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CONSULTANT & PRACTITIONER OF
PF, ESI, PT, Gratuity, S & E, Factories,
POSH Act, Contract Labour, Empl. Laws.

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Decode the Codes : (c) 2025 Labour Codes Webinar

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From Complexity to Clarity - Labour Codes Demystified Effective implementation of India's new Labour Codes demands in-depth knowledge and strategic execution. **Chheda Consultancy Services LLP** offers end-to-end compliance support, enabling organizations to transition seamlessly and with complete confidence.

Bhavik Chheda

By Bhavik Chheda

Partner – Chheda Consultancy Services LLP



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Objective of today's session

Agenda

- ▶ Labour Codes background (c) 2025
- ▶ Implementation Date
- ▶ Definitions www.chhedaconsultancyservices.com
- ▶ Wages Definitions (Deep Dive With Case Study)
- ▶ Immediate Impact – PF, ESI, Leave Encashment, Gratuity, Working + OT hours
- ▶ Date of Payment of Wages and Employee Exit
- ▶ Penalties
- ▶ Questions Received
- ▶ Q&A

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Labour Codes Background

- ▶ **29 laws merged into 4 unified labour codes**
 - ▶ **The Code on Wages (c) 2025**
 - ▶ **The Industrial Relations Code 2020**
 - ▶ **The Code on Social Security 2020**
 - ▶ **The Occupational Safety, Health and working conditions Code 2020**
- ▶ **Aim to balance worker Welfare, ease of doing business by simplifying Compliance and expanding Social Security**
- ▶ **Universal Minimum Wage, National Floor Wage, Gender equality**
- ▶ **Definitions unified across all four codes**
- ▶ **Provision for timely payment, Overtime and regulation of Working hours**

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**THE INDUSTRIAL RELATIONS CODE,
2020**

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- INDUSTRIAL EMPLOYMENT
STANDING ORDER ACT , 1946

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- INDUTRAIL DISPUTE ACT ,
1947

- • TRADE UNIONS ACT , 1926

THE OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE 2020

Factories Act, 1948

Mines Act, 1951

Dock Worker Safety, Health, and Welfare Act, 1986

The Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996

The Plantations Labour Act, 1951

The Motor Transport Workers Act, 1961

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The Working Journalists and Other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955

