisation. Under Section 14, the Central Government appoints the **Central Provident Fund Commissioner (CPFC)**, who is the chief executive officer of the Central Board and the head of EPFO, and a **Financial Advisor and Chief Accounts Officer (FA&CAO)**. The Central Board itself appoints Additional CPFCs, Deputy, Regional and Assistant PF Commissioners, and other officers and employees. The salaries of the CPFC and the FA&CAO are paid out of the Provident Fund.

The UPSC is consulted for the posts of CPFC, Additional CPFC, FA&CAO and any Group A or Group B post, which is why the UPSC recruits APFC and EO/AO. No consultation is needed for an appointment of up to one year, for a member of the IAS, or for a person already in a Group A or B service of the Centre or the Central Board. Under the old Act, the corresponding provision was Section 5D, which was substantially the same.

➤ Section 15: Schemes

The Code does not itself set out how PF, pension and insurance operate in detail. Under Section 15, the Central Government may notify (a) the EPF Scheme, (b) the Employees' Pension Scheme, (c) the EDLI Scheme and (d) schemes for self-employed workers or any class of persons, and may amend them. The power to frame schemes for the self-employed is new, as no such power existed earlier. The matters for each scheme are listed in the Fifth Schedule Parts A, B and C, and a scheme or amendment may operate prospectively or retrospectively.

The division of work is important: the Code gives the frame (who pays, maximum rates, where the money goes), while the detail (eligibility, withdrawals, interest, pension formula) lies in the schemes. In 2026 the Centre replaced all three old schemes with new ones.

➤ 2026 Schemes

Scheme	Notification	Replaces	Purpose
EPF Scheme, 2026	G.S.R. 525(E), 29 June 2026	EPF Scheme, 1952	Retirement savings with interest; advances and final settlement
EDLI Scheme, 2026	G.S.R. 526(E)	EDLI Scheme, 1976	Lump-sum life insurance on death in service
Employees' Pension Scheme, 2026	G.S.R. 527(E)	EPS 1995 (and Family Pension Scheme 1971)	Monthly pension on superannuation, disablement or death

Members and sanctioned pensions under the old schemes continue without fresh applications, and earlier higher-pension joint options are carried into the new pension scheme. The 2026 schemes set a 20-day limit for settling complete claims.

Three Special Schemes were also announced in 2026. The **Employees' Enrolment Campaign** allowed enrolment without penalty of employees who joined between 1 April 2009 and 31 March 2026 and were left out, and it ran until 31 October 2026. **VISHWAS** settles past damages disputes with reduced levies. **AMNESTY** regularises private PF trusts that were run without exemption.

19 Funds and Contribution Rates (Section 16)

s.16

➤ The Three Funds

Section 16 creates three funds, and the contribution to each is fixed by Section 16(1). The table below gives the contribution for each fund.

Fund	Contribution under s.16(1)
Provident Fund, 16(1)(a)	Employer 10% of wages of each employee (direct or through contractor); employee equal amount. Centre may notify 12% for any establishment or class; done generally, so 12% is actual rate in most establishments
Pension Fund, 16(1)(b)	Part of employer's contribution not exceeding 8 1/3% of wages (or notified); plus sums from exempted establishments and Central Government contributions appropriated by Parliament
Insurance Fund, 16(1)(c)	Employer contribution not exceeding 1% of wages (notified rate 0.5%), plus administrative charges not exceeding one-fourth of that contribution

The Code states a base rate of 10% but allows the Centre to notify 12%, and it has done so generally, so 12% is the rate actually paid in most establishments. All three funds vest in the Central Board and are administered by it (s. 16(2)). An employee may contribute more than the statutory rate (voluntary PF), and the employer need not match the extra amount. The Centre may also notify a different employee rate for a class of establishments and for a period.

The contribution is calculated on 'wages' as defined in Section 2(88), including the add-back of allowances in excess of 50%, whereas the old law used basic wages, DA and retaining allowance. The administrative charges on the Insurance Fund can be up to one-fourth of the EDLI contribution, which is 0.125% of wages at the 0.5% rate, and the EPF administrative charges are 0.5% of wages.

➤ Establishments Paying 10%

A notification excludes certain classes from the 12% rate, so they continue to pay 10%. These are listed below.

➤ Establishments paying 10% (notification excludes them from 12%)

Class
Jute industry
Beedi industry
Brick industry
Coir industry (other than spinning sector)
Guar gum factories
Establishments under resolution or revival plan (formerly sick units, now under IBC, 2016)
Under old Act also: establishments with fewer than 20 persons (voluntarily covered) and those with accumulated losses equal to or exceeding net worth

➤ Old Act Compared with the Code

➤ Old Act vs Code

Item	EPF Act, 1952	Code
Basic rate	12% (s.6); 10% for specified classes	10% in Code; 12% by notification
Pension share	8.33% of pay from employer share (s.6A)	Not exceeding 8 1/3% or notified (s.16(1)(b))
EDLI	Up to 1%; actual 0.5% (s.6C)	Up to 1%; notified 0.5%; admin up to one-fourth
Contract workers	Principal employer liable; recovery from contractor (s.8A)	Same, with express bar on recovering employer share from wages (s.17(3))

20 Wage Ceiling and Contribution Worked Examples

s.2(89)

➤ The Current Wage Ceiling

The wage ceiling under Section 2(89) is the amount of wages notified by the Centre for membership. By **S.O. 5109(E) dated 17 September 2026**, the ceiling for Chapter III rose from Rs 15,000 to Rs 25,000 a month, and this notification superseded the one of 29 May 2026. Employees earning up to Rs 25,000 must be enrolled, while contribution on higher wages is optional and needs a joint request.

The ceiling limits the wages on which contribution is made, not the salary of the member. A member earning Rs 40,000 therefore stays a member, but the statutory contribution is calculated on Rs 25,000. Two figures are tied to different wage limits. The Centre's pension contribution of 1.16% continues on wages up to Rs 15,000 only, a maximum of Rs 174 a month, as per the amendment of 15 October 2026 (G.S.R. 890(E)). The employer's 8.33% EPS share, on the other hand, is calculated on wages up to Rs 25,000, a maximum of Rs 2,083.

➤ Monthly Contributions at the Ceiling

The table below compares what is paid at the old ceiling of Rs 15,000 and the new ceiling of Rs 25,000.

➤ Monthly contributions at the ceiling (Rs)

Component	Rate	At Rs 15,000	At Rs 25,000
Employee to EPF	12%	1,800	3,000
Employer to EPS	8.33%	1,250	2,083
Employer to EPF	3.67%	550	917
EDLI (employer)	0.5%	75	125
EPF admin charges (employer)	0.5%	75	125
Centre to EPS	1.16%	174 (on 15,000)	174 (on 15,000)
Employer total cost		1,950	3,250

➤ Worked Examples

➤ Worked examples

Wages	Contribution wages	Employee EPF	Employer total 12%	To EPS	To EPF	EDLI + admin
20,000	20,000	2,400	2,400	1,666	734	100 + 100
25,000	25,000	3,000	3,000	2,083	917	125 + 125
40,000	25,000 (ceiling)	3,000	3,000	2,083	917	125 + 125

Three points follow from these figures. The employee's 12% goes wholly to the EPF, and the employee makes no contribution to EPS or EDLI. The pension share is carved out of the employer's 12%, not added to it. And a member aged 58 or more stops contributing to EPS, so the whole employer share then goes to the EPF account.

21 Employees' Pension Scheme and EDLI Scheme

EPS / EDLI

➤ Employees' Pension Scheme (Defined Benefit)

The **Employees' Pension Scheme** gives a monthly pension for life after retirement, and it is a defined-benefit scheme, which means the pension is fixed by a formula and not by the size of an individual account. It is financed by the employer's 8.33% and the Central Government's 1.16%, with no employee contribution. Every EPF member whose wages are within the ceiling at the time of joining is a member of EPS, while a person who first joins above the ceiling is not admitted.

The pension is calculated by the formula monthly pension = pensionable salary x pensionable service / 70. Pensionable salary is the average monthly pay of the last 60 months before exit, limited to the ceiling, and pro rata where the ceiling changed during service. A superannuation pension is payable at 58 years after at least 10 years of pensionable service. An early (reduced) pension is available from 50 years, reduced by 4% for each year below 58, and deferment up to 60 earns an increase. The minimum pension is Rs 1,000 a month (since 1 September 2014), supported by a Central budgetary grant.

Pensions are also payable in other situations: permanent total disablement, widow or widower, children (up to two at a time, until 25 years), orphans, nominees and dependent parents. A member who leaves before completing 10 years takes a withdrawal benefit or a scheme certificate that carries the service forward.

➤ Pension examples

Case	Calculation
Retires at 58, 35 years, all at Rs 25,000	25,000 x 35 / 70 = Rs 12,500
20 years at Rs 15,000 ceiling + 10 years at Rs 25,000	4,286 + 3,571 = about Rs 7,857
12 years on Rs 15,000, pension at 58	15,000 x 12 / 70 = Rs 2,571
Same, early pension at 55	2,571 less 3 x 4% = 12% = about Rs 2,263

➤ EDLI Scheme

The **EDLI Scheme** gives lump-sum life cover to the nominee or legal heir on the death of a member in service. The employee pays no premium, and the employer pays 0.5% of wages up to the ceiling, a maximum of Rs 125 at Rs 25,000. For members with 12 months' continuous membership, the benefit is 35 times the average monthly wages of the last 12 months (within the ceiling) plus 50% of the average PF balance, where the PF part is limited to Rs 1.75 lakh. The total is subject to a minimum of Rs 2.5 lakh and a maximum of Rs 7 lakh (since April 2021).

For a member with less than 12 months' service, a minimum benefit of Rs 50,000 was introduced in 2025, based on the average PF balance, up to Rs 1 lakh. A break of up to 60 days between jobs does not break continuity. Death within 6 months of the last contribution while on the rolls is covered, the benefit is tax-free, and delayed settlement attracts interest of 12% a year.

➤ EDLI examples (12 months' service)

Average wages / PF balance	Calculation	Benefit
25,000 / 1,50,000 (PF part limited)	8,75,000 + 1,50,000 = 10,25,000	Capped at 7,00,000
12,000 / 40,000	4,20,000 + 20,000	4,40,000
6,000 / 10,000	2,10,000 + 5,000 = 2,15,000	Raised to minimum 2,50,000

22 Interest, Withdrawals and Transfer of Accounts (Section 22)

EPF interest

➤ Interest on PF Balances

The money lying in a member's PF account earns interest every year. The rate is recommended by the Central Board of Trustees out of the Fund's income and is notified by the Centre with the concurrence of the Ministry of Finance. The rate for 2025-26 is 8.25%, the same as for 2023-24 and 2024-25, and it was ratified in June 2026. Interest is computed on the monthly running balance and credited once a year. No interest is paid on an inoperative account, that is, one left unclaimed for 36 months after retirement at 55 or more, permanent migration or death.

➤ EPF interest rates

Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Rate (%)	8.50	8.50	8.10	8.15	8.25	8.25	8.25

➤ Withdrawals under the EPF Scheme, 2026

A member may take money out of the account in different ways depending on the need. The table below sets out the kinds of withdrawal and the conditions for each.

➤ Withdrawals under EPF Scheme, 2026

Kind	Conditions
Partial withdrawal (advance)	Specified needs (illness, education, marriage, housing) after 12 months' membership; minimum balance of 25% of contributions must remain
Final settlement	Retirement after 55, permanent and total incapacity, permanent migration abroad, other notified events
On leaving a job	No full withdrawal for 12 months; balance normally transferred
EPS withdrawal benefit	Service under 10 years: after 36 months from last contribution or on superannuation, whichever earlier

➤ Transfer of Accounts: Section 22

A worker who changes jobs should not lose the accumulated savings. Under **Section 22**, when a member moves between establishments (whether covered by Chapter III or not, or vice versa), the accumulated PF and pension amounts are transferred or dealt with as the EPF and Pension Schemes specify. Portability is delivered through the UAN; the automatic transfer lies in the schemes, not in the section. The old Act dealt with this in Section 17A.

23 Contract Workers, Tax Status and Priority (Sections 17-19)

ss.17-19

➤ Contract Workers: Section 17

Many establishments use contractors to supply workers, and the question is who must pay the PF contribution for these workers. The Code makes the principal employer pay first, and then lets recoveries be made, within strict limits. The table below sets out Sections 17 to 19.

Section	Provision
17(1)	Principal employer may recover from contractor contributions paid for contract employees (employer share, employee share, EDLI contribution, admin charges), by deduction from amounts payable or as a debt
17(2)	Contractor may recover only the employee's contribution by deducting from the employee's wages
17(3)	Contractor shall not deduct the employer's contribution or charges from wages or recover them from the employee, notwithstanding any contract

Section	Provision
18	Provident Fund deemed a recognised provident fund under section 2(38) of Income-tax Act, 1961; inconsistent scheme provisions prevail over that Act's rules on recognised funds
19	Unpaid contributions are a first charge on assets of the establishment; overrides other laws; in insolvency paid as per IBC, 2016

Under Section 17(3), a contract clause that shifts the employer's share to the worker is void. Section 18 gives the Fund tax-favoured status, and Section 19 protects the workers by making unpaid contributions a first charge on the employer's assets.

➤ How It Works in Practice

Under the 2026 scheme, the principal employer files declarations of contractors (Form X) and recoveries (Form XII), and the contractor reports to the principal employer within 10 days after the end of the month. The flow of money is that the principal employer pays EPFO first and recovers the full amount from the contractor, while the contractor deducts only the employee's 12% from the worker.

Take an illustration with 40 workers at Rs 18,000. For each worker the contribution is Rs 2,160 from the employee and Rs 2,160 from the employer, plus EDLI of Rs 90 and administrative charges of Rs 90. An amount of Rs 4,500 is recoverable from the contractor's bill, and a contract clause shifting the employer share to the workers is void.

24 Exclusions, Own Accounts and Appeal (Sections 20-23)

ss.20-23

➤ Section 20: Exclusions

Some establishments already have their own provident fund or pension arrangements, so Chapter III does not apply to them. The table below lists the excluded categories.

➤ Section 20: Chapter III does not apply to

Category	Condition
Co-operative societies	Registered under Co-operative Societies Act, 1912 or State law, employing fewer than 50 persons and working without the aid of power (both conditions together; same as old s.16)
Government establishments	Belonging to or controlled by Central or State Government, employees entitled to contributory PF or old-age pension
Statutory bodies	Set up under Central or State law, employees entitled to contributory PF or old-age pension
Existing beneficiaries	Employees receiving PF benefits under any Central or State enactment immediately before commencement

Under Section 20(2), the Centre may also exempt any class of establishments by notification, with conditions and for a period. Exempted establishments that run their own PF trusts (earlier Section 17) must give benefits no less favourable than the statutory schemes.

➤ Section 21: Employer-Maintained Accounts

Large employers may be allowed to keep PF accounts themselves. Under Section 21(1) (old Section 16A), where an establishment has 100 or more persons, the Centre may, on the application of the employer and the majority of employees, authorise the employer in writing to maintain the PF accounts. The authorisation is not given if the employer defaulted in PF contributions or committed any offence under the Code in the three years before the authorisation. The employer then maintains the accounts, submits returns and deposits contributions (s.21(2)), and the authorisation may be cancelled for non-compliance or an offence, but only after a hearing (s.21(3)).

➤ Section 23: Appeal to Tribunal

An employer aggrieved by an order on PF dues or damages can appeal to the Tribunal. The Code narrows and simplifies the appeal, as the comparison with the old Act shows.

Feature	EPF Act, 1952 (ss.7-I to 7-Q)	Code s.23
Appealable orders	Wide list: notifications under s.1(3)/(4), orders under ss. 3, 7A, 7B, 7C, 14B, 15, 17 etc.	Only s.125 (dues) and s.128 (damages), so far as relating to Chapter III
Pre-deposit	75% of amount due (s.7-O), reducible or waivable	25% of amount determined under s.125
Time for decision	None fixed	Endeavour to decide within 1 year
Rectification	Within 5 years (s.7-L(2))	No such provision

The old appellate body was the EPF Appellate Tribunal (later CGIT), while the Code provides for the Tribunal itself. The key gain for employers is the lower pre-deposit of 25% instead of 75%.

25 Chapter IV Overview: From ESI Act, 1948 to the Code

Ch IV

➤ Origin

In 1943 the Government asked **Prof. B. P. Adarkar** for a health insurance plan, and his 1944 report proposed a single contributory scheme for sickness, maternity and employment injury. The ESI Act, 1948 followed, and the scheme was first launched on 24 February 1952 at Kanpur and Delhi (observed as ESIC Day). It was the first Indian law to give medical benefit in kind (non-cash) as a statutory right. The old Act applied only in notified 'implemented areas', so coverage grew district by district. ESIC is a statutory body under the Ministry of Labour and Employment, and Chapter IV of the Code is Sections 24 to 52.

➤ Coverage under the Code

Chapter IV applies to every establishment with 10 or more employees, other than a seasonal establishment. The Centre may notify hazardous or life-threatening establishments even with 1 employee, plantations may opt in, and the Director General may extend Chapter IV where the employer and the majority of employees agree. An employee is insured if the monthly wage does not exceed the ceiling of Rs 21,000 (Rs 25,000 for persons with disability), which has been in force since 1 January 2017.

➤ ESI Act vs Code

Feature	ESI Act, 1948	Code Chapter IV
Establishments	Non-seasonal factories with 10+ and establishments notified under s.1(5), in implemented areas	Every establishment with 10+; hazardous with even 1 if notified; nationwide
Insured person	No separate definition	Employee for whom contributions are or were payable and who is entitled to benefits (s.2(39) with s.28)
Wages	Act's own wide definition	Uniform s.2(88) with 50% add-back
Unorganised, gig, platform workers	No provision	Centre may frame schemes run through ESIC (s. 45)
Priority of dues	Priority under s.94	Charge on assets with priority under IBC, 2016 (s. 47)

➤ Scheme of Chapter IV

The sections of Chapter IV are grouped by subject in the table below, together with the sections of the old ESI Act from which they come.

➤ Scheme of Chapter IV

Sections	Subject	Old ESI Act
24-27	Principal officers, ESI Fund, purposes, property	ss.17, 26, 28, 29
28-31	Insurance of employees, contributions, administrative expenses, payment by employer	ss.38, 39, 40
32-33	Benefits; health and welfare measures	ss.46, 19
34-37	Presumption of accident, breach of law, occupational disease, medical board	ss.51A, 51B, 51E, 52A, 54A
38-41	Dependants' benefit, medical benefit, treatment by State, bar on combining benefits	ss.52, 56, 58, 65
42-47	Employer default, excess sickness, other beneficiaries, gig worker schemes, exemption, priority	ss.68, 69, 87-91, 94
48-52	Employees' Insurance Court and appeal to High Court	ss.74-78, 82

26 Principal Officers and the ESI Fund (Sections 24-27)

ss.24-27

➤ Principal Officers: Section 24

Under **Section 24**, the Central Government appoints a Director General and a Financial Commissioner as the principal officers of the Corporation. Each holds office for a term not exceeding 5 years and is eligible for re-appointment, the salary is prescribed by the Centre, and the disqualifications of Section 8 apply. The Centre may remove either officer if the Corporation recommends removal by a resolution at a special meeting, supported by votes of

not less than two-thirds of its total strength. The UPSC is consulted for posts corresponding to Group A and B gazetted posts (other than medical, nursing and para-medical posts), except for officiating or temporary appointments of up to 1 year.

➤ The ESI Fund: Sections 25 to 27

Section 25 creates the ESI Fund, into which all contributions, user charges and other money received for the Corporation are paid, and the Corporation holds and administers it. Under **Section 26**, the Corporation may accept grants, donations, CSR funds (new) and gifts, and the Fund may be spent only on the listed purposes shown in the table below. **Section 27** allows the Corporation to acquire, hold and dispose of property and to invest its funds as the Centre directs.

➤ Purposes of the Fund (s.26)

Purpose	Covers
Benefits and medical care	Cash benefits, medical treatment and attendance for insured persons and families
Fees and allowances	Members of Corporation, Standing Committee, Medical Benefit Council, other committees
Staff costs	Salaries, allowances, gratuities, pensions and PF contributions of staff
Hospitals and dispensaries	Establishment and maintenance of medical institutions
Payments to others	Contributions to State Government, local authority or private body for medical care of insured persons
Audit and valuation	Audit of accounts; valuation of assets and liabilities
Employees' Insurance Courts	Cost of these courts
Contracts, decrees, awards	Sums due under contracts and under decrees, orders or awards
Health and rehabilitation	Health and welfare measures; rehabilitation and re-employment of disabled or injured insured persons
Other purposes	As authorised by Corporation with previous approval of Centre

27 Insurance of Employees and Contributions (Sections 28-31)

ss.28-31

➤ The Four Sections

Section 28 says that every employee in a covered establishment shall be insured, as prescribed, electronically or otherwise. The employer registers each new employee on the ESIC portal, and the insurance number stays with the person across jobs. **Section 29** provides that contributions are paid at the prescribed rates and fall due on the last day of the wage period. **Section 30** lets the Corporation meet administrative expenses from the Fund within limits fixed by the Centre. **Section 31** places the duty on the employer, who pays both shares for every employee, whether employed directly or through a contractor. The employee's share can be recovered only by deduction from wages, and the employer's share is never deducted or recovered from the employee; the principal employer may recover from the contractor.

➤ Rates of Contribution

The table below shows who pays what. The total of 4% was reduced from 6.5% (employer 4.75%, employee 1.75%) from 1 July 2019.

Contributor	Rate	Rule
Employer	3.25% of wages	For every covered employee, including exempted low-wage
Employee	0.75% of wages	Deducted from wages
Exempted employee	Nil employee share	Average daily wage up to Rs 176; employer still pays 3.25%
Total	4%	Reduced from 6.5% (employer 4.75%, employee 1.75%) from 1 July 2019
Due date		Within 15 days of end of calendar month

➤ Worked examples

Case	Calculation
Wage Rs 20,000 (within Rs 21,000 ceiling)	Employer 650 + employee 150 = Rs 800 (4%)
Helper Rs 170 a day, 26 days = Rs 4,420	Employer 3.25% = Rs 143.65; employee nil; full benefits

The second example shows an exempted employee: the helper pays nothing, the employer still pays 3.25%, and the helper receives full benefits.

➤ Contribution and Benefit Periods

ESI does not pay cash benefits immediately on contribution. Each contribution period is linked to a later benefit period, as the table shows.

Contribution period	Linked benefit period
1 April to 30 September	1 January to 30 June
1 October to 31 March	1 July to 31 December

The benefit period begins three months after the contribution period ends, and cash benefits depend on contributions in the linked period, while medical benefit is available from the first day of insurable employment. An employee whose wage rises above the ceiling in the middle of a period stays covered until the period ends.

Wages for ESI follow Section 2(88). For example, if the total is Rs 20,000, with basic and DA of 8,000 and allowances of 12,000, then half is 10,000, so 2,000 is added back and wages are 10,000. ESIC still checks ceiling eligibility on the gross monthly wage under the scheme rules.

28 Benefits under ESI (Sections 32, 33 and 41)

ss.32-33, 41

➤ Benefits Available

Section 32 lists the benefits for insured persons and their dependants: sickness, maternity, disablement, dependants', medical and funeral expenses. The rates and conditions are in the rules and regulations. 'Health benefit' is not a statutory benefit; the correct term is medical benefit. The table below summarises each benefit.

Benefit	Rate and duration	Main condition
Sickness	70% of average daily wages, up to 91 days in two consecutive benefit periods	Contributions for 78 days in linked contribution period
Extended sickness	80% of wages up to 2 years for 34 long-term diseases	Continuous insurable employment of 2 years
Enhanced sickness	100% of wages: 7 days vasectomy; 14 days tubectomy	Sterilisation operation
Maternity	100% of wages for 26 weeks, extendable by 1 month on medical advice; 12 weeks for commissioning or adopting mother	Contributions for 70 days in two preceding contribution periods
Temporary disablement	90% of wages while disability lasts	From first day of insurable employment
Permanent disablement	90% of wages as monthly payment in proportion to loss of earning capacity certified by medical board	From first day; no minimum contribution
Dependants'	90% of wages shared among dependants, monthly	Death due to employment injury
Medical	Full medical care for insured person and family; no cost ceiling	From first day
Funeral expenses	Actual up to Rs 15,000	Claim within 3 months of death (or longer if Corporation allows)

Funeral expenses go to the eldest surviving family member, and if there is no family or the person was not living with the family, to the person who incurred the expenditure. Two unemployment schemes also exist. Under the **Atal Bimit Vyakti Kalyan Yojana**, an unemployed insured person gets 50% of average earnings for up to 90 days in a lifetime. Under the **Rajiv Gandhi Shramik Kalyan Yojana**, an unemployment allowance is paid for up to 24 months on closure, retrenchment or permanent invalidity.

➤ Sections 33 and 41

Under **Section 33**, the Corporation may spend money on the health and welfare of insured persons and on the rehabilitation and re-employment of disabled or injured insured persons.

Section 41 prevents a person from receiving double benefit. For the same period, a person cannot combine sickness benefit with maternity benefit, sickness with temporary disablement benefit, or maternity with temporary disablement benefit, and must choose one. ESI disablement or dependants' benefit bars employees' compensation, and ESI maternity benefit bars maternity benefit under the Code. The old Act barred any similar benefit under any other law, but the Code narrows the bar to those two named laws.

29 Employment Injury and the Medical Board (Sections 34-37)

ss.34-37

➤ When an Injury Counts as an Employment Injury

ESI pays enhanced benefits for employment injury, so it is important to know when an accident is treated as arising from employment. The Code makes this easier for the worker by creating presumptions and widening the cases, as the table shows.

Section	Rule
34(1) Presumption	Accident in course of employment presumed, unless contrary proved, to arise out of employment (old s.51A, 1966)
34 Commuting	Accident on way from residence to work or work to residence after duty is deemed to arise out of and in course of employment if nexus established (old s.51E, 2010)
34 Employer vehicle	Accident as passenger in vehicle provided by or for the employer (not public transport) to or from work is employment accident; vehicle includes vessel and aircraft
35 Breach of law	Treated as arising out of employment even if employee breached law, safety rule or employer's order, if act was for employer's business
36 Occupational disease	Linked to Third Schedule; for Part B diseases at least 6 months' continuous service (old s.52A)
37 Medical Board	Decides whether accident caused permanent disablement, loss of earning capacity, provisional or final assessment and its duration

➤ Review and Appeal

The Medical Board may review its assessment on new evidence, concealment or misrepresentation, or a substantial and unforeseen worsening of the condition. A review for worsening needs leave, and it cannot ordinarily be sought within 5 years of a final assessment or 6 months of a provisional assessment, unless the Medical Appeal Tribunal permits. The revised assessment applies from the date of the review application. An appeal lies to the Medical Appeal Tribunal and then to the Employees' Insurance Court, but there is no appeal once the insured person has applied for and received a commuted lump sum of disablement benefit.

As an illustration, take a machinist who earns Rs 600 a day, with loss of earning capacity assessed at 20% (final). The full rate is 90% of 600, which is Rs 540. The permanent disablement benefit is 20% of 540, that is Rs 108 a day, paid monthly for life.

30 Dependants' Benefit, Medical Benefit and Treatment (Sections 38-40)

ss.38-41

➤ Dependants' Benefit: Section 38

When an insured person dies from an employment injury, the family needs a regular income. Under **Section 38**, dependants' benefit is paid first to the dependants described in Section 2(24)(a) and (b) (widow, children and close relatives), and then to others. The Corporation may review the benefit in cases of concealment, birth of a child, death, marriage or remarriage of a dependant, end of disability, or a dependant reaching 25 years, and may continue, increase, reduce or stop the payment.

➤ Medical Benefit: Section 39

Section 39 provides medical benefit as out-patient treatment, home visit or in-patient treatment to the insured person and, where extended, to the family. An insured person who retires on superannuation, under VRS or prematurely, and the spouse, remain eligible on payment of contribution. A person who leaves insurable employment because of permanent disablement from an employment injury continues to get medical benefit. The Corporation may also set up medical, dental and nursing colleges and training institutes, and conduct occupational and epidemiological surveys.

➤ Treatment: Section 40

Treatment is ordinarily provided by State Governments through ESI dispensaries and hospitals, and the traditional cost sharing is 7/8 by the Corporation and 1/8 by the State within a per-capita ceiling. Where ESIC itself provides treatment in a State, the Centre is the appropriate Government for that purpose. The old Section 56(3) entitlement during other benefit periods now depends on regulations, and the Corporation may run its own hospitals or tie up with private ones.

31 Employer Default and Related Provisions (Sections 42-47)

ss.42-47

➤ Section 42: Employer Default

An employee should not lose benefits because the employer failed to do its duty. **Section 42** applies where the employer fails to register an employee in time, registers the employee only after an accident, or fails to pay contributions. If the employee is otherwise eligible, the Corporation pays the full benefit and, after hearing the employer, recovers the capitalised value of the benefit from the employer. The amount can be adjusted against unpaid contributions, interest and damages, and is recoverable as an arrear of land revenue. The table compares this with the old law.

Point	ESI Act s.68	Code s.42
Amount recoverable	Greater of (i) difference between benefit paid and benefit payable on contributions actually paid, or (ii) twice the unpaid contribution	Capitalised value of the benefit paid
Defaults covered	Failure to pay contributions	Also failure to register, and registration only after accident

➤ Sections 43 to 47

The remaining sections of this group deal with special situations, as set out below.

Section	Provision
43	Excessive sickness due to insanitary conditions or owner/occupier neglect: Corporation may recover excess cost after inquiry ordered by appropriate Government
44	Centre may allow non-insured persons to use under-utilised ESIC hospitals on user charges
45	Centre may notify schemes for unorganised, gig and platform workers and families through ESIC, with own contributions and benefits
46	Exemption: appropriate Government after consulting Corporation may exempt Government or local authority establishments whose employees get substantially similar or superior benefits
47	Dues are a charge on assets with priority under the Insolvency and Bankruptcy Code, 2016

➤ SPREE 2025

The **Scheme for Promotion of Registration of Employers and Employees (SPREE)** was approved by ESIC in 2025 to bring unregistered establishments into the system. It gave a one-time window from 1 July to 31 December 2025 for unregistered employers and employees, including contractual and temporary workers. There was no contribution demand or inspection for the period before registration, and coverage began from the date of registration.

32 Employees' Insurance Court and Appeals (Sections 48-52)

ss.48-52

➤ The Court and Its Procedure

Disputes between employers, employees and the Corporation need a special forum, and Sections 48 to 52 provide the **Employees' Insurance Court**. The table below sets out the provisions.

Section	Provision
48 Constitution	State Government notifies an Employees' Insurance Court for a local area; judge is or was a judicial officer or a legal practitioner of 5 years' standing; one court may serve several areas
49 Matters	Whether person is employee, wage or contribution rate, who is employer, right to and amount of benefit, recovery claims; Code adds orders of appellate authority under s.126; civil courts barred from questions for medical board, Medical Appeal Tribunal or this court
49 Deposit	Employer disputing Corporation's claim must first deposit 50%; court may waive or reduce for recorded reasons
50 Powers	Civil court powers (summoning, documents, evidence); orders enforceable as decrees
51 Limitation	Proceedings within 3 years of cause of action; appearance through legal practitioner or official of registered trade union
52 Appeal	To High Court only on a substantial question of law, within 60 days of court's order

Where the Corporation appeals, the court may, and if the High Court directs shall, withhold payment of the sum awarded. The old Act provisions were Section 74 (court), Section 75 (matters), Section 75(2B) (50% deposit), Section 77 (3-year limitation) and Section 82 (appeal). The Code omits old Section 75(2A), under which the court could direct the Corporation to get a Medical Appeal Tribunal decision.

➤ The Path of a Dispute

Medical questions go first to the medical board, then to the Medical Appeal Tribunal and then to the EI Court. Disputes about contributions or benefits go to the EI Court and then to the High Court, but only on a substantial question of law. Procedure and fees are prescribed by the appropriate Government.

33 Chapter V Overview: From Gratuity Act, 1972 to the Code

Ch V

➤ Nature and Background

Gratuity is a terminal lump sum paid once, when employment ends. It is a deferred wage, and the entire cost is on the employer, with no employee contribution. It is a defined benefit, calculated on the last drawn wage and the length of service. In its early days gratuity was a voluntary payment, then industrial tribunals began to treat it as a retirement benefit, and Kerala (1970) and West Bengal (1971) passed State laws. The Central law followed as the Payment of Gratuity Act, 1972, from 16 September 1972. Chapter V of the Code, Sections 53 to 58, came into force on 21 November 2025.

➤ 1972 Act and the Code

The Code keeps the basic idea of the 1972 Act but widens it in several respects. The table below compares the two.

Feature	Payment of Gratuity Act, 1972	Code Chapter V
Coverage	Factories, mines, oilfields, plantations, ports, railways, shops and establishments with 10+	Establishments with 10+; once covered, continues even if number falls
Government employees	Not expressly excluded where other gratuity rules applied	Excluded where covered by other Act or rules providing gratuity
Events	Superannuation, retirement, resignation, death, disablement	Also expiry of fixed-term employment and any event notified by Centre
Fixed-term employees	No special provision; 5 years needed	Pro rata after 1 year of service under contract
Working journalists	3 years under Working Journalists Act, 1955	Brought into Code: 3 years instead of 5
Ceiling	s.4(3); after 2018 amendment as notified: Rs 20 lakh from 29 March 2018	As notified by Centre; Rs 20 lakh continues
Wages	Basic pay and DA	Uniform s.2(88) with 50% rule
Authority	Controlling Authority (s.3)	Competent Authority (s.58), may take help of experts

The most important change is for fixed-term employees, who earlier had to complete 5 years but now receive gratuity pro rata after only 1 year of service under the contract.

➤ Scheme of Chapter V

➤ Scheme of Chapter V

Section	Subject	Old Act
53	Payment of gratuity: events, rate, ceiling, forfeiture	s.4
54	Continuous service	s.2A
55	Nomination	s.6
56	Determination, payment, interest, disputes, appeal	s.7
57	Compulsory insurance	s.4A
58	Competent authority	s.3

34 When Gratuity is Payable and How It is Calculated (Section 53)

s.53

➤ Section 53(1): Events

Gratuity is payable on termination of employment after continuous service of not less than five years on any of the following events: (a) superannuation; (b) retirement or resignation; (c) death or disablement due to accident or disease; (d) expiry of fixed-term employment; or (e) any event notified by the Centre. The five-year condition is NOT necessary for death, disablement, expiry of fixed-term employment, or a notified event, and for working journalists the period is 3 years. Disablement means that the employee is unable to do the work he could do before the accident or disease.

Fixed-term and deceased employees are paid pro rata. On death, gratuity is paid to the nominee, or to the heirs if there is no nominee, and a minor's share is deposited with the competent authority for investment until majority. As examples, an employee who resigns after 6 years is paid, one who retires after 5 years is paid, one who dies after 2 years is paid, but a permanent employee who resigns after 4 years is not paid.

