

Labour Codes 2019/2020: Government releases FAQs

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Ever since the labour codes – Code on Wages, 2019 (Wages Code), Code on Social Security, 2020 (SS Code), Industrial Relations Code, 2020 (IR Code), and Occupational Safety, Health and Working Conditions Code, 2020 (OSH Code) – have been brought into effect on and from 21 November 2025, the industry has been grappling with several questions, whether on definitions or on other substantive aspects. As expected, the Government of India (Government) has come up with responses to few frequently asked questions (FAQs) on the above labour codes (collectively, Labour Codes), aiming to provide some clarity while the industry continues to operate in a dual compliance regime.

In continuation of our previous update on the enforcement of the Labour Codes (available [here](#)), we set out below some points of clarification put forth by the Government in its FAQs.

Summary of the key FAQs

Subject / Provision	What FAQs Clarify
Universal applicability and coverage under Wages Code	The Wages Code applies universally to all employees, irrespective of sector (organized or unorganized), nature of engagement (permanent, temporary, contractual, daily wage, casual, part-time), or category of work. It eliminates the concept of “scheduled employment” and extends minimum wage and timely payment protections across all employments. The Wages Code also expressly prohibits discrimination on the ground of gender, including transgender status, in matters relating to wages, recruitment, and conditions of employment.
Concept of floor wage under Wages Code and its impact on the current minimum wages prescribed by the appropriate government	The National Floor Wage will operate only as a baseline. Where minimum wage rates fixed by State Governments prior to the enforcement of the Wages Code are higher than the National Floor Wage, such higher rates will continue to apply, and State Governments are not permitted to reduce them. It is also clarified that the appropriate governments will prescribe the minimum wages after consulting workers’ and employers’ representatives, such that the process is fair, balanced and not arbitrary.
Definition of wages and deductions across Labour Codes	The definition of “wages” under the Labour Codes is not intended to reduce employee earnings; instead, it brings transparency and uniformity by including certain allowances exceeding a specified percentage in the wage base, which can strengthen social security benefits like employees’ provident fund, gratuity, and bonus. Additionally, the codes restrict the total permissible deductions from wages to 50%, providing a more protective ceiling compared with the earlier regime.

Subject / Provision	What FAQs Clarify
	The definition of 'wages' is intended to cover all remuneration whether by way of salaries, allowances or otherwise payable to a person employed, and this definition includes basic salary, dearness allowance, and retaining allowance, if any. Given the conditional nature of the components, performance-based incentives, employee stock option plans, and reimbursements to employees shall not be part of wages.
Objective of provision of compounding of offences across Labour Codes	The Labour Codes introduce enhanced penalties as a deterrent while allowing employers a limited opportunity to rectify non-compliance through compounding. Compounding is permitted only for the first offence; any subsequent offence within a period of 5 years (under the Wages Code) and 3 years (under the other Labour Codes) attracts stricter consequences, including imprisonment of up to 3 months and / or fine. This framework seeks to reduce potential litigation while ensuring that employers remain accountable and cannot repeatedly evade their statutory obligations.
Status of sales promotion employees under IR Code	Non-managerial employees engaged in promotion of sales or business would be covered as 'workers' under the IR Code.
Applicability of health and safety provisions under OSH Code to factories having less than the threshold number of workers (i.e., 20 workers in factories operating with the aid of power, and 40 workers in factories operating without the aid of power)	The workers in factories having less than the threshold number of workers will continue to be covered under health, safety, and welfare provisions under the OSH Code as these provisions refer to the term 'establishment' which is defined to mean a place where any industry, trade, business, manufacturing or occupation is carried on and where 10 or more workers are employed.
Flexibility in introducing a 12-hour working day under Wages Code / OSH Code	The Wages Code / OSH Code only speaks of the number of hours which will be considered as normal working hours in a day. Any additional hour worked - while not prohibited - would entail overtime implications.

Comment

The FAQs issued by the Government provide a broad explanatory framework for understanding the structure and legislative intent of the Labour Codes. That said, from an advisory and compliance standpoint, the FAQs should be read as explanatory guidance only. They do not have binding force and are not intended to override or substitute the statutory provisions of the codes or the applicable rules and schemes.

In several instances, the FAQs tend to paraphrase the language of the codes without clarifying how key provisions are intended to operate in practice, particularly in complex or transitional scenarios. The FAQs could have provided practical clarification on several critical areas that continue to generate uncertainty. These include the operation of the proviso to the definition of wages relating to 'remuneration in kind', the treatment of fixed allowances and guaranteed components that do not neatly align with existing exclusions, the approach that may be considered for tenure-based benefit calculations for employees whose service spans pre-code and post-code regimes.

The FAQs also stop short of explaining how the floor wage will be determined, how consultation with workers and employer representatives will be implemented, and whether regional or sectoral differentiation will be adopted. In practice, this leaves both employers and employees uncertain about long-term wage predictability and cost planning. Similarly, while the FAQs clarify that employees' take-home pay may not be reduced in theory, the fact that 'wages' will be the basis for statutory computations can substantially increase employer costs (primarily, gratuity). The FAQs do not acknowledge this cost impact or provide any guidance on restructuring, grandfathering, or timelines, resultantly understating the commercial consequences for employers.

Accordingly, employers should treat the FAQs strictly as contextual guidance and continue to anchor compliance and risk assessments in the statutory text of the codes, applicable rules and notifications, pre-

existing jurisprudence where definitions and concepts have been carried forward, and evolving enforcement practice.

On a related note, the Government has released the draft Central rules under each of the Labour Codes on 30 December 2025. The draft rules are open for public consultation and stakeholders have been given an option to submit their suggestions and / or objections within a period of 45 days (30 days in case of the IR Code). The firm is putting together a few recommendations and invites the readership to share their thoughts on the draft rules, if any.

This update has been contributed by Anshul Prakash (Partner), Srishti Ramkrishnan (Counsel), Kruthi N Murthy (Principal Associate), and Deeksha Malik (Principal Associate). The contents herein only provide an overview of the provisions enforced. For a more comprehensive analysis, please reach out to the team at editors@khaitanco.com.



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