The Working Journalists (Fixation of Rates of Wages) Act, 1958

The Cine Workers and Cinema Theatre Workers Act, 1981

The Sales Promotion Employees (Conditions of Service) Act, 1976

The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

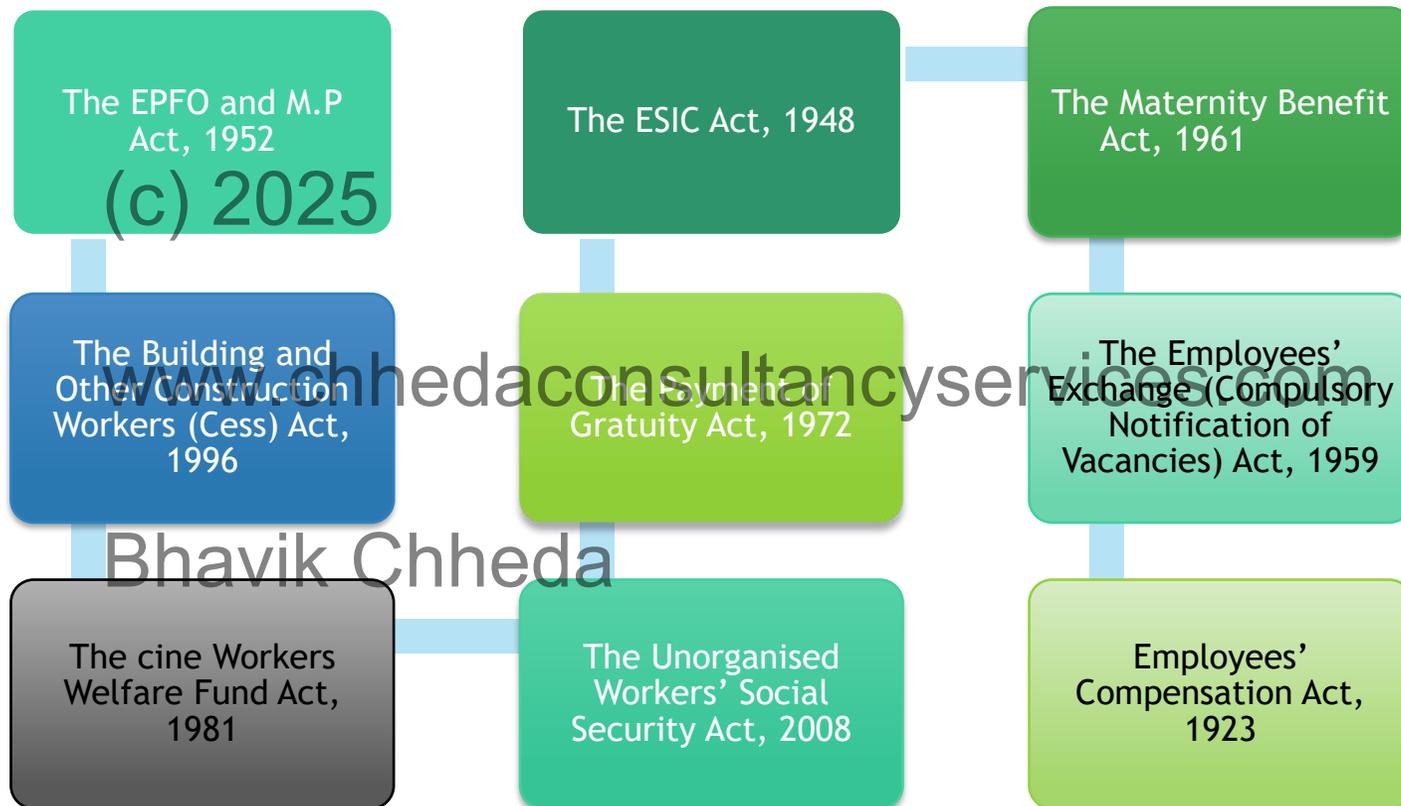
The Contract Labour (Regulation and Abolition) Act, 1970

The beedi and cigar Workers (conditions of Employment) Act, 1966

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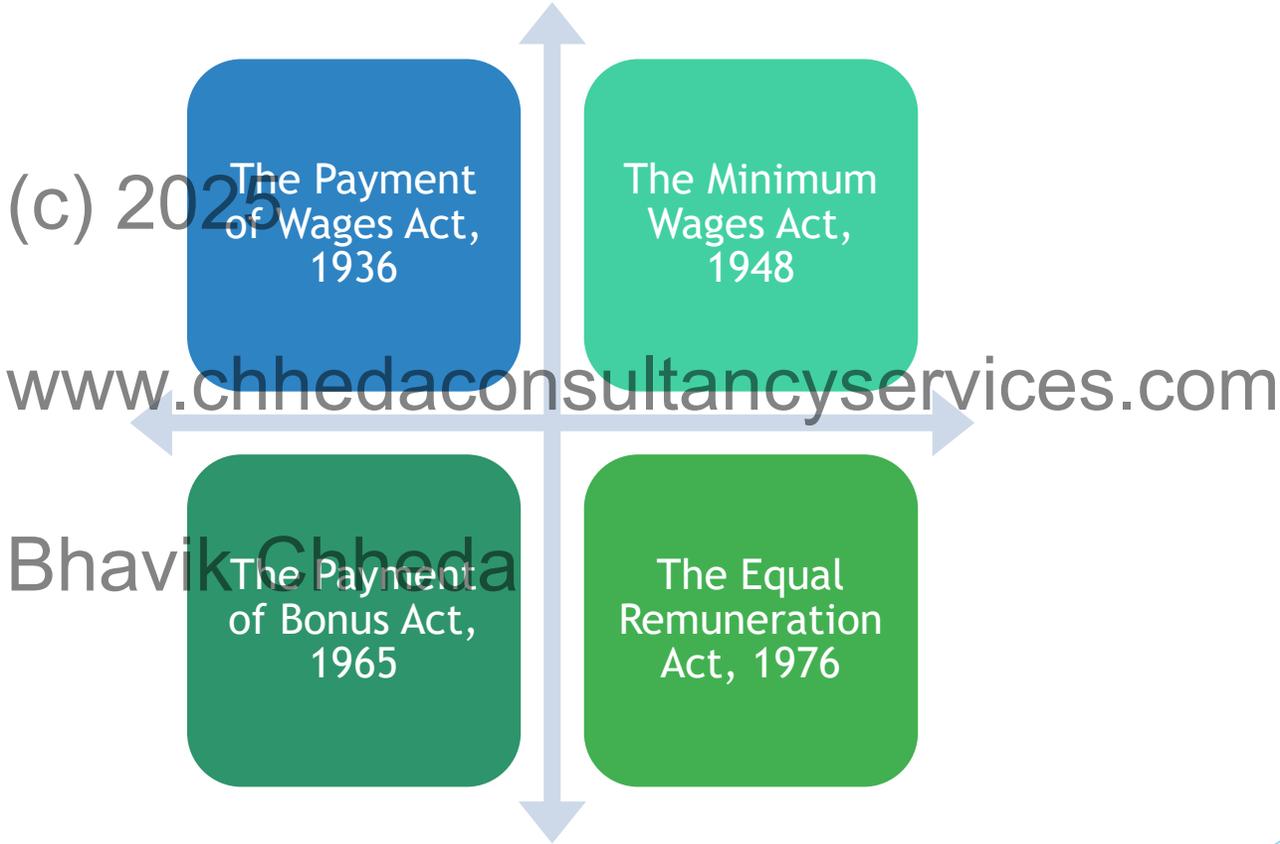
THE CODE ON SOCIAL SECURITY, 2020