➤ Section 53(2)-(6): Rate

The rate is 15 days' wages at the rate last drawn for every completed year of service or part in excess of six months. For a monthly-rated employee, the amount is monthly wage / 26 x 15. For a piece-rated employee, the daily wages are the average of the total wages in the three months before termination, excluding overtime. In a seasonal establishment, an employee who is not employed throughout the year gets 7 days' wages for each season. The amount may not exceed the notified ceiling, which is now Rs 20,00,000, and better terms under an award, agreement or contract are saved.

The formula in practice is last drawn monthly wages x 15/26 x completed years, where wages means basic + DA (+ retaining allowance) under Section 2(88) with the 50% add-back. The rounding of service follows the 'in excess of six months' rule.

➤ Rounding

Service	Years counted
7 years 2 months	7 (part not more than 6 months)
7 years 6 months	7 (exactly 6 months not 'in excess of')
7 years 6 months 1 day	8
12 years 7 months	13

➤ Worked examples

Case	Calculation	Gratuity (Rs)
Wages 40,000; 7 yrs 8 months (8 years)	40,000 x 15/26 x 8	1,84,615
Wages 52,000; 9 yrs 6 months (9 years)	2,000 x 15 x 9	2,70,000
Wages 60,000; 12 yrs 7 months (13 years)	60,000 x 15/26 x 13	4,50,000
Fixed-term 2 years; wages 45,000	45,000 x 15/26 x 2	51,923
Dies after 3 years; wages 35,000 (5-year rule waived)	35,000 x 15/26 x 3, to nominee	60,577
Piece-rated: 3-month total 2,25,000 incl. overtime 15,000; 6 years	(2,10,000/3 = 70,000) x 15/26 x 6	2,42,308
Seasonal: wage 28,000/26 = 1,076.92; 8 seasons	1,076.92 x 7 x 8	60,308
50% rule: total 80,000; basic+DA 32,000; allowances 48,000; 10 years	Add back 8,000: wages 40,000 x 15/26 x 10	2,30,769
Manager, 30 years, wages 2,50,000	Formula 43,26,923	Limited to 20,00,000

The last example shows the ceiling at work: the formula gives Rs 43,26,923 but the payment is limited to Rs 20,00,000. The ceiling for Central Government servants under their own rules was raised to Rs 25 lakh from 1 January 2024, but this does not alter the Code's Rs 20 lakh.

➤ Forfeiture: Section 53(7)

Gratuity can be forfeited only where the services of the employee were terminated for one of the reasons in the table below.

➤ Forfeiture, s.53(7)

Ground for termination	Extent
Act, wilful omission or negligence causing damage, loss or destruction of employer's property	Forfeited to the extent of the damage or loss
Riotous or disorderly conduct or any other act of violence	Wholly or partially
Offence involving moral turpitude committed in course of employment	Wholly or partially

Forfeiture is therefore not a general penalty. The references to offences have been updated from the IPC to the Bharatiya Nyaya Sanhita, 2023.

35 Continuous Service (Section 54)

s.54

➤ Meaning of Continuous Service

Gratuity depends on years of service, so the law must say when service counts as continuous. **Continuous service** means uninterrupted service, and it includes service interrupted by sickness, accident, leave, absence without leave (not treated as a break by the employer), lay-off, strike or lock-out, or a cessation of work that is not the employee's fault. The rule applies to service before and after commencement of the Code.

➤ Minimum Days Worked

Where an employee is not in uninterrupted service for one year or six months, the service is deemed continuous if the employee actually worked the minimum number of days in the preceding 12 or 6 calendar months, as shown below.

Period	Underground mine, or establishment working less than six days a week	Any other case
One year (preceding 12 months)	190 days	240 days
Six months (preceding 6 months)	95 days	120 days
Seasonal establishment	75% of days establishment operated (for one year or six months)	

Certain days are counted as days actually worked. These are lay-off days under an agreement, standing orders or law; leave with full wages earned in the previous year; absence due to temporary disablement from an employment accident; and, for a woman, maternity leave up to 26 weeks. The 26 weeks figure was raised from 12 weeks by a 2018 amendment after the 2017 maternity change, and the Code keeps it.

➤ Examples

In a factory with a six-day week, an employee who worked 200 days, plus 25 days of lay-off and 10 days of paid leave, has 235 days, so the service is not continuous for 1 year. If the employee worked 210 days, plus 20 days of accident leave and 10 days of paid leave, the total is 240 days and the service is continuous. In a seasonal unit open for 180 days, an employee who worked 140 days is continuous, since 75% of 180 is 135.

36 Nomination, Payment, Appeal, Insurance and Competent Authority (Sections 55-58)

ss.55-58

➤ Section 55: Nomination

Every employee who has completed one year of service shall make a nomination in the prescribed form and submit it to the employer, and the employee may distribute the gratuity among several nominees. An employee with a family must nominate one or more family members, and a nomination of an outsider is void. An employee with no family may nominate any person, but on later acquiring a family that nomination becomes invalid and a fresh one in favour of the family is needed; if none is made, the gratuity goes to the legal heirs. The nomination may be modified at any time by written notice. If a nominee dies before the employee, the nominee's interest reverts to the employee, and the employer keeps the nomination in safe custody.

➤ Section 56: Determination, Payment and Appeal

The steps in claiming and recovering gratuity are set out below.

Step	Rule
Application	Eligible person or authorised person applies in writing to employer
Employer's duty	As soon as payable, determine amount and give written notice to person entitled and competent authority, whether or not application made
Time limit	Pay within 30 days of becoming payable
Interest	Simple interest from date payable at rate notified by Centre, not exceeding rate for long-term deposits; none if delay due to employee's fault and employer got written permission of competent authority
Dispute	Employer deposits admitted amount with competent authority
Inquiry	Competent authority decides after hearing, with civil court powers under CPC, 1908
Appeal	Within 60 days of order, extendable by further 60 days for sufficient cause
Employer's appeal	Admitted only with certificate of deposit of ordered amount with competent authority or deposit with appellate authority

Step	Rule
Decision	Appellate authority may confirm, modify or reverse

This is the same scheme as Section 7 of the 1972 Act, and the Code renames the Controlling Authority as the Competent Authority. As an illustration, if Rs 3,00,000 became payable on 1 April 2026 and was paid on 31 July 2026, it was due by 1 May, and simple interest runs from 1 April 2026.

➤ Section 57: Compulsory Insurance

An employer may become insolvent or close down before the gratuity is paid, so Section 57 requires insurance. From a date notified by the appropriate Government, every employer, other than establishments of the Central or State Government, shall insure its gratuity liability with an IRDAI-regulated insurer (or an approved gratuity fund), so that the money is available on insolvency or closure. Two kinds of employer are exempt: an employer with an existing approved gratuity fund who wishes to continue it, and an employer with 500 or more persons who establishes an approved fund.

Every employer must register the establishment with the competent authority for this purpose, and if the employer fails to pay the premium or contribution, it is liable to pay the gratuity with interest to the competent authority. The criminal penalty of the 1972 Act is not carried into this section, but civil liability remains.

➤ Section 58: Competent Authority

The appropriate Government notifies an officer with the prescribed qualifications and experience as the **Competent Authority** for a specified area, and if there is more than one, the Government distributes the work. The Competent Authority may take the help of one or more experts with special knowledge of a matter under inquiry.

37 Maternity Benefit: Background, Coverage and Definitions

Ch VI (Ss. 59–72)

➤ Development of the Law

Maternity benefit exists so that a woman can stay away from work around childbirth without losing her wages or her job. Before 1961 there was no uniform national rule: some States made their own laws (the **Bombay** law of 1929 was the first), and the **Mines Maternity Benefit Act, 1941** covered women in mines. The **Maternity Benefit Act, 1961** replaced this patchwork with one law for factories, mines and plantations, and it was later extended to shops and establishments. It gave 12 weeks of leave, of which not more than 6 weeks could be taken before delivery. The table traces how the law developed from then until the Code.

Stage	Position
Before 1961	State laws (Bombay 1929 first) and Mines Maternity Benefit Act, 1941; no uniform national rule
Maternity Benefit Act, 1961	Uniform law for factories, mines, plantations, later shops/establishments; 12 weeks, not more than 6 weeks before delivery
Amendment 2008	Medical bonus raised to ₹1,000, Centre could raise it up to ₹20,000; later notified at ₹3,500
Amendment Act, 2017	26 weeks (not more than 8 before delivery) for woman with fewer than two surviving children; 12 weeks for adoptive and commissioning mothers; crèche for 50+ employees; work from home; written information on appointment
Code, Chapter VI (Ss. 59–72)	Retains 2017 structure; average daily wage tied to minimum wage under Code on Wages; no ₹20,000 cap on medical bonus; Assam migrant exemption dropped; in force from 21 November 2025

The key point is that the Code, in **Chapter VI (Ss. 59–72)**, keeps the structure created by the 2017 amendment, including the 26 weeks of leave (not more than 8 before delivery) for a woman with fewer than two surviving children. It makes only a few technical changes: the average daily wage is tied to the minimum wage under the Code on Wages, the ₹20,000 cap on revising the medical bonus is not carried forward, and the exemption for women who migrated into Assam is dropped. Chapter VI has been in force since 21 November 2025.

➤ Coverage

Under the **First Schedule**, Chapter VI applies to every factory, mine and plantation, including those run by the Government, and to every establishment that employs persons for equestrian, acrobatic and other performances. It also applies to every shop or establishment with 10 or more employees on any day of the preceding 12 months. Once an establishment is covered, it remains covered even if its numbers later fall below 10.

An important feature of this Chapter is that the benefit is paid by the **employer from its own funds**. It is therefore an employer-liability scheme, unlike the maternity benefit under the insurance scheme (the ESI Chapter), which is paid out of contributions. **Section 61** links the two: a woman who is already entitled to benefit under Chapter VI continues to receive it even after the insurance Chapter IV starts to apply to her establishment, until she qualifies for benefit under Section 32.

➤ Key Definitions

The Chapter uses three terms whose meaning is wider than in everyday speech. The table below explains each of them.

Term	Meaning
Child	Includes a **stillborn child**
Commissioning mother	Biological mother who uses her egg to create an embryo implanted in another woman (surrogate); does not give birth herself
Confinement	Labour resulting in birth of a living child, or labour after 26 weeks of pregnancy resulting in issue of a child, alive or dead

38 Prohibited Employment and Right to Maternity Benefit

Ss. 59–60

➤ Section 59: Employment Prohibited

Section 59 protects the health of a woman in the period right after birth. An employer shall not knowingly employ a woman, and a woman shall not work, during the 6 weeks immediately following the day of delivery, miscarriage or medical termination of pregnancy (MTP). The ban binds both sides, so it applies even if the woman herself consents to work.

The section also protects a woman during pregnancy. If she asks, she cannot be required to do arduous work, work involving long hours of standing, or any work likely to interfere with the pregnancy or the development of the foetus, or to cause a miscarriage. This protection applies for the **'period specified'**, which means (a) the 1 month immediately preceding the 6 weeks before the expected date of delivery, and (b) any period within those 6 weeks for which she does not take leave. Unlike the 1961 Act, which left the term unexplained, the Code describes **arduous work** as work involving strenuous effort or work that is difficult and tiring. Note that this protection operates on her request; it is not automatic.

➤ Section 60: Entitlement

Under Section 60, every woman is entitled to maternity benefit at the rate of her **average daily wage** for the period of her actual absence, that is, the period immediately before and including the day of delivery and the period after it. The average daily wage is the average of the wages payable to her for the days she actually worked in the 3 calendar months immediately preceding the date on which her absence begins, subject to the minimum wage under the Code on Wages, 2019.

To qualify, under **Section 60(2)**, she must have actually worked for not less than 80 days in the 12 months immediately preceding the expected date of delivery. In counting the 80 days, paid lay-off days and paid holidays declared under any law or agreement are also counted, so a short break in actual work does not defeat her claim. The next table shows how long the benefit lasts in each case.

➤ Maximum Period of Benefit (s.60(3), (4))

Case	Total	Before delivery	Note
Fewer than two surviving children	26 weeks (182 days)	Not more than 8 weeks	At least 18 weeks after delivery if 8 taken before
Two or more surviving children	12 weeks (84 days)	Not more than 6 weeks	Third and later child
Adopts child below 3 months	12 weeks	Not applicable	From date child is handed over
Commissioning mother	12 weeks	Not applicable	From handing over, whatever number of surviving children

The key point is that the longer period of 26 weeks (182 days) is available only to a woman with fewer than two surviving children; for a third or later child it is 12 weeks. Adoptive and commissioning mothers get 12 weeks counted from the date the child is handed over, whatever the number of their surviving children.

The law also deals with the case where the woman or the child dies during the benefit period. The following table sets out what is payable in each event.

➤ Death during Benefit Period

Event	Benefit payable
Woman dies during benefit period	Only up to and including the day of her death
Woman dies during delivery or after it, leaving the child	Whole period of benefit, to nominee or legal representative (s.63)

Event	Benefit payable
Child also dies during that period	Up to and including the day of the child's death

Work from home (s.60(5)): after she has availed the benefit, the employer may allow her to work from home, for a period and on conditions mutually agreed, where the nature of the work permits. This is permissive and not a right of the woman, and it does not shorten the benefit period.

➤ Worked Examples

The examples below show how the average daily wage, the period of benefit and the qualifying days are applied in practice.

Facts	Result
One surviving child; ₹56,000 earned for 70 days worked; takes 26 weeks	ADW = 56,000 ÷ 70 = ₹800; benefit = 800 × 182 = ₹1,45,600
Two surviving children; ADW ₹650	12 weeks = 84 days: 650 × 84 = ₹54,600
72 days worked + 6 paid holidays + 4 lay-off days; joined 1 June, delivery 15 Sept	82 days, at least 80: qualifies despite under four months' service
Adopts child aged 4 months	No benefit: child must be below 3 months
Woman dies 10 days after delivery, child survives; ADW ₹700	Full 26 weeks: 700 × 182 = ₹1,27,400 to nominee/legal representative

39 Notice, Payment, Medical Bonus and Special Leave

Ss. 62–65

➤ Notice and Payment (Ss. 62–63)

A woman who wishes to claim the benefit gives a written notice in the prescribed form. The notice states that the benefit may be paid to her or to a named nominee, and that she will not work in any other establishment during the period of benefit. A notice given during pregnancy must state the date from which she will be absent, which shall not be earlier than 8 weeks before the expected delivery. If she has not given notice during pregnancy, she may give it as soon as possible after delivery. On receiving the notice the employer must permit her to be absent.

The payment is made in two parts: the amount for the period before delivery is paid **in advance** on proof of pregnancy, and the balance is paid within 48 hours of proof of delivery. Failure to give notice does not take away her right; the **Inspector-cum-Facilitator** may, on his own motion or on her application, order the payment to be made within a specified period. Under Section 63, if she dies before receiving the amount, it is paid to the nominee named in the notice, and if there is none, to her legal representative.

➤ Medical Bonus (s.64)

Every woman entitled to maternity benefit also receives a **medical bonus** of ₹3,500 or such other amount as the Central Government notifies. It is payable only if the employer does not provide pre-natal confinement and post-natal care free of charge. The table compares the bonus with the position under the 1961 Act.

Feature	1961 Act (s.8)	Code (s.64)
Amount	₹1,000 (2008), notified at ₹3,500	₹3,500 stated, or notified amount
Upper limit on revision	Centre could raise only up to ₹20,000	No ceiling
Condition	No free care	Same

The main change is that the Code removes the ceiling on revision: the Centre can now raise the bonus without being limited to ₹20,000.

➤ Leave for Miscarriage, Tubectomy and Illness (s.65)

Section 65 gives additional paid leave in three situations connected with pregnancy and its aftermath. In each case the woman must produce the prescribed proof, and the leave is paid at the maternity benefit rate.

Event	Leave with wages	Condition
Miscarriage or MTP	6 weeks immediately following the day	Prescribed proof; wages at maternity benefit rate
Tubectomy	2 weeks immediately following the operation	Prescribed proof; maternity benefit rate
Illness arising from pregnancy, delivery, premature birth, miscarriage, MTP or tubectomy	Additional leave up to 1 month	Over and above the other absence; prescribed proof

40 Nursing Breaks and Crèche

Ss. 66–67

➤ Nursing Breaks (s.66)

A woman who returns to duty after delivery is entitled to two breaks of the prescribed duration in the course of her daily work for nursing the child. These are given **in addition to** the rest interval allowed to her, and they continue until the child attains 15 months.

➤ Crèche (s.67)

Under **Section 67(1)**, every covered establishment that employs 50 employees (men and women counted together) or such other number as is prescribed must have a **crèche** within the prescribed distance. The crèche may be separate or may be shared with other common facilities. The employer must allow the woman four visits a day to the crèche, and this includes her rest interval. A common crèche may be run by the Central or State Government, a municipality, a private entity, a non-governmental organisation, or a group of establishments pooling their resources.

Information on appointment (s.67(2)): every establishment must tell each woman, in writing and electronically, at the time of her initial appointment, about every benefit available to her under Chapter VI. The table below compares the two facilities.

Feature	Nursing breaks (s.66)	Crèche visits (s.67)
Number	2 a day	4 a day
Relation to rest interval	In addition to	Including
Limit	Until child is 15 months	No age in section; per crèche rules
Establishments	All covered by Chapter VI	Only 50+ employees (or prescribed)
Origin	s.11, 1961 Act	s.11A, inserted 2017

To remember the difference, note that nursing breaks are in addition to the rest interval and are limited by the child's age, while crèche visits include the rest interval and depend on the size of the establishment.

41 Protection, Forfeiture and Enforcement

Ss. 68–72

➤ Section 68: Protection against Dismissal

It is unlawful for an employer to discharge or dismiss a woman during, or on account of, her lawful absence for maternity, to give her a notice of dismissal that expires during that absence, or to vary her conditions of service to her disadvantage. Even if she is dismissed at any time during her pregnancy, she does not lose the maternity benefit or medical bonus that she would otherwise have received.

There is one exception. If the dismissal is for **gross misconduct**, as prescribed, the employer may by a written order deprive her of the benefit, the bonus or both. The woman can appeal to the competent authority within 60 days of the communication of the order, and the decision on appeal is final.

➤ Sections 69–70: No Deduction and Forfeiture

Two further sections protect the woman's earnings. The table shows what each says and why.

Section	Rule	Reason
s.69 No deduction	No deduction from normal and usual daily wages because of lighter work under s.59 or nursing breaks under s.66	Lighter job or nursing must not cost wages
s.70 Forfeiture	Woman who works in any establishment while permitted to be absent for maternity forfeits benefit for that period	Earning elsewhere defeats purpose; limited to days actually worked

➤ Sections 71–72: Employer Duties and Inspector-cum-Facilitator

Under **Section 71**, an abstract of Chapter VI and its rules, in the language or languages of the locality, must be displayed conspicuously in every part of the establishment in which women are employed. Under **Section 72**, a woman may complain to the **Inspector-cum-Facilitator** if her benefit is withheld or if she is dismissed during her absence. The Inspector-cum-Facilitator may inquire into the complaint, direct payment or pass such other order as is just. A person aggrieved may appeal within 30 days to the prescribed authority, and the decision on appeal (or the Inspector's order, if no appeal is filed) is final.

The Chapter thus has two different appeal periods, which are set out below.

➤ Two Appeal Periods

Period	Appeal
60 days	By woman to competent authority against deprivation of benefit/dismissal for gross misconduct (s.68)
30 days	By any aggrieved person against Inspector-cum-Facilitator's order (s.72)

42 Maternity Benefit: Act 1961 vs Code and Distinctions

Ch VI

➤ Comparison with the 1961 Act

The table below compares the main provisions of the Maternity Benefit Act, 1961 with Chapter VI of the Code. It shows that the Code mostly carries forward the existing law, with changes in the wage basis, the Assam exemption, the medical bonus cap and the enforcement authority.

Provision	Maternity Benefit Act, 1961	Code, 2020
Prohibited employment	s.4: 6 weeks after delivery, miscarriage, MTP	s.59: same; 'period specified' and arduous work explained
Average daily wage	Highest of 3-month average, ₹10, minimum wage	3-month average subject to Code on Wages minimum; ₹10 floor removed
Qualifying service	80 days in 12 months; not for woman who immigrated into Assam while pregnant	80 days in 12 months; Assam exemption omitted
Period	26 weeks (8 before); 12 weeks (6 before) for 2+ children	Same (s.60(3))
Adoptive/ commissioning	12 weeks from handing over	Same (s.60(4))
Work from home	s.5(5), since 2017	s.60(5)
Medical bonus	₹3,500 as notified; cap ₹20,000	₹3,500 or notified; no cap
Special leave	ss.9, 9A, 10: 6 weeks, 2 weeks, 1 month	s.65: same
Nursing/crèche	s.11, 11A	ss.66, 67; common crèche expressly allowed
Enforcement	Inspector	Inspector-cum-Facilitator, with advisory role

➤ Distinguishing Similar Terms

Several terms in this Chapter sound alike but have different meanings. The following table sets them side by side.

➤ Distinguishing Similar Terms

Pair	Distinction
Prohibited vs benefit period	Prohibited (s.59): 6 weeks after delivery; benefit (s.60): up to 26 weeks, including the prohibited period
Adoptive vs commissioning mother	Adoptive: legally adopts child below 3 months; commissioning: biological mother with surrogate; both 12 weeks from handing over
Commissioning mother vs surrogate	Surrogate delivers and is entitled as delivering woman; commissioning mother gets only 12 weeks
Medical bonus vs benefit	Benefit replaces wages for absence; bonus is a single ₹3,500 sum, only if no free care
Deprivation vs forfeiture	Deprivation: written order after gross misconduct dismissal (s.68); forfeiture: automatic loss for days worked elsewhere (s.70)

43 Employees' Compensation: Background and Accident Reports

Ch VII (Ss. 73–99)

➤ Development of the Law

Before 1923 a worker injured at work had to sue the employer in a civil court and prove negligence, which was slow, costly and often hopeless. The **Workmen's Compensation Act, 1923**, in force from 1 July 1924, changed this by making the employer liable without proof of fault for an injury by accident arising out of and in the course of employment. It fixed schedules and a formula for the amount, and Commissioners decided disputes. The table shows how the law developed up to the Code.

Stage	Position
Workmen's Compensation Act, 1923	In force 1 July 1924; no-fault employer liability for injury by accident arising out of and in the course of employment; schedules and formula; Commissioners adjudicate

Stage	Position
Amendment 2009 (in force 2010)	Renamed Employees' Compensation Act; gender-neutral 'employee'; amounts linked to wages and age-based relevant factor; medical expenses reimbursed; funeral expenses
Amendment 2017	High Court appeal threshold raised to ₹10,000; employer to inform employees of their rights
Code, Chapter VII (Ss. 73–99)	Commissioner renamed competent authority; commuting accidents covered; liability for plantation housing collapse; funeral expenses at least ₹15,000; electronic notices and applications

Chapter VII of the Code (**Ss. 73–99**) therefore continues a scheme that is almost a century old, but it adds protection for commuting accidents, plantation housing and funeral expenses, and it moves notices and applications online.

➤ Nature of the Benefit and the Schedules

Compensation under this Chapter is an **employer-liability** benefit: it is paid from the employer's own funds or through insurance, and the employee makes no contribution. Where the employee is covered by the ESI Chapter, an employment injury is met by that scheme instead, and so Section 73 does not apply to such establishments. The Chapter works with four Schedules: the **Second Schedule** lists employments in which occupational diseases are recognised, the **Third Schedule** lists the occupational diseases, the **Fourth Schedule** lists injuries and the percentage loss of earning capacity for each, and the **Sixth Schedule** gives the relevant factor by age.

➤ Reports of Fatal Accidents and Serious Injuries (s.73)

When an accident causes death or serious bodily injury, the employer must give notice to the prescribed authority within 7 days. He must also send a report of the circumstances to the competent authority within 7 days of the death or injury. The State Government may allow the report to be sent to the same authority as the notice, and may extend the requirement to other premises. The table explains what counts as serious bodily injury.

➤ Serious Bodily Injury

Injury	Note
Permanent loss of use of, or injury to, any limb	Loss of function counts, not only amputation
Permanent loss of, or injury to, sight or hearing	Total or partial
Fracture of any limb	Even if it later heals
Enforced absence from work for more than 20 days	Absence caused by the injury

44 Employer's Liability and Plantation Housing

Ss. 74–75

➤ Main Rule (s.74(1))

Under Section 74(1), the employer is liable to pay compensation if a personal injury by accident, or an occupational disease listed in the Third Schedule, arises out of and in the course of employment. No fault of the employer need be shown. Both conditions must be met: 'in the course of' refers to the time and place of the injury, while 'arising out of' requires a causal link between the injury and a risk of the employment.

The proviso to the section lists the grounds on which the employer is not liable.

➤ No Liability (Proviso to s.74(1))

Ground	Note
(a) Injury does not cause total or partial disablement for more than 3 days	Minor injuries excluded; 3 days also the waiting period for temporary disablement
(b) Injury (not death or PTD) directly attributable to drink or drugs	Defence fails if result is death or permanent total disablement
(c) Same, attributable to wilful disobedience of an express safety order or rule	Order/rule must be express and for safety
(d) Same, attributable to wilful removal/disregard of a known safety guard or device	Knowledge of the device necessary

➤ Deeming Rules and Extensions

The remaining sub-sections widen or clarify the main rule, for example by treating some accidents as arising in the course of employment and by recognising occupational diseases. They are summarised below.

➤ Deeming Rules and Extensions

Provision	Rule
s.74(2) breach	Accident deemed to arise in the course of employment even if employee acted against law/order or without instructions, if for employer's trade or business
s.74(3) occupational disease	Employee in a Second Schedule employment with Third Schedule disease, after continuous service of not less than 6 months with same employer, deemed injured by accident; presumed to arise from employment unless contrary proved
s.74(4) commuting	Accident from residence to workplace or back, for duty, deemed in course of employment if nexus of circumstances, time and place established; new in Code
s.74(5) Schedules	Governments may add employments (Second) and diseases (Third) on not less than 3 months' notice
s.74(6)	Otherwise no compensation for a disease unless directly attributable to a specific injury by accident
s.74(7) civil suit	No compensation if suit for damages filed; no suit lies once claim filed before competent authority or compensation agreed

➤ Plantation Housing (s.75)

Section 75 is a new provision. The employer is liable under Section 76 for the death of, or injury to, a worker or a member of the worker's family caused by the collapse of a house provided by the employer in a plantation. There is no liability if the collapse is solely and directly due to the fault of the occupant or to a natural calamity. For this purpose a **worker** is a person employed for hire or reward, directly or through an agency, in skilled, unskilled, manual or clerical work, including a person engaged on contract for more than 60 days in a year. The table gives illustrations of the rules in this topic.

➤ Illustrations

Facts	Result
Drunk operator loses two fingers	No liability (partial disablement due to drink); if he had died, liable
Wrist sprain: absent 3 days / 5 days	No liability / liable for temporary disablement
Hit by bus on route home to office	Covered under s.74(4)
Operates forbidden machine to finish urgent order	Covered under s.74(2)

45 Amount of Compensation and Monthly Wages

Ss. 76–78

➤ Compensation Payable (s.76(1))

Section 76(1) fixes the compensation by reference to the result of the accident. For death and permanent total disablement it is a percentage of monthly wages multiplied by a **relevant factor**; for partial disablement it is a proportion of the total disablement figure; and for temporary disablement it is a half-monthly payment.

➤ Section 76(1): Compensation

Result	Compensation
Death	50% of monthly wages × relevant factor, or notified amount, whichever is more
Permanent total disablement (PTD)	60% of monthly wages × relevant factor, or notified amount, whichever is more
Permanent partial disablement (PPD)	Injury in Part II of Fourth Schedule: Schedule % of PTD compensation; other injury: % proportionate to loss of earning capacity assessed by medical practitioner
Temporary disablement (total/partial)	Half-monthly payment of 25% of monthly wages

The **relevant factor** is the figure in the Sixth Schedule for the employee's completed years of age on the last birthday before the compensation fell due. It falls with age, from 228.54 (age 16 or below) through 207.98, 197.06, 184.17 and 159.80, to 99.37 (age 65 or above). A minimum amount is also notified: under the 1923 Act it was ₹1,20,000 for death and ₹1,40,000 for permanent total disablement, and the Code lets the Centre notify and enhance these amounts. Under Section 76(3) the Centre may notify the monthly wages to be used in the formula; ₹15,000 was notified in 2020 under the 1923 Act. If one accident causes several injuries, the compensation for each is added, but the total cannot exceed the compensation for permanent total disablement.

➤ Temporary Disablement (s.76(4), (5))

The half-monthly payment falls due on the 16th day. If the disablement lasts 28 days or more, it is paid from the date of disablement; if it lasts less than 28 days, it is paid only after a 3-day waiting period. Payments continue

during the disablement or for 5 years, whichever is shorter. Any payments the employer has already made as compensation are deducted (payments for medical treatment are not), and no payment may exceed the difference between half of the monthly wages before the accident and half of the wages after it. Under Section 76(5), the employer also reimburses the actual expenditure on treatment of the injury.

➤ Funeral Expenses and Accidents Abroad

On the death of the employee, the employer must also deposit with the competent authority not less than ₹15,000 (or a higher sum prescribed by the State) for funeral expenses (s.76(2)). This is paid to the eldest surviving dependant; if there is none, or he did not live with the employee, it is paid to the person who incurred the expenses. For accidents outside India, any compensation awarded under that country's law is deducted from the amount payable (s.76(7)).

➤ Monthly Wages (s.78)

Because the formula depends on monthly wages, Section 78 says how they are worked out in different cases.

Case	Monthly wages	Example
Continuous service of 12 months or more	One-twelfth of total wages in last 12 months	4,80,000 ÷ 12 = ₹40,000
Continuous service less than 1 month	Average monthly wages of employee doing same/similar work with same employer or in same locality	Co-worker ₹28,000
All other cases	30 × total wages in last continuous period ÷ days in that period	30 × 1,20,000 ÷ 120 = ₹30,000

Service is **continuous** if not interrupted by absence exceeding 14 days.

The following calculations apply the formulas above.

➤ Worked Calculations

Facts	Solution
Death; age 30; wages ₹20,000; factor 207.98	50% × 20,000 × 207.98 = ₹20,79,800 (exceeds assumed minimum), plus at least ₹15,000 funeral
PTD; age 40; wages ₹25,000; factor 184.17	60% × 25,000 × 184.17 = ₹27,62,550
Loss of one eye, other normal (40% in Part II); age 35; wages ₹20,000; factor 197.06	PTD figure 60% × 20,000 × 197.06 = ₹23,64,720; 40% = ₹9,45,888
Temporary disablement 40 days; wages ₹18,000	Half-monthly ₹4,500; paid from date of disablement; first payment on 16th day
Temporary disablement 20 days	First 3 days waiting; 17 days: 4,500 × 17 ÷ 15 = ₹5,100
Death; age 48; wages ₹12,000; factor 159.80	50% × 12,000 × 159.80 = ₹9,58,800

46 Payment When Due, Review, Commutation and Distribution

Ss. 77–81

➤ Payment, Default, Review and Commutation

Under **Section 77**, compensation is payable as soon as it falls due. If the employer does not accept full liability, he must still make a provisional payment of the amount he admits, either by depositing it with the competent authority or by paying it to the employee. If the employer defaults for more than 1 month, the competent authority directs him to pay interest at the prescribed rate on the arrears and, if the delay is unjustified, damages of up to 50% of the arrears. For example, on arrears of ₹10,00,000 the damages may be up to ₹5,00,000.

A half-monthly payment may be **reviewed** under Section 79 on the application of either party where the employee's condition has changed. Under Section 80 it may be **commuted**, that is, redeemed by a lump sum, by agreement at any time, or by the competent authority on application after the payments have continued for not less than 6 months.

➤ Distribution of Compensation (s.81)

Compensation for death, and any lump sum payable to a woman or to a person under a legal disability, must be **deposited with the competent authority**; direct payment by the employer does not count as payment of compensation. The employer may, however, pay any dependant an advance of up to 3 months' wages, which is deducted from the compensation and repaid to the employer. Other compensation of not less than ₹5,000 may be deposited on behalf of the person entitled (under the 1923 Act the figure was ₹10).

The competent authority divides the death compensation among the dependants; if no dependant is found after inquiry, the balance goes back to the employer. Sums due to a woman or to a person under legal disability may be invested or applied for their benefit as the authority directs.

47 Notice, Claim, Overseas Accidents and Special Rules

Ss. 82–89

➤ Notice and Claim (s.82)

An employee or his dependants must follow a prescribed procedure to claim compensation. The table sets out the rules on notice, the time for a claim and the special case of occupational disease.

➤ Section 82: Notice and Claim

Point	Rule
Notice of accident	As soon as practicable; states name and address of injured person, cause and date; served by delivery, registered post, electronically, or notice-book entry
Time for claim	Within 2 years of the accident, or in death, within 2 years from date of death
Occupational disease	Accident deemed to occur on first day of continuous absence due to disablement; if symptoms appear within 2 years after leaving employment, on day first detected
Defective or no notice	Not a bar if employee died on premises or employer knew from another source; late claim admissible for sufficient cause

➤ Accidents Outside India (s.83)

Section 83 makes special rules for masters and seamen of ships, aircraft captains and crew, employees recruited by Indian companies to work abroad, and drivers, helpers and cleaners sent abroad with India-registered vehicles. Notice may be given to the ship's master, the aircraft captain or the local agent, and no separate notice is needed for an accident on board. A claim for death must be made within 1 year after news of the death is received; where a ship or aircraft is lost with all on board, it must be made within 18 months of the (deemed) loss. Depositions taken abroad by a Judge, Magistrate or Indian consular officer may be used, and no half-monthly payment is made while the shipowner pays maintenance for an injured master or seaman.

➤ Sections 84–89: Special Rules

The remaining sections deal with medical examination, contractors, third parties, insolvency, fatal accident statements and registration of agreements. They are summarised in the table.

➤ Sections 84–89

Section	Rule
84 Medical examination	Employee must submit to free examination by medical practitioner offered by employer; refusal suspends compensation (no compensation for suspension, waiting period extended); refusing free treatment: compensation fixed as if accepted
85 Contracting	Principal employer engaging contractor for work ordinarily part of his business is liable to contractor's employees as his own, indemnified by contractor; not if accident is outside premises under principal's control
86 Stranger	Where third person causes injury under circumstances creating legal liability, employer who pays is indemnified by that person
87 Insolvency	Employer's rights against insurer pass to employee; compensation is a priority debt; not for voluntary winding up for reconstruction/amalgamation
88 Fatal accident statements	Authority may require employer to state circumstances and liability within 30 days; if accepted, deposit within 30 days; if denied, dependants informed of right to claim, advocate from State panel may be arranged
89 Registration of agreements	Lump-sum agreements and agreements for woman/person under disability sent to authority for registration; may refuse if inadequate or by fraud/undue influence

48 Competent Authority, Appeal and Comparison

Ss. 90–99

➤ Competent Authority (ss.90–98)

If the parties cannot agree, the **competent authority** settles the question of liability (including whether a person is an employee), the amount and duration of compensation, and the nature and extent of the disablement (s.90). No civil court has jurisdiction over these matters. Under Section 91 the authority is appointed by the State Government from persons who are or were members of the State Judicial Service for 5 years, advocates of 5 years' stand-

ing, or Gazetted officers of 5 years' service with qualifications in personnel management, human resource development, industrial relations and legal affairs.