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THE CODE ON WAGES, 2019





श्रम और रोजगार मंत्रालय
भारत सरकार
MINISTRY OF LABOUR AND EMPLOYMENT
GOVERNMENT OF INDIA

21/11/25
Historic Day

4 Labour Codes
Come into Effect



Date Of Implementation

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Media & Press

Rules for four new Codes to be in place before Apr 1: Labour secy

SHIVA RAJORA &
 ASIT RANJAN MISHRA
 New Delhi, 27 November

The Centre is gearing up to notify the rules under the four labour Codes before April 1, 2026, and has suggested the states to follow a similar timeline, so that the new labour regulations could be implemented before the beginning of the next financial year, labour secretary Vandana Gurnani said in an interview to *Business Standard*.

“There is a possibility that new labour Codes will kick in even before that. That is our goal,” Gurnani said, when asked whether the rules will be in place by April 1 next year.

Gurnani said that the labour ministry will republish the draft rules soon and give 45 days’ time for public consultation. “So, over the course of the next two to three



“WE WILL CONTINUE TO HAVE REGULAR ENGAGEMENT WITH STATES AND IN WHICHEVER AREAS THEY REQUIRE ANY HANDHOLDING SUPPORT OR ANY LEGAL CLARIFICATIONS, WE ARE IN TOUCH WITH THEM”

Vandana Gurnani
 Labour secretary

‘Want labour machinery to focus on defaulting firms’

P4 ▶

months, we hope to finalise,” she added.

The labour ministry is also focusing on capacity-building and training for state and central labour officers. In parallel, digital platforms for registrations, licences, approvals, and inspections are being prepared. Portals like Shram Suvidha and Samadhan are also being revamped to align with the new Codes.

Meanwhile, the thrust remains

on ensuring uniformity and harmonisation with the rules in states, so that they do not go against the basic spirit of the central Codes, the labour secretary said.

“States have flexibility to adapt the rules as per their local context. The rules that they have formulated till now are in sync with the national rules. We are in constant touch with them and supporting them in every way possible,” Gurnani added.

Media & Press

The Hindu 4/12/2025

Labour codes likely to be fully operational from April 1

The four labour codes ushering another wave of reforms in the country are likely to be fully operational from April 1, 2026 as the ministry has begun the process for enforcing rules under the notified law. The four labour codes – Code on Wages, 2019, Industrial Relations Code, 2020, Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020 – were notified on November 21. PTI

insolvency frame-
 diversion or siphon-
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 after the resolution,
 are facing problems
 on a clean slate. They
 such as delays in ob-
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ON ASEAN countries, which puts
 India at a relative disadvantage
 and the trade deficit is reflecting

gradual deprecia

What is the way

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Labour codes likely to be fully operational from April 1

New Delhi: The four labour codes, notified on November 21, are likely to be fully operational from April 1, 2026 as the ministry has begun the process for enforcing rules under the notified law. The four labour codes are — Code on Wages, 2019, Industrial Relations Code, 2020, Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020.

Addressing CII IndiaEdge 2025 here, Labour & Employment Minister Mansukh Mandaviya on Wednesday said draft rules will be pre-published shortly.

He said that earlier the Centre as well as states had pre-published draft rules, but that was a long time ago.

A senior official explained that after pre-publishing the draft rules, the government will give 45 days time for public comments before firming up those for final notification. PTI

Definitions

▶ **Appropriate Government**

- ▶ **Central Government** – Railways, Metro, Mines, Oilfield, Major Ports, Air Transport Services, Tele Communication, Banking, Insurance Company, Central PSU, Including Establishment of Contractors for the purpose of such Establishment
- ▶ **State Government** - Any Other Establishment
- ▶ **Exception**
- ▶ **OSHC Code – State Government** – In Case of Factory, Motor Transport under taking, Plantation, News Paper Establishment, Beedi and Cigar Establishment
- ▶ **Social Security Code – Central Government** – Establishment having Departments or Branches **in more than one States**

- ▶ **Employee** – Any person employed to do Skilled, Semiskilled, Unskilled, Manual, Operational, **Supervisory, Managerial, Administrative,** Technical or Clerical Work but does not include apprentice under the apprentice Act and Member of Armed force of Union (**Earlier Limit of INR 24000/- pm under the PoW Act 1937 is gone**)

- ▶ **Exception**
- ▶ **SS Code** – **Employed either directly or through a Contractor**

- ▶ **Worker** - Any person employed to do Skilled, Semiskilled, Unskilled, Manual, Operational, Supervisory, Technical or Clerical Work but does not include

- ▶ Member of Armed force of Union
- ▶ Managerial or Administrative capacity
- ▶ Supervisor which salary more than Rs. 18000/- PM

- ▶ **Thus every Worker is an employee but every employee need not be Worker**

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Definitions

- ▶ **Fixed Term Employment** – Engagement of Worker (SS - employee) through **written contract** for a fixed period. Hours of work Wages and Allowances must be Similar to a Permanent Worker. Must receive all the statutory benefits. Will be eligible for gratuity from first year onwards. **Ex.** Engineering Projects, IT Projects.
- ▶ **Gig Workers** – A person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer employee relation.
- ▶ **Home Based Worker** – Means person engaged for production or service and works from the premises of his choice other than work place of the employer.
- ▶ **Platform Work** – Means work in which organisation or individuals use an online Platform to excess to other organisation or individuals to solve the specific problem or to provide specific services in exchange for payment. **Ex.** Swiggy, Zomato delivery person, Uber Taxi Driver
- ▶ **Inter State Migrant Worker** – Means any person recruited directly by employer or indirectly through Contractor in one State for Employment in Establishment situated in another State. **OR** person comes on his own and gets work in another State with Wages below Rs. 18,001/- PM. (Non Domicile Worker)
- ▶ **Unorganized Sector** – Means an Enterprise owned by individual or Self Employed Workers and doing business of any kind and were number of workers is less than Ten.

Definitions

“core activity of an establishment” means any activity for which the establishment is set up and includes any activity which is essential or necessary to such activity,

Provided that the following shall not be considered as essential or necessary activity, if the establishment is not set up for such activity, namely,—

(i) sanitation works, including sweeping, cleaning, dusting and collection and disposal of all kinds of waste;

(ii) watch and ward services including security services;

(iii) canteen and catering services;

(iv) loading and unloading operations;

(v) running of hospitals, educational and training Institutions, guesthouses, clubs and the like where they are in the nature of support services of an establishment;

(vi) courier services which are in nature of support services of an establishment;

(vii) civil and other constructional works, including maintenance;

(viii) gardening and maintenance of

lawns and other like activities;

(ix) housekeeping and laundry services, and other like activities, where these are in nature of support services of an establishment;

(x) transport services including, ambulance services;

(xi) any activity of intermittent nature even if that constitutes a core activity of an establishment;