The procedure is covered in the following sections: venue and transfer (s.92); application in the prescribed form, with electronic filing allowed (s.93); further deposit in a fatal case (s.94); the powers of a civil court under the CPC, 1908 (s.95); appearance (s.96); recording of evidence (s.97); and reference of a question of law to the High Court (s. 98).

➤ Appeal to the High Court (s.99)

An order of the competent authority can be taken in appeal to the High Court only on the conditions shown in the table.

➤ Appeal to High Court (s.99)

Aspect	Rule
Appealable orders	Lump-sum award or refusal; interest/damages under s.77; refusal to redeem half-monthly payments; distribution among dependants or rejection of claim; indemnity under s.85(2); registering or refusing to register agreement
Conditions	Substantial question of law; amount in dispute at least ₹10,000 (or higher notified), except refusal of redemption
No appeal	Where parties agreed to abide by decision, or order gives effect to agreement
Employer's appeal vs lump sum	Needs competent authority's certificate that employer deposited amount payable
Limitation	60 days; s.5 Limitation Act, 1963 applies (delay condonable)

➤ 1923 Act vs Code

The table compares the Employees' Compensation Act, 1923 with Chapter VII of the Code.

➤ Employees' Compensation Act, 1923 vs Code

Provision	1923 Act	Code
Adjudicating body	Commissioner	Competent authority; qualifications stated
Commuting accidents	Not covered	Covered if nexus established (s.74(4))
Plantation housing	Not in Act	Employer liable for collapse (s.75); family covered
Death and PTD	50%/60% × wage × factor; min ₹1,20,000/₹1,40,000	Same formula; minimum is notified amount
Funeral expenses	Lower sum under 1923 Act	Not less than ₹15,000, for eldest surviving dependant
Temporary disablement	25% half-monthly; 16th day; 3-day wait; 5 years	Same
Deposit threshold	₹10 or more	₹5,000 or more
Notices/applications	Paper only	Electronic service and filing
Fatal accident statements	No legal aid	Advocate from State panel
Appeal	High Court; ₹10,000 (2017); 60 days	Same, Limitation Act s.5 expressly applied

➤ Distinguishing Pairs

The pairs below are easily confused, so the table sets out how they differ.

➤ Distinguishing Pairs

Pair	Distinction
PTD vs PPD	Total: capacity for all work ends (Part I, 100%); partial: reduced capacity (Part II %, e.g. 40% for loss of one eye)
Death vs PTD	50% vs 60% because a disabled survivor has continuing care needs
Waiting period vs 28-day rule	Under 28 days: first 3 days unpaid; 28 days or more: paid from date of disablement
Interest vs damages	Interest compulsory after 1 month default; damages up to 50% only if delay unjustified

Pair	Distinction
Review vs commutation	Review revises payment on changed condition; commutation converts to lump sum (by order after 6 months)
s.85 vs s.86	s.85: principal pays, recovers from contractor; s.86: employer pays, recovers from third person

49 BOCW Cess: Background and Scheme of Chapter VIII

Ch VIII (Ss. 100–108)

➤ Why a Cess on Construction

Construction workers are casual, often migrant, and engaged through contractors, so there is no fixed employer who can pay monthly contributions for them as in the provident fund or ESI. Parliament therefore decided to tax the **work** rather than the employment, by levying a **cess on the cost of construction**. Two Acts of 1996 gave effect to this: the **Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996** dealt with safety, registration, State Welfare Boards and the Welfare Fund, and the **BOCW Welfare Cess Act, 1996** provided for the levy. The cess was fixed at 1% of the cost of construction by a notification of 26 September 1996, and that rate continued until 2026.

The Cess Act is one of the nine Acts subsumed in the Code, and **Chapter VIII (ss.100–108)** has been in force since 21 November 2025. The provisions of the 1996 Acts are now spread as shown in the table.

➤ Where the 1996 Provisions Went

Subject	Present home
Levy, collection, assessment, recovery of cess (Cess Act)	Code, Chapter VIII, ss.100–105
Registration and cessation of beneficiaries (BOCW Act ss. 11–14)	Code, ss.106–107
Welfare Fund (BOCW Act s.24)	Code, s.108
State Welfare Boards (BOCW Act s.18)	Code, among social security organisations
Hours, safety, health, welfare facilities at sites	Occupational Safety, Health and Working Conditions Code, 2020

➤ Scheme of Chapter VIII

Chapter VIII follows the life of the cess: its levy, the interest and penalty for delay, assessment and appeal, and then the registration of the workers who benefit and the Fund from which they are paid. The table gives the core rule of each section.

➤ Scheme of Chapter VIII

Section	Subject	Core rule
100	Levy and collection	Not less than 1% and not more than 2% of cost of construction
101	Interest on delay	At rate prescribed by Central Government
102	Exemption	Where similar cess already paid under State law
103	Self-assessment	Within 60 days of completion; return under s.123
104	Penalty	Not exceeding amount of cess
105	Appeal	To appellate authority; order final
106	Registration	Age 18 to 60; 90 days of work in preceding 12 months
107	Cessation	At 60, or not engaged 90 days in a year
108	Welfare Fund	Salaries and administration ≤ 5% of total expenses

50 Levy and Collection of Cess

S. 100

➤ The Levy (s.100)

Under Section 100, a cess for the social security and welfare of building workers is levied at a rate of not less than 1% and not more than 2% of the cost of construction incurred by an employer, as the Central Government notifies. It is paid by the **employer**, that is, the person or body undertaking the work. The Central Government notified the rate of 1% by **S.O. 2322(E) dated 8 May 2026**, replacing the 1996 notification. The rate is notified by the Central Government, not by the State or the Board.

The section contains an Explanation on what is excluded from the **cost of construction**: (a) the cost of land, and (b) compensation paid or payable to an employee or his kin under Chapter VII. Other costs, such as an architect's fees and machinery hire, are not excluded.

➤ Modes of Collection

The Code allows four ways of collecting the cess, depending on the kind of work. They are described in the table.

➤ Modes of Collection

Mode	Where applies	How it works
Deduction at source	Works of Government or a public sector undertaking	Government/PSU deducts cess from contractor's bills and deposits with Board
Advance collection	Work needing approval of local or notified authority (e.g. building permit)	Authority collects in advance with application on estimated cost; final assessment follows; provisional
Uniform rate	Where Centre prescribes	Fixed on size, quantity or extent of work (e.g. per sq m built-up area) instead of actual cost; new in Code
Self-assessment	All other cases and the balance	Employer computes and pays within 60 days of completion (s.103)

Cess collected by a local or notified authority is paid to the State Building Workers' Welfare Board, not to the Consolidated Fund. The table below compares the section with the Cess Act, 1996.

Point	Cess Act, 1996 (s.3)	Code (s.100)
Rate	1% to 2% of cost	Same band; 1% notified 8 May 2026
Cost of construction	Not defined; land exclusion in rules	Explanation excludes land and Chapter VII compensation
Collection	Deduction at source, advance collection under rules	Deduction at source, advance collection, or uniform rate
Destination	Board, after deducting collection cost	Deposited with Board in prescribed manner

➤ Worked Example

The example applies the 1% rate to a project, showing which costs are included and which are excluded.

➤ Worked Example (1%)

Item	₹	Treatment
Land for commercial complex	4,00,00,000	Excluded
Materials, labour, machinery hire, contractor's charges	9,40,00,000	Included
Architect's fees and supervision	60,00,000	Included
Compensation to family of worker killed on site	12,00,000	Excluded
Cost of construction	10,00,00,000	Cess at 1% = ₹10,00,000

51 Interest, Exemption and Self-Assessment

Ss. 101–103

➤ Sections 101–103

Three sections deal with delay, double payment and the way the cess is assessed. The table states each rule and the position under the old Cess Act.

Section	Rule
101 Interest	Employer failing to pay cess in time pays interest from due date to actual payment at rate prescribed by Central Government. Old Act s.7: fixed in Act at 2% per month or part of a month
102 Exemption	Appropriate Government may exempt an employer or class in a State where such cess is already levied and payable under a corresponding State law; prevents double payment. Old Act s.6: State Government
103 Self-assessment	Employer pays on self-assessment within 60 days of completion of each work, or period notified by Centre

Interest under the old Act was fixed in the Act itself, so a delay of 2 months 15 days was counted as 3 months and ₹2,00,000 attracted 2,00,000 × 2% × 3 = ₹12,000. The Code does not fix 2% per month; it leaves the rate to be prescribed by the Central Government.

➤ Self-Assessment (s.103)

Under Section 103, the cost is calculated by the employer on prescribed documents, any advance cess already paid is adjusted, and the employer then files a return under s.123(d). If the authority finds a discrepancy, it holds an inquiry and passes an assessment order for additional cess, interest and recovery. The table compares this with the Cess Act, 1996.

Stage	Cess Act, 1996 (ss.4–5)	Code (s.103)
Who computes	Employer returned; assessing officer assessed	Employer self-assesses and pays
Time limit	Not clearly fixed	Within 60 days of completion, or as notified
Return	Under s.4 before assessment	Under s.123(d) after payment
Authority's role	Every case assessed	Inquiry/order only on discrepancy

Example: work is completed on 15 June 2026 and the actual cost, excluding land, is ₹3.45 crore, so the cess at 1% is ₹3,45,000. An advance of ₹3,00,000 was paid on an estimate of ₹3 crore, so the balance of ₹45,000 is payable by 14 August 2026.

52 Penalty and Appeal

Ss. 104–105

➤ Penalty (s.104)

If the employer does not pay the amount stated in the assessment order within time, the assessing officer may, after giving a reasonable opportunity of being heard, direct him to pay a **penalty** not exceeding the amount of cess. No penalty is imposed if the default was for good and sufficient reasons. The penalty is in addition to interest: interest compensates for the delay, whereas the penalty punishes the default.

➤ Appeal (s.105)

An employer aggrieved by an assessment order or a penalty order may appeal to the appellate authority within the prescribed time, in the prescribed form and manner, with a fee prescribed by the appropriate Government. The appellate authority gives a hearing and disposes of the appeal expeditiously, and its order is final and cannot be questioned in any court. The table compares these provisions with the 1996 Act.

Point	Cess Act, 1996	Code
Penalty	s.8: up to amount of cess, after hearing; none for good reason	s.104: same
Appeal	s.11: to appellate authority, with fee	s.105: same; order final
Criminal penalty	Imprisonment up to 6 months, or fine up to ₹1,000, or both	Offence under s.133: imprisonment up to 6 months, or fine up to ₹50,000, or both

Example: an assessment order requires ₹6,00,000 to be paid by 31 July and the builder pays nothing. After a hearing, a penalty of up to ₹6,00,000 may be imposed in addition to interest, but none if the delay is for good and sufficient reason.

53 Registration and Cessation of Building Workers

Ss. 106–107

➤ Registration (s.106)

Every building worker who has completed 18 years but not 60 years, and who has been engaged in building or construction work for not less than 90 days during the preceding 12 months, is eligible to register as a beneficiary. Registration is done by an officer authorised by the Welfare Board, in the manner prescribed by the Central Government, and only registered beneficiaries receive the benefits of the Board's schemes.

The old law (BOCW Act s.12) had the same age and 90-day conditions, but the matter was decided under State rules, with a hearing and an appeal if registration was rejected. The Code leaves hearing and appeal to the rules. Under the Social Security (Central) Rules, 2026, registration is done on a designated portal, employers and contractors must update the details within 30 days of a worker becoming eligible, and the record is updated within 30 days when a worker migrates to another State. The table applies the conditions to some cases.

➤ Eligibility Cases

Facts	Eligible?
Helper aged 17 years 10 months; 200 days	No: below 18
Mason aged 32; 140 days on three sites	Yes

Facts	Eligible?
Carpenter aged 45; 85 days construction + 60 days furniture shop	No: only construction counts; 85 < 90
Painter aged 59 years 6 months; 120 days	Yes
Electrician aged 60 years 2 months; 180 days	No: completed 60

➤ Cessation (s.107)

A worker ceases to be a beneficiary on attaining 60 years, or if he is not engaged in construction work for not less than 90 days in a year. There is one exception: absence caused by personal injury by accident arising out of and in the course of employment is not counted against the 90 days.

A beneficiary who has been registered for at least 3 years continuously immediately before reaching 60 remains eligible for the benefits the Centre prescribes (for example, a pension), and registration with the Board of another State is counted for this purpose. The table gives cases.

Facts	Result
70 working days; absent 40 days after scaffolding fall	Continues (accident absence ignored)
Took security guard job; no construction all year	Ceases
Registered in Odisha age 54–57, Kerala 57–60	Post-60 benefits (Odisha period counted)
First registered at 58, turns 60	Ceases; no post-60 benefit (only 2 years)

54 Welfare Fund, Comparison and Distinctions

S. 108

➤ Building Workers' Welfare Fund (s.108)

Each Building Workers' Welfare Board constitutes a **Building and Other Construction Workers' Welfare Fund**. The Fund is credited with (a) the cess levied under the Code, (b) grants and loans from the Central Government, and (c) sums from other sources the Centre decides. It is applied to (a) the Board's expenses, (b) the salaries and allowances of members, officers and employees, and (c) the objects authorised by the Code, which means the social security and welfare of building workers.

There is a limit on administration: salaries and other administrative expenses must not exceed 5% of total expenses in a financial year. For example, if total expenses are ₹600 crore, the limit is ₹30 crore; spending ₹34 crore on administration with the same welfare spending (total ₹604 crore, limit ₹30.2 crore) breaches it. The Fund is used for accident and death assistance, pension after 60, maternity assistance, education grants, house and tool loans and medical help.

The Supreme Court, in a 2018 public interest litigation, directed the Centre and the States to frame model schemes, register workers properly and use the Fund only for workers. In the 2020 lockdown the Centre advised direct cash transfers from the cess fund.

➤ 1996 Acts vs Code

The table compares the 1996 Acts with Chapter VIII of the Code.

➤ 1996 Acts vs Code

Subject	1996 Acts	Code
Levy	1–2%; cost not defined	Same band; land and Chapter VII compensation excluded; uniform rate; 1% notified 8 May 2026
Interest	2% per month or part (s.7)	Rate prescribed by Centre
Exemption	State Government (s.6)	Appropriate Government
Self-assessment	Return and assessment in every case	Self-assessment within 60 days; assessment only on discrepancy
Penalty / Appeal	Up to cess (s.8); appeal (s.11)	Same
Registration	s.12: 18–60, 90 days; hearing/ appeal	Same conditions; hearing and appeal in rules; national portal
Cessation	s.14: at 60 or idle 90 days	Same; post-60 benefits after 3 years' continuous registration
Fund	s.24: admin ≤ 5%	Same

➤ Distinctions

The following pairs are closely related but different.

➤ Distinctions

Pair	Distinction
Cess vs contribution	Cess on cost of a work, paid by whoever undertakes it; contribution is % of wages by fixed employer
Deduction at source vs advance collection	Source: Government/PSU works, from contractors' bills; advance: local authority at plan approval
Interest vs penalty	Interest runs automatically on delay; penalty needs assessment order, default, hearing and cannot exceed cess
Board vs Fund	Board manages; Fund is the money, mainly from cess
Cess Act vs BOCW Act	Cess Act raised money; BOCW Act regulated employment, registered workers, created Boards and Fund

55 Unorganised, Gig and Platform Workers: Background and Definitions

Ch IX (Ss. 109–114)

➤ Why This Chapter Exists

Chapter IX (**ss.109–114**) and the **Seventh Schedule** replace the **Unorganised Workers' Social Security Act, 2008**. The Chapter keeps the duty to frame schemes and requires registration of workers, and for the first time it provides schemes for **gig and platform workers**, funded partly by compulsory contributions from aggregators. This was needed because a platform rider is not an 'employee' under the traditional tests, and so falls outside employment-based laws unless a special provision is made.

The numbers explain the importance of the Chapter. By 2026 the e-Shram portal held about 31 crore registered unorganised workers. NITI Aayog (2022) estimated about 77 lakh gig workers in 2020-21 and projected about 2.35 crore by 2029-30. EPFO is one of the organisations through which schemes may be run.

➤ The 2008 Act

The table sets out the main features of the 2008 Act and its main weakness.

➤ 2008 Act

Feature	Position
Schemes	Central schemes on life/disability, health/maternity, old age; existing schemes listed in First Schedule
State schemes	Provident fund, employment injury, housing, children's education, skill upgradation, funeral assistance, old age homes
Boards	National and State Social Security Boards, advisory
Registration	Every unorganised worker aged 14 or more on self-declaration; identity card
Weakness	No dedicated fund or non-Government contribution; gig/platform workers not recognised

➤ What the Code Changes

The Code adds new categories of persons, new sources of money, a new registration system and more flexibility. It recognises **gig workers and platform workers** and places aggregators in the Seventh Schedule. The new money comes from an aggregator contribution of 1–2% of annual turnover, CSR funds, and a Social Security Fund at Central and State levels. Registration now has a minimum age of 16 (raised from 14), is Aadhaar-based and gives a unique number, with online self-registration. The First Schedule list of schemes is dropped, so any suitable scheme can be notified, and a special purpose vehicle may run it.

➤ Categories of Workers

The Code uses four categories, which are defined in the table.

➤ Categories

Category	Who	Example
Unorganised worker	Home-based, self-employed or wage worker in unorganised sector, incl. organised-sector worker not covered by main social security Chapters	Street vendor, agricultural labourer, domestic worker
Gig worker	Performs work or participates in work arrangement and earns outside traditional employer–employee relationship	Freelance photographer
Platform worker	Engaged in platform work: organisations/individuals use an online platform to access others to provide services for payment	Food delivery rider

Category	Who	Example
Aggregator	Digital intermediary or marketplace connecting buyers/users with sellers/service providers	Ride-hailing or delivery company

56 Schemes, Funding, Records and Helplines

Ss. 109–112

➤ Schemes (s.109)

Section 109 divides the work of framing schemes between the Centre and the States. The table shows the subjects of each.

Government	Subjects
Central (s. 109(1))	(a) life and disability cover; (b) health and maternity benefits; (c) old age protection; (d) education; (e) any other benefit
State (s.109(2))	Provident fund, employment injury benefit, housing, educational schemes for children, skill upgradation, funeral assistance, old age homes

The division is logical: the Centre takes the large insurance-type risks that need national pooling, while the States take welfare services that are delivered locally. A scheme may be implemented through a **special purpose vehicle**. Under the old law, schemes were recommended by the National Board and listed in a schedule; under the Code a notification is enough.

Funding of a Central scheme (s.109(3)): it may be funded wholly by the Centre; partly by the Centre and partly by the State; partly by the Centre, the States and contributions from beneficiaries or employers; or from any other source, including CSR funds under the Companies Act, 2013. Under s.109(4), each scheme provides for its scope, implementing authority, beneficiaries, resources, implementing agencies, grievance redressal and other matters.

➤ Sections 110–112

The next three sections deal with State funding, the records kept for each scheme, and help for workers who need to register. They are summarised below.

Section	Rule
110 State funding	State scheme funded wholly by State; or partly by State and partly by beneficiary/employer contributions; or other source. State may seek Central financial assistance for period and terms Centre thinks fit
111 Records	Government framing the scheme decides records, form (electronic or otherwise) and keeping authority; as far as possible continuous serial number to avoid duplicates and allow portability
112 Helpline and facilitation centres	Appropriate Government may set up toll-free call centre, helpline or facilitation centres for unorganised, gig and platform workers: disseminate information, facilitate filing and forwarding of registration applications, assist registration and scheme enrolment

Under the 2008 Act, facilitation centres were set up by State Governments for unorganised workers only. The Code extends them to gig and platform workers and lets either Government set them up.

57 Registration and e-Shram

S. 113

➤ Registration (s.113)

Every unorganised, gig and platform worker shall be registered, subject to completing 16 years of age (or the prescribed age) and submitting a **self-declaration**, electronically or otherwise. The application is made in the prescribed form with documents including the **Aadhaar number**, and the worker is given a registration number. The Government may allow self-registration electronically. A registered worker becomes eligible for the benefits of schemes under the Code.

➤ e-Shram

e-Shram was launched by the Ministry of Labour and Employment on 26 August 2021 as a national Aadhaar-seeded database of unorganised workers. Each worker gets a 12-digit Universal Account Number (UAN) and an e-Shram card, and registered workers received accident cover for the first year under the Government's personal accident insurance scheme. Under the Social Security (Central) Rules, 2026 (notified 8 May 2026), a designated Central portal registers unorganised workers aged 16 and above. Aggregators must register their gig and platform workers and upload the details of their existing workers within 45 days of commencement.

➤ 2008 Act vs Code

The table shows how Section 113 differs from the registration rules of the 2008 Act.

Point	2008 Act	Code (s.113)
Who registers	Unorganised workers only	Unorganised, gig and platform workers
Minimum age	14 years	16 years
Basis	Self-declaration	Self-declaration plus documents incl. Aadhaar
Proof	Smart identity card	Unique registration number; online self-registration

58 Gig and Platform Worker Schemes and Aggregator Contribution

s. 114 / Seventh Schedule

➤ Schemes and Funding (s.114)

Under **Section 114(1)**, the Centre may frame schemes for gig and platform workers on life and disability cover, accident insurance, health and maternity, old age protection, **crèche**, and other benefits. Under s.114(2) each scheme states its administration, implementing agencies, the role of aggregators and the sources of funds. Under s.114(3) funding may come wholly from the Centre; from the Centre and States; wholly from aggregator contributions; jointly from the Centre, States, aggregators or beneficiaries; from CSR funds; or from other sources. All contributions are credited to the **Social Security Fund** set up by the Centre, with a separate account for each source, and the National Social Security Board is the advisory body for these schemes.

➤ Aggregator's Contribution (s.114(4))

An aggregator in a Seventh Schedule category pays at a rate notified by the Centre, not less than 1% and not more than 2% of annual turnover. There is also a cap: the contribution shall not exceed 5% of the amount paid or payable to gig and platform workers, so in effect the aggregator pays the lower of the two figures. Annual turnover excludes any tax, levy or cess paid or payable to the Government. The cap links the burden to the workforce actually used, so that, for example, an e-marketplace with few riders is not made to pay heavily.

The Rules of 2026 add procedural details. An aggregator pays a provisional contribution with a self-assessed statement by 30 June, and files the final return and pays the balance by 31 October after audit. Late payment attracts simple interest at 12% a year, and any excess is refunded electronically. For a worker to be eligible, the Rules require engagement for at least 90 days with one aggregator or 120 days in all with more than one aggregator in the previous financial year; any day of earning counts, and the test is met afresh each year. The examples below apply the rate and the cap.

➤ Worked Examples

Turnover; rate; payout	Rate × turnover	5% of payout	Payable
₹100 cr; 2%; ₹30 cr	₹2 cr	₹1.5 cr	₹1.5 cr (cap)
₹200 cr; 1%; ₹40 cr	₹2 cr	₹2 cr	₹2 cr (equal)
₹500 cr; 2%; ₹20 cr	₹10 cr	₹1 cr	₹1 cr (cap)
₹80 cr; 1.5%; ₹12 cr	₹1.2 cr	₹0.6 cr	₹60 lakh (cap)
₹50 cr; 1%; ₹30 cr	₹50 lakh	₹1.5 cr	₹50 lakh (rate)
Gross ₹118 cr incl. GST ₹18 cr; 1%; payout ₹40 cr	₹1 cr (on ₹100 cr)	₹2 cr	₹1 cr (GST excluded)

➤ Seventh Schedule Categories

The Seventh Schedule lists nine categories of aggregators who must contribute.

➤ Seventh Schedule: Aggregator Categories (9)

Category	Illustration
Ride sharing services	App-based cab, auto, bike taxi
Food and grocery delivery services	Restaurant delivery, quick commerce
Logistic services	Parcel pick-up, last-mile courier
e-Market place (marketplace and inventory model), wholesale/retail, B2B or B2C	Online shopping platforms
Professional services provider	Lawyers, tutors, designers
Healthcare	Online consultation, medicine delivery
Travel and hospitality	Hotel and travel booking
Content and media services	Platforms paying content creators
Any other goods and services provider platform	Home services, repairs, beauty

Other developments: the Union Budget 2025-26 announced identity cards, e-Shram registration and national health assurance cover for platform workers, and State laws have been passed in Rajasthan (2023) and Karnataka (2025).

59 Unorganised Workers: 2008 Act vs Code and Distinctions

Ch IX

➤ 2008 Act vs Code

The table compares the 2008 Act with Chapter IX of the Code.

Provision	2008 Act	Code
Persons covered	Unorganised workers	Unorganised, gig and platform workers
Central schemes	On National Board's advice; First Schedule list	Notified by Centre (s.109(1)); no schedule
Funding	Centre, States, beneficiaries/ employers	Same, plus CSR, aggregator contribution, Social Security Fund
Implementation	Government departments and agencies	May be through special purpose vehicle
Helpline/ facilitation	State centres for unorganised workers	Toll-free helpline and centres by appropriate Government for all three groups (s.112)
Registration	Age 14; self-declaration; smart card	Age 16; self-declaration; Aadhaar; number; self-registration
Gig/platform workers	Not recognised	Schemes and aggregator contribution 1–2%, cap 5% (s.114)

➤ Distinctions

The following pairs of terms are closely related, so the table explains the difference between them.

➤ Distinctions

Pair	Distinction
Gig vs platform worker	Platform worker works via an online platform; gig worker earns outside traditional employment whether or not a platform is used (freelance plumber by phone is gig, not platform)
Aggregator vs employer	Aggregator pays contribution on turnover, not wage-based contributions
Rate vs cap	1–2% applies to annual turnover; 5% cap applies to payouts to gig/platform workers
s.109(1) vs 109(2)	Central: life, disability, health, maternity, old age, education; State: PF, employment injury, housing, children's education, skills, funeral, old age homes
Registration vs eligibility	Registration needs age 16 and self-declaration; benefit eligibility under 2026 Rules also needs 90/120 days of engagement

60 Accounts, Audit, Budget, Valuation and Property

Ch X (Ss. 115–121)

➤ Common Rules for All Organisations

Chapter X applies uniformly to all **social security organisations**: the Central Board of Trustees (EPF), the ESIC, the National and State Social Security Boards, and the Building Workers' Welfare Boards. Earlier, the EPF, ESI and BOCW Acts each had their own rules on these matters, which meant that the same kind of body was audited and managed in different ways. The table gives the requirement under each of the first four sections.

Section	Subject	Requirement
115	Accounts	Proper accounts of income and expenditure in form specified by appropriate Government after consulting the CAG
116	Audit	Audited annually by CAG; cost borne by the organisation; CAG has same rights as in Government audit (books, vouchers, inspection of offices)
117	Budget	Budget of probable receipts and expenditure for next year, submitted for approval of appropriate Government before prescribed date
118	Annual report	Report with adopted budget sent to Government, which lays report, budget, audited accounts, CAG's report and organisation's comments before Parliament or State Legislature

➤ Valuation (s.119)

The assets and liabilities of every fund are valued by a valuer or actuary appointed with the prior approval of the appropriate Government, who may change the interval by order. The table shows the interval for each body and the position under the old law.

Body	Code (s.119)	Old position
Central Board (EPF, EPS, EDLI)	Annually	Annual actuarial valuation under schemes
ESIC	Once in every 3 years	Every 5 years under s.37, ESI Act
Other organisation/establishment	As Government specifies by order	No uniform rule

➤ Property and Write-off (ss.120–121)

Under **Section 120**, an organisation other than the Corporation may acquire, hold and transfer movable and immovable property, invest its surplus funds, and, with the prior sanction of the appropriate Government, raise and repay loans. It may also form provident or benefit funds for its own staff. The investment of provident fund, pension and insurance funds follows the pattern laid down in the scheme, and the ESIC is excluded because the ESI Chapter has its own provisions.

Under **Section 121**, where a contribution, cess, interest or damages are irrecoverable, the organisation may sanction a write-off in the prescribed manner; provident fund, pension and insurance funds follow the procedure in the scheme. It helps to remember the purpose of two of these tools: audit by the CAG checks past transactions, while valuation by an actuary estimates whether future liabilities are covered.

61 Inspector-cum-Facilitators, Records and Wages

Ss. 122–124

➤ Inspector-cum-Facilitator (s.122)

The Central Government appoints Inspector-cum-Facilitators for Chapter III (provident fund), Chapter IV (ESI) and related provisions, and the appropriate Government appoints them for the other Chapters, by notification defining their jurisdiction. Their role is to facilitate compliance by advising employers and employees, and not only to inspect and prosecute. The old law had Inspectors (EPF Act s.13), Social Security Officers (ESI Act s.45) and inspectors under the Gratuity and Maternity Benefit Acts. The table lists their powers and duties.

➤ Powers and Duties

Power	Meaning
Advise	Give information and advice to employers and employees on effective compliance
Inspect	Inspect establishments assigned under the inspection scheme
Examine persons	Examine any person on premises believed to be an employee
Require information	Employer to produce documents/information on names, addresses, payments, contributions
Search and seize	Search, seize or copy registers, wage records or notices where an offence is believed committed
Report defects	Bring to Government's notice defects or abuses not covered by any law
Other powers	As prescribed

The Government may lay down an inspection scheme with a **web-based inspection** schedule and electronic calls for information, and the computer-based selection of establishments reduces discretion. There are safeguards as well: refusal to produce documents is dealt with under the IPC provisions, and searches follow the criminal procedure provisions on warrants and searches.

➤ Records, Returns and Wages (ss.123–124)

Under **Section 123**, the employer must maintain the prescribed records and registers (electronically or otherwise) on days worked, hours, wages, leave, overtime, accidents and compensation, cess and the number of employees. He must also display notices, issue wage slips and file returns. Clause (d) is the return filed after the self-assessed cess payment.

Section 124 says that no employer shall, by reason only of his liability to pay contribution or charges under the Code, reduce directly or indirectly the wages or total benefits of an employee, so the employer's share is borne by the employer. This repeats EPF Act s.12 and ESI Act s.72, and a breach is an offence under s.133. For example, a factory paying ₹18,000 that cuts the wage to ₹16,000 to recover its 12% PF share is acting in breach of the section.

62 Assessment of Dues and ESI Appeal

Ss. 125–126

➤ Authorised Officer (s.125)

The Central Government notifies officers of the Central Board or the Corporation, not below Group 'A' rank, as **Authorised Officers**. They decide disputes on whether the Code applies to an establishment and on the amount due as contribution or other dues under Chapters III and IV. For this purpose they have the powers of a civil court under the CPC, 1908, such as summoning, taking oath, discovery and production of documents, affidavit evidence and commissions. Section 125 also sets time limits, which the old law lacked, as the table shows.

Limit	Rule in s.125	Old position
Limitation	No proceeding initiated after 5 years from date dispute arose or amount became due	EPF s.7A: no limitation; ESI s.45A: 5 years (from 2010)
Completion	Inquiry held day to day and completed within 2 years of start	No time limit
Extension	Officer records reasons and reports to CPF Commissioner or ESIC Director General, who may extend by up to 1 year	Not provided
Pending inquiries	To be completed within 2 years of Code's commencement	N/A
Ex parte order	Employer may apply within 3 months to set aside for sufficient cause	EPF: similar, 3 months

The following cases apply these limits.

➤ Worked Cases

Facts	Result
Contributions due May 2020; inquiry wanted December 2026	Barred: over 5 years
Inquiry started 1 Feb 2026	Due by 31 Jan 2028; extendable to 31 Jan 2029
Old s.7A inquiry pending on 21 Nov 2025	Must end by 20 Nov 2027

➤ ESI Appeal (s.126)

Section 126 applies to orders of an Authorised Officer under Chapter IV (ESI). The appellate authority is an officer of the Corporation not below Joint Director. An appeal must be made within 60 days, and no appeal is entertained unless the employer deposits 25% of the contribution ordered or of the amount it calculated itself, whichever is higher. The appeal is decided within 6 months, and a successful employer gets the deposit back with interest.

Under the old law, ESI s.45AA was the same (60 days, 25%), while for PF orders the appeal lay to a tribunal with a deposit of up to 75%; under the Code the PF appeal is in Chapter III. **Example**: an order is for ₹16,00,000 and the employer admits ₹6,00,000. Then 25% of the order is ₹4,00,000 and 25% of the admitted amount is ₹1,50,000, so the deposit is ₹4,00,000 (the higher). For an order dated 2 March 2026, the appeal must be filed by 1 May 2026.

63 Interest, Damages and Recovery

Ss. 127–132

➤ Interest and Damages (ss.127–128)

Under **Section 127**, an employer who fails to pay dues must pay simple interest from the due date until the actual date of payment, at a rate notified by the Centre, which may vary by class. The 2026 Central Rules fix it at 12% a year; under the old law, EPF s.7Q and the ESI regulations also provided 12%.

Under **Section 128**, the CPF Commissioner, the ESIC Director General or an authorised officer may recover **damages** not exceeding the amount of arrears, after giving a reasonable hearing. The damages may be reduced or waived for an establishment under a resolution plan approved under the Insolvency and Bankruptcy Code, 2016. The old EPF s.14B graded damages from 5% to 25% a year according to delay, with a ceiling of 100% of arrears, and ESI s.85B allowed up to 100%.

Interest is automatic and compensatory, whereas damages are penal, follow a hearing and are discretionary up to the ceiling. For example, if ₹3,00,000 is paid 6 months late, the interest is 3,00,000 × 12% × 6/12 = ₹18,000, and the maximum damages are ₹3,00,000.

➤ Recovery (ss.129–132)

The dues that can be recovered are contributions, cess, charges, interest, damages, benefits wrongly received and other dues. Under **Section 129**, the Authorised Officer or competent authority issues a certificate to a Recovery Officer, and recovery is made first from the establishment's property, then from the employer's. The certificate may be sent to the Recovery Officer of the place where the employer does business, where the principal establishment is, where the employer resides, or where the property lies. The table lists the modes of recovery.

Mode / section	How it works
Attachment and sale	Movable and immovable property of establishment, then employer
Arrest and detention	Employer may be arrested and detained in prison
Receiver	Appointed to manage property and pay dues
Validity of certificate	Employer cannot dispute amount before Recovery Officer; issuing officer may withdraw/correct certificate or grant time to pay (stays proceedings)
Other modes (s. 131)	Deduction from money owed to employer; garnishee notice; application to court holding money; distraint and sale under Third Schedule, Income-tax Act
Income-tax provisions	Second and Third Schedules to Income-tax Act and Income-tax (Certificate Proceedings) Rules, 1962 apply with modifications

Garnishee example: a contractor owes ₹12 lakh of PF dues, and a department owes the contractor ₹20 lakh. The fund serves a notice on the department requiring ₹12 lakh to be paid directly to it.

64 Old Acts vs Code and Distinctions (Chapters X and XI)

Ch X–XI

➤ Old Acts vs Code

The table compares the rules of the EPF Act, 1952 and ESI Act, 1948 with Chapters X and XI of the Code.