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Wage Definition

“Wages” means **all remuneration**, whether by way of salary, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and **includes**,—

- (i) basic pay;
- (ii) dearness allowance;
- (iii) retaining allowance, if any,

but does not include—

- (a) any **bonus** payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment;
- (b) the **value** of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a **general or special order of the appropriate Government**;

(c) any **contribution paid by the employer to any pension or provident fund, and the interest** which may have accrued thereon;

(d) any **conveyance allowance** or the value of any travelling concession;

(e) any sum paid to the employed person to **defray special expenses** entailed on him by the nature of his employment;

(f) **house rent allowance**;

(g) remuneration payable under any **award or settlement** between the parties or order of a court or Tribunal;

(h) any **overtime allowance**;

(i) any **commission** payable to the employee;

(j) any **gratuity** payable on the termination of employment; or

(k) any **retrenchment compensation** or other retirement benefit payable to the employee or any *ex gratia* payment made to him on the termination of employment,

Provided that, for calculating the wage under this clause, **if any payments made**

by the employer to the employee under **sub-clauses (a) to (i) exceeds one-half**, or such other per cent. as may be notified by the Central Government, of all remuneration calculated under this clause, the amount which exceeds such one-half, or the per cent. so notified, shall be deemed to be remuneration and shall be accordingly added in wages under this clause,

Provided further that for the purpose of equal wages to all genders and for the purpose of payment of wages the emoluments specified in sub-clauses (d), (f), (g) and (h) shall be taken for computation of wage.

Explanation.—Where an employee is given in lieu of the whole or part of the wages payable to him, **any remuneration in kind** by his employer, the value of such remuneration in kind which does not exceed **fifteen per cent.** of the total wages payable to him, shall be deemed to form part of the wages of such employee;

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SAMPLE CASES FOR DIFFERENT AMOUNT OF WAGES

Nomeclature	Include d	Excl clause	Emp1	Emp2	Emp3	Emp4	Emp5	Emp6
Basic	Y		20,000	4,40,000	3,30,394	17,990	16,528	6,000
DA	Y		10,000	-	-	-	-	2,000
Other All	Y		-	3,22,386	2,92,929	5,110	1,745	-
Medical All	Y		7,500	-	-	-	-	-
LTA	Y		5,000	-	-	-	-	-
Food Card / Meal All	Y		2,500	3,300	3,300	2,099	1,929	-
Special All	Y		10,000	-	-	-	-	-
Attendance Bonus	Y		2,500	-	-	-	-	-
Variable Pay	Y		2,500	5,87,683	2,65,804	-	-	-
Driver Sal.	Y		2,500	-	-	-	-	-
Inam / Prize /Gift	Y		2,500	-	-	-	-	-
Exgratia	Y		2,500	-	-	-	-	-
Advance Bonus	N	(a)	1,250	-	-	-	-	-
ER PF	N	(c)	1,800	52,800	-	-	-	1,680
Conv All	N	(d)	7,500	-	-	-	-	6,000
Washing All (Uniform Provided)	N	(e)	2,500	-	-	-	-	-
Reimbursement of Exp.	N	(e)	1,950	-	-	-	-	-
HRA	N	(f)	10,000	1,65,000	1,65,197	2,245	8,264	6,000
Award / Settlement	N	(g)	2,500	-	-	-	-	-
OT	N	(h)	2,500	-	-	-	-	-
Commission	N	(i)	2,500	-	-	-	-	-
CTC			1,00,000	15,71,169	10,57,624	27,444	28,466	21,680
As per wage definition			67,500	13,53,369	8,92,427	25,199	20,202	8,000
50% of CTC			50,000	7,85,585	5,28,812	13,722	14,233	10,840
Minimum Wages			14,000	14,000	14,000	14,000	14,000	14,000
Final wages for purpose of all calculations			67,500	13,53,369	8,92,427	25,199	20,202	14,000

New Nomenclature for “Basic”

We have to forget the nomenclature of
“**Basic**”^{(c) 2025} and understand the New
Nomenclature namely “**Compliance Wages**”
or “**Wages for Compliance**”
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Applicability