Provision	EPF Act 1952 / ESI Act 1948	Code
Accounts and audit	Separate rules in each Act	Uniform rules; CAG audit (ss.115–118)
Valuation of ESI fund	Every 5 years	Every 3 years; EPF annually (s.119)
Inspecting officer	Inspectors (EPF), Social Security Officers (ESI)	Inspector-cum-Facilitator, web-based inspection (s.122)
Determination of dues	EPF s.7A, ESI s.45A	Authorised Officer (Group A); 5-year limitation; 2 + 1 years (s.125)
ESI appeal	s.45AA: 60 days, 25% deposit	Joint Director; decided in 6 months (s.126)
Interest	12%	Notified rate; 12% under 2026 Rules (s.127)
Damages	EPF s.14B, ESI s.85B: up to 100% of arrears	Not exceeding arrears; insolvency relief (s.128)
Recovery	EPF ss.8B–8G; ESI ss.45C–45I	Single procedure (ss.129–132)

➤ Distinctions

The following pairs of officers and remedies are often confused, so the table states how they differ.

➤ Distinctions

Pair	Distinction
Inspector-cum-Facilitator vs Authorised Officer	First inspects and advises; second decides applicability disputes and amount due with civil court powers
Authorised Officer vs Recovery Officer	Former determines amount, issues certificate; latter enforces and cannot reopen amount
Interest vs damages	Interest automatic, simple, notified rate; damages need hearing, cannot exceed arrears
s.125 vs s.126	s.125 original determination; s.126 appeal for ESI orders with 25% pre-deposit

65 Offences and Penalties

Ch XII (Ss. 133–138)

➤ Overview of Section 133

Chapter XII sets out the penalties for breaking the Code. **Section 133** lists 17 offences, in clauses (a) to (q), and groups them into four punishment tiers. The most serious offence is non-payment of contributions, and the heaviest punishment is for deducting the employee's share from wages and not depositing it. The Chapter also brings two compliance-friendly features: a prior opportunity to comply (s.137) and compounding of first offences (s.138). The table lists the offences.

➤ Offences (s.133)

Clause	Offence
(a)	Failure to pay any contribution payable under the Code
(b)	Deducting/attempting to deduct employer's contribution from employee's wages
(c)	Reducing wages or benefits in breach of Code (s.124)
(d)	Dismissing, discharging, reducing or punishing a woman employee in breach of insurance or maternity provisions
(e)	Failure to submit a return, report or statement
(f)	Obstructing Inspector-cum-Facilitator or other officer
(g)	Failure to pay gratuity
(h)	Failure to pay compensation
(i)	Failure to provide maternity benefit (or medical bonus)
(j)	Failure to send statement required under Chapter VII
(k)	Failure to produce registers or documents on demand
(l)	Failure to pay building workers' cess
(m)	Contravening Code, rules, regulations or schemes (residuary)
(n)	Obstructing executive officer under Chapter XIII
(o)	Dishonestly making false return, report, statement or information
(p)	Failing to comply with condition of exemption under s.143
(q)	Failure to pay administrative or inspection charges under Chapter III schemes

➤ Punishment Tiers

Each clause is punished according to its seriousness. The table shows the tier, the clauses in it and the punishment.

➤ Punishment Tiers

Tier	Clauses	Punishment
(i)	(a): employee's contribution deducted from wages	Imprisonment not less than 1 year, up to 3 years, and fine of ₹1,00,000
(i)	(a): any other failure to pay contribution	Imprisonment 2 to 6 months and fine ₹50,000; lesser term possible for adequate and special reasons recorded
(ii)	(g) gratuity	Imprisonment up to 1 year, or fine up to ₹50,000, or both
(iii)	(d), (f), (i), (k), (l), (o)	Imprisonment up to 6 months, or fine up to ₹50,000, or both
(iv)	(b), (c), (e), (h), (j), (m), (n), (p), (q)	Fine up to ₹50,000

Under the old law (EPF s.14, ESI s.85) the punishment was imprisonment of 1 to 3 years and a fine of ₹10,000; the Code raises the fine tenfold to ₹1,00,000. Minor and procedural defaults, such as failure to file returns or to pay compensation, are now punishable with a fine only.

➤ Sections 134–136

Section 134 (repeat offence): if the same offence is committed again after a conviction, the punishment is imprisonment up to 2 years and a fine of ₹2,00,000. For repeated failure to pay contribution, charges, cess, maternity benefit, gratuity or compensation, it is imprisonment of 2 to 3 years and a fine of ₹3,00,000.

Section 135 (companies): where a company commits an offence, the persons in charge of and responsible for the conduct of its business are deemed guilty. They can defend themselves by showing that the offence was committed without their knowledge or that they exercised all due diligence. A director, manager, secretary or other officer is also guilty if the offence was committed with his consent or connivance or was due to his neglect. For this purpose 'company' includes a firm or association of individuals.

Section 136 (cognizance): a court takes notice of an offence only on a complaint by, or with the prior sanction of, a notified authority, or on a complaint by the aggrieved person. The trial is by a court not below a Metropolitan Magistrate or a Judicial Magistrate of the first class.

66 Prior Opportunity to Comply and Compounding

Ss. 137–138

➤ Prior Opportunity to Comply (s.137)

The Code tries to bring employers into compliance before it punishes them. Under **Section 137**, before starting a prosecution, the Inspector-cum-Facilitator or the authority gives the employer a written direction specifying a period within which to comply, and if he complies there is no prosecution. This opportunity is not available if the same violation is repeated within 3 years of the first violation.

➤ Compounding (s.138)

Under **Section 138**, a first offence may be compounded, that is, settled on payment, by a notified officer on the accused's application, either before or after prosecution begins; a pending prosecution closes once the offence is compounded. For offences punishable with a fine only, the amount is 50% of the maximum fine. For offences punishable with imprisonment up to 1 year, or fine, it is 75% of the maximum fine. Compounding is not allowed if the same offence is repeated within 3 years of an earlier compounded offence or conviction. The money from compounding of Central offences goes to the Social Security Fund (s.141). The table gives examples.

➤ Compounding Examples

First offence	Rule	Amount
Failure to file return (fine up to ₹50,000)	50%	₹25,000
Failure to produce registers (up to 6 months or ₹50,000)	75%	₹37,500
Failure to pay gratuity (up to 1 year or ₹50,000)	75%	₹37,500
Non-deposit of employees' contribution (1–3 years, ₹1 lakh)	Imprisonment beyond 1 year	Not compoundable

➤ Identifying the Tier

The table below applies the punishment tiers to some facts.

➤ Tier Identification

Facts	Clause/tier	Maximum
Deducts 12% PF for six months, deposits nothing	(a)/(i)	Min 1 year to 3 years + ₹1 lakh
Pays nothing towards own ESI share for a quarter, no wage deduction	(a)/(i)	2–6 months + ₹50,000
Refuses gratuity	(g)/(ii)	1 year, or ₹50,000, or both
Dismisses woman on maternity leave	(d)/(iii)	6 months, or ₹50,000, or both
Cuts wages to recover own contribution; no annual return	(c) or (e)/(iv)	Fine ₹50,000

➤ Distinctions

The two provisions in this topic look alike, as do the employee's and employer's shares under Section 133. The table explains the difference.

➤ Distinctions

Pair	Distinction
s.137 vs s.138	Prior opportunity precedes prosecution and ends matter on compliance at no cost; compounding settles offence on payment, before or after prosecution
Employee's vs employer's share (s.133)	Undeposited employee's share: 1–3 years + ₹1 lakh; other contribution defaults: 2–6 months + ₹50,000

67 Career Centres, Social Security Fund, Exemption and Miscellaneous

Ch XIII–XIV (Ss. 139–164)

➤ Employment Information (ss.139–140)

These sections replace the **Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959**, which applied to the public sector and to private establishments with 25 or more persons and imposed fines of ₹500 for the first offence and ₹1,000 for later ones. The exchanges later became career centres under the National Career Service, 2015. Under **Section 139**, the appropriate Government may require establishments to report vacancies to the specified career centre before filling them, but there is no obligation to recruit through the centre. Section 140 lists the exclusions.

➤ Exclusions (s.140)

Excluded
Vacancies filled by promotion or absorption of surplus staff of the same establishment
Vacancies filled through independent agency such as UPSC, SSC, State PSC or notified agency
Private-sector agriculture (incl. horticulture), other than plantation
Domestic service
Staff of Parliament or State Legislature
Employment of total duration under 90 days (1959 Act: under 3 months)
Non-Government establishment with fewer than 20 employees (or notified number)
Vacancies below notified monthly remuneration; other notified establishments

The 2026 Rules add that reporting begins 90 days after notification, and that wages below ₹11,000 a month are exempt. A vacancy must be reported at least 15 days before the last date of application (for a regional centre) or 40 days (for the central centre). The selection result is reported within 30 days, and an annual return within 30 days after 31 March.

➤ Social Security Fund and Aadhaar (ss.141–142)

Section 141 creates a Central and a State fund for unorganised, gig and platform workers. The table compares them.

Point	Central fund (s.141(1))	State fund (s.141(2))
Purpose	Unorganised, gig and platform workers	Unorganised workers
Sources	Contributions under s.109(3) and s.114(3) incl. aggregators; compounding sums of Central offences; other prescribed	Compounding sums of State offences; other sources decided by State
Management	Separate account per source; as prescribed by Centre	As prescribed by State

Section 142 (Aadhaar) requires identity to be established by Aadhaar number for (a) registration as a member or beneficiary, (b) benefits in cash or kind, including sickness, pension, gratuity, maternity benefit and fund withdrawal, (c) career centre services, and (d) payment or medical attendance as an insured person. This section was brought into force in 2021, before the rest of the Code.

➤ Exemption and Deferment (ss.143–144)

Under **Section 143**, the appropriate Government may exempt an establishment, a group of establishments, employees or a class of them from all or any of the provisions or schemes, after consulting the Central Board for provident fund, pension and insurance and the Corporation for ESI. The condition is that the benefits must be substantially similar or superior, and the exemption is initially for 3 years, renewable as prescribed. An exempted provident fund requires the employer to set up a Board of Trustees, keep accounts, invest the money, credit interest, file returns, allow inspection and pay inspection charges. On cancellation or voluntary surrender of the exemption, the accumulations are transferred to the statutory fund.

Section 144 deals with emergencies: in a pandemic, endemic or national disaster, the Centre may defer or reduce the employer's, the employee's or both contributions for up to 3 months at a time. A precedent is the cut in PF contribution from 12% to 10% for the wages of May to July 2020.

➤ Miscellaneous Provisions (ss.145–164)

The remaining sections of Chapters XIII and XIV deal with a variety of matters, summarised in the table.

➤ Miscellaneous Provisions (ss.145–164)

Subject	Core rule
Transfer of establishment	Employer and transferee jointly and severally liable for dues up to transfer; transferee's liability limited to value of assets obtained
Public servants	Members/officers of organisations, Inspector-cum-Facilitators, Recovery Officers
Good faith	No suit/prosecution for acts in good faith
Misuse of benefits	Government may, after hearing, deprive person/establishment of benefit for specified period (earlier only for ESI)
Directions	Centre may direct State Governments, State Boards, organisations
Schemes	Appropriate Government may frame schemes after previous publication
Protection against attachment	Amounts to member's credit under Chapters III–VII not assignable or attachable; employer dues a charge on assets, paid in priority incl. insolvency

Subject	Core rule
Amending Schedules	Centre: First, Fourth, Fifth, Sixth, Seventh; appropriate Government: add to Second and Third
Transitional (ss.154–157)	Bodies under repealed Acts continue until new ones constituted
Rules and regulations	By Central/State Governments; regulations by Corporation
Prior publication (s.158)	Draft rules/schemes for at least 45 days; dispensable in pandemic, epidemic or disaster
Laying (s.160)	Central rules, regulations, schemes laid before Parliament for 30 days
Overriding effect	Code prevails over inconsistent laws, awards, agreements; more favourable existing benefits continue
Removal of difficulties (s.163)	No order after 2 years from commencement
Repeal and savings (s. 164)	Nine Acts repealed; EPF Scheme 1952, EPS 1995, EDLI 1976, 1997 tribunal rules continue for 1 year to extent consistent

➤ Distinctions

The table below distinguishes some provisions of this topic that are often confused.

➤ Distinctions

Pair	Distinction
Exemption vs deferment	Exemption frees establishment for 3 years if own benefits as good; deferment postpones/cuts contributions for all, 3 months at a time
Exchange vs career centre	1959 Act: private establishments of 25+; Code: establishments of 20+ report to career centres
Central vs State fund	Central: unorganised, gig, platform workers, receives aggregator contributions; State: unorganised workers

68 Key Numbers and Thresholds at a Glance (I): Code, Organisations, PF, ESI

Appendix A

➤ The Code

This appendix collects the main numbers of the Code in one place for quick revision. The first table covers the history, structure and constitutional basis of the Code.

➤ The Code

Item	Position
Codification recommended by	Second National Commission on Labour (Ravindra Varma), 2002
Consolidation	Laws into 4 Codes: Wages 4, Industrial Relations 3, Social Security 9, OSH 13
Enactment	Act No. 36 of 2020; assent 28 September 2020
Commencement	s.142 (Aadhaar) from 3 May 2021; whole Code from 21 November 2025
Central Rules	Social Security (Central) Rules, 2026: G.S.R. 344(E), 8 May 2026
Structure	14 chapters, 7 Schedules; repeal by s.164
Nine Acts repealed	Employees' Compensation 1923; ESI 1948; EPF 1952; Employment Exchanges (CNV) 1959; Maternity Benefit 1961; Gratuity 1972; Cine-Workers Welfare Fund 1981; BOCW Cess 1996; Unorganised Workers' Social Security 2008
Seven Schedules	I applicability; II employees for Chapter VII; III occupational diseases; IV disablement; V scheme matters; VI relevant factors; VII aggregators
Constitutional basis	Concurrent List Entries 23 and 24; Articles 38, 39(e), 41, 42, 43
ILO standard	Convention No. 102 (1952): nine branches of social security

➤ Applicability and Definitions

The next table summarises the rules on how far the Code extends and the main definitions.

➤ Applicability and Definitions

Item	Rule
Extension of coverage	After at least 2 months' notice (s.1(6)); once covered, always covered (s.1(8))
Voluntary coverage	EPF by CPFC (s.1(5)); ESI by Director General (s.1(7))

Item	Rule
Unorganised sector	Fewer than 10 workers
Inter-State migrant worker	Wages up to ₹18,000 a month (or as notified)
Wages (s.2(88))	Basic + DA + retaining allowance; exclusions (a)–(k); if (a)–(i) exceed 50% of remuneration, excess added back; kind up to 15%
Building work exclusion	Own residence costing up to ₹50 lakh

➤ Social Security Organisations

This table gives the composition and key numbers of the organisations created by the Code.

➤ Social Security Organisations

Body	Composition and numbers
Central Board of Trustees (s. 4)	Chairperson, Vice-Chairperson, up to 5 Central and up to 15 State representatives, employers' and 10 employees' representatives; CPFC ex officio
ESI Corporation (s.5)	1 per State, 1 UT, 10 employers', 10 employees', 2 medical, 3 MPs (2 Lok Sabha + 1 Rajya Sabha), Director General
National Social Security Board (s.6)	Chaired by Union Labour Minister; 40 nominated members; term 3 years; at least 3 meetings a year
State Unorganised Workers' Board (s.7)	Chaired by State Labour Minister; 31 nominated members; term 3 years; quarterly meetings
Building Workers' Welfare Board (s.7)	Chairperson + 1 Central nominee + up to 15 others; equal tripartite representation; at least 1 woman
Removal of member (s.8)	Absence from more than 3 consecutive meetings
Supersession (s.11)	After show cause; report within 3 months

➤ Provident Fund, Pension and Insurance (Chapter III)

The table below lists the main rules of Chapter III.

➤ Provident Fund, Pension and Insurance (Chapter III)

Item	Rule
EPF Act; EDLI; EPS	4 March 1952; 1976; 1995 (replaced Family Pension Scheme 1971)
Contribution (s.16)	Base 10%; notified 12% each for employer and employee
Wage ceiling	₹25,000 a month from 17 September 2026 (S.O. 5109(E)); earlier ₹15,000 from 1 September 2014
At ceiling	Employee ₹3,000; employer ₹3,000, of which EPS ₹2,083 and EPF balance
EPS share; Central subsidy	Up to 8⅓% of wages; Centre 1.16% (on ₹15,000)
EDLI	Up to 1%; notified 0.5% (₹125 at the ceiling)
EDLI benefit	Average wages + 50% of PF balance; minimum ₹2.5 lakh, maximum ₹7 lakh
EPS pension	Pensionable salary × service ÷ 70; at 58; 10 years' service; minimum ₹1,000 a month
PF interest 2025-26	8.25%
Co-operatives excluded (s. 20)	Fewer than 50 persons and working without power
Appeal (s.23)	Against orders under ss.125 and 128; pre-deposit 25% (old law 75%)

➤ Employees' State Insurance (Chapter IV)

The table below lists the main rules of Chapter IV.

➤ Employees' State Insurance (Chapter IV)

Item	Rule
Origin	Adarkar report 1944; ESI Act 1948; launched at Kanpur and Delhi on 24 February 1952; first law giving medical benefit in kind
Wage ceiling	₹21,000 a month; ₹25,000 for persons with disability
Contributions (since 1 July 2019)	Employer 3.25%; employee 0.75%; no employee share if average daily wage up to ₹176

Item	Rule
Deposit	Within 15 days of end of calendar month
Benefits	Sickness 70% for 91 days; maternity 100% for 26 weeks; disablement and dependants' 90%; medical; funeral up to ₹15,000
Medical board review	Not within 5 years of final, 6 months of provisional assessment
Director General; Financial Commissioner	Term up to 5 years
Employees' Insurance Court	Deposit 50% of amount claimed; limitation 3 years; appeal to High Court in 60 days
Appeal vs Authorised Officer (s. 126)	Joint Director; 60 days; 25% deposit; decided in 6 months

69 Key Numbers and Thresholds at a Glance (II): Gratuity to Offences

Appendix A

➤ Gratuity (Chapter V)

The first table in this part of the appendix summarises the rules on gratuity.

➤ Gratuity (Chapter V)

Item	Rule
Act	Payment of Gratuity Act 1972, in force 16 September 1972; Code ss.53–58
Qualifying service	5 years; working journalists 3 years; fixed-term employees pro rata after 1 year; none required on death or disablement
Formula	Last wages × 15/26 × completed years; part year over 6 months counted; seasonal 7 days per season
Ceiling	₹20 lakh (from 29 March 2018); better terms saved
Continuous service	Days a year (190 in mine/below ground); 120 / 95 for six months; seasonal 75%
Payment and appeal	Within 30 days; appeal within 60 + 60 days; nomination after 1 year; approved fund for 500+ employers

➤ Maternity Benefit (Chapter VI)

The next table summarises the main numbers in Chapter VI.

➤ Maternity Benefit (Chapter VI)

Item	Rule
Eligibility	80 days of work in preceding 12 months
Period	26 weeks (not more than 8 before delivery); 12 weeks (6 before) for two or more surviving children; adopting mother of child below 3 months and commissioning mother 12 weeks
Prohibited work	6 weeks after delivery, miscarriage or MTP
Medical bonus	₹3,500 or notified amount, if no free care
Other leave	Miscarriage/MTP 6 weeks; tubectomy 2 weeks; illness up to 1 month
Nursing breaks and crèche	2 breaks a day till child is 15 months; crèche for 50+ employees, 4 visits
Payment	Notice not earlier than 8 weeks before delivery; balance within 48 hours of proof

➤ Employees' Compensation (Chapter VII)

The next table summarises the main numbers in Chapter VII.

➤ Employees' Compensation (Chapter VII)

Item	Rule
Death	50% × monthly wages × relevant factor, or notified amount, whichever more
PTD	60% × monthly wages × relevant factor, or notified amount, whichever more
PPD	Percentage of loss of earning capacity (Fourth Schedule) × PTD amount
Temporary disablement	Half-monthly 25% from 16th day; 3-day wait if under 28 days; maximum 5 years
Relevant factor	228.54 (16 or below) to 99.37 (65 or above)
Funeral expenses	Not less than ₹15,000 (old Act ₹5,000)

Item	Rule
Delay	Interest after 1 month; damages up to 50% of arrears
Notice/statements	Report within 7 days; serious injury: absence over 20 days; statement and deposit within 30 days
Claims	Within 2 years; death abroad 1 year; ship or aircraft 18 months
Occupational disease; continuity	After 6 months' service; service broken by absence over 14 days
Appeal (s.99)	Substantial question of law; at least ₹10,000; within 60 days
Worked formula	Wages ₹12,000, age 48, factor 159.80: death 50% = ₹9,58,800; PTD 60% = ₹11,50,560

➤ Cess, Unorganised and Gig Workers, and Compliance (Chapters VIII–XI)

The next table brings together the figures from Chapters VIII to XI.

➤ Cess, Unorganised/Gig Workers, Compliance (Chapters VIII–XI)

Item	Rule
Cess (s.100)	1%–2% of cost; 1% notified (S.O. 2322(E), 8 May 2026); land and Chapter VII compensation excluded
Cess interest	Rate prescribed by Centre (old Act 2% per month)
Self-assessment (s.103); penalty (s.104)	Within 60 days of completion, return under s.123(d); penalty up to amount of cess
Registration (s.106); cessation (s.107)	Age 18–60 with 90 days in 12 months; ceases at 60 or idle 90 days; post-60 benefit after 3 years' continuous registration
Welfare Fund (s.108)	Administrative expenses ≤ 5% of total expenses
Registration s.113	Age 16 (old Act 14); self-declaration; Aadhaar; e-Shram launched 26 August 2021
Aggregator (s.114)	1%–2% of annual turnover, capped at 5% of payouts; taxes excluded; 9 Seventh Schedule categories
Gig worker eligibility (2026 Rules)	90 days with one aggregator or 120 days with several in previous financial year
Aggregator returns	Provisional by 30 June; final by 31 October; delay interest 12% a year
Audit; valuation	CAG annually; Central Board annually, Corporation every 3 years (old 5)
Authorised Officer (s.125)	Group 'A'; limitation 5 years; inquiry 2 years + 1 extension; pending inquiries 2 years; ex parte set aside within 3 months
Interest s.127; damages s.128	Simple 12% a year; damages not above arrears, waivable under insolvency resolution plan

➤ Offences and Miscellaneous (Chapters XII–XIV)

The next table brings together the penalties and the general provisions of Chapters XII to XIV.

➤ Offences and Miscellaneous (Chapters XII–XIV)

Item	Rule
Employee's deducted contribution unpaid	1 to 3 years + ₹1,00,000 (old: ₹10,000)
Other contribution default	2 to 6 months + ₹50,000
Gratuity	Up to 1 year, or up to ₹50,000, or both
Women employees, obstruction, maternity benefit, records, cess, false returns	Up to 6 months, or up to ₹50,000, or both
Returns, compensation, residuary, exemption conditions, charges	Fine up to ₹50,000
Repeat (s.134)	Up to 2 years + ₹2 lakh; repeated non-payment 2–3 years + ₹3 lakh
Court; prior opportunity; compounding	Not below MM/JMFC; written direction, not if repeated within 3 years; 50% / 75% of maximum fine
Vacancy reporting	Excluded: under 20 employees (non-Government), jobs under 90 days; wages below ₹11,000 exempt; old Act 25 persons
Exemption; deferment	Initially 3 years; up to 3 months at a time
Rules	Prior publication 45 days; laying 30 days; removal of difficulties within 2 years; EPF Scheme 1952, EPS 1995, EDLI 1976 continue 1 year

➤ Facts from Previous Examinations

The last table lists facts from the Code that were asked in earlier EPFO examinations, with the correct answer in each case.

➤ Facts Asked in Previous EPFO Examinations

Exam	Fact	Answer
EPFO 2017	Central statutory machinery	Employees' State Insurance Corporation
EPFO 2017	First law giving non-cash medical benefit	ESI Act, 1948
EPFO 2021	Maximum gratuity	₹20,00,000
EPFO 2025	Scheme not existing under EPF Act	Employees' Family Pension Scheme, 1971
EPFO 2025	Co-operatives outside EPF Act	Fewer than 50 persons, without power
EPFO 2025	ESI on ₹20,000 wages	Employer ₹650; employee ₹150
EPFO 2025	Not an ESI benefit	Health benefit
EPFO 2025	Gratuity on resignation after 6 yrs, death after 2 yrs, retirement after 5 yrs	1, 2 and 3 correct
EPFO 2025	Nursing breaks, 1961 Act	Two, in addition to rest interval
EPFO 2025	Loss of one eye, other normal	Permanent partial disablement
EPFO 2025	Death compensation ₹12,000, age 48, factor 159.80	₹9,58,800

CHAPTER 5

OSH Code, 2020

Constitutional Basis and Growt | The Journey to the Code and th | Objectives and Structure of th
Thirteen Acts Subsumed and Rep | Old Regime versus the Code, an | Extent, Scheme of Definitions
Establishment and Factory | Employee, Worker, Employer and

1 Constitutional Basis and Growth of Safety Laws

Ch 1

➤ Constitutional Basis

To understand why the Occupational Safety, Health and Working Conditions Code exists in its present form, we must first ask who has the power to make labour laws in India. Labour is mainly a **Concurrent List** subject (List III), which means that both Parliament and the State Legislatures can legislate on it. Where a Central law conflicts with a State law, the Central law prevails under **Article 254**, unless the State law has received the assent of the President. Three entries of the Concurrent List matter here: **Entry 22** deals with trade unions and industrial and labour disputes, **Entry 23** with social security, social insurance, employment and unemployment, and **Entry 24** with the welfare of labour, including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old-age pensions and maternity benefits.

Mines are treated differently. Regulation of labour and safety in mines and oilfields falls under Union List Entry 55 (List I), so only Parliament can make laws on this subject. This is why mines are governed by a Central law.

The Constitution also contains several provisions that explain the purpose of safety legislation. The table below lists the articles and entries that stand behind the Code.

Provision	Content
Article 24	No child below 14 years employed in any factory, mine or other hazardous employment
Article 39(e)	Health and strength of workers, men and women, and tender age of children not to be abused
Article 42	Just and humane conditions of work and maternity relief
Article 43	Living wage and conditions of work ensuring a decent standard of life
List I, Entry 55	Labour and safety in mines and oilfields (Union)
List III, Entries 22–24	Trade unions and disputes; social security; welfare of labour and conditions of work

➤ Growth of Separate Laws

Safety law in India grew sector by sector. The first Indian **Factories Act** was passed in **1881** to restrict the work of children in power-driven mills. It was replaced by Acts of 1891, 1911 and 1934, and finally by the Factories Act, 1948, which came into force on 1 April 1949. In the same way, the first Indian **Mines Act** was passed in **1901** and was followed by an Act of 1923 and then the Mines Act, 1952.

A turning point was the **Royal Commission on Labour (Whitley Commission)**, whose report of 1931 recorded long hours, unsafe premises and poor housing in factories, mines and plantations. After Independence, Parliament continued the sector-wise approach and enacted separate laws for plantations (1951), journalists (1955 and 1958), transport workers (1961), beedi workers (1966), contract labour (1970), migrant workers (1979), cine workers (1981), dock workers (1986) and construction workers (1996).

➤ Problems of the Old Regime

Passing one Act for each sector produced a patchwork. The first problem was **multiplicity**: there were 13 Central Acts, and each defined "worker", "employer" and "establishment" in its own way. The second was the **compliance burden**, because every Act required its own registrations, licences, registers and returns. A construction firm that used contract labour and migrant labour, for example, faced at least three laws at once.

Coverage was also **narrow**, since each Act applied only to its own sector and unit size, which left other workers without any statutory safety protection. The **inspection system** was equally fragmented: each Act had its own inspectors, whose main task was to detect and punish violations, which gave rise to the complaint of "inspector raj". Finally, many provisions were **outdated**: fines fixed in the 1950s and 1960s had never been revised, women were barred from night work, and digital and web-based productions were not covered at all.

2 The Journey to the Code and the Four Labour Codes

Ch 1

➤ Background and Origin

The idea of codifying labour laws is old. The **First National Commission on Labour** (chaired by Justice P. B. Gajendragadkar, report of 1969) reviewed the labour laws but did not recommend codification. It was the Second National Commission on Labour (chaired by Ravindra Varma, report of 2002) that recommended grouping the Central labour laws into a few functional codes. From 2015 the Ministry of Labour and Employment began drafting such Codes, and about **29 Central labour laws** were finally grouped into **four Labour Codes**.

The table below traces how the OSH Code moved from a recommendation to a law in force.

Date	Event
2002	Second NCL recommends functional codes
23 July 2019	OSH Code, 2019 introduced in Lok Sabha; referred to Parliamentary Standing Committee on Labour
February 2020	Standing Committee report; Government withdraws 2019 Bill to bring revised version
19 September 2020	Revised OSH Code, 2020 introduced in Lok Sabha
22 / 23 September 2020	Passed by Lok Sabha (22nd) and Rajya Sabha (23rd)
28 September 2020	Presidential assent; Act No. 37 of 2020
21 November 2025	All four Codes in force; the 13 Acts stand repealed
May 2026	Central rules under the Code notified; States notify their own rules

➤ The Four Labour Codes

The OSH Code is one of four Codes that together replace the old labour laws. The next table lists them with their Act numbers and the number of earlier laws each one merged. Note that the OSH Code merged the **largest number** of laws, thirteen.

Code	Act No.	Laws merged
Code on Wages, 2019	29 of 2019	4
Industrial Relations Code, 2020	35 of 2020	3
Code on Social Security, 2020	36 of 2020	9
OSH Code, 2020	37 of 2020	13 (largest number)

The OSH Code received assent on 28 September 2020, the same day as the Industrial Relations Code and the Code on Social Security. All four Codes were brought into force together on 21 November 2025.

3 Objectives and Structure of the Code

Ch 1

➤ Long Title

The long title of the Code reads: "An Act to consolidate and amend the laws regulating the occupational safety, health and working conditions of the persons employed in an establishment and for matters connected therewith or incidental thereto." The two verbs have different meanings. To **consolidate** is to bring the provisions of 13 Acts into one text; to **amend** is to change coverage, thresholds and penalties. The Code is therefore not a mere compilation of old laws.

The Code pursues several objectives, and the table below shows how each is pursued.

Objective	How pursued
Safety and health	Duties of employers and employees, national and State standards, safety committees, free annual health examination
Decent working conditions	Uniform rules on hours, leave, welfare facilities, working environment
Wider coverage	Common definition of establishment (10 or more workers); power to cover hazardous activities below that number
Simpler compliance	One registration, one licence, one return; electronic filing
Facilitation	Inspector-cum-Facilitators advise as well as inspect; randomised web-based inspection
Gender equality	Women may be employed in all establishments for all types of work, with safeguards

Objective	How pursued
Mobile workers	Wider inter-State migrant worker definition; new benefits
Deterrence	Higher penalties; part of fines credited to fund for social security of unorganised workers

The Code gives effect to the Directive Principles in **Articles 39(e), 42 and 43**, and it carries forward **Article 24** through its restrictions on the employment of children and adolescents in factories and mines. The **National Board** advises on national policy and standards, and in doing so reflects the ILO conventions on occupational safety.

➤ Structure

The Code has 143 sections and three Schedules. The **First Schedule** lists the industries involving hazardous processes and the **Third Schedule** lists the notifiable diseases. The Second Schedule is the mining-related schedule. The table below shows how the sections are arranged by subject.

Sections	Subject
1–2	Preliminary: short title, extent, commencement, definitions
3–5	Registration of establishments; notices of commencement and cessation
6–15	Duties of employers, employees, manufacturers, designers; notice of accidents and diseases
16–22	National and State OSH Advisory Boards, standards, safety committees, safety officers
23–24	Health, safety and working conditions; welfare provisions
25–32	Hours of work and annual leave with wages
33–42	Registers, records, returns; Inspector-cum-Facilitators and other authorities
43–44	Employment of women
45–66	Contract labour and inter-State migrant workers
67–93	Special provisions: audio-visual workers, mines, beedi and cigar, building work, factories, plantations
94–143	Offences and penalties, social security fund, miscellaneous, repeal

➤ Administering Bodies

At the Centre the Code is administered by the **Ministry of Labour and Employment**. Two technical bodies support it: the **DGMS** (Directorate General of Mines Safety) at Dhanbad looks after mine safety, and the **DGFASLI** (Directorate General, Factory Advice Service and Labour Institutes) at Mumbai advises on safety in factories and ports. At the State level, enforcement for factories and other establishments is headed by the **Chief Inspector-cum-Facilitator**.

4 Thirteen Acts Subsumed and Repealed

Ss. 143

The Code replaces thirteen earlier Acts, and the repeal is carried out by the last section. Section 143(1) repeals the 13 Acts, while **s.143(2)** is a savings clause: anything done or any action taken under the old Acts (such as a registration, a licence or a notification) is treated as having been done under the Code. This is what prevents a gap between the old and the new law. The table lists the repealed Acts and the subject each now contributes to the Code.

Act	Year	Subject now carried in Code
Factories Act	1948	General health, safety, welfare; factories and hazardous processes
Plantations Labour Act	1951	Plantations (tea, coffee, rubber, cinchona, cardamom)
Mines Act	1952	Mines
Working Journalists and Other Newspaper Employees (Conditions of Service and Miscellaneous Provisions) Act	1955	Working journalists and newspaper establishments
Working Journalists (Fixation of Rates of Wages) Act	1958	Working journalists (wage fixation now under wage law)
Motor Transport Workers Act	1961	Motor transport undertakings and workers
Beedi and Cigar Workers (Conditions of Employment) Act	1966	Beedi and cigar establishments
Contract Labour (Regulation and Abolition) Act	1970	Contract labour
Sales Promotion Employees (Conditions of Service) Act	1976	Sales promotion employees in definition of worker

Act	Year	Subject now carried in Code
Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act	1979	Inter-State migrant workers
Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act	1981	Audio-visual workers and productions
Dock Workers (Safety, Health and Welfare) Act	1986	Dock work and ports
Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act	1996	Building and other construction work

Two points about the list are worth remembering. The oldest Act merged is the Factories Act, 1948, and the latest is the BOCW Act, 1996. The two journalist Acts (1955 and 1958) are the only pair dealing with the same occupation.

The thirteen Acts can also be grouped by what they are built around. Four are **workplace-based**: Factories, Plantations, Mines and Dock Workers. Seven are **occupation-based**: the two Working Journalists Acts, Motor Transport, Beedi and Cigar, Sales Promotion, Cine-Workers and Building Workers. Two are based on the **mode of employment**: Contract Labour and Inter-State Migrant.

Some Acts with similar names were not merged into this Code, but into the Code on Social Security, because they deal with funds and cess rather than conditions of work. The table below shows the pairs side by side so that they are not confused.

Merged into OSH Code (conditions of work)	Merged into Code on Social Security (funds and cess)
BOCW (Regulation of Employment and Conditions of Service) Act, 1996	BOCW Welfare Cess Act, 1996
Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981	Cine-Workers Welfare Fund Act, 1981
Factories Act, 1948	Employees' State Insurance Act, 1948

5 Old Regime versus the Code, and Key Distinctions

Ch 1

➤ What Changed

The table below compares the position before the Code, under the 13 separate Acts, with the position under the OSH Code, 2020. It shows that the Code simplifies the system at every stage, from definitions and registration to inspection and penalties.

Feature	Before (13 Acts)	OSH Code, 2020
Laws	13 separate Central Acts	One Code with rules and standards
Definitions	Worker, employer, establishment defined differently	Common definitions for all establishments
Registration	Separate registration/licence under several Acts	Single electronic registration
Returns	Many returns	Single annual return filed electronically
Enforcement	Inspector under each Act	Inspector-cum-Facilitator with advisory role
Advisory bodies	Separate boards and committees	One National Board; a State Board in each State
Health check-up	Mainly hazardous processes	Free annual health examination for prescribed classes
Women	Night work and many operations barred	All establishments, all types of work, with consent and safeguards
Audio-visual	Only cine-workers and cinema theatre workers	All audio-visual productions, including digital and web-based
Penalties	Low, unrevised fines	Higher fines; part credited to social security fund

➤ Distinguishing Pairs

Several ideas in this introductory chapter look alike and are easily confused. The following table separates them and states the difference in one line each.

Pair	Distinction
Consolidate and amend	Consolidation joins laws in one text; amendment changes content. Code does both
Repeal and savings (s.143)	Repeal ends old Acts; savings keep registrations, licences, actions alive

Pair	Distinction
Union Entry 55 vs Concurrent Entry 24	Entry 55: mine/oilfield safety, Parliament only; Entry 24: welfare and conditions of work, Centre and States
First vs Second NCL	First: Gajendragadkar 1969; Second: Ravindra Varma 2002, recommended codification
OSH Code vs Social Security Code	OSH regulates workplace conditions; Social Security gives benefits (insurance, PF, gratuity)

A related point was tested in EPFO 2017 (EO/AO), which asked which entry belongs to the State List. The answer is relief of the disabled and unemployable (State List Entry 9). By contrast, safety in mines is Union List Entry 55, salt is Union Entry 58, and social security is Concurrent Entry 23.

6 Extent, Scheme of Definitions and Appropriate Government

Ss. 1–2

➤ Extent and Scheme

The Code extends to the **whole of India**. It comes into force on the date notified by the Centre, and different dates may be notified for different provisions; the Code has been in force since 21 November 2025. Section 2 is the definitions section. **Section 2(1)** contains the general definitions in alphabetical order, from "adolescent" to "working journalist" (about sixty in all), while **s.2(2)** explains when a person in a mine is treated as employed below ground or above ground.

Two words are used throughout the Code and should be kept apart. **Notified** means announced by a Gazette notification; wage ceilings, hazardous activities and building cost limits can be changed in this way. **Prescribed** means laid down in the rules, as with forms and procedures.

➤ Appropriate Government (s.2(1)(d))

The **appropriate Government** is the Government that administers and enforces the Code for a particular establishment: it registers the establishment, appoints Inspector-cum-Facilitators, makes rules and grants exemptions. The Code lists the establishments for which the Centre is the appropriate Government; for all others, it is the State Government of the State where the establishment is situated. The table below places the two lists side by side.

Central Government is appropriate Government for	State Government is appropriate Government for
Establishments carried on by or under authority of the Central Government	Factories (even of Central undertakings, situated in the State)
Railways (including metro railways), mines, oil fields, major ports	Plantations
Air transport services; telecommunication services	Motor transport undertakings
Banking and insurance companies; corporations and authorities established by a Central Act	Newspaper establishments
Controlled industries notified by the Centre	Beedi and cigar establishments
CPSUs, their subsidiaries, autonomous bodies owned or controlled by the Centre, and contractors engaged in the above	Every other establishment not in the Central list

Two special rules deserve attention. Under the CPSU shareholding rule, if the Central Government's shareholding in a public sector undertaking falls below 50 per cent after the commencement of the Code, the Centre continues to be the appropriate Government; this prevents the enforcing authority from changing merely because of disinvestment. For **factories**, the appropriate Government is **always the State**, even if the factory belongs to a Central undertaking, which continues the position under the Factories Act, 1948.

7 Establishment and Factory

s. 2(1)(v), (w)

➤ Establishment (s.2(1)(v))

An **establishment** is a place where any industry, trade, business, manufacture or occupation is carried on and where 10 or more workers are employed. The same 10-worker test applies to a motor transport undertaking, a newspaper establishment, an audio-visual production, building or construction work and a plantation. Two kinds of workplace have **no headcount test**: a mine, and a port or its vicinity where dock work is carried on. In addition, the Centre may notify establishments that carry on a **hazardous or life-threatening activity**, and the 10-worker threshold does not apply to them. A factory with 10 or more workers is an establishment for the purpose of registration even if it falls below the factory threshold.

➤ Factory (s.2(1)(w))

A **factory** is any premises, including its precincts, where a manufacturing process is being or is ordinarily carried on, and in which 20 or more workers work (or worked on any day of the preceding 12 months) if the process uses power, or 40 or more if it does not. Certain places are **not factories**: a mobile unit of the armed forces of the Union, a railway running shed, and a hotel, restaurant or eating place. A computer or data-processing unit is also not a factory unless a manufacturing process is carried on there.

Three counting rules apply. Pre-Code **State thresholds** (different worker numbers fixed by a State) continue in that State until its Legislature amends them. All workers in **groups and relays** (two or more sets of workers doing the same work in different periods) are counted together. And "ordinarily employed" means the average daily number of workers in the preceding calendar year.

The table below compares the factory definition under the Factories Act, 1948 with the Code. The main point is that the worker thresholds have been **doubled**.

Feature	Factories Act, 1948 (s.2(m))	OSH Code (s.2(1)(w))
With power	10 or more workers	20 or more workers
Without power	20 or more workers	40 or more workers
Excluded premises	Mine, mobile unit of armed forces, railway running shed, hotel, restaurant or eating place	Mobile unit of armed forces, railway running shed, hotel, restaurant or eating place (mines covered separately)
State variation	States could extend to smaller units under s.85	Pre-Code State thresholds saved until amended

The following examples show how the tests work in practice.

Facts	Result
Power workshop; 21 workers on one day last March, 16 now	Factory (20 on any day of preceding 12 months)
Hand-made carpet unit, no power, below 40	Not a factory; an establishment
Hand-rolling unit, no power, two shifts of 22 each	Factory (relays counted together: 44)
Software office, 300 staff	Not a factory (no manufacturing process); an establishment
Power printing unit, 12 workers daily	Not a factory (below 20); establishment (10+)

8 Employee, Worker, Employer and Occupier

s. 2(1)

➤ Employee, Worker and Employer

The Code uses several overlapping terms for the people who work and the people who employ them, and it is important to see who falls in which category. The table gives the meaning of each term as defined in section 2(1).

Term	Meaning
Employee (s.2(1)(t))	Person employed on wages in an establishment for skilled, semi-skilled, unskilled, manual, operational, supervisory, managerial, administrative, technical, clerical or other work; includes persons declared employees by appropriate Government; excludes armed forces members and Apprentices Act, 1961 apprentices. In a mine, a person working with owner/agent/manager permission is an employee even without wages
Worker (s. 2(1)(zzl))	Person employed for hire or reward in manual, unskilled, skilled, technical, operational, clerical or supervisory work; expressly includes **working journalists and sales promotion employees**
Employer (s.2(1)(u))	Person who employs one or more employees, directly or through another, or on behalf of another; includes a contractor and legal representative of deceased employer
Principal employer	Person in whose establishment contract labour is engaged (Government office/local authority: head or authorised officer; factory: owner or occupier and named manager; mine: owner or agent; other: person responsible for supervision and control)

Employee is the wider term, and **worker** is the narrower one. A worker excludes persons under the Army, Navy or Air Force Acts, persons in police service or prison staff, persons mainly in a managerial or administrative capacity, and supervisors drawing more than ₹18,000 a month (or a higher amount notified). Apprentices under the Apprentices Act, 1961 are not workers, since they are not employees.

Some illustrations make the difference clear. A manager on ₹1,20,000 is an employee only. A supervisor on ₹16,500 is both an employee and a worker, but a supervisor on ₹25,000 is an employee only. A clerk, a lathe operator and a guard are workers whatever their wage.

➤ Occupier of a Factory

The **occupier** of a factory is the person who has **ultimate control** over the affairs of the factory, and the identity of that person depends on how the factory is owned. In a firm or association, any one of the partners or members is the occupier. In a company, any one of the directors can be the occupier, but an independent director is not treated as the occupier. In a factory owned by the Government or a local authority, the person or persons appointed to manage it are the occupier. In the special case of a ship repaired in a dry dock, the owner of the dock is ordinarily the occupier, except for prescribed matters concerning the condition of the ship.

➤ Who Is the Employer

Because "employer" can mean different people in different workplaces, the Code identifies the employer for each type of establishment, as the following table shows.

Establishment	Employer
Government department	Authority specified by head of department; if none, the head
Local authority	Chief executive of the local authority
Factory	The occupier; the named manager also
Mine	Owner, agent or manager
Any other	Person or authority with ultimate control, including manager or managing director

9 Contractor, Contract Labour, Core Activity and Migrant Worker

s. 2(1)

➤ Contractor, Contract Labour and Core Activity

Much of the Code's regulation of contract work depends on three linked definitions. A contractor supplies the workers, contract labour is the workforce supplied, and the core activity test decides which work may be given to a contractor. The table sets out each definition.

Term	Meaning
Contractor (s. 2(1)(n))	Person who undertakes to produce a given result for an establishment (other than mere supply of goods) through contract labour, or supplies contract labour as a mere human resource; includes sub-contractor
Contract labour (s.2(1)(m))	Worker hired in or in connection with work of an establishment by or through a contractor, with or without principal employer's knowledge; includes inter-State migrant worker. Excludes a worker (other than part-time) regularly employed by the contractor for contractor's own activity with regular employment, social security and welfare benefits
Core activity (s.2(1)(p))	Any activity for which the establishment is set up, including any activity essential or necessary to it

The definition of core activity also lists the services that are **not** treated as core activities when they are only support services. These are: sanitation; canteen and catering; loading and unloading; courier; transport including ambulance; civil and construction works including maintenance; work of an intermittent nature; watch and ward (security); gardening and lawns; housekeeping and laundry; and the running of hospitals, educational and training institutions, guest houses and clubs (as support).

➤ Inter-State Migrant Worker (s.2(1)(zf))

An **inter-State migrant worker** is a worker who is recruited by an employer or contractor in one State for employment in another State. The definition also covers a worker **who has come on his own** from one State and obtained employment in an establishment of another State, or who has changed establishments within the destination State. The wage ceiling is not more than ₹18,000 a month (or a higher notified amount).

This is an important widening of the old law. The **1979 Act** covered only workmen recruited through a contractor, whereas the Code also protects **self-migrating** workers.

10 Age-Based Terms, Family and Occupation-Specific Persons

s. 2(1)

➤ Age-Based Terms

The Code defines the age categories of child, adolescent and adult, and the lower age limit for an adolescent has changed. The table compares the Factories Act, 1948 with the Code.

Term	Factories Act, 1948	OSH Code, 2020
Child	Not completed 15 years	Not separately defined; Child and Adolescent Labour Act: below 14 years

Term	Factories Act, 1948	OSH Code, 2020
Adolescent	Completed 15 but not 18 years	Completed 14 but not 18 years (s.2(1)(a), per Child and Adolescent Labour (Prohibition and Regulation) Act, 1986)
Adult	Completed 18 years	Completed 18 years (s.2(1)(b))

➤ Family

Family (s.2(1)(x)) means the spouse, dependent children (including adopted children) below 18, dependent parents, grandparents, and a widowed daughter and widowed sister. A dependant who has income from prescribed sources is not treated as dependent. The definition matters for benefits such as journey allowance and medical facilities.

➤ Occupation-Specific Persons

The Code also defines several categories of workers by occupation, each with its own inclusions and exclusions. The table below summarises them.

Term	Included	Excluded
Audio-visual worker (s.2(1)(f))	Person employed directly or through contractor in an audio-visual production for artistic or other work: actor, singer, anchor, news reader, dancer, dubbing artist, stunt person, technical staff	Remuneration exceeding amount notified by Centre (monthly or lump sum)
Building worker (s.2(1)(i))	Hire or reward; highly skilled, skilled, semi-skilled, unskilled manual, technical or clerical work connected with building or other construction work	Mainly managerial, supervisory or administrative
Motor transport worker	Person employed directly or through agency, with or without wages, on a transport vehicle or in connection with arrival, departure, loading or unloading: driver, conductor, cleaner, booking clerk, time-keeper, watchman	Employed in a factory, or covered by a shops and commercial establishments law
Sales promotion employee	Employed or engaged for hire or reward for promotion of sales or business	Supervisory staff above ₹18,000 a month (or notified); mainly managerial or administrative
Working journalist	Principal avocation journalism, whole-time or part-time in newspaper establishment or electronic or digital media: editor, sub-editor, reporter, correspondent, cartoonist, news photographer, proof-reader	Mainly managerial or administrative; supervisory with managerial functions

11 Sector-Specific Definitions

s. 2(1)

➤ Audio-Visual Production and Construction Work

Audio-visual production (s.2(1)(e)) means any production made wholly or partly in India, and it includes animation, cartoons, advertisements, digital productions, feature and non-feature films, television programmes and serials, web-based serials, and talk, reality and sports shows. This is far wider than the 1981 Act, which covered only feature films and cinema theatres. The **producer** is the company, firm or person who arranges an audio-visual production, including its finance and the engagement of workers.

Building or other construction work (s.2(1)(h)) means the construction, alteration, repair, maintenance or demolition of buildings, roads, railways, airfields, irrigation works, dams, canals, bridges, tunnels, pipelines, power generation and distribution, oil and gas installations, electric lines, internet and mobile towers, telecom structures and similar works. It excludes work in a factory or mine, and it excludes construction of one's own residence where the total cost does not exceed ₹50 lakh (or a higher notified amount) and the workers are within the notified number. The table compares this with the BOCW Act, 1996.

Feature	BOCW Act, 1996	OSH Code
Own-residence exclusion	Cost up to ₹10 lakh	Cost up to ₹50 lakh (or notified), workers within notified number
Work covered	Buildings and listed infrastructure	Same, with modern items such as internet and mobile towers
Excluded workplaces	Factories and mines	Factories and mines

➤ Mines

A **mine** is any excavation where any operation for searching for or obtaining minerals has been or is being carried on. It includes bore holes, oil wells, crude-conditioning plants, shafts, open-cast workings, conveyors, aerial ropeways, adits, power stations, and premises used for processing minerals or making coke. **Minerals** are all substances obtainable from the earth by mining, digging, drilling, dredging, quarrying and similar methods, and they include

mineral oils (natural gas and petroleum). An **open-cast working** is a quarry or excavation that is not a shaft and does not extend below the superjacent ground, and the **office of the mine** is the office at the surface.

Two further definitions fix responsibility. The **owner** is the immediate proprietor, lessee or occupier of the mine (including a liquidator or receiver), but not a person who merely receives royalty or rent; a contractor or sublessee is treated as an owner without relieving the real owner. The **agent** is every person, whether formally appointed or not, who acts on behalf of the owner and takes part in the management, control, supervision or direction of the mine.

Under **s.2(2)**, a person works **below ground** if he works in a shaft being sunk or in any excavation extending below the superjacent ground. **Above ground** means any other person in a mine, including those in open-cast workings.

➤ Plantation, Dock Work, Motor Transport and Newspaper Establishments

The table below gives the meaning of these four terms and shows how each differs from the old Act from which it was taken.

Term	Meaning	Change from old Act
Plantation	Land used or intended for growing tea, coffee, rubber, cinchona or cardamom measuring 5 hectares or more; other plants may be added by State with Central approval; contiguous land under one employer added together; includes connected offices, hospitals, dispensaries, schools; excludes factory on premises	Plantations Labour Act, 1951: 5 hectares and 15 or more persons; Code: 10 or more workers (establishment test)
Dock work	Work in or near a port connected with loading, unloading, movement or storage of cargo, including preparing ships, repairing and maintaining holds, tanks, lifting machinery, chipping, painting, cleaning	Ports are establishments with no headcount test
Motor transport undertaking	Carrying passengers or goods or both by road for hire or reward; includes private carrier	Old Act: 5 or more workers; Code: 10 or more
Newspaper establishment	Under control of a person or body for production or publication of newspapers or running a news agency or syndicate; units under common control deemed one; printing press principally printing newspapers included	From Working Journalists Act, 1955

12 Process, Hazard, Safety and Time Terms

s. 2(1)

➤ Manufacturing Process (s.2(1)(zi))

The **manufacturing process** is the central idea behind the definition of a factory, so it is defined very widely. It means any process for making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing or otherwise treating or adapting any article or substance for use, sale, transport, delivery or disposal. It also includes pumping oil, water or sewage; generating, transforming or transmitting power; printing (letterpress, lithography, photogravure) and book binding; constructing, repairing or breaking up ships; cold storage; and other notified processes. For example, commercial laundry, cold storage of potatoes and newspaper printing are manufacturing processes, whereas writing software code is not.

Two related terms complete the picture. A **godown** is a warehouse or place for storing articles needed for a manufacturing process. **Industrial premises** are premises, other than a private dwelling house, where an industry, trade, business or manufacturing process is ordinarily carried on, with or without power, and they include an attached godown.

➤ Hazard and Safety Terms

The Code defines a group of terms that deal with danger and safety. The table gives each one in turn.

Term	Meaning
Hazardous process (s.2(1)(za))	Process or activity in an industry or plantation specified in the First Schedule where, unless special care is taken, materials, by-products, wastes, effluents or spraying of pesticides, insecticides and chemicals would materially impair health or pollute the environment
Hazardous substance	Substance or preparation liable to cause harm to humans, living creatures, plants, micro-organisms, property or environment by chemical or physico-chemical properties or handling
Machinery	Any article or combination of articles used for converting any form of energy to perform work, or for developing, receiving, storing, transforming, transmitting or controlling energy
Serious bodily injury	Permanent loss of any part of the body or its use; permanent loss of or injury to sight or hearing; permanent physical incapacity; fracture of any bone or joint, or bones of phalanges of hand or foot

Term	Meaning
Competent person	Person or institution recognised by Chief Inspector-cum-Facilitator for tests, examinations and inspections; in mines includes persons authorised to supervise, such as shot-firer or blaster
Industry (s.2(1)(zd))	Systematic activity by co-operation of employer and worker for production, supply or distribution of goods or services, whether or not capital invested or for profit; excludes charitable, social or philanthropic service, sovereign functions (defence research, atomic energy, space), domestic service

➤ Time Terms and Other Definitions

The Code also fixes the meaning of the units of time used for working hours, along with a few borrowed and miscellaneous terms.

Term	Meaning
Day	Period of 24 hours beginning at midnight
Week	Seven days beginning at midnight on Saturday night, or other night approved in writing by Chief Inspector-cum-Facilitator for an area
Shift	Each period of the day during which a relay works; relay needs at least two sets of persons
Controlled industry	Industry whose control by the Union is declared expedient in public interest by a Central Act
Banking company	As under Banking Regulation Act, 1949, plus SBI, RBI, EXIM Bank, SIDBI etc.
Borrowed terms	Railway (Railways Act, 1989); metro railway (Metro Railways Act, 2002); major port (Indian Ports Act, 2025 replaces 1908 Act); telecommunication service (TRAI Act, 1997, broadcasting excluded); qualified medical practitioner (National Medical Commission Act, 2019)
Standards	Standards, regulations, rules, bye-laws and orders under the Code

➤ Worked Problems

Some problems show how these definitions apply together. A 16-year-old working in a factory is an adolescent under both the Factories Act (15–18) and the Code (14–18), but a 14-year-old was a child under the Act and is an adolescent under the Code. A mason from Bihar who migrates by himself to Kerala and earns ₹15,000 a month is an inter-State migrant worker under the Code, although he was outside the 1979 Act.

A person building his own house at a cost of ₹40 lakh with 8 workers is not doing building work under the Code (the limit is ₹50 lakh), though he would have been covered under the 1996 Act (limit ₹10 lakh). A sales supervisor on ₹22,000 is not a sales promotion employee and not a worker, but he is an employee. Finally, in a company with five directors, of whom two are independent, any of the three non-independent directors can be the occupier.

13 Key Numbers and Distinctions: Definitions

Ch 2

➤ Key Numbers

The definitions chapter contains many figures. The table below collects the most important ones in one place for quick revision.

Item	Figure
Establishment	10 or more workers; mines and ports: any number
Factory	20 (power) / 40 (no power) on any day of preceding 12 months (old Act: 10 / 20)
Worker supervisory ceiling; migrant wage ceiling	₹18,000 a month (or notified higher)
Own-house building exclusion	₹50 lakh (old ₹10 lakh)
Plantation	5 hectares; tea, coffee, rubber, cinchona, cardamom
Adolescent	14–18 (Factories Act: 15–18); adult 18
Motor transport	10 or more (old: 5)
Day / week	24 hours from midnight / from midnight on Saturday night

➤ Distinguishing Pairs

The following pairs of terms are close in meaning and are often confused. Each row states the point on which they differ.

Pair	Distinction
Employee vs worker	Employee includes managers/administrators; worker excludes them and supervisors above ₹18,000
Establishment vs factory	10+ workers any industry vs manufacturing process with 20/40 workers
Employer vs principal employer	Employer employs directly or through others; principal employer hosts contract labour
Hazardous process vs substance	Process: First Schedule activity; substance: material harmful by properties or handling
Contract labour vs contractor's regular employee	Regularly employed with benefits, deployed under contract: not contract labour

EPFO 2021 (EO/AO) asked for the definition of an adolescent under the Factories Act, 1948, and the answer is a person who has completed 15 but not 18 years (under the Code, 14 but not 18).

14 Registration of Establishments (s.3)

Ss. 3–5

➤ Key Provisions

Registration is the first duty of an establishment under the Code, because it tells the Government that the work-place exists and brings it into the system of inspection. The employer of an establishment that comes into existence after the commencement of the Code must apply **electronically** to the **Registering Officer** (appointed by the appropriate Government) within 60 days of the Code becoming applicable to it (s.3(1)). A late application is allowed on payment of a prescribed late fee. The application carries the prescribed particulars, including particulars of any employment of inter-State migrant workers, and the prescribed fee (s.3(2)). This single registration replaces the separate registrations earlier required under six subsumed laws.

The Central Rules add the following details. The application is made in **Form I** on the **Shram Suvidha Portal**, and the certificate is issued in **Form III** forthwith and in any case within 7 days. The certificate is non-transferable and must be displayed conspicuously. Establishments that were already registered must update their details in Form I within **6 months** of the Rules, and information about closure is shared with the EPFO and ESIC.

The table below sets out the other sub-sections of section 3.

Provision	Subject	Rule
s.3(3)	Grant	Certificate issued electronically within prescribed time; if officer fails, establishment is deemed registered, certificate auto-generated
s.3(4)	Change in ownership, management or particulars	Intimate within 30 days; certificate amended
s.3(5)	Closure	Inform within 30 days and certify all worker dues paid; officer cancels within 60 days, failing which cancellation deemed and auto-generated
s.3(6)(a)	Misrepresentation or suppression of material fact	Contravention; prosecution under s.94; registration not affected
s.3(6)(b)	Fraudulent registration, or registration useless/ineffective	Revoked after hearing, within 60 days of matter coming to notice
s.3(7)	Employment without registration	No employee may be employed if establishment not registered, or registration cancelled/revoked and no appeal preferred or appeal dismissed
s.3(8)	Existing establishments	Registered under any other central labour law (or notified law): deemed registered under Code, on furnishing details in prescribed time

The deemed-registration rule in s.3(3) is a facilitative feature: an employer is not left waiting if the officer is slow. To see what the single registration replaces, the next table lists the position under the old laws.

Old law	Position before Code
Factories Act, 1948	Plan approval, licensing and registration (s.6); occupier's notice at least 15 days before occupying premises (s.7)
Mines Act, 1952	Notice to Chief Inspector at least one month before starting mining (s.16)
Contract Labour Act, 1970	Registration of principal employer's establishment (s.7)
Inter-State Migrant Workmen Act, 1979	Registration of principal employer's establishment (s.4)
BOCW Act, 1996	Registration within 60 days of commencement of work (s.7)

15 Appeal and Notice of Commencement

Ss. 4–5

➤ Appeal (s.4)

A registration order can affect a business seriously, so the Code provides a remedy. Any person aggrieved by an order under section 3 (such as a refusal, cancellation or revocation) may appeal to the **Appellate Officer** notified by the appropriate Government. The appeal must be filed within 30 days of the communication of the order, although delay may be condoned for sufficient cause. The Appellate Officer decides the appeal after hearing the appellant, within 30 days of receiving it.

➤ Notice of Commencement (s.5)

Registration only records that an establishment exists. For activities that carry higher risk, section 5 requires more: no employer of a **factory, mine, contract labour establishment, or building or construction work** may commence work without giving an electronic notice of commencement to the prescribed authority, in the prescribed form and time. The **cessation** of the activity must also be intimated electronically. In short, registration records existence, while the notice shows that a hazardous activity has actually started or stopped.

The Central Rules fix the notice requirements as follows.

Establishment (Central Rules)	Notice required
Contract labour; building or other construction work	To Registering Officer and jurisdictional Inspector-cum-Facilitator within 30 days of commencement or cessation; cessation notice certifies worker dues paid and premises free of hazardous chemicals and substances
Mines	At least 30 days' prior notice of commencement, reopening, cessation, discontinuance, abandonment or closing
Factories and other establishments in a State	As laid down in State Government rules

➤ Time Limits at a Glance

Sections 3 to 5 contain many time limits, and the table below collects them for quick revision.

Event	Limit
Application for registration (new establishment)	60 days (s.3(1))
Change intimation	30 days (s.3(4))
Closure intimation / cancellation by officer	30 days / 60 days (s.3(5))
Revocation for fraud	60 days (s.3(6))
Appeal / disposal	30 days / 30 days (s.4)
Certificate (Rules) / update by existing establishments	7 days / 6 months

16 Duties of Every Employer and Special Duties (s.6)

s. 6

➤ General Duties of Every Employer (s.6(1))

Section 6(1) uses the word "employer" and not "occupier", so its duties reach shops and offices as well as factories. It consolidates s.7A of the Factories Act, 1948, which had been inserted in 1987 after the Bhopal gas disaster. The table lists the general duties clause by clause.

Cl.	Duty
(a)	Keep workplace free from hazards causing or likely to cause injury or occupational disease; comply with the Code
(b)	Comply with standards declared under s.18 and rules, regulations, bye-laws, orders
(c)	Free annual health examination or test for employees of prescribed age or class
(d)	Provide and maintain, so far as is **reasonably practicable**, a safe working environment without risk to health
(e)	Ensure disposal of hazardous and toxic waste, including **e-waste**
(f)	Issue letter of appointment to every employee in prescribed form; existing employees within three months of commencement
(g)	No charge on employees for safety and health maintenance, including medical examinations and investigations to detect occupational disease
(h)	In factory, mine, dock work, building/construction work or plantation: responsible for safety and health of employees, workers and other persons present, with or without employer's knowledge

Under the Rules, the appointment letter must contain the employee's name, date of birth and parent's name; Aadhaar (with consent); UAN or insurance number where available; designation, type of employment and skill category; date of joining; wages, basic pay, dearness allowance and other allowances; whether EPF and ESI apply; and the broad duties of the job. As an example, an employer with 40 workers on oral terms on 21 November 2025 needed to issue letters by 20 February 2026, and deducting ₹200 from a worker for a noise hearing test would breach cl.(g).

➤ Special Duties (s.6(2))

Workplaces with greater risk carry extra duties. Section 6(2) applies to a factory, mine, dock work, building or construction work and a plantation, as listed below.

Cl.	Duty
(a)	Provide and maintain plant and systems of work that are safe and without risks to health
(b)	Safety arrangements in use, handling, storage and transport of articles and substances
(c)	Information, instruction, training and supervision necessary for health and safety
(d)	Maintain all places of work and means of access and egress in safe condition
(e)	Provide, maintain or monitor a safe working environment with adequate welfare facilities

17 Mine Owner and Agent; Designers, Manufacturers and Architects

Ss. 7–9

➤ Owner and Agent of a Mine (s.7)

A mine is a particularly dangerous workplace, so the Code places responsibility firmly on those at the top. Under s. 7(1), the owner and the agent of every mine are each jointly and severally responsible for the financial and other provisions and for the steps needed to ensure compliance. Under s.7(2), when a contravention occurs, certain other persons are also deemed guilty unless they prove due diligence: (a) the official appointed to supervise, (b) the manager, (c) the owner and agent, and (d) the person appointed under s.24 for welfare matters. Finally, s.7(3) says that the appointment of a manager or officials is no defence for the owner or agent. The section follows s.18 of the Mines Act, 1952.

➤ Designers, Manufacturers, Importers and Suppliers (s.8)

Safety begins before a machine reaches the workplace, so section 8 places duties on every person who designs, manufactures, imports or supplies an article for use in an establishment. So far as is reasonably practicable, that person must (a) ensure that the article is safely designed and constructed when properly used, (b) carry out or arrange tests and examinations, and (c) make available adequate information on its use, testing and the conditions for safe use. An importer must also ensure that a foreign-made article conforms to the applicable standards.

Further provisions limit and extend this duty. Under s.8(2), the Centre may prescribe additional duties in consultation with the **National Board**, and under s.8(3) research to discover and eliminate risks may be required. Under s. 8(4) there is no need to repeat reliable research or tests, and under s.8(5) the duties are limited to matters within the person's control and the course of business. The old law was s.7B of the Factories Act, 1948, which applied only to factory articles and did not name importers.

➤ Architects, Project Engineers and Designers (s.9)

Section 9 reaches back to the planning stage of construction. Every architect, project engineer and designer of any building or construction work must ensure that **due consideration is given at the planning stage** to the safety and health of building workers and employees. They must not include any design feature that requires dangerous structural or other procedures, or materials hazardous to workers, during construction or maintenance. The Factories Act, 1948 had no equivalent provision.

18 Notice of Accidents, Dangerous Occurrences and Diseases

Ss. 10–12

➤ Accidents (s.10)

The Code requires employers to report serious accidents so that the authorities can investigate. Notice must be given to the prescribed authorities where an accident causes **death**, or causes bodily injury that prevents the person from working for 48 hours or more immediately following the accident, or is of a prescribed nature. The person who gives notice depends on the workplace: in a mine, the employer, owner, agent or manager; in a factory or dock work, the employer or manager; and in a plantation, construction or other establishment, the employer. Under s.10(2), for fatal accidents in a plantation, building or construction work or other establishments, the receiving authority must hold an **inquiry within two months**; if it does not, the Chief Inspector-cum-Facilitator has an Inspector-cum-Facilitator hold it.

The Central Rules fix the reporting times as follows.

Event	Requirement
Accident causing death	Forthwith to Inspector-cum-Facilitator, District Magistrate or SDO, police station and family of deceased
Injury preventing work for 48 hours or more	Written report within 12 hours after completion of the 48 hours
Injured person later dies or disability found	Intimated forthwith; confirmed in writing within 12 hours
Dangerous occurrence	Within 12 hours, even if no one is hurt

It is important not to mix up the two time periods. The 48 hours is the test of seriousness, not the reporting deadline. For instance, if a person is injured at 10 a.m. on Monday and cannot work until 10 a.m. on Wednesday or later, the report is due by 10 p.m. on Wednesday (48 plus 12 hours). Injuries that are not reportable must still be recorded in the establishment's register.

➤ Dangerous Occurrences (s.11)

A **dangerous occurrence** is a near miss: an event that could have caused serious harm, whether or not it actually injured anyone. Examples include an explosion, fire, gas leak, collapse of a building or scaffold, crane failure, hazardous chemical spill or a mine inrush. Under s.11, any dangerous occurrence of a prescribed nature must be notified by the employer, and the Central Rules list 27 classes of dangerous occurrences.

➤ Notifiable Diseases (s.12, Third Schedule)

Occupational diseases develop slowly and are often noticed first by doctors, so section 12 puts a duty on both the employer and the doctor. Under s.12(1), the employer must send notice (forthwith, under the Rules) if any worker contracts a disease listed in the **Third Schedule**. Under s.12(2), a qualified medical practitioner who attends a person suffering, or believed to be suffering, from such a disease must send a written report without delay to the office of the Chief Inspector-cum-Facilitator. Under s.12(3), a practitioner who fails to do so is liable to a penalty of up to ₹10,000. The Centre may add to or alter the Schedule by notification.

The Third Schedule lists 29 notifiable diseases, with serial numbers as printed in the Schedule. The table groups them by the kind of harm involved.

Group	Diseases (serial number)
Poisonings	Lead (1); lead tetra-ethyl (2); phosphorus (3); mercury (4); manganese (5); arsenic (6); nitrous fumes (7); carbon bisulphide (8); benzene and derivatives (9); halogens or halogen derivatives of aliphatic hydrocarbons (13); beryllium (23); carbon monoxide (24); phosgene (26); isocyanates (28)
Dust, fibre, radiation	Silicosis (12); radium/radioactive substances and X-ray effects (14); byssinosis (19); asbestosis (20); coal miners' pneumoconiosis (25)
Skin, organ and other	Chrome ulceration (10); anthrax (11); primary epitheliomatous cancer of skin (15); toxic anaemia (16); toxic jaundice (17); oil acne or dermatitis (18); noise-induced hearing loss (21); occupational or contact dermatitis (22); occupational cancer (27); toxic nephritis (29)

The usual workplaces for some of these diseases are: silicosis in stone crushing and quarrying, byssinosis in cotton mills, asbestosis in asbestos cement and brake linings, coal miners' pneumoconiosis in mines, noise-induced hearing loss in forging and looms, and lead poisoning in batteries and smelting. Tuberculosis is not listed.

➤ Factories Act and the Code Compared

The table below shows that the Code carries over the three notice provisions of the Factories Act but extends them to all establishments and raises the penalty on doctors tenfold.

Subject	Factories Act, 1948	OSH Code
Accidents	s.88: death or injury preventing work 48 hours or more	s.10: same test for all establishments; fatal accident inquiry within two months
Dangerous occurrences	s.88A: notice whether or not injury	s.11: same principle, all establishments
Diseases	s.89 and Third Schedule; practitioner's failure: fine up to ₹1,000	s.12 and Third Schedule; practitioner's failure: penalty up to ₹10,000

19 Duties and Rights of Employees

Ss. 13–15

➤ Duties (s.13)

Safety is a shared responsibility, so the Code also places duties on employees. Under s.13, an employee must take reasonable care of his own health and safety and of the health and safety of others who may be affected by his acts or omissions. He must comply with the safety and health requirements in the standards and co-operate with the employer in meeting the employer's statutory obligations. He must also **report** any situation that he believes to be a hazard; in a mine, the report goes to the agent, manager, safety officer or an official, who reports it to the employer. Lastly, he must not wilfully interfere with, misuse or neglect any safety, health or welfare appliance, must not wilfully and without reasonable cause endanger himself or others, and must perform other prescribed duties.

➤ Rights (s.14)

The Code balances these duties with rights. Under s.14(1), an employee has the right to obtain information on his own health and safety. If he thinks the protection is inadequate, he may represent to the employer, either directly or through a member of the **Safety Committee**, and if he is still dissatisfied he may approach the Inspector-cum-Facilitator.

Section 14 also deals with emergencies. Under s.14(2), an employee who reasonably apprehends **imminent** serious injury, death or danger to health must bring it to the employer and, at the same time, to the Inspector-cum-Facilitator. Under s.14(3), if the employer or the employee is satisfied that there is danger, he must take immediate remedial action and report forthwith to the Inspector-cum-Facilitator. Under s.14(4), if the employer is not satisfied, he must refer the matter forthwith to the Inspector-cum-Facilitator, whose decision is final.