1. Employees Provident Fund - 20 or more Employees
2. Employees State Insurance - 10 or more Employees, 1 employee in case of hazardous establishment
3. Gratuity - 10 or more Employees
4. Maternity Benefit - 10 or more Employees
5. Employees Compensation - 1 employee
6. Contract Labour (RC & License) - 50 Contract Labour
7. BOCW - 10 Workers
8. Interstate Migrant Workers - 10 ISMW
9. Factories - With power 20 workers and without power 40 workers

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Immediate And Significant Impact

IMPACT ON PF
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IMPACT ON ESI

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OT AND WORKING HOUR

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**LEAVE ENCASHMENT - SALARIED
AND EMPLOYEES (S AND E)**

**GRATUITY - FIXED TERM
EMPLOYMENT (FTE)**

Impact on PF Immediately

- ▶ No impact as long as the contributions of the employee and employer are equal to or greater than the ceiling limit. Case Law Marathwada Gramin Bank V/s EPFO
- ▶ No Impact as long as the contribution of the employee and employer are calculated on GROSS – HRA, subject to the Wage Amount should be greater than or equal to the prevailing Minimum Wages.
- ▶ Need to review Salary Structure in all other cases.

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Impact on ESIC Immediately

- ▶ Contribution of Existing ESIC IP may drop due to new definition of Wages since HRA, Conveyance, OT and Bonus will not be treated as Wages. This may result in increase in inhand of such employees. At the same time there will be reduction of standard benefit component of ESI in coming benefit period for such employees.
- ▶ Employees earlier not coverable under the ESI Act may now become coverable due to new definition of Wages since HRA, Conveyance, OT and Bonus will not be treated as Wages. This may result in decrease in Inhand of such employees and increase in ESIC Contribution of employer . At the same time such employees will be come eligible for ESIC benefits.
- ▶ Entire India will now be coverable under ESI. So ESI Compliance in respect of erstwhile non implemented areas will have to be started. At present such non implemented areas do not have ESI facilities and may create issues for the beneficiary employees.
- ▶ Need to review Salary Structure in all such cases.
- ▶ ESI will now be applicable to all establishments. So Its likely now to be implemented **on medical institutes / hospitals , educational institutes and banks** also. Regarding Construction worker – it is still uncertain.

Impact on ESIC Immediately

Earlier Regime		New Regime	
Case 1		Case 1	
Allowance Name	Amount	Allowance Name	Amount
Basic	10000	Basic	10000
HRA	5000	HRA	5000
Conveyance	5000	Conveyance	5000
Gross	20000	Gross	20000
ESI Wage	15000	ESI Wage	10000
EE ESIC	113	EE ESIC	75
ER ESIC	488	ER ESIC	325
Total ESI	601	Total ESI	400
Case 2		Case 2	
Allowance Name	Amount	Allowance Name	Amount
Basic	20000	Basic	20000
HRA	5000	HRA	5000
Conveyance	5000	Conveyance	5000
Gross	30000	Gross	30000
ESI Wage	25000	ESI Wage	20000
EE ESIC	0	EE ESIC	150
ER ESIC	0	ER ESIC	650
Total ESI	0	Total ESI	800

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OT And Working Hours

- ▶ Earlier some Establishments were calculating OT on just Basic + DA. Now it will have to be calculated on Compliance Wages.
- ▶ OT to be paid at Rate of Double the Compliance Wages.
- ▶ Total Working Hours exact details could be understood only after finalization of rules under the Code.

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Leave Encashment

- ▶ Generally, most of the Establishments give leave encashment in the Month of January.
- ▶ Earlier some Establishments were calculating Leave Encashment on just Basic + DA. Now it will have to be calculated on Compliance Wages.

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Gratuity

- ▶ Earlier Establishments were calculating Gratuity on just Basic + DA. Now it will have to be calculated on Compliance Wages.
- ▶ No other change for regular employees.
- ▶ Gratuity introduce for fix term employment cases.
- ▶ There will be impact of Change in definition of Employee , which now includes Contractor's Labour also. So Employer will have to factor in gratuity of the Contract Labour also.