➤ No Interference (s.15)

Section 15 is wider than section 13. No person at all, including visitors, contractors and managers, may intentionally or recklessly interfere with, damage or misuse anything provided in the interest of health, safety or welfare. The difference is that s.13 binds employees only, while s.15 binds everyone.

➤ Old Law versus the Code

The table below compares the duties and rights provisions of the Factories Act, 1948 with the Code. In every case the Code widens the coverage from factories to all establishments.

Subject	Factories Act, 1948	OSH Code
Employer's general duties	s.7A: occupier of a factory	s.6(1): every employer; e-waste, appointment letter, free annual health check
Manufacturers and suppliers	s.7B: factory articles	s.8: any establishment; importers named
Architects and designers	None	s.9: planning stage duty
Worker obligations	s.111: not interfere or misuse	s.13: wider, includes co-operation and hazard reporting
Worker rights	s.111A: information; approach Inspector in imminent danger	s.14: all employees; Inspector-cum-Facilitator decision final

➤ Distinguishing Pairs

Several provisions in ss.3 to 15 look alike. The following table separates them.

Pair	Distinction
Registration vs notice of commencement	s.3 applies to all covered establishments; s.5 only factories, mines, contract labour, construction
Misrepresentation vs fraud	Prosecution, registration stands vs revocation after hearing
Accident vs dangerous occurrence	Injury or death vs reportable even if nobody hurt
48 hours vs 12 hours	Inability to work making injury reportable vs time to report after it
Employer's notice vs doctor's report	s.12(1) employer to prescribed authority; s.12(2) doctor to Chief Inspector-cum-Facilitator, doctor alone liable to ₹10,000

20 National and State OSH Advisory Boards

Ss. 16–17

➤ National Board (s.16)

Safety standards need expert advice, so the Code creates advisory bodies. Under s.16 the Central Government constitutes by notification the **National Occupational Safety and Health Advisory Board** to advise it. The Board advises on (i) the standards, rules and regulations to be declared or framed, (ii) their implementation and the implementation of the Code, (iii) OSH policy and programme issues referred to it, and (iv) any other matters referred to it. It is one tripartite body with technical experts, and it replaces the sector-wise bodies that existed under the old Acts.

The composition of the Board under s.16(2) is shown below. It brings together senior officials, State representatives, employers, employees and experts.

Member	Status
Chairperson: Secretary, Ministry of Labour and Employment	Ex officio
Member Secretary: Joint Secretary, Ministry of Labour and Employment	Ex officio
Director General, DGFASLI, Mumbai	Ex officio
Director General of Mines Safety (DGMS), Dhanbad	Ex officio
Chief Controller of Explosives, Nagpur	Ex officio
Chairman, Central Pollution Control Board, New Delhi	Ex officio
Chief Labour Commissioner (Central), New Delhi	Ex officio
Director General, ESIC; Director General of Health Services, New Delhi	Ex officio
Principal Secretaries (labour) of 4 States, by rotation	Members
5 representatives of employers; 5 of employees	Members
1 representative of a professional body in OSH	Member
5 eminent persons in OSH or from reputed research institutions	Members
Representatives of States/UTs for particular matters	Special invitees, as needed

Note that the Chairperson is a civil servant (the Secretary), not the Minister, and the Member Secretary is a Joint Secretary.

Under s.16(3), the **term** of membership is 3 years for the 4 State Principal Secretaries, the 5 employer and 5 employee representatives, the professional body representative and the 5 eminent persons; the other ex officio members sit by virtue of their posts. Under s.16(4) the Centre decides the staff of the Board in consultation with it, under s. 16(5) the Centre may constitute technical or advisory committees, and under s.16(6) the Centre consults the States. The Rules add that a non-official member resigns in writing, with effect on acceptance or after 30 days, whichever is earlier, and that absence from 3 consecutive meetings without leave ends the membership.

➤ State Board (s.17)

Each State has its own advisory board. Under s.17, the State Government constitutes by notification a **State OSH Advisory Board** to advise it on the administration of the Code. The composition, chairperson, tenure and procedure are as prescribed by the State, as the Code itself lays down no numbers. The State may also constitute technical or advisory committees, including **site appraisal committees**.

The table below compares the two Boards.

Feature	National Board (s.16)	State Board (s.17)
Constituted by	Central Government	State Government
Advises	Centre	State
Chairperson	Secretary, Labour Ministry	As prescribed by State
Composition	Fixed in Code: 4 States, 5 employers, 5 employees, 5 eminent persons, officials	As prescribed by State
Committees	Technical or advisory	Technical or advisory, incl. site appraisal
Special role	Recommends amendment of Second Schedule; consulted on research institutions and manufacturers' additional duties	Advises on administration in the State

21 Occupational Safety and Health Standards

s. 18

➤ National Standards (s.18(1))

Under s.18(1), the Centre declares by notification **national standards** on occupational safety and health for factories, mines, dock work, beedi and cigar work, building and construction work and other establishments. A single national standard stops the States from competing with one another by lowering protection. The old law was s.41F of the Factories Act, 1948, which dealt with permissible exposure limits to chemical and toxic substances; the Code widens this to all hazards and all establishments.

➤ Subject Matter of Standards (s.18(2))

Section 18(2) lists what the standards may deal with. The table gives each clause.

Cl.	Deals with
(a)	Physical, chemical, biological and other hazards, including exposure limits; based on best evidence so no employee suffers material impairment of health or functional capacity from regular exposure
(b)	Norms for (i) appraising hazards; (ii) symptoms, treatment, conditions for safe use or exposure; (iii) monitoring and measuring exposure; (iv) medical examination and tests at employer's cost; (v) hazard evaluation such as safety audit, HAZOP, fault tree analysis, event tree analysis
(c)	Medical examination, including detection and reporting of occupational diseases, possibly continuing after employment ends
(d)	Disease arising out of and in course of employment; other aspects on report of authority designated by Centre
(e)	Specific measures for mines, factories, construction, beedi and cigar, dock work and notified establishments
(f)	Second Schedule matters: machinery safety, dangerous machines, hoists and lifts, lifting machines and tackles, pressure plant, floors, stairs and access, pits and openings, excessive weights, eye protection, dangerous fumes and gases, fire precautions

The four methods of hazard evaluation named in clause (b)(v) are different techniques. A **safety audit** is a systematic check against the standards. **HAZOP** is a method in which a team examines the parts of a process with guide words to find deviations. A **fault tree** works backwards from an accident to the failures that caused it, while an **event tree** works forwards from an initiating event to its possible outcomes.

➤ Amending the Standards

The Code controls how the standards may be changed. Under **s.18(3)**, the Centre may amend the Second Schedule on the recommendation of the National Board, after notifying its intention at least 45 days in advance. Under **s. 18(4)**, a State may amend the national standards for establishments for which it is the appropriate Government, but only with the prior approval of the Central Government.

22 Research, Surveys and Statistics

Ss. 19–21

➤ Research (s.19)

Under s.19, the appropriate Government may notify institutions to carry out research, experiments and demonstrations in occupational safety and health and to make recommendations. A State must **consult the National Board** before it notifies such an institution.

➤ Surveys (s.20)

Surveys allow the authorities to study conditions inside workplaces. Under s.20(1), the persons listed in the table may carry out a survey, and the kind of workplace they may survey depends on their office.

Clause	Who may survey	Where
(a)	Chief Inspector-cum-Facilitator	Factory or mine
(b)	Director General, DGFASLI	Factory
(c)	Director General of Mines Safety	Mine
(d)	Director General of Health Services	Factory or mine
(e)	Officer authorised by appropriate Government	Other establishments

A survey may be made during working hours or at other necessary times, after **written notice** to the employer. Under s.20(2), the employer must afford all facilities, including the examination and testing of plant, machinery and processes and the collection of samples and data. Under s.20(3), a worker must present himself for medical examination if required, and under s.20(4) the time spent counts as time at work for wages and overtime. A survey re-

port made to the appropriate Government is treated as a report of the Inspector-cum-Facilitator. The old law was s.91A of the Factories Act, 1948, which the Code extends to mines and other establishments.

➤ Statistics (s.21)

Under s.21(1), the Centre and the States collect, compile and analyse statistics on occupational safety and health and working conditions in the prescribed manner, and under the Rules employers submit the data electronically on a designated portal. Under s.21(2), a **database of inter-State migrant workers** is maintained on a portal, and workers register on it by self-declaration and Aadhaar.

23 Safety Committees and Safety Officers

s. 22

➤ Safety Committee (s.22(1))

Under s.22(1), the appropriate Government may, by a general or special order, require the employer of an establishment or a class of establishments to constitute a **Safety Committee** made up of representatives of the employer and of the workers. The workers' representatives must be not less than the employer's representatives, and they are chosen in the prescribed manner. This is a form of workers' participation in management, a point asked in EPFO 2017.

The Central Rules fill in the details, as the table shows.

Subject	Rule
Where required	500 or more workers in general; mines 100 or more; specified hazardous factories and building/construction work 250 or more, as applicable
Composition	Equal representation; not more than 20 members; adequate women workers
Management side	Senior official as Chairman, Safety Officer, Medical Officer where available, representatives of production, maintenance, purchase; Secretary: Safety Officer
Mines	Manager is Chairman; workers include at least one each from mining, electrical, mechanical
Tenure	3 years
Meetings	At least quarterly; mines monthly
Action	Employer acts on recommendations within 15 days
Functions	Unsafe conditions and practices, accident and dangerous occurrence reports, hazards, corrective action, safety campaigns

Earlier laws had narrower provisions. The Code now allows a committee in any establishment or class, with the workers' side at least equal to the employer's.

Law	Provision
Factories Act, 1948	s.41G (1987): hazardous process factories; equal worker and management representatives
BOCW Act, 1996	s.38: 500 or more building workers
OSH Code	s.22(1): any establishment or class by order; workers' side not less than employer's

➤ Safety Officers (s.22(2))

A Safety Committee gives advice, but a Safety Officer is a full-time expert. Under s.22(2), the employer must employ Safety Officers with the prescribed qualifications and duties where the stated number of workers is ordinarily employed (the words "or more" apply in every clause). The table compares the thresholds with the earlier position.

Cl.	Establishment	Workers	Earlier position
(a)	Factory	500 or more	Factories Act s.40B: 1,000 or more
(b)	Factory with hazardous process	250 or more	s.40B: any factory notified as involving risk
(c)	Building or other construction work	250 or more	BOCW Act s.38: 500 or more
(d)	Mine	100 or more	Under mines regulations

The number of Safety Officers required rises with the size of the workforce. The Central Rules prescribe the following scales.

Establishment	Scale
Dock work (500+ workers)	Up to 1,000: 1; up to 2,000: 2; up to 5,000: 3; up to 10,000: 4; then 1 more for every additional 5,000 or part
Building/construction	Up to 500: 1; up to 1,000: 2; up to 2,000: 3; up to 5,000: 4; then 1 more per additional 2,000 or part

Establishment	Scale
Mine (100+ workers)	Up to 500: 1; then 1 more per additional 500 or part

➤ Worked Example

Some examples show how the scales work. A construction site with 3,200 workers needs 4 officers, and one with 7,500 workers needs 4 + 2 = 6. A mine with 1,300 workers needs 1 + 2 = 3, and a port with 12,000 workers needs 4 + 1 = 5. A non-hazardous factory with 300 workers needs none under s.22(2).

24 Health, Safety and Working Conditions (s.23)

s. 23

Section 23(1) requires the employer to make arrangements to maintain the standards of health, safety and working conditions **as prescribed by the Central Government**. The Code lists the subjects and leaves the details to the rules. This is a change from the old Acts, which fixed technical details in the statute itself (for example, how often walls were to be limewashed), and these details were hard to update.

The table below lists the subjects in s.23(2) and the matching provision of the Factories Act, 1948, so that the change can be seen subject by subject.

Item	Subject	Factories Act, 1948 equivalent
(i)	Cleanliness and hygiene	s.11: walls limewashed at least once in 14 months, or painted/ varnished at least once in 5 years
(ii)	Ventilation, temperature, humidity	s.13: ventilation and temperature
(iii)	Freedom from dust, noxious gas, fumes, impurities	s.14
(iv)	Humidification, ventilation and cooling of air in work rooms	s.15: artificial humidification
(v)	Potable drinking water	s.18: cool water in hot weather where more than 250 workers
(vi)	Prevention of overcrowding; sufficient space	s.16: at least 14.2 cubic metres per worker
(vii)	Adequate lighting	s.17
(viii)	Latrines and urinals, separately for male, female and transgender employees	s.19: male and female only
(ix)	Treatment of wastes and effluents	s.12
(x)	Any other arrangement Centre considers appropriate	s.20 (spittoons) etc.

Because these standards are prescribed by the Centre, there is one national floor for all establishments. The facilities for transgender employees follow the Transgender Persons (Protection of Rights) Act, 2019. The Rules also require workrooms, passages, staircases, storerooms and service rooms to be kept sanitary and hygienic.

25 Basic Welfare Facilities (s.24(1))

s. 24(1)

Welfare facilities make the working day bearable and healthy. Under s.24(1), the employer of every establishment **shall provide**, in the manner prescribed by the appropriate Government, the facilities listed below. These are duties of the employer, in contrast to s.24(2), where the Government "may prescribe" further facilities.

Cl.	Facility	Details
(i)	Washing facilities	Adequate and suitable, separately for male and female employees
(ii)	Bathing places and locker rooms	Separately for male, female and transgender employees
(iii)	Storing and drying clothing	Suitable place for clothes not worn during work; drying wet clothing
(iv)	Sitting arrangements	For employees obliged to work standing
(v)	Canteen	Where 100 or more workers, including contract labourers, ordinarily employed
(vi)	Medical examination in mines	Before employment and at prescribed intervals
(vii)	First-aid boxes or cupboards	Prescribed contents; readily accessible during all working hours
(viii)	Other welfare measures	As prescribed, for a decent standard of life

The canteen provision shows the direction of the Code. Under s.46 of the Factories Act, a canteen was needed only where **more than 250** workers were employed, whereas the Code lowers the figure to 100 or more and expressly counts contract labour; exactly 100 workers is therefore enough. The Rules extend the canteen requirement to

mines, dock work, building and construction, beedi and cigar premises, motor transport undertakings and plantations where the threshold is met.

26 Prescribed Facilities, Crèche, Plantations and Health Examination

s. 24(2)–(4)

➤ Facilities the Centre May Prescribe (s.24(2))

Beyond the basic facilities, s.24(2) allows the Centre to prescribe further facilities for particular establishments, usually depending on the number of workers. The table lists them.

Cl.	Facility	Establishments	Threshold / details
(i)	Ambulance room	Factory, mine, building/construction	More than 500 workers
(ii)	Medical facilities, uniforms, raincoats	Motor transport undertakings	At operating centres and halting stations; protection against rain and cold
(iii)	Shelters or rest rooms and lunch room	Factory and mine; motor transport where employees halt at night	More than 50; rest rooms separate for male, female, transgender
(iv)	Welfare officer	Factory, mine, plantation	250 or more
(v)	Temporary living accommodation	Building/construction	Free of charge, at or near site, for work period
(vi)	Accommodation expenses	Work through contractor	Principal employer may be required to bear contractor's cost

Under the Rules, an **ambulance room** must have a full-time qualified medical practitioner and paramedical staff, including at least 1 nurse and 1 general duty or nursing assistant, together with privacy, emergency lighting, communication and drenching showers where needed; a tie-up with a hospital is allowed. Section 45(4) of the Factories Act also used the figure of more than 500, but the Code extends the facility to mines and construction. For **rest rooms and lunch room**, s.47 of the Factories Act required more than 150 workers, while the Code requires more than 50.

For a **welfare officer**, s.49 of the Factories Act required 500 or more workers, and the Code requires 250 or more. The scale is at least 1 officer for 250 to 500 workers and, beyond 500, one more for every additional 500 or part.

➤ Crèche (s.24(3))

Under s.24(3), the Centre may make rules for a crèche with suitable rooms for the **children under six years** of employees, where more than 50 workers are ordinarily employed. An establishment may use a common crèche provided by the Central or State Government, a municipality, a private entity or an NGO, and groups of establishments may pool their resources. Under s.48 of the Factories Act, a crèche was needed where more than 30 **women** workers were employed. The Code counts all workers, so fathers can also use the crèche and employers lose the incentive to limit the employment of women. Exactly 50 workers does not require a crèche.

➤ Plantations (s.24(4)) and Free Health Examination

Under s.24(4), the **State Government** may prescribe facilities for plantations, namely drinking water, housing, education of workers' children, medical facilities for workers and their families, and protection against rain and cold.

The free annual health examination comes from s.6(1)(c), and s.6(1)(g) forbids the employer from charging for it. Under the Rules, in **dock work and building or construction work**, the free annual examination is for employees who have completed 40 years of age. It is done by a qualified medical practitioner, who gives a certificate in **Form VIII** to the employer and the employee, and ESIC facilities may be used. In mines, additional tests are prescribed, and s. 24(1)(vi) requires examination before employment and at periodic intervals.

27 Welfare Thresholds: Old Law versus the Code

s. 24

➤ Comparison with the Factories Act

The welfare thresholds are a favourite subject of examinations because the figures are close to each other and each one differs from the old law. The first table compares each facility under the Factories Act, 1948 and the Code, and shows that most thresholds have been lowered.

Facility	Factories Act, 1948	OSH Code, 2020	Change
Canteen	s.46: more than 250 workers	s.24(1)(v): 100 or more, incl. contract labour	Lowered
Rest rooms and lunch room	s.47: more than 150	s.24(2)(iii): more than 50	Lowered

Facility	Factories Act, 1948	OSH Code, 2020	Change
Crèche	s.48: more than 30 women	s.24(3): more than 50 workers (any sex)	Gender-neutral
Welfare officer	s.49: 500 or more	s.24(2)(iv): 250 or more	Lowered
Ambulance room	s.45(4): more than 500	s.24(2)(i): more than 500	Same figure; wider coverage
First aid	s.45(1): one box for every set number of workers	s.24(1)(vii): boxes accessible in all working hours	Scale left to rules
Latrines, bathing, lockers	Male and female	Male, female and transgender	Wider

➤ The Numerical Ladder

Arranged in order of the number of workers, the facilities form a ladder, as the second table shows.

Workers	Facility (Code wording)
More than 50	Rest rooms and lunch room (factory, mine); crèche (any establishment)
100 or more	Canteen (including contract labour)
250 or more	Welfare officer (factory, mine, plantation)
More than 500	Ambulance room (factory, mine, construction)

➤ Worked Examples

Welfare officers: a factory with 240 workers needs none; a plantation with 480 workers needs 1; a mine with 1,150 workers needs 1 + 2 = 3; and a shop with 300 workers is not covered, because s.24(2)(iv) names only factories, mines and plantations.

Crèche: an establishment with 45 women and 15 men (60 workers) must provide one. An establishment with 20 women and 200 men must also provide one under the Code, though not under the Factories Act, and one with exactly 50 workers need not. A factory with 70 regular and 35 contract workers has 105 workers, because contract workers are counted. It must therefore provide a canteen, rest rooms, a lunch room and a crèche, but not yet a welfare officer.

➤ Distinguishing Pairs

Pair	Distinction
s.23 vs s.24	s.23: workplace health, safety, working conditions; s.24: welfare facilities
s.24(1) vs s.24(2)	(1) employer 'shall provide'; (2) Centre 'may prescribe'
'More than 50' vs '100 or more'	Rest rooms and crèche need at least 51; canteen needs exactly 100
'250 or more' vs 'more than 500'	Welfare officer at exactly 250; ambulance room only from 501
Ambulance room vs first aid	First-aid boxes everywhere; ambulance room only factory, mine, construction over 500
Shelter vs temporary accommodation	Shelter for rest during work; accommodation is living quarters near site

28 Chapter VII: One Code for Working Time

Ss. 25–32

Before the Code, working time was regulated by many separate laws: the Factories Act, 1948 (Chapters VI and VIII), the Mines Act, 1952, the Plantations Labour Act, 1951, the Motor Transport Workers Act, 1961, the Beedi and Cigar Act, 1966, the Working Journalists Act, 1955, the Sales Promotion Employees Act, 1976 and the building, construction and dock laws. Chapter VII of the Code (ss.25–32) sets common rules for all of them. It fixes the main limits itself, leaves intervals, spread-over and overtime ceilings to the rules (the Central Rules were notified on 8 May 2026), and meets special needs through provisos.

The table below gives an overview of the sections of the Chapter and the core rule in each.

Section	Subject	Core rule
25	Daily and weekly hours; leave for journalists and sales promotion employees	Not more than 8 hours a day; intervals and spread-over as prescribed
26	Weekly and compensatory holidays	Not more than 6 days a week; lost holidays compensated
27	Extra wages for overtime	Twice the rate of wages; worker's consent

Section	Subject	Core rule
28	Night shifts	Holiday and 'day' counted from end of shift
29	Overlapping shifts	Prohibited
30	Double employment (factory and mine)	Not if worked in similar establishment in preceding 12 hours
31	Notice of periods of work	Displayed; change normally not within one week
32	Annual leave with wages	180 days; 1 day for every 20; carry forward 30 days

29 Daily and Weekly Working Hours (s.25)

s. 25

Section 25(1)(a) lays down that no worker shall be required or allowed to work for more than 8 hours in a day, with intervals for rest and a spread-over as prescribed. The details come from the Central Rules, 2026. The total weekly hours must not exceed 48 hours, no worker may work more than 5 hours continuously without an interval of at least 30 minutes, and the spread-over, that is, the period from the start to the end of the day including rest intervals, must not exceed 12 hours.

The Ministry has clarified that a pattern of four days of 12 hours each (including intervals) with three days off is permitted. Hours beyond the daily or weekly limits remain overtime, payable at twice the rate.

The table below compares the Factories Act, 1948 with the Code and Rules. The daily limit has been reduced from 9 hours to 8, while the weekly limit is unchanged, and the spread-over has been widened from 10½ to 12 hours.

Point	Factories Act, 1948	OSH Code and Rules, 2026
Weekly hours	48 (s.51)	48 (rules under s.25)
Daily hours	9 (s.54)	8 (s.25(1)(a))
Interval	Half hour after 5 hours (s.55)	30 minutes after 5 hours continuous work
Spread-over	10½ hours (s.56)	12 hours
Where found	In the Act	Daily limit in Code; weekly, interval, spread-over in rules

The worked examples below show how the three tests of daily hours, continuous work and spread-over apply.

Arrangement	Lawful?
9–1 work, 1–1.30 lunch, 1.30–5.30 work	Yes: 8 hours, interval after 4 hours, spread-over 8½
8–2 work without break, then 2.30–4.30	No: 6 hours continuous exceeds 5
7–11, break till 4, 4–8	No: spread-over 13 hours exceeds 12
Six days of 8 hours	Yes: 48 hours, one holiday

30 Special Categories under Section 25

s. 25

➤ Mines

For mines, workers below ground may work only the hours notified by the Centre, and a person stays below ground only during the periods recorded in the register under s.33. Under the Mines Act, 1952, the limits were 48 hours a week and 9 hours a day above ground, and 48 hours a week and 8 hours a day below ground.

➤ Motor Transport Workers

For motor transport workers, working hours include three kinds of time. The first is time at work during **running time**, which runs from the start of the vehicle to the end of the day; an interruption of up to 15 minutes does not break the running time. The second is **subsidiary work**, such as accounts, cash, registers, tickets, taking over or garaging the vehicle, travel, repairs, and loading and unloading. The third is **mere attendance** at a terminal of less than 15 minutes, such as waiting for calls or for a fixed resumption of work.

➤ Working Journalists and Sales Promotion Employees

These two groups have special rules because their work does not follow factory-style hours. The table gives the rules and the earlier laws from which they are taken.

Provision	Rule	Earlier law
Hours, journalists (s.25(2))	Not more than 144 hours in any 4 consecutive weeks; at least 24 consecutive hours' rest in any 7 consecutive days	Working Journalists Act, 1955

Provision	Rule	Earlier law
Earned leave (s.25(3)(i)(a))	Full wages; not less than 1/11th of period on duty	Working Journalists Act; Sales Promotion Act, 1976
Medical leave (s.25(3)(i)(b))	On medical certificate, half wages; not less than 1/18th of period of service	Same Acts
Accumulation, encashment (s.25(3)(ii)–(iii))	Up to maximum; limits on encashment or availing at one time, as prescribed	Old Acts and rules
Cash for unavailed leave (s. 25(3)(iv)–(v))	On voluntary retirement, resignation, termination (not as punishment), or to heirs on death in service	Same Acts

➤ Adolescents (s.25(4))

The working hours of adolescents are governed by the **Child and Adolescent Labour (Prohibition and Regulation) Act, 1986**, which stays outside the Labour Codes.

31 Holidays and Overtime (ss.26–27)

Ss. 26–27

➤ Weekly and Compensatory Holidays (s.26)

Under s.26(1), no worker may work more than 6 days in any week. There is a proviso for motor transport: the employer may require work on the weekly holiday, but not for more than 10 consecutive days without an intervening whole-day holiday. Under s.26(2), the appropriate Government may notify exemptions with prescribed conditions.

When a worker loses a holiday because of an exemption, s.26(3) gives **compensatory holidays equal in number** to the holidays lost, to be given within the month in which the holidays were due or within the **two months immediately following** (three months in all). For example, a worker who works 4 Sundays of April under an exemption must receive 4 compensatory holidays in April, May or June; July is too late.

Point	Factories Act, 1948	OSH Code
Weekly holiday	First day (Sunday) or substituted day; no work for more than 10 consecutive days without holiday (s.52)	Not more than 6 days a week; 10-day rule only motor transport
Compensatory holidays	Equal number, within month or 2 months following (s.53)	Same, applies to all establishments (s. 26(3))

➤ Overtime (s.27)

A worker who works beyond the daily or weekly hours is entitled to wages at twice the rate of wages, computed on a daily or weekly basis, **whichever is more favourable** to the worker. A new protection is that no overtime may be taken without the worker's consent, whereas the Factories Act allowed an employer to require it. The appropriate Government may prescribe a maximum amount of overtime.

The Rules add that overtime arises when a daily-wage worker works more than 8 hours a day, or any other worker works more than 48 hours a week, and it is paid at the end of the wage period. A fraction of an hour is rounded: 15 to 30 minutes counts as 30 minutes, and more than 30 minutes counts as 1 hour. The ceiling is 144 hours in a quarter.

Point	Factories Act, 1948	OSH Code and Rules
Rate	Twice the ordinary rate (s.59)	Twice the rate of wages (s.27)
Arises	Beyond 9 hours a day or 48 a week	Beyond 8 hours a day or 48 a week
Consent	Not required	Required
Maximum	50 hours in a quarter in exempted cases (s.64)	144 hours in a quarter

➤ Worked Example

Take a daily wage of ₹800 for 8 hours. If the worker works 10 hours, the hourly rate is ₹100 and the overtime rate is ₹200, so 2 hours of overtime earn ₹400; an extra 20 minutes counts as 30 minutes and earns ₹100. For a monthly-paid worker who works 9 hours on 5 days and 3 hours on Saturday, the weekly total is 48 hours, so there is no weekly overtime, but on the daily basis there are 5 hours of overtime, and this is paid because it is more favourable. A worker who already has 140 hours of overtime in a quarter may be given only 4 more hours.

32 Night Shifts, Overlapping Shifts, Double Employment and Notice of Work Periods

Ss. 28–31

Sections 28 to 31 deal with how shifts are arranged and how workers are protected from overwork. The table below summarises each provision.

Section	Provision
s.28 Night shifts	Applies to a shift extending beyond midnight. (a) Weekly holiday = 24 consecutive hours beginning when the shift ends; (b) 'following day' = 24 hours from end of shift, and hours after midnight count in the previous day. Corresponds to s.57, Factories Act
s.29(1) Overlapping shifts	Prohibits more than one relay engaged in the same kind of work at the same time (e.g. 8–4 and 12–8 overlap 12–4)
s.29(2) Exemption	Appropriate Government, or Chief Inspector-cum-Facilitator with its approval, by written order giving reasons and conditions; not applicable to mines
s.30 Double employment	No worker in a **factory or mine** if already worked in another establishment of the same kind in the preceding 12 hours, except in prescribed circumstances (mines: specified by Centre). Corresponds to s.60, Factories Act
s.31(1) Notice of periods of work	Display and correctly maintain notice showing periods of work each day
s.31(2)	Form, display and sending to Inspector-cum-Facilitator prescribed; Rules: conspicuous notice board or electronic board; copy sent electronically or by speed post
s.31(3)	Proposed change intimated to Inspector-cum-Facilitator before it is made; without prior sanction no change until one week since last change

Two examples explain the night-shift rule. If a shift ends at 6 a.m. on Sunday, the weekly holiday runs from 6 a.m. on Sunday to 6 a.m. on Monday. If a shift runs from 8 p.m. on Monday to 4 a.m. on Tuesday, the hours from midnight to 4 a.m. are counted as Monday's work.

33 Annual Leave with Wages (s.32)

s. 32

➤ The Rules of Section 32

Annual leave with wages gives a worker paid rest each year in return for a minimum period of work. The table below sets out the provisions of s.32 and the Rules.

Provision	Rule
Eligibility (s.32(1)(i))	Worker who has worked 180 days or more in a calendar year gets leave with wages in the subsequent calendar year
Rate (s.32(1)(ii))	Adult: 1 day for every 20 days worked. Adolescent: 1 for 15. Worker below ground in a mine: 1 for 15
Counted, no leave earned (iii)	Days of lay-off, maternity leave and annual leave availed count towards 180 days but earn no leave
Holidays (iv)	Holidays during or at either end of leave not counted as leave
Joining mid-year (v)	Worker joining after 1 January: same rate if worked one-fourth of total days in remainder of year
Separation (vi)	Discharged, dismissed, quits, superannuated or dies in service: wages in lieu of leave due (to heir or nominee), even without 180 days
Payment time	Before expiry of the second working day after discharge, dismissal or quitting; within 2 months of superannuation or death
Carry-forward (vii)(a)	Unused leave added to next year; total not more than 30 days
Refused leave (vii)(b)	Leave applied for and refused: carried forward without limit
Encashment (viii)	On demand at end of calendar year
Above 30 days (ix)	Excess over 30 days may be encashed; 2026 clarification: no overall maximum on encashment
Extension (s.32(2)–(3))	Government may extend to any other establishment except railway establishments; mines: more favourable rights saved; Centre may exempt a mine with not less favourable rules
Leave record (Rules)	Leave-with-wages register for each worker; record shared once a year on demand; preserved 5 years after last entry

➤ Factories Act versus the Code

The Code makes it easier to qualify for leave and gives more freedom in carrying forward and encashing it. The table compares s.79 of the Factories Act, 1948 with the Code.

Point	Factories Act	OSH Code
Qualifying work	240 days	180 days
Adult rate	1 for 20	1 for 20
Young workers	Child: 1 for 15	Adolescent and underground mine worker: 1 for 15
Mid-year joiner	Two-thirds of remaining days	One-fourth of remaining days
Carry-forward	30 days (adult), 40 days (child)	30 days; refused leave unlimited
Encashment	Only on leaving employment	On demand at end of year; above 30 days

➤ Worked Examples

An adult who works 220 days earns 220 ÷ 20 = 11 days of leave, and an adolescent who works 195 days earns 195 ÷ 15 = 13 days. A worker who is present for 160 days, with 15 days of lay-off and 10 days of annual leave, has 185 days and is eligible, but the leave is earned on the 160 days worked, which gives 8 days. A worker who joins on 1 July has 184 days left in the year, one-fourth of which is 46 days; if he works 100 days, he earns 5 days.

Where 38 days are due and none was refused, 30 days are carried forward and the remaining 8 days may be encashed. A worker who quits on a Friday, when the establishment is closed on Saturday and Sunday, must be paid by Tuesday, the second working day.

➤ Distinguishing Pairs

Pair	Distinction
Working hours vs spread-over	Actual work (8 a day) vs whole span including intervals (12 hours)
Weekly vs compensatory holiday	Normal rest day vs replacement for one lost to exemption
Night shift vs overlapping shifts	Shift beyond midnight changing day-counting vs two relays on same work together (prohibited)
Annual leave (s.32) vs earned leave (s. 25(3))	1 for 20 after 180 days vs 1/11th for journalists and sales promotion employees
Unused vs refused leave	Capped at 30 days vs no limit
Second working day vs 2 months	Exit by discharge/dismissal/quitting vs superannuation or death

EPFO 2021 (EO/AO) asked for the maximum weekly hours of an adult worker, and the answer is 48 hours (s.51 of the Factories Act; the same under the Code through the Rules).

34 Registers, Returns and Inspector-cum-Facilitators

Ss. 33–36

➤ Background and Origin

Under the old labour laws, every Act had its own registers, its own returns and its own inspectors. A factory was inspected by a Factory Inspector under the Factories Act, 1948, a mine by an Inspector of Mines under the Mines Act, 1952, and plantations, docks, construction sites and motor transport each had their own officers as well. An employer running more than one kind of establishment therefore kept several sets of records and faced several inspectors.

The Code, which has been **in force since 21 November 2025**, replaces this with a **single duty** to keep registers and file returns (**Section 33**) and a **single class of officers**, the **Inspector-cum-Facilitator** (**Sections 34 to 42**). The name explains the idea: the officer does not only inspect and punish, but also advises and informs employers and workers about how to comply.

➤ Records Every Employer Must Keep (Section 33)

Section 33 lists four basic duties that apply to every employer. The table below sets them out clause by clause.

Clause	Duty of every employer
s.33(a)	Maintain a **register of particulars of workers** in the prescribed form, electronically or otherwise
s.33(b)	Display notices at the workplace in the prescribed manner and form
s.33(c)	Issue **wage slips** to workers, in electronic form or otherwise
s.33(d)	File **returns**, electronically or otherwise, with the Inspector-cum-Facilitator, for the prescribed periods

The register of workers is meant to give a complete picture of the employment. It shows the work performed, the normal daily working hours, the day of rest in every period of seven days, the wages paid and the receipts for them, leave, leave wages, overtime and attendance, dangerous occurrences, and the employment of adolescent workers. The Code leaves the exact forms to the rules. This allows a single combined register and online returns that can be matched with Provident Fund and insurance data.

The next table compares the record-keeping position under the old Acts with that under Section 33.

➤ Old Acts vs Code (records)

Point	Old Acts	OSH Code (s.33)
Registers	Separate registers under each Act	Prescribed form; combined and electronic registers possible
Form	Mostly physical	Electronically or otherwise
Wage slips	Only under some laws and rules	Every employer issues wage slips
Returns	Annual and half-yearly under each Act	Filed with Inspector-cum-Facilitator, electronically or otherwise

The key change is that wage slips are now a duty of **every** employer, whereas earlier they were required only under some laws and rules.

➤ Appointment and Inspection Scheme (Section 34)

Under **Section 34(1)**, the appropriate Government appoints Inspector-cum-Facilitators by notification, and they exercise their powers throughout the jurisdiction notified for them. Under **Section 34(2)**, the Government may notify an **inspection scheme**, which may provide a web-based inspection schedule that takes into account the characteristics of the employment, the nature of work and the workplaces. A unique number may be assigned to each establishment, each Inspector-cum-Facilitator and each inspection, and the scheme may also provide for the timely upload of reports and for special inspections.

Section 34(3) allows Additional, Joint or Deputy Chief Inspector-cum-Facilitators, or other officers, to exercise the powers of the Chief within their own jurisdiction. **Section 34(4)** is a safeguard of independence: no person who is directly or indirectly interested in a workplace, work activity, process, business, plant or machinery may be appointed as an Inspector-cum-Facilitator, and anyone who is so interested may not continue in the post.

The table below shows how the role of the inspector has changed.

➤ From Inspector to Inspector-cum-Facilitator

Point	Old Acts	OSH Code
Role	Inspector (Factories Act s.8; Mines Act ss.5–6), mainly policing	Inspects and also advises and informs employers and workers
Choice of establishment	Inspector's discretion	Web-based, randomised schedule; special inspections where needed
Transparency	Reports kept in files	Unique numbers; reports uploaded
Disqualification	Person interested in factory or mine	Extended to any workplace, process, business, plant or machinery

The reason for the web-based schedule is that discretionary inspection had been criticised as a source of harassment and rent-seeking, often called the 'inspector raj'. A computer-generated schedule removes the choice of which establishment to visit from the individual officer.

35 Powers of Inspector-cum-Facilitators, District Magistrate and Third-Party Audit

Ss. 35–37

➤ Powers of the Inspector-cum-Facilitator (Section 35)

Section 35 gives the Inspector-cum-Facilitator **14 listed powers**, which can be exercised within the local limits of his jurisdiction. They can be grouped by purpose, as the table below shows.

Kind of power	Clauses covered
Entry and inspection	Enter any place used or believed to be used as a workplace (with Government, local-authority or expert assistance); inspect premises, plant, machinery and articles; in a plantation, examine crops or workers
Evidence	Require registers and documents; search, seize or copy records relevant to an offence; direct that premises be left undisturbed; take measurements, photographs, videographs and recordings; take samples of articles, substances and air

Kind of power	Clauses covered
Prevention	Direct the dismantling or testing of dangerous articles and take possession of them; issue **show-cause notices** on safety, health and welfare; inquire into any accident or dangerous occurrence, whether or not there is injury, and take statements on the spot
Facilitation	Supply information and sensitise employers and workers about the Code and compliance
Legal action	Prosecute, conduct or defend any complaint or proceeding before any court; exercise other prescribed powers

The list shows the dual nature of the office. Some powers are those of an enforcer, such as search, seizure and prosecution, while the facilitation power reflects the advisory role that gives the officer his name.

➤ District Magistrate in Mines (Section 36)

Within the local limits of the district, the District Magistrate may exercise, **in respect of mines**, such powers and duties of an Inspector-cum-Facilitator as the Central Government prescribes. This continues the position under the Mines Act, 1952, and the Central Government is the appropriate Government for mines.

➤ Third-Party Audit and Certification (Section 37)

Section 37 introduces a mechanism for which the old laws had no corresponding provision. Under **Section 37(1)**, the appropriate Government may frame a scheme to **empanel experts** with the prescribed qualifications, who can carry out third-party audit and certification of specified start-up establishments or classes of establishments.

Section 37(2) sets out how the scheme works. First, work is assigned to the experts in a **randomised** manner through a web-based scheme, so that an establishment cannot choose its own auditor. Second, the experts conduct audits as specified. Third, the report is submitted to **both the employer and the Inspector-cum-Facilitator**.

36 Special Powers to Stop Dangerous Work

S. 38

Section 38 lets the Inspector-cum-Facilitator stop work where life is in danger. The section is arranged sector by sector: factories, mines and dock work are dealt with in **Section 38(1)**, and building and construction work in **Section 38(2) and (3)**. Each sector has its own time limits and its own appeal route, which are summarised in the table at the end of this topic.

➤ Factories: Serious Hazard or Imminent Danger

Where a factory or a part of it may cause **serious hazard or imminent danger** of injury or death to the workers or to the public nearby, the officer may issue a **written order specifying the danger**. The order prohibits employment in that place, except for the minimum number of persons needed for the minimum tasks, until the danger is removed. The order remains in force for 3 days, unless the Chief Inspector-cum-Facilitator extends it by a later order. An aggrieved person may appeal to the High Court.

The workers who are affected remain entitled to their wages and benefits, and the occupier must provide alternative employment wherever possible.

➤ Mines: Dangerous Conditions and Practices

In a mine, the officer may first give a written notice requiring a dangerous condition to be remedied within a stated time and in a stated manner. If it is not remedied, the officer may prohibit employment in the affected place, except for the persons needed to carry out the order. The officer may also stop the extraction or reduction of pillars or blocks where collapse, fire or flooding may result, and if the danger is immediate, employment may be prohibited at once. The affected workers receive full wages, and alternative employment at the same wages may be provided.

The mine has a two-step remedy. The employer may appeal to the Chief Inspector-cum-Facilitator within 10 days, and specified notices and orders are reported forthwith to the Central Government. The employer may also object to the Central Government within 20 days. Such an objection is ordinarily decided within 1 month, and the order continues unless the Central Government suspends it. The Chief may reverse or modify an order, recording reasons, and the Central Government may reverse or modify the Chief's order. No order that is prejudicial may be made without giving a reasonable hearing to the owner, agent or manager. Finally, the powers of a Magistrate under Section 144 of the Code of Criminal Procedure, 1973 are not affected.

➤ Dock Work and Building and Construction Work

The following table compares the procedure for dock work (**Section 38(1)(C)**) with that for building and construction work (**Section 38(2) and (3)**).

Point	Dock work (s.38(1)(C))	Building and construction (s.38(2),(3))
Ground	Place of dock work is dangerous	Building or construction site is dangerous

Point	Dock work (s.38(1)(C))	Building and construction (s.38(2),(3))
Order	Written order prohibiting work until danger is removed	Written prohibition order served on the employer of the workers, the employer of the establishment or the person in charge; complied with forthwith
Copy	To Chief Inspector-cum-Facilitator, who may modify or cancel without waiting for appeal	Same
Appeal	Within 15 days to Chief; to Central Government if the order was the Chief's	Within 15 days to Chief; to appropriate Government if the order was the Chief's
Disposal	Within 60 days; delayed appeal admitted for sufficient cause; order continues during appeal	Same

The table below brings the four sectors together, so that the time limits can be compared at a glance.

➤ Section 38 at a Glance

Sector	Key time limit	Appeal or objection to
Factory	Order valid 3 days unless Chief extends	High Court
Mine	Appeal 10 days; objection 20 days, decided in 1 month	Chief; Central Government
Dock work	Appeal 15 days, decided in 60 days	Chief or Central Government
Building work	Appeal 15 days, decided in 60 days	Chief or appropriate Government

37 Secrecy, Facilities, Mine Survey and Medical Officers

Ss. 39–42

➤ Secrecy (Section 39)

An inspector learns a great deal about an employer's business during inspection, so the Code protects that information. Under **Section 39(1)**, registers, records and information about any business or working process that are obtained in an inspection or survey are **confidential**. The duty continues during service and also after the officer has left it, and disclosure is allowed only where it is necessary for the health, safety or welfare of employed persons.

Section 39(2) lists those to whom the information may be disclosed: a court; a Committee or Board under the Code; an official superior or the employer; the Commissioner for Employees' Compensation under the Employees' Compensation Act, 1923; the Controller, Indian Bureau of Mines; and an officer specified by the appropriate Government. **Section 39(3)** protects the complainant: the source of a complaint is not disclosed without the complainant's consent, notwithstanding the Right to Information Act, 2005, and the employer is not told that the inspection arises from a complaint.

➤ Facilities, Survey and Medical Officers

The next table covers three further sections. Section 40 makes the employer cooperate with inspection, Section 41 deals with surveys of mines, and Section 42 provides for Medical Officers.

Section	Provision
s.40 Facilities	Employer gives the Chief or Inspector-cum-Facilitator, or an authorised person, all reasonable facilities for entry, inspection, survey, measurement, examination or inquiry
s.41 Survey of mines	A Government servant authorised in writing may enter a mine to survey, level or measure it or its output, day or night, after not less than 3 days' notice to the manager; in an emergency, the written authorisation may allow entry without notice
s.42(1) Medical Officers	Appropriate Government appoints qualified medical practitioners for factories, mines, plantations, motor transport undertakings and other prescribed establishments; each must disclose any interest in the establishment before taking office
s.42(2) Duties	Examine and certify workers in factories, mines and dangerous occupations; provide medical supervision where illness is likely; examine and certify the fitness of adolescents for harmful work

The Medical Officer under Section 42 replaces the **Certifying Surgeon** of the Factories Act, 1948 (Section 10).

➤ Distinguishing Similar Terms

Several provisions in this group look alike, and the table below separates them.

Pair	Distinction
Inspection scheme (s.34) vs third-party audit (s.37)	The scheme organises official inspections; the audit is by empanelled private experts for start-ups and notified classes

Pair	Distinction
Mine appeal vs objection	Appeal to the Chief in 10 days; objection to the Central Government in 20 days
Factory vs dock appeal	Factory: High Court; dock: Chief within 15 days, decided in 60 days
Secrecy of information vs source	Business information may be disclosed to the listed authorities; the source of a complaint is protected even under RTI

38 Employment of Women: From Exclusion to Safeguards

Ch 8 (Ss. 43–44)

➤ Background and Old Restrictions

Earlier labour laws protected women by keeping them out of certain hours and certain kinds of work. These restrictions were scattered across several Acts, as the table below shows.

Old law	Restriction on women
Factories Act, 1948, s.66	Work only from 6 a.m. to 7 p.m.; the State could vary hours but never to permit work between 10 p.m. and 5 a.m.
Factories Act s.27	No woman or child in a cotton-pressing part of a factory where a cotton-opener is at work
Factories Act ss.22(2), 87	No woman to clean, lubricate or adjust moving machinery; rules could bar women from dangerous operations
Mines Act, 1952, s.46	No woman below ground; above ground only from 6 a.m. to 7 p.m., with an interval of not less than 11 hours between two days' work
Plantations Labour Act, 1951, s.25	6 a.m. to 7 p.m. unless the State Government permitted otherwise
Beedi and Cigar Workers Act, 1966	6 a.m. to 7 p.m. in industrial premises

Two reasons explain why this approach was changed. The first is equality: the bars on night work and on certain jobs were hard to reconcile with **Articles 14, 15 and 16** of the Constitution. The second is the changing economy, because IT, BPO, garments, hospitals and logistics now run round the clock. In **Vasantha R. v. Union of India (2001)**, the Madras High Court held the night-work bar in Section 66(1)(b) of the Factories Act unconstitutional, subject to the employer providing safety.

The law then moved step by step. In 2019, the Ministry of Labour permitted women to work in opencast mines at night and below ground by day in technical, supervisory and managerial roles, with safeguards, and the Code makes this permission general. The reasoning behind the Code is that the real risk lies in travel, lighting and isolation. It therefore places duties on employers to deal with these risks instead of excluding women from the work.

39 Employment of Women and Night-Work Conditions

S. 43

➤ What Section 43 Provides

Section 43 states that women are entitled to be employed in all establishments for all types of work. Work before 6 a.m. and beyond 7 p.m. is allowed with their consent, subject to conditions on safety, holidays, working hours or others that the appropriate Government prescribes.

The consent must be the woman's own, and a clause in the standing orders cannot replace it. A woman who refuses cannot be required to work at night, and her refusal is no ground for adverse action against her.

➤ Conditions for Night Work

The Central Rules, 2026 attach a set of conditions to night work. The table below lists them.

➤ Conditions for night work under Central Rules, 2026

Condition	Content
Consent	Written consent of the woman employee for work before 6 a.m. or after 7 p.m.
Maternity	No employment in violation of the maternity benefit provisions of the Code on Social Security, 2020
Transport	Adequate pick-up and drop between workplace and residence
Lighting and surveillance	Workplace, passages, entry and exit, and the route to toilets, washrooms and drinking water well lit; CCTV
Amenities	Toilets, washrooms and drinking water near the workplace
Emergency contacts	Numbers displayed at the workplace and in transport vehicles

Condition	Content
Sexual harassment law	Compliance with the POSH Act, 2013
Working conditions	Safe, secure and healthy; prescribed hours and holidays observed
Mines below ground	Not less than 3 women employees on duty together at any place below ground

➤ How the Position Has Changed Sector by Sector

The following table compares the earlier position with the position under the Code in each sector.

➤ Sector-wise change

Sector	Earlier position	Under the Code
Factories	6 a.m. to 7 p.m.; never 10 p.m. to 5 a.m. (s.66)	Night work with consent and safeguards
Mines	No work below ground; above ground 6 a.m. to 7 p.m. (s.46)	All mines including below ground; at least 3 women together
Plantations	6 a.m. to 7 p.m. unless permitted (s.25)	Same rule as all establishments
Beedi and cigar	6 a.m. to 7 p.m.	Same rule as all establishments
Dangerous operations	Specific bans (cotton-opener, moving machinery)	Safeguards before employment (s.44)

In every sector the fixed ban has given way to a rule based on consent and safeguards.

40 Safety of Women in Dangerous Operations

S. 44

Section 44 deals with the special case of dangerous work. Where the appropriate Government is of the opinion that the employment of women in any establishment or hazardous operation is dangerous to their health and safety, it may require the employer to provide adequate safeguards prior to employment. The Central Government may notify the classes of establishments and the scheme and standards for safeguarding women in hazardous processes, and this is done through the Central Rules, 2026.

The provision is **preventive** in nature, and Section 44 contains no number: there is no threshold, percentage, age or time limit in it. The rationale is that risks such as exposure that affects reproductive health or the foetus should be controlled at the source. A woman is excluded from the work only where safeguards cannot make it safe.

It is easy to confuse Section 43 with Section 44, so the table below sets them side by side.

➤ Section 43 vs Section 44

Basis	Section 43	Section 44
Subject	General employment of women	Women in dangerous or hazardous operations
Coverage	All establishments, all work	Establishments, classes or processes considered dangerous
Night work	Before 6 a.m., beyond 7 p.m. with consent and conditions	Not about hours
Consent	Expressly required	Not mentioned
Duty	Transport, lighting, CCTV, amenities	Adequate safeguards before employment
Numbers	6 a.m., 7 p.m.; 3 women below ground (rules)	None

➤ Related Laws

Several matters that concern women workers are governed by other laws. Maternity benefit is dealt with in the Code on Social Security, 2020, and equal remuneration and non-discrimination in the Code on Wages, 2019. The POSH Act, 2013 lies outside the Codes and applies alongside them. A crèche is a welfare provision that applies above a threshold and is not limited to women workers.

The overall change made by these two sections is a move **from protection by exclusion to protection by safeguards**, that is, from prohibition to regulation.

41 Contract Labour and Inter-State Migrants: Background and Three Parties

Ch 9 Overview

➤ Background

Two older Acts dealt with workers engaged through intermediaries: the Contract Labour (Regulation and Abolition) Act, 1970 (**CLRA**) and the Inter-State Migrant Workmen Act, 1979 (**ISMW Act**). Both are repealed by **Section 143** and

re-enacted as Chapter XI, Parts I and II (Sections 45 to 65). The Code has been in force since 21 November 2025, and the Central Rules were notified on 8 May 2026.

The CLRA worked in two ways: it **regulated** contract labour through the registration of principal employers and the licensing of contractors, and it allowed **abolition** of contract labour in particular work by notification under Section 10. The Code keeps the central principle that the principal employer is the final guarantor of wages and welfare. The ISMW Act arose from abuses such as the Dadan system of Odisha, in which workers were recruited with cash advances through sardars or khatadars.

The table below compares the two repealed Acts.

Feature	CLRA, 1970	ISMW Act, 1979
In force	10 February 1971	2 October 1980
Threshold	20 or more contract workmen	5 or more inter-State migrant workmen
Controls	Registration of principal employer (s.7); licence (s.12); abolition (s.10)	Registration; licence of contractor; information to both States
Benefits	Canteen, rest rooms, drinking water, latrines, first aid; wages in the presence of the principal employer's representative	Displacement allowance, journey allowance with wages, accommodation, free medical, protective clothing
Advisory body	Central and State Advisory Contract Labour Boards	None of its own

Under the Code, these advisory functions pass to the National and State Occupational Safety and Health Advisory Boards.

➤ The Three Parties

Three parties appear in every contract labour arrangement: the contractor, the principal employer and the contract labour. The table below gives the meaning of each under the Code and their main duties.

Party	Meaning under the Code	Main duties
Contractor (s. 2(1)(n))	Produces a result through contract labour or supplies contract labour as mere human resource; includes a sub-contractor	Holds a licence; pays wages by bank or electronic mode; charges no fee; reports work orders; issues an experience certificate
Principal employer (s.2(1)(zz))	Head of a Government office; owner, occupier or named manager of a factory; owner or agent of a mine; otherwise the person responsible for supervision and control	Provides welfare facilities; uses licensed contractors; pays unpaid wages; no contract labour in core activities
Contract labour (s.2(1)(m))	Hired by or through a contractor, with or without the principal employer's knowledge; includes inter-State migrant workers	Wages, welfare, and Part II benefits if a migrant

One category of worker is excluded from contract labour: a worker who is regularly employed by the contractor for the contractor's own activities, on mutually accepted terms (including permanent employment), with periodical increments, social security and welfare benefits. A **part-time** employee, however, remains contract labour.

42 Applicability of Part I (Contract Labour)

S. 45

Section 45 decides to which establishments the contract labour provisions of Part I apply. Part I applies to every establishment that had 50 or more contract labour on any day of the preceding 12 months, and the old Act's threshold was 20. It also applies to every **manpower supply contractor** with 50 or more contract labour.

The Part does not apply where the work is only **intermittent or casual**. If there is a dispute on this question, the appropriate Government decides it after consulting the National Board or the State Advisory Board, and its decision is final. Work is not treated as intermittent if it is performed for more than 120 days in the preceding 12 months or, if it is seasonal, for more than 60 days in a year.

The higher threshold was adopted to reduce the compliance burden on small units. Small contractors who employ 20 to 49 workers leave the licensing net, but wage and social security laws still apply to them. The table below compares Section 45 with the CLRA.

➤ CLRA vs Code (applicability)

Point	CLRA, 1970	OSH Code, s.45
Threshold	20 or more workmen	50 or more contract labour

Point	CLRA, 1970	OSH Code, s.45
Covered	Establishments and contractors	Establishments and manpower supply contractors
Look-back	Any day of the preceding 12 months	Same
Intermittent test	More than 120 days (seasonal 60) is not intermittent	Same, in the Explanation to s.45
Decided by	Government after the Central or State Advisory Contract Labour Board	Government after the National or State Advisory Board

43 Licensing of Contractors

Ss. 46–52

➤ The Licensing Provisions

The Code makes it unlawful for a contractor to supply or engage contract labour without a licence. The table below summarises Sections 46 to 52.

Section	Provision
s.46	The appropriate Government may appoint Gazetted officers as the designated authority (s.119(1)) and define their jurisdiction, with powers that include the electronic issue and revocation of licences
s.47(1)	No contractor shall supply or engage contract labour except under a **licence**
s.47(2)	A licence is granted to a contractor who meets the qualifications prescribed by the Central Government, and may specify the number of workers, the security and the conditions. A contractor who does not meet the criteria may get a **work-specific licence** (for one work order)
Multi-State	A contractor working in more than one State or all-India obtains a single licence from the authority designated by the Centre
s.48	Electronic application with particulars of contract labour and inter-State migrant workers; licence valid 5 years, renewable and amendable
s.49	No fee or commission may be taken from contract labour, directly or indirectly
s.50	The contractor must inform the authority on receiving a work order; failure can lead to suspension or cancellation after a hearing
s.51	A licence obtained by misrepresentation or suppression of facts, or held in breach of its conditions, may be suspended or revoked after a show-cause notice
s.52	Appeal against orders under ss.47, 48 and 51 within 30 days of communication; a late appeal is admitted for sufficient cause; disposed of within 30 days of filing, after a hearing

➤ Working of the Licence in Practice

If the number of workers increases, the licence is amended by depositing additional security, and if the numbers fall, the proportionate security is returned. Under the Central Rules, applications, renewals and amendments are made on the **Shram Suvidha Portal**. Renewal must be applied for between 90 and 30 days before expiry, and a late renewal carries a fee of 25 per cent extra. If the authority does not act within the prescribed time, the grant of the licence or of the amendment is deemed to have been made.

A work order must be reported on the portal within 15 days, giving the principal employer, the site, the start date, the workers and the duration. A show-cause notice gives the contractor 15 days to reply.

The table below compares the licensing system under the CLRA and under the Code.

Point	CLRA, 1970	OSH Code
Licence	Every covered contractor (s.12), per establishment	General, work-specific or multi-State (s.47)
Validity	Fixed in the licence, renewed often	5 years (s.48(3))
Mode	Paper application	Electronic; deemed grant on delay
Eligibility	No general criteria	Criteria prescribed by the Centre

44 Principal Employer: Welfare, Wages and Experience Certificate

Ss. 53–56

➤ Duties of the Principal Employer and the Contractor

Under **Section 53**, the welfare facilities listed in Sections 23 and 24 (drinking water, latrines, washing facilities, first aid, canteen, crèche and rest rooms) must be provided to contract labour by the principal employer. The Rules require toilets, washrooms, drinking water, bathing and changing facilities, first-aid, canteens and crèches at its

premises. **Section 54** adds that engaging contract labour through a contractor who needs a licence but does not have one is deemed to be a contravention of the Code.

Section 55 deals with wages. The contractor must pay wages within the prescribed time and only by bank transfer or electronic mode. If the contractor defaults or pays less than is due, the principal employer pays the full unpaid amount or the shortfall and then recovers it from the contractor, either by deduction from the contractor's dues or as a debt. The Government may also direct that payment be made from the contractor's security deposit.

The Rules add time limits. The wage period may not exceed one month, wages must be paid before the expiry of the 7th day after the wage period, and the principal employer must pay a default within 15 days. The contractor must restore the security within 15 days, failing which the licence may be suspended. **Section 56** is new: the contractor must issue an **experience certificate** on demand, in the prescribed form, stating the work done. The 1970 Act had no such duty.

The table below shows how the position has shifted from the CLRA.

Point	CLRA, 1970	OSH Code
Welfare facilities	Contractor first (ss.16–19); principal employer only on default (s.20)	Principal employer directly (s.53)
Canteen	Where 100 or more contract workmen	Under general welfare provisions via s.53
Unlicensed contractor	Principal employer had to be registered; penal provisions	Expressly deemed contravention (s.54)
Wage payment	Any mode, in the presence of the principal employer's representative (s.21)	Bank or electronic only (s.55)
Default	Principal employer pays and recovers	Pays full or short amount; may use security deposit

➤ Worked Example

Suppose a contractor supplies 60 loaders at ₹15,000 a month and pays nothing. The dues are ₹9,00,000, and the principal employer must pay this within 15 days and may deduct ₹9,00,000 from the contractor's bill. In a case of short payment (₹12,000 paid against ₹14,000 due), the principal employer is liable for the ₹2,000 shortfall per guard.

45 Prohibition of Contract Labour in Core Activities

Ss. 57–58

➤ The General Prohibition

Section 57 prohibits contract labour in any **core activity** by force of the Code itself. Unlike the old abolition power in Section 10 of the CLRA, no notification is needed. Under **Section 2(1)(p)**, a core activity is any activity for which the establishment is set up, including activities that are essential or necessary to it. A proviso then lists 11 support activities that are not treated as essential where the establishment is not set up for them, and in these contract labour is allowed.

➤ Support activities (contract labour allowed)

No.	Activity
1	Sanitation: sweeping, cleaning, dusting, waste collection and disposal
2	Watch and ward, including security
3	Canteen and catering
4	Loading and unloading
5	Hospitals, educational and training institutions, guest houses and clubs, where support services
6	Courier services that are support services
7	Civil and other constructional works, including maintenance
8	Gardening, lawns and like activities
9	Housekeeping and laundry, where support services
10	Transport, including ambulance
11	Any activity of an intermittent nature, even if core

Even a core activity may use contract labour in three situations. These exceptions are listed below.

➤ Three exceptions (contract labour allowed even in core)

Exception	Condition
(a)	The normal functioning of the establishment is such that the activity is ordinarily done through a contractor
(b)	The activity does not need full-time workers for a major portion of the daily hours or for longer periods
(c)	There is a sudden increase in the volume of work in the core activity, which has to be completed in a specified time

➤ Disputes, Emergencies and Absorption

If there is a dispute on whether an activity is core, the Government may appoint a designated authority to advise. The aggrieved party applies to the Government, which may refer the matter to the authority; the authority reports, and the Government decides. Under **Section 58**, in an emergency the appropriate Government may exempt an establishment or a class of establishments from all or any of the provisions, on conditions and for a specified period.

In **SAIL v. National Union Waterfront Workers (2001)**, a Constitution Bench held that abolition of contract labour does not cause automatic absorption of the workers; absorption follows only if the contract is a sham. The Code likewise has no automatic absorption.

The table below compares the old abolition power with the new prohibition.

Point	CLRA s.10	OSH Code s.57
Nature	Abolition by notification	General prohibition by the Code
Test	Incidental, perennial, ordinarily done by regular workmen, enough work for whole-time workers	Core activity test; 11 support activities
Exceptions	None express	Three in the proviso
Advice	Advisory Contract Labour Board	Designated authority

46 Inter-State Migrant Workers (Part II)

Ss. 59–65

➤ Who Is Covered

Section 59 applies Part II to establishments with 10 or more inter-State migrant workers on any day of the preceding 12 months, whereas the old Act's threshold was 5. Under **Section 2(1)(zf)**, an inter-State migrant worker is a person recruited by an employer or a contractor in one State for work in another State, or one who came **on his own** and got work in the destination State, or who later changed establishment within that State. The wage limit is ₹18,000 a month or a higher amount notified by the Centre.

This is wider than the old law, which covered only workmen recruited through a contractor and had no wage ceiling. The inclusion of self-migrated workers followed the 2020 lockdown, which exposed how little protection these workers had.

➤ Benefits and Duties

The table below sets out what each of Sections 60 to 65 provides.

Section	Subject	Rule
s.60	Conditions and benefits	Suitable conditions of work; a fatal accident or serious injury is reported to the authorities of both States and to the next of kin; all benefits of the establishment, including ESI and EPF; medical check-up under s.6(1)(c)
s.61	Journey allowance	The employer pays once a year a lump-sum to-and-fro fare to the native place; the worker must have worked at least 180 days in the preceding 12 months; fare not less than second class sleeper train or bus; service with a previous employer counts if the allowance was not taken
s.62(a)	PDS	Schemes so that a migrant can take ration in the native or the destination State (One Nation One Ration Card)
s.62(b)	BOCW cess	Building and construction workers' cess benefits are portable
s.63	Helpline	Toll-free helpline; the Rules run it through the Director General of Labour Welfare
s.64	Study	Studies on migrant workers' safety, health and welfare
s.65	Past liabilities	On completion of employment, any debt owed to the contractor or principal employer is deemed extinguished; no suit lies

The last of these, Section 65, directly answers the old Dadan-type abuses, because a worker cannot be kept in bondage for an advance once the employment is over.

➤ ISMW Act Compared with the Code

Some benefits of the 1979 Act were not carried into the Code, as the following table shows.

➤ ISMW Act vs Code

Benefit	ISMW Act, 1979	OSH Code
Displacement allowance	50 per cent of monthly wages or ₹75, whichever is higher, once (s.14)	Not continued
Journey allowance	Fare both ways with wages for the journey period (s.15)	Annual lump-sum after 180 days (s.61); journey wages not reproduced
Passbook	Contractor issued a passbook with photograph	Not continued; recorded online
Wages and facilities	Same wage as local workers; accommodation, free medical, protective clothing (ss.13, 16)	Suitable conditions; all establishment benefits including ESI and EPF

➤ Worked Example

A worker who has 200 days of work at Surat, with a sleeper fare of ₹750 one way from Surat to Gaya, is entitled to an allowance of at least ₹1,500. Service of 120 days plus 70 days with an earlier employer, for which the allowance was not paid, totals 190 days and also qualifies.

47 Special Parts: Audio-Visual Workers and Mines

Ss. 66–73

➤ The General Layer and the Special Layer

The Code works in two layers. The general layer applies to all establishments, while **Chapter XI, Parts III to VIII (Sections 66 to 93)** form a special layer for sectors that have their own risks. Each Part replaces an older sector-specific Act, as the table below shows.

Part	Subject	Sections	Old Act replaced
III	Audio-visual workers	66	Cine-Workers and Cinema Theatre Workers Act, 1981
IV	Mines	67–73	Mines Act, 1952
V	Beedi and cigar workers	74–77	Beedi and Cigar Workers Act, 1966
VI	Building and construction workers	78	BOCW Act, 1996
VII	Factories	79–91	Factories Act, 1948
VIII	Plantation	92–93	Plantations Labour Act, 1951

➤ Audio-Visual Workers (Section 66)

Film and television work is often done on short engagements without any written terms, so **Section 66** requires a formal agreement. No person may be employed as an audio-visual worker unless a written agreement is made and registered with the competent authority. The duty to register lies on the **producer**. The agreement may be between the producer and the worker, between the producer and a contractor, or between a contractor or another person and the worker.

Under **Section 66(4)**, the agreement must state the nature of the assignment, the wages and benefits, the health and working conditions, safety, hours of work, welfare, and the mechanism for settling disputes. Disputes that are not settled may go to an Industrial Tribunal. The Part is also wider than the old law, which covered feature-film cine-workers subject to a remuneration ceiling. The Code covers all audio-visual workers, in film, television and digital media, and has no ceiling.

➤ Mines: Manager (Section 67)

Every mine must be under a sole manager who has the qualifications prescribed by the Central Government. The manager is appointed by the owner or agent, who may act as manager if he is qualified. No mine may be opened, re-opened or worked unless a manager is in charge. This is the same as Section 17 of the Mines Act, 1952. Any instruction of the owner that affects the manager's statutory duties must go through the manager and be confirmed in writing, except in an emergency.

The qualification needed depends on the type of mine and its output, as the table below shows.

Type of mine	Output for higher qualification	Manager's qualification
Belowground coal	Above 2,500 tonnes/month	First Class Manager's Certificate (Coal); below, First or Second Class
Belowground metalliferous	Above 1,250 tonnes/month	First Class (Metal); below, First or Second Class

Type of mine	Output for higher qualification	Manager's qualification
Opencast coal/ metalliferous	Above 20,000 cubic metres	First Class or First Class restricted to opencast; below, Second Class

48 Mines: Exempt Mines, Emergencies, Age, Rescue and Status

Ss. 68–73

➤ Exempt Mines (Section 68)

Some small mines are not subject to the full Code. Under **Section 68**, the Code does not apply, except for Sections 35, 38, 40, 41 and 44, to two classes of mines, provided that the conditions fixed by the Central Government are met. The first class is mines that are used only for **prospecting**. The second class is mines of **minor minerals**, namely kankar, murrum, laterite, boulder, gravel, shingle, ordinary sand, ordinary clay, building stone, slate, road metal, earth, fuller's earth, marl, chalk and limestone. The Centre may by written order apply the whole Code to such a mine, and if a condition lapses, the Code applies immediately and the employer must report the fact.

The conditions for each class are given below.

Condition	Prospecting-only	Minor-mineral
Nature	Prospecting; nothing for use or sale	Opencast workings only
Persons on any day	Not more than 20	Not more than 50
Depth	Not more than 6 m (15 m for coal)	Not more than 6 m
Explosives	No specific condition	None
Ground level	No part below superjacent ground	No working below superjacent ground

The same classes and limits were found in Section 3 of the Mines Act, 1952, but the Code leaves the numbers to the rules. As an example, a sand pit that is 5 m deep, has 45 workers and uses no blasting is exempt; the 51st worker, or the use of blasting, ends the exemption.

➤ Emergency, Exemption and Age (Sections 69 to 71)

The table below covers the three sections that deal with emergencies, exemptions and the minimum age.

Section	Provision
s.69	In an emergency (serious risk, actual or apprehended accident, act of God, or urgent repairs after a breakdown), the manager may permit employment that contravenes Sections 25, 30 and 31(1) (daily hours, rest intervals, spread-over and weekly hours). This is allowed only to the extent and for the period necessary, and it is recorded and reported to the Inspector-cum-Facilitator. Old law: Section 38 of the Mines Act
s.71	Central rules may exempt persons (supervisory, managerial or confidential) from Sections 25(1), 26(1), 30 and 31(1). This is a standing, rule-based exemption, whereas Section 69 depends on the situation
s.70	No person below 18 may be in any mine or part of it; apprentices and trainees not below 16 may be there under the manager's supervision; a trainee who is not an apprentice needs the prior approval of the Chief or the Inspector-cum-Facilitator

The Central rules also require medical examination of mine workers. There is an initial and an annual examination, with more frequent examination or an X-ray where a dust disease is suspected. Records are kept during employment and for 5 years after. A person who is declared unfit may appeal to an appellate medical board within 30 days, and its decision is final.

➤ Rescue, Training and Status (Sections 72 and 73)

Section 72 provides that the Central Government prescribes the vocational training and the rescue and recovery services for mines. **Section 73** settles the question of what is a mine: whether a place (including ancillary process premises for minerals or coke) is a mine is decided by the Central Government, and a certificate signed by a Secretary in the Ministry of Labour and Employment is conclusive proof.

The Central rules on rescue and training are set out in the table below.

➤ Rescue and training (Central rules)

Rule	Requirement
Rescue room	Belowground mine with more than 100 persons below ground and no rescue station within 35 km
Common rescue room	Several mines of one employer within 35 km, if total belowground employment is not above 5,000
Rescue-trained persons	At least 5 where more than 100 are below ground; 1 per superintendent where more than 500
Rescue station staff	Superintendent, at least 2 instructors and a brigade of at least 18 rescue-trained persons

Rule	Requirement
Rescue team	5 to 6 persons including the leader
Vocational training	Initial before employment; refresher at least once every 4 years

49 Beedi and Cigar Workers; Building and Construction Workers

Ss. 74–78

➤ Beedi and Cigar Workers (Sections 74 to 77)

Under **Section 74**, no industrial premises may be used for the manufacture of beedi or cigars except under a licence granted under Section 119. The licence is valid for 5 years and is renewable. Renewal must be applied for at least 30 days before expiry, and the licence continues until the application is decided. The application states the maximum number of employees at any time and has a plan of the premises. The authority considers the suitability of the premises, the applicant's experience, his finances for welfare, whether he is bona fide or a benami holder, and the public interest. The licence may be suspended or cancelled after a hearing for misrepresentation or fraud, or for contravention.

Section 75 provides for an appeal within 30 days under Section 119, which is disposed of electronically within 30 days. **Section 76(1)** allows the State to permit the wetting or cutting of leaves outside the premises, with a record kept. Under **Section 76(3)**, no other process may be done outside the premises, but a proviso exempts a worker who is given raw material by the employer or contractor to make beedi at home.

Section 77 excludes certain home production. Part V does not apply to the owner or occupier of a private dwelling house who works with dependent family members living with him, if he is not an employee of a covered employer. For this purpose, 'family' does not include a child as defined under the Child and Adolescent Labour Act, 1986.