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Date of Payment of Wages & Employee Exit

Time Limit for Payment of Wages	
Rate Frequency	Due Date for Wage Payment
Daily	At the End of Shift
Weekly	On Last Working Day of the Week
Fortnightly	Within Two Days of End of Fortnight
Monthly	Within Seven Days of the Succeeding Month

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- ▶ **Where employees are removed, dismissed, retrenched or has resigned from service –**
Within two working days of such case.
- ▶ **Does that mean complete FNF including Gratuity and retrenchment or does that mean wages?**
- ▶ Establishments will have to relook at there Exit policies.
- ▶ Abscond cases - ?

Prohibition of Employment of Contract Labour

- ▶ **Section 57 (1) prohibits employment of contract labour in Core Activities of any Establishment, except (c) 2025**
1. Normal functioning of Establishment is such that the activity is ordinarily done through contractor
 2. The activities are such that do not require full time workers for major portion of day
 3. Sudden increase in volume of work in Core Activity for specified period of time
 4. Decision of appropriate Government will be final in case of deciding the Core Activity

The Commissioner of Labour may thus become very important for all organizations.

Lay-off, Retrenchment and Closure

- ▶ Lay-off provisions applicable only to non seasonal Industrial Establishment having 50 or more workers
- ▶ Lay-off @50% of Basic Wages + DA
- ▶ Retrenchment - One Month Notice in writing or wages in lieu of Notice, 15 days average pay for every year of continues service
- ▶ Closure - provisions applicable only to Industrial Establishment having 50 or more workers. Not Applicable to Construction of Buildings, Bridges, Roads, Dams, Projects, etc.
- ▶ 60 days of notice to be given. Compensation as if retrenched. Exception under taking is close down due to unavoidable circumstances beyond control of employer - Max compensation three month average pay

Lay-off, Retrenchment and Closure > 300 Employees

- ▶ Industrial Establishment = Factory, Mine, Planted
- ▶ Permission Appropriate Government require for lay-off
- ▶ Retrenchment - Three Months of Notice in writing or Wages of leave on such Notice and Permission needed from Appropriate Government
- ▶ Closure - Permission needed from Appropriate Government

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Offences and Penalties

- ▶ General Penalty (IR Code) - not be less than two lakhs rupees but which may extend up to three lakh rupees. Continued Contravention then additional two thousand rupees per day. Repeat Offence - Imprisonment up to 6 months
- ▶ For Registers and records - not be less than fifty thousand rupees but which may extend to one lakh rupees.
- ▶ Paying less than minimum wages - fifty thousand rupees. Repeat offence - One lakh rupees and/or imprisonment upto 6 months.

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Questions Receive

Q. Should we and Can we restructure salary of Employees?

A. Yes. Wherever there is impact. However, consent of employee must be obtain.

Q. Can we reduce PF Contribution from 12% of Basic to 1800?

A. Yes. Refer Marathwada Gramin Bank V/s. EPFO.

Q. Cost of Medical Check up to be part of CTC?

A. No. It is an expense to be incurred by the employee only.

Q. Which Minimum Wage to follow?

A. Follow Minimum Wages as declared by the appropriate Government Depending on your industry.

Questions Receive

Q. Company is having several branches like in Delhi (HO), Mumbai, Kolkata, etc. which Minimum wage to follow?

A. The Employee must be paid Minimum Wages as per his Place of Work.

Q. As a Principal Employer should we issue Appointment Letter to Contractors Labour?

A. No. The Contractor will issue Appointment Letter to his Labour.

Q. Will Insurance Premium paid for GPA & GMC be part of Wages?

A. Insurance Premium paid by Employer are for Employee Welfare and not part of Wages.

Q. Will Referral Bonus, Joining Bonus, Performance Bonus, Variable Pay, etc. be part of Wages?

A. Yes.

What must Organizations Do Right Now?

- ▶ Do strategic Assessment by putting together cross functional team of HR, Finance and Legal.
- ▶ Ascertain Financial impact due to change in wage definition and social security contributions.
- ▶ Draft the changes in the current policies and processes to be inline with the New Codes.
- ▶ Do work force classification - Worker and Non worker, FTE, Gig, Platform, ISMW, Home Based Worker, Contract Labour.
- ▶ Review Contract work force arrangement - Earlier outsourced Core Activity might have to be brought in.
- ▶ Wait for the rules to come out for implementation of procedural aspects.

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