The table below compares the 1966 Act with the Code.

Point	1966 Act	OSH Code
Licence	Separate for premises	Under s.119; common licence possible with factory and contract labour
Validity	As fixed by State rules	5 years; apply 30 days before expiry
Grant	Within the time in the rules	Electronically within 45 days; otherwise deemed issued
Self-employed home workers	Excluded	Excluded (s.77)

➤ Building and Construction Workers (Section 78)

Construction work carries a risk of falls and other accidents, so **Section 78** limits who may do it. No person who is known or believed to be deaf, of defective vision, or with a tendency to giddiness may be required or allowed to work in any construction operation that is likely to involve a risk of accident to himself or others. The bar is operation-specific, so site office work is permitted, and the section itself fixes no medical standard.

The Central rules require a safety officer where **250 or more workers** are employed. The number of officers rises with the size of the workforce: up to 500 workers, 1; up to 1,000, 2; up to 2,000, 3; up to 5,000, 4; and one more for each additional 2,000 workers or part of it. Finally, the safety duties of the BOCW Act have moved to the general layer of the Code, while registration, cess and welfare boards have moved to the Code on Social Security, 2020.

50 Factories: Approval, Licence and Extension of Coverage

Ss. 79–82

➤ Approval and Licensing of Factories (Section 79)

Section 79(1) allows the rules to require three things: (a) plans with specifications and certification, (b) previous permission for the site, construction and extension of a factory, and (c) licensing and renewal, subject to Section 119. Under **Section 79(2)**, if an application (including an electronic one) is not answered within the prescribed period, which is not more than 30 days, the permission is deemed to be granted.

Section 79(3) gives a remedy against refusal: an appeal lies within 30 days, to the Central Government if the State refused, and otherwise to the State Government. An Explanation clarifies what is not an extension: replacing plant or machinery, or making additions within limits, is not an extension if the safe clear space is not reduced and no injurious steam, heat, dust or fumes are added.

The table below compares Section 79 with Section 6 of the Factories Act.

Point	Factories Act s.6	OSH Code s.79
Deemed permission	No order within 3 months of application by registered post	Prescribed period, at most 30 days; electronic application
Appeal	30 days: Centre (if State refused) or State	Same
Licence	Separate State licence	Under s.119; one common licence for factory, beedi premises, contract labour

➤ Shared Premises, Notified Premises and Dangerous Operations (Sections 80 to 82)

The next three sections deal with situations that the ordinary definition of a factory does not cover well. The table below sets them out together with the corresponding provisions of the old Act.

➤ Ss. 80–82

Section	Provision	Old Act
s.80 Shared premises	The owner and the occupiers of premises that are let to different occupiers as separate factories are jointly and severally responsible for common facilities (safety, fire, access, hygiene, health, ventilation, temperature, emergency preparedness, canteens, shelters, rest rooms and crèches)	s.93
s.81 Notified premises	The Government may apply Part VII to any place with a manufacturing process, with or without power, irrespective of the number of workers; the place becomes a factory, the owner is the occupier, and 'owner' includes a lessee or mortgagee in possession	s.85
s.82 Dangerous operations	A process that exposes persons to a serious risk of injury, poisoning or disease may be declared dangerous by rules; the rules may restrict the employment of women or adolescents, require medical examination at the occupier's cost, and require protective equipment	s.87

51 Factories: Hazardous Processes

Ss. 83–91

The provisions on hazardous processes came into the Factories Act through the 1987 amendment, which followed the Bhopal gas disaster. The Code carries them forward in **Sections 83 to 91**, and the table below explains each section.

Section	Provision
s.83	Site Appraisal Committees (a chairman and members) examine applications for the initial location and expansion of hazardous-process factories; the recommendation is due within 30 days (old s.41A: 90 days)
s.84(1)	The occupier discloses the dangers, health hazards and remedial measures to the workers, the Chief Inspector-cum-Facilitator, the local authority and the public nearby
s.84(2)	At registration, the occupier frames a detailed health and safety policy and communicates it to the Chief and the local authority
s.84(3)	The disclosure includes the quantity, specifications and disposal of wastes
s.84(4)	An on-site emergency plan and disaster control measures are approved by the Chief and made known to the workers and the public
s.84(5)	For a new hazardous process, the Chief is informed of its nature and details 30 days before commencement
s.84(6)	Contravention makes the licence liable to cancellation (not automatic)
s.84(7)	With the Chief's approval, measures are taken for the handling, use, transport, storage and disposal of hazardous substances, and they are publicised
s.85	The occupier keeps accurate health and medical records of exposed workers (accessible to them) and appoints qualified supervisors; medical examination is held before assignment, during the job and after ceasing it, at intervals not exceeding 12 months; a dispute on qualification is decided by the Chief (final)
s.86	The Central Government may direct the National Board to inquire into an extraordinary situation; its recommendations are advisory
s.87	Where standards are absent or inadequate, the Centre may direct the DGOSH (formerly DGFASLI) or another institution to lay down emergency standards, which are enforceable as rules
s.88	Maximum permissible exposure limits of chemical and toxic substances are prescribed by the State Government (old: Second Schedule)
s.89	Right to warn: a worker who apprehends imminent danger informs the occupier or manager (directly or through the safety committee) and, at the same time, the Inspector-cum-Facilitator; the occupier acts and reports, or refers the matter forthwith; the Inspector's decision on imminent danger is final

Section	Provision
s.90	The manager or occupier may appeal against an order of the Inspector-cum-Facilitator; the manner, authority and procedure are prescribed
s.91	Rules may define supervisory, managerial and confidential positions and exempt workers; the Government or the Chief may exempt adult workers by written order on conditions

The Code has reorganised these provisions, and in several places it has shortened the time limits. The table below places the old and new sections side by side.

➤ Old Act vs Code

Provision	Factories Act, 1948	OSH Code
Site appraisal committee	s.41A; 90 days	s.83; 30 days
Compulsory disclosure	s.41B; notice of new process	s.84; 30 days before commencement
Occupier's responsibility	s.41C; exams at most 12 months	s.85; same ceiling
Extraordinary situation	s.41D Inquiry Commission	s.86 National Board
Emergency standards	s.41E; DGFASLI	s.87; DGOSH
Exposure limits	s.41F; Second Schedule	s.88; State Government
Right to warn	s.41H	s.89

52 Plantations: Welfare and Chemical Safety

Ss. 92–93

➤ Welfare Facilities (Section 92)

Under **Section 92(1)**, the State Government may prescribe that plantation employers provide five kinds of facility: (a) housing for the worker and family, with drinking water, a kitchen and a toilet; (b) crèches; (c) educational facilities for children; (d) health facilities; and (e) recreation. A crèche is required where there are 50 or more workers (including the contractor's workers) on any day of the preceding 12 months, and a common crèche may be shared. Education is required where the number of children aged 6 to 12 exceeds 25. For health, the employer may instead secure ESI coverage for the workers.

Under **Section 92(2)**, the employer is responsible for providing these facilities, whether from his own resources or through Central, State, municipal or panchayat schemes (with the meanings given in Article 243).

The table below compares the old Plantations Labour Act, 1951 with the Code.

➤ Plantations Labour Act vs Code

Facility	PLA, 1951	OSH Code
Crèche	s.12: 50 or more women workers (including contractor's)	s.92(1)(b): 50 or more workers; common crèche
Education	s.14: children 6–12 exceeding 25	Same, s.92(1)(c)
Housing	s.15	s.92(1)(a) with water, kitchen, toilet
Medical	s.10	Health facilities or ESI coverage
Chemicals	Chapter IVA (2010)	s.93

➤ Safety in the Use of Chemicals (Section 93)

Plantation workers handle insecticides and pesticides, so **Section 93** lays down detailed safety duties. They are summarised below.

➤ Safety in use of chemicals (s.93)

Sub-section	Duty
93(1)	Safety arrangements in the use, handling, storage and transport of insecticides, pesticides, chemicals and toxic substances
93(2)	The State may prescribe special safeguards for women or adolescents handling hazardous chemicals
93(3)	Qualified persons to supervise
93(4)	Training of every worker who handles, mixes, blends or applies chemicals, including training for emergencies such as spillage
93(5)–(6)	Periodical medical examination (the interval is set by the State) and health records accessible to the worker
93(7)	Washing, bathing and clock-room facilities; protective clothing and equipment

Sub-section	Duty
93(8)–(9)	Display of permissible concentrations in the breathing zone; precautionary notices

➤ Medical Examination Intervals Compared

The interval for medical examination differs by sector. In a hazardous-process factory, the Code fixes a maximum of 12 months (Section 85). For plantation pesticide workers, the interval is prescribed by the State (Section 93(5)). In mines, the Central rules provide for an initial and an annual examination.

53 Enforcement Design and Penalties

Ch XII (Ss. 94–105)

➤ Penalty and Punishment

The Code draws a clear line between two kinds of sanction. A **penalty** is a civil money sanction imposed by an officer of the appropriate Government after an enquiry under Section 111. A **punishment** is imprisonment or a fine imposed by a court after prosecution. Most first contraventions carry penalties, and imprisonment is kept for obstruction, falsification, hazardous processes, accidents and repeat offences.

The enforcement provisions are spread over several chapters, as the table below shows.

➤ Scheme of Chapters XII–XIV

Sections	Subject
94–105	Penalties and punishments
106–109	Who is liable (employees, mines, occupiers, companies)
110–113	Procedure: notice to comply, limitation, officer's penalty, jurisdiction, court orders
114	Composition
115	Social Security Fund
116–143	Miscellaneous

➤ Penalties and Punishments (Sections 94 to 102)

The table below gives the sanction for each contravention, first for a first-time contravention and then for a repeat or continuing one.

➤ Penalties and punishments (ss.94–102)

Sec.	Contravention	First time	Repeat / continuing
94	General (no other penalty provided): employer or principal employer	Penalty ₹2 lakh to ₹3 lakh	After conviction, up to ₹2,000 per day
95	Wilful obstruction of the Chief or Inspector-cum-Facilitator, refusing entry, documents or information	Up to 3 months, or fine up to ₹1 lakh, or both	Up to 6 months, or fine ₹1–2 lakh, or both
96	Failure to maintain registers or file returns	Penalty ₹50,000 to ₹1 lakh	₹50,000 to ₹2 lakh
97	Contravention of provisions, rules or orders regulating employment of workers	Penalty ₹50,000 to ₹1 lakh	Up to 3 months, or fine up to ₹2 lakh, or both
98	Falsification of records, false statements or notices	Up to 3 months, or fine up to ₹1 lakh, or both	Up to 6 months, or fine ₹1–2 lakh, or both
99	Omission to furnish plans or documents	Penalty ₹1 lakh to ₹2 lakh	–
100–101	Failure of duties to inspectors or persons conducting inquiries; wrongful disclosure of the analysis results of a sample	Up to 3 months, or fine up to ₹50,000, or both (disclosure)	Up to 6 months (disclosure)
102	Failure of duties on hazardous processes	Imprisonment up to 2 years and fine up to ₹5 lakh; further fine up to ₹25,000 per day	Continued beyond 1 year after conviction: 3 years, or fine ₹20 lakh, or both

Note that for hazardous processes under Section 102, imprisonment and fine are imposed together, whereas most other provisions use 'or'. The next table compares the general penalty and the hazardous-process provision with the old Factories Act.

➤ General penalty and hazardous process: old vs Code

Point	Old Act	OSH Code
General (Factories Act s.92 / s.94)	Criminal; up to 2 years or ₹1 lakh, or both; up to ₹1,000 a day; occupier and manager	Money penalty ₹2–3 lakh; no imprisonment; up to ₹2,000 a day; employer or principal employer
Hazardous process (s.96A / s.102)	Up to 7 years and ₹2 lakh; ₹5,000 a day; up to 10 years if over 1 year	2 years (3 on long continuance); fine ₹5 lakh (₹20 lakh)

Thus the general contravention has moved from a criminal offence to a money penalty, while the hazardous-process punishment has been reduced in imprisonment but increased in the fine.

54 Accidents, Prohibition Orders and Mine Managers

Ss. 103–105

➤ The Three Provisions

Section 103 deals with safety-duty contraventions that cause harm to a person,. **Section 104** punishes working in contravention of a prohibition order under Section 38, and **Section 105** punishes the failure to appoint a mine manager under Section 67. The table below sets out the punishments.

Section	Contravention	Punishment
103(1)(a)	Safety-duty contravention causing **death**	Up to 2 years, or fine not less than ₹5 lakh, or both
103(1)(b)	Causing **serious bodily injury**	Up to 1 year, or fine ₹2 lakh to ₹4 lakh, or both
103 (common)	Compensation and repeat	The court may direct at least 50 per cent of the fine to the victim or legal heirs; a repeat conviction attracts double punishment
104	Working in contravention of a s.38 prohibition order	Up to 2 years and fine up to ₹5 lakh; the fine is not less than ₹2 lakh unless the court records reasons
105	Failure to appoint a mine manager (s.67)	Up to 3 months, or fine up to ₹1 lakh, or both

➤ Accident Penalties Compared with the Old Law

The Factories Act, 1948 provided only a minimum fine when an accident caused death or serious injury. The Code has replaced this with imprisonment or a much higher fine, and has added compensation for the victim.

➤ Accident penalties: old vs Code

Result	Factories Act s.92 proviso	OSH Code s.103
Death	Fine not less than ₹25,000	Up to 2 years, or fine not less than ₹5 lakh, or both
Serious injury	Fine not less than ₹5,000	Up to 1 year, or fine ₹2–4 lakh, or both
Compensation	None specific	At least 50 per cent of the fine

➤ Worked Example

Suppose the court imposes a fine of ₹6 lakh for a fatal boiler burst. The court may direct that at least ₹3 lakh be paid to the legal heirs. On a repeat conviction, the punishment doubles, which means up to 4 years.

55 Who Is Liable

Ss. 106–109

Contraventions in a workplace often involve several people: the employee on the shop floor, the manager, the owner and, in a company, its directors and officers. Sections 106 to 109 decide who can be proceeded against and how responsibility may be shifted. The table below summarises each section.

Section	Rule
s.106 Employees	An employee who contravenes a duty imposed on employees is liable to a penalty of up to ₹10,000 (Factories Act s.111: fine up to ₹500). The employer is not guilty unless it is proved that he failed to take all reasonable measures
s.107 Mines	The owner, agent or manager may be prosecuted only by the Chief Inspector-cum-Facilitator, the District Magistrate or an authorised Inspector-cum-Facilitator who is satisfied that there was a failure of due diligence; the District Magistrate needs the Chief's prior approval for offences concerning technical direction and management

Section	Rule
s.108 Shifting liability	The owner, agent or manager of a mine, or the employer or occupier of a factory, may bring the actual offender before the court on a complaint, with at least 3 clear days' written notice to the prosecutor. If he proves that he used due diligence and that the offence was committed without his knowledge, consent or connivance, the offender is convicted and he is discharged; the court may adjourn the case for up to 3 months
s.109 Companies	The person in charge and responsible for the conduct of the business is deemed guilty along with the company, unless he proves lack of knowledge or due diligence. A director, manager, secretary or officer is also guilty if the offence was with his consent or connivance or due to his neglect. 'Company' includes a firm or association, and 'director' of a firm means a partner

56 Procedure: Notice, Limitation, Officer's Penalty and Composition

Ss. 110–114

➤ Opportunity to Comply and Limitation (Section 110)

Before launching a prosecution, the Inspector-cum-Facilitator must give the employer a notice and 30 days to comply. If the employer complies, prosecution is barred. This opportunity is not available where the contravention caused an **accident**, or where the same violation is repeated **within 3 years**.

A complaint must be made within 6 months of the offence coming to the Inspector-cum-Facilitator's knowledge, whereas the old Factories Act allowed 3 months. For a continuing offence, the time runs with the continuance, and if the time to comply is extended, it runs from the expiry of the extension. The court that tries the case must be not inferior to a Metropolitan Magistrate or a Judicial Magistrate First Class.

➤ Penalty by Officer (Section 111)

Penalties are imposed by an officer not below the rank of Under Secretary to the Government of India (or the equivalent in a State), who holds an enquiry and has the powers of a civil court. An appeal lies within 60 days to an authority not below the rank of Deputy Secretary, and it is decided within 60 days. If the penalty is not paid within 90 days of the order, a fine of ₹25,000 to ₹2 lakh is imposed. The penalties collected go to the Social Security Fund under Section 115.

➤ Jurisdiction and Court Orders (Sections 112 and 113)

Section	Provision
s.112 Jurisdiction	The place where the establishment is situated is deemed to be the place of the offence
s.113 Court orders	On convicting the employer of a mine, factory or dock, the court may order the employer to remedy the matter in writing within a period; during that period he is not liable for a continuing offence; failure to comply is a further offence punishable with up to 6 months, or a fine of up to ₹100 a day, or both

➤ Composition (Section 114)

Composition means settling an offence by paying a sum of money instead of facing trial. Under **Section 114**, an officer notified by the Government may compound an offence, before or after the enquiry or prosecution, notwithstanding the Code of Criminal Procedure. The amount is 50 per cent of the maximum penalty, and, for an offence, 75 per cent of the maximum fine. Payment discharges the person. If the person fails to comply with the composition order, an additional 20 per cent of the maximum penalty or fine is payable. Composition is not available for an offence or penalty that is repeated within 3 years of an earlier one that was compounded or led to a conviction.

The Code also lists what can and cannot be compounded. The compoundable provisions are the penalties under Sections 94, 96, 97(1), 99 and 106, and the offences under Sections 97(2), 100(1), 101, 103(1)(b), 105 and 113(2). The offences that are not compoundable are those causing death (Section 103(1)(a)), obstruction, falsification and hazardous processes.

The examples in the table below show how the amounts are worked out.

➤ Composition examples

Contravention	Maximum	Composition	Extra if not complied
s.94 general penalty	₹3,00,000	₹1,50,000 (50%)	₹60,000 (20%)
s.96 records, first	₹1,00,000	₹50,000 (50%)	₹20,000
s.97(2) repeat	₹2,00,000 fine	₹1,50,000 (75%)	₹40,000
s.103(1)(b) serious injury	₹4,00,000 fine	₹3,00,000 (75%)	₹80,000

➤ Procedure Compared with the Old Acts

➤ Other procedural comparisons

Point	Old Acts	OSH Code
Notice before prosecution	None general	30 days
Limitation	3 months (s.106 FA)	6 months
Trial court	Presidency Magistrate or First Class Magistrate	Metropolitan or Judicial Magistrate First Class

57 Social Security Fund, Onus, Common Licence and General Provisions

Ch XIII–XIV (Ss. 115–126)

➤ Fund, Delegation and Onus (Sections 115 to 118)

Under **Section 115**, the appropriate Government establishes a Social Security Fund for unorganised workers, which is credited with composition amounts (Section 114), penalties (Section 111) and other prescribed sources. A similar fund is provided in the Code on Wages and the Industrial Relations Code. **Section 116** allows the Central Government to delegate its powers to State Governments or subordinate officers.

Two sections shift the burden of proof. Under **Section 117** (onus as to age), if a person appears to the court to be below a given age, the accused must prove otherwise. The age certificate is looked at in a fixed order: (1) Aadhaar, (2) the school date-of-birth or matriculation certificate, and (3) a birth certificate from a corporation, municipality or panchayat. Only if none of these exists is an ossification test or the latest medical test used. Under **Section 118** (onus of practicability), where a duty is to be performed 'so far as practicable' or 'reasonably practicable', the accused must prove that it was not reasonably practicable to do more.

➤ Common Licence (Section 119)

Section 119 provides a single licence for a factory, for beedi or cigar premises, or for contract labour, or one common licence for any combination of them. The application is made electronically or otherwise, and a contract labour application states the number of inter-State migrant workers. The licence is issued electronically within 45 days; if it is not, it is deemed to be issued and is auto-generated, and the authority is held responsible for the delay.

A refusal needs written reasons. An appeal lies within 30 days, and it is disposed of electronically within 30 days. Licences that were issued under the repealed Acts continue for their original validity, and the form of the licence is to be uniform across India.

➤ General Provisions (Sections 120 to 126)

The table below summarises the remaining general provisions.

➤ Ss. 120–126

Subject	Rule
Inconsistent laws	The Code overrides inconsistent laws, awards and contracts; an employee keeps any more favourable benefit
Inquiry and survey	After an accident of serious danger, or a Third Schedule disease in epidemic proportions, the Government may appoint competent persons or assessors with civil court powers, and may order a safety and health survey
Reports	The Government may publish the reports of the National or State Advisory Boards
Directions	The Centre may direct the States on implementing the Code
Disclosure	Business information is not disclosed without the owner's written consent, except for legal proceedings
Civil courts	Barred; no injunction (s.125)
Good faith	No suit or prosecution for acts done in good faith

58 Exemptions, Rule-Making Powers and Repeal

Ss. 127–143

➤ Exemptions (Sections 127 to 129)

The Code allows the Government to relax its provisions in three situations, which are described in the table below.

➤ Exemptions (ss.127–129)

Section	Provision
s.127 Special cases	The Government may exempt an establishment or a class of establishments from any provision, with conditions and for a period. A State may exempt new factories in the public interest, to create economic activity and employment, for a period from the start of commercial production
s.128 Public emergency	In a public emergency, disaster or pandemic, any workplace or activity may be exempted for a maximum of 1 year at a time (Factories Act s.5: 3 months). Hours and holidays may be exempted only if a scheme that is not less favourable is approved. 'Public emergency' means a grave emergency that threatens security by war, external aggression or internal disturbance
s.129 Public institutions	A workshop attached to a public institution for education, training, research or information may be exempted

Section 130 provides that a person who is required to give notice or information is legally bound within the meaning of Section 176 of the IPC. **Section 131** allows the Centre to amend any Schedule by notification. Under **Section 132**, difficulties in giving effect to the Code may be removed by an order in the Gazette, but no such order may be made after 2 years from the commencement, that is, after 21 November 2027, and every order is laid before both Houses.

➤ Rules and Regulations (Sections 133 to 142)

The Code is a framework, and most of the detail is left to rules and regulations. The table below shows who makes which kind of rule.

➤ Rules and regulations (ss.133–142)

Power	Key point
Appropriate Government rules (s.133)	General rule-making, after previous publication
Central rules (s.134)	The Central sphere, including mines, docks and inter-State migrant workers
State rules (s.135)	State Board, factory plans, hazardous substances, exposure limits and plantations; the Centre may make rules for uniformity for factories after consulting the States (s.135(3))
Central regulations (s.136)	Technical regulations for mines and dock work
Prior publication (s.137)	The draft is considered not less than 45 days after publication; mine and dock regulations may skip it to prevent apprehended danger
Mine bye-laws (s.139)	The employer submits a draft; if he does not do so in 2 months, the inspector drafts it; a 2-month disagreement goes to a technical committee; objections are allowed for at least 30 days; the Centre approves
Safety in epidemic, pandemic or disaster (s. 140)	Central rules for all persons
Laying (s.141)	Central instruments are laid before Parliament for 30 days; State rules are laid before the Legislature as soon as may be

➤ Repeal and Savings (Section 143)

Section 143 repeals 13 Acts, namely: the Factories Act, 1948; the Plantations Labour Act, 1951; the Mines Act, 1952; the Working Journalists Act, 1955; the Working Journalists (Rates of Wages) Act, 1958; the Motor Transport Workers Act, 1961; the Beedi and Cigar Workers Act, 1966; the Contract Labour (Regulation and Abolition) Act, 1970; the Sales Promotion Employees Act, 1976; the Inter-State Migrant Workmen Act, 1979; the Cine-Workers Act, 1981; the Dock Workers (Safety, Health and Welfare) Act, 1986; and the BOCW Act, 1996.

The savings clause keeps the system running during the change. Officers appointed under the repealed Acts are deemed to have been appointed under the Code, and rules, notifications and orders continue until they are replaced. Section 6 of the General Clauses Act, 1897 also applies.

59 Key Numbers & Thresholds at a Glance: Coverage, Duties and Hours

App A

This appendix gathers the numbers of the OSH Code in one place so that they can be revised quickly. This first part deals with coverage, duties and hours of work.

The first table gives the basic facts about the Code: its history, the thresholds that decide coverage, and the key definitions.

➤ A.1 History, coverage and definitions

Item	OSH Code, 2020
Acts merged	13 Acts; four Codes together merge 29 central laws
Assent / Act no.	28 September 2020; Act No. 37 of 2020; 143 sections, 3 Schedules
In force / Central rules	21 November 2025 / 8 May 2026
Establishment	10 or more workers; mines and ports: any number
Factory	20 with power, 40 without, on any day of preceding 12 months
Adolescent	Completed 14 but not 18 years (Factories Act: 15 to 18)
Supervisory worker excluded	Wages above ₹18,000 a month (or as notified)
Inter-State migrant worker	Wage ceiling ₹18,000; self-migrants included
Plantation	5 hectares or more (tea, coffee, rubber, cinchona, cardamom)
Own-house construction	Excluded: cost up to ₹50 lakh
Week	Seven days beginning at midnight on Saturday night

The second table lists the registration, notice and committee requirements, together with the section in which each appears.

➤ A.2 Registration, notices and duties

Item	OSH Code	Section
New establishment registration	Apply electronically within 60 days; delay by officer: deemed registration	s.3
Change in ownership/management; closure	Intimate within 30 days; cancellation within 60 days	s.3
Appeal against registration order	Within 30 days; decided within 30 days	s.4
Appointment letter to existing employees	Within 3 months of commencement	s.6
Accident notice	Death, or injury preventing work for 48 hours or more	s.10
Dangerous occurrence report	Within 12 hours	s.11
Notifiable diseases	Third Schedule; doctor's penalty up to ₹10,000	s.12
National OSH Advisory Board	Chair: Secretary, Labour; members' term 3 years	s.16
Amending Second Schedule	At least 45 days' notice	s.18
Safety Committee (rules)	Up to 20 members; term 3 years; quarterly (mines monthly)	s.22(1)

The third table gathers the worker-number thresholds for safety officers and welfare facilities, and compares them with the old position.

➤ A.3 Safety officer and welfare thresholds

Requirement	OSH Code	Old position
Safety officer: factory	500 or more workers	1,000 or more
Safety officer: hazardous-process factory	250 or more	As notified
Safety officer: building/construction	250 or more	–
Safety officer: mine	100 or more	–
Canteen	100 or more workers (contract labour counted)	More than 250
Rest rooms and lunch room	More than 50	
Crèche	More than 50 workers; children under 6	More than 30 women
Welfare officer	250 or more	500 or more
Ambulance room	More than 500	
Plantation crèche (s.92)	50 or more workers on any day in preceding 12 months	50 or more women (Plantations Act)
Plantation education (s.92)	Children aged 6–12 exceeding 25	Same

The fourth table compares working hours, holidays and leave under the Code and its rules with the Factories Act, 1948.

➤ A.4 Hours, holidays and leave

Item	OSH Code and rules	Factories Act, 1948
Daily hours	8 hours (s.25)	9 hours
Weekly hours	48 hours	48
Rest interval	30 minutes after 5 hours	Half an hour after 5 hours
Spread-over	12 hours	10½ hours
Compensatory holidays	Within 3 months	Same month or next 2 months
Overtime	Twice ordinary rate, with consent; up to 144 hours a quarter (rules)	Twice ordinary rate
Double employment	Not within 12 hours of work in similar establishment (s.30)	–
Change of work schedule	Not within 1 week of last change without sanction	Same
Annual leave eligibility	180 days in a calendar year	240 days
Leave rate	1 per 20 days (adult); 1 per 15 (adolescent; belowground mine)	Same
Carry forward	Up to 30 days	30 days
Working journalists	144 hours in 4 weeks; 24 hours rest in 7 days	–

The main changes to remember are that the daily limit falls from 9 hours to 8 hours, and that eligibility for annual leave is reached after 180 days instead of 240 days.

60 Key Numbers & Thresholds at a Glance: Inspection, Special Parts and Penalties

This second part of the appendix covers inspection, the special Parts of the Code, and penalties. App A

This table collects the time limits and thresholds for inspection orders, the employment of women, contract labour and inter-State migrant workers.

➤ A.5 Inspection, women, contract labour and migrants

Item	OSH Code, 2020
Factory prohibition order (s.38)	Valid 3 days, extendable; appeal to High Court
Mine order (s.38)	Appeal 10 days; objection 20 days; decided in 1 month
Dock or building order (s. 38)	Appeal 15 days; decided in 60 days
Mine survey (s.41)	At least 3 days' notice; none in emergency
Women at night (s.43)	Before 6 a.m. and after 7 p.m. with consent and safeguards (earlier barred 7 p.m. to 6 a.m.); belowground at least 3 women together
Contract labour Part (s. 45)	50 or more (CLRA: 20)
Contractor's licence (s. 48)	Valid 5 years; renewal 90 to 30 days before expiry
Intermittent work	Not above 120 days (seasonal 60 days)
Migrant Part (s.59)	10 or more (ISMW: 5)
Journey allowance (s.61)	Annual to-and-fro fare after 180 days

This table covers the special Parts of the Code, namely mines, beedi, factories and plantations, and shows the old position wherever there was one.

➤ A.6 Mines, beedi, factories, plantations

Item	OSH Code, 2020	Old position
Minimum age in mines (s.70)	18; apprentices and trainees 16 under supervision	Same (Mines Act s. 40)
Prospecting mine exemption (s.68)	Up to 20 persons; depth 6 m (coal 15 m)	Same (Mines Act s. 3)
Minor-mineral mine exemption	Up to 50 persons; opencast; 6 m; no explosives	Same

Item	OSH Code, 2020	Old position
Mine medical records	Kept during employment and 5 years after	–
Beedi premises licence (s.74)	Valid 5 years; renew 30 days before expiry	1966 Act
Deemed factory permission (s.79)	At most 30 days; appeal within 30 days	3 months
Site Appraisal Committee (s.83)	30 days	90 days (s.41A)
New hazardous process (s.84)	Notice 30 days before; licence liable to cancellation	–
Medical examination, hazardous process (s.85)	Intervals not over 12 months	Same (s.41C)
Common licence (s.119)	Issued in 45 days or deemed; appeal 30 days, disposal 30 days	Separate licences

This table lists the penalty or punishment for each major offence, with the old position for comparison.

➤ A.7 Offences and penalties

Provision	OSH Code	Old position
General (s.94)	₹2–3 lakh; continuing ₹2,000 a day	Up to 2 years or ₹1 lakh; ₹1,000 a day
Obstruction (s.95)	3 months or ₹1 lakh; repeat 6 months or ₹1–2 lakh	–
Registers and returns (s.96)	₹50,000–1 lakh; repeat ₹50,000–2 lakh	–
Employment provisions (s. 97)	₹50,000–1 lakh; repeat 3 months or ₹2 lakh	–
Falsification (s.98)	3 months or ₹1 lakh; repeat 6 months or ₹1–2 lakh	–
Plans omitted (s.99)	₹1–2 lakh	–
Disclosure of analysis (s.101)	3 months or ₹50,000; repeat 6 months	–
Hazardous process (s.102)	2 years and ₹5 lakh; ₹25,000 a day; beyond 1 year: 3 years or ₹20 lakh	7 years and ₹2 lakh (s.96A)
Death (s.103)	2 years or at least ₹5 lakh, or both	Fine at least ₹25,000
Serious injury (s.103)	1 year or ₹2–4 lakh; 50% of fine as compensation; repeat double	Fine at least ₹5,000
Breach of s.38 order (s.104)	2 years and up to ₹5 lakh (not below ₹2 lakh without reasons)	–
No mine manager (s.105)	3 months or ₹1 lakh, or both	–
Employee offence (s.106)	Penalty up to ₹10,000	₹500 (s.111 FA)
Court order not complied (s.113)	6 months or ₹100 a day	–

In general, the Code replaces small fixed fines with larger penalty ranges, and keeps imprisonment for the more serious offences.

61 Key Numbers & Thresholds at a Glance: Procedure, Confused Numbers and PYQs

App A

This last part of the appendix covers procedure, the numbers that are easily confused, and previous year questions. This table gathers the procedural time limits and the miscellaneous provisions of the Code, with their sections.

➤ A.8 Procedure, composition and miscellaneous

Item	OSH Code	Section
Notice before prosecution	30 days to comply; not for accidents or repeats within 3 years	s.110
Limitation	Complaint within 6 months of Inspector's knowledge (old 3 months)	s.110
Trial court	Not below Metropolitan Magistrate or JMFC	s.110
Shifting liability	3 clear days' notice; adjournment up to 3 months	s.108
Penalty by officer	Under Secretary; appeal to Deputy Secretary in 60 days, decided in 60 days; unpaid after 90 days: ₹25,000–2 lakh	s.111

Item	OSH Code	Section
Composition	50% of maximum penalty; 75% of maximum fine; default extra 20%; none within 3 years	s.114
Social Security Fund	Composition amounts and penalties; for unorganised workers	s.115
Age proof order	Aadhaar, school certificate, birth certificate, then ossification test	s.117
Public emergency exemption	Up to 1 year at a time (old 3 months)	s.128
Removal of difficulties	Within 2 years of commencement (to 21 November 2027)	s.132
Prior publication of rules	Draft considered after at least 45 days	s.137
Mine bye-laws	Draft in 2 months; objections at least 30 days	s.139
Laying before Parliament	30 days in one or more sessions	s.141
Civil courts	Barred; no injunction	s.125

Many numbers in the Code look alike, so this table shows every place where each of them applies.

➤ A.9 Commonly confused numbers

Number	Where it applies
30 days	Deemed factory permission (maximum); site appraisal; notice before hazardous process; appeals under ss.4, 52, 79, 119; time to comply before prosecution; objections to mine bye-laws; laying before Parliament
45 days	Common licence (s.119); prior publication of draft rules (s.137); notice to amend Second Schedule
60 days	Registration application; cancellation of registration; appeal and decision under s.111
50	Contract labour Part (50 or more); crèche and rest rooms (more than 50); minor-mineral mine (up to 50 persons); plantation crèche (50 or more)
250	Welfare officer; safety officer in hazardous factory and construction (250 or more)
500	Safety officer in factory (500 or more); ambulance room (more than 500)
12 months	Factory test period (preceding 12 months); medical examination interval in hazardous process
3 years	Board term; no composition and no notice for repeats within 3 years

The last table lists previous year questions that touch on this Code, with their answers.

➤ A.10 Previous year questions

Exam	Question (short)	Answer
EO/AO 2017	Which comes under State List of Seventh Schedule?	Relief of the disabled and unemployable (mine safety is Union List Entry 55)
EPFO 2017	Works Committee, Safety Committee, Canteen Management Committee are examples of	Workers' participation in management
EO/AO 2021	Who is an 'adolescent' under Factories Act, 1948?	Completed 15 but less than 18 (Code: 14 to 18)
EPFO 2021	Maximum hours in a week for an adult worker	48 hours

➤ Trend in the Questions

All four questions tested either the old Acts or the constitutional base, and they are likely to reappear as old-versus-Code differences, for example the adolescent age moving from 15 to 14, the daily hours from 9 to 8, and the leave eligibility from 240 to 180 days. Enforcement figures and the thresholds of the special Parts have not yet been asked, and they are the most likely new areas.