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Labour Codes 2026: Wages | EPF | ESIC | Contract Labour

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Labour Codes in 2026: What Employers Must Get Right on Wages, Social Security and Contract Labour

By Express Labour Law | 19 October 2026 | Reading time: about 6 minutes

The four Labour Codes have been in force since 21 November 2025, the central rules followed in May 2026, and the EPF wage ceiling has just moved. Here is what actually changes in your payroll, your contracts and your compliance calendar.

Where implementation stands today

The Codes on Wages, Industrial Relations, Social Security and Occupational Safety replaced 29 central labour laws on 21 November 2025. The Centre notified the final central rules on 8 and 9 May 2026, together with Model Standing Orders. Because labour is a Concurrent List subject, each state and Union Territory must frame its own rules as well. By late September only around ten states had final rules, and the Centre has asked all states and UTs to finish by 31 October 2026.

The practical message is simple: the Codes' definitions apply now, even where a state's procedural rules are still in draft. Waiting for the last state to notify is not a compliance strategy.

1. The wage definition drives everything else

The Codes use a single definition of wages. Components that are excluded from wages, such as allowances, bonus, overtime and HRA, are capped at 50 percent of total remuneration. Anything above that cap is added back to wages for statutory purposes. This does not mean basic pay must be fixed at exactly 50 percent; it means the wage base cannot be shrunk by loading pay into allowances.

Salary structures with a low basic and many allowances are the most exposed. The recalculated base feeds into provident fund, gratuity, bonus, overtime and other payouts, so one structuring error shows up in several places at once.

- Model the impact for each salary band before changing structures, not after.
- Take legal validation of the restructured components; renaming allowances will not survive scrutiny.
- Re-issue appointment letters or annexures where the structure changes.

2. Provident fund: the ceiling is now Rs 25,000

The Union Cabinet approved a higher EPF wage ceiling on 16 September 2026, and the Ministry notified it as S.O. 5109(E), effective 17 September 2026. The ceiling rises from Rs 15,000 to Rs 25,000 a month, the first increase since 2014. Employees with PF wages up to Rs 25,000 now fall within mandatory EPF, EPS and EDLI coverage, and an amendment to the Employees' Pension Scheme, 2026 brings existing EPF members in that band into pension coverage too.

Maximum monthly contribution	At Rs 15,000	At Rs 25,000
Employee PF (12%)	Rs 1,800	Rs 3,000
Employer EPS (8.33%)	Rs 1,250	Rs 2,083
Employer EPF (3.67%)	Rs 550	Rs 917

September 2026 is a split month: PF is worked out on the Rs 15,000 ceiling up to 16 September and on Rs 25,000 from 17 September, reported in one return. Any extra employee share that could not be deducted in September may be recovered in October payroll, but the full amount must still be remitted on time.

3. ESIC: ceiling unchanged, base may widen

The ESI wage ceiling remains Rs 21,000 a month (Rs 25,000 for persons with disabilities), and a rise has been discussed but not notified. What has changed is the measuring stick: from 21 November 2025 the Code's wage definition applies. An employee with a high gross salary but a low basic can therefore have wages, as defined, at or below the ceiling. Audit salary structures against the definition, not just against gross pay.

4. Hours, overtime and documentation

The safety Code works on an eight-hour day, a 48-hour week, a weekly day of rest and overtime at twice the normal rate, subject to the prescribed rules and the worker's consent. Since overtime is paid on wages as defined, the wage structure directly changes overtime cost. Appointment letters, attendance records, overtime consents and payroll outputs must reconcile; mismatches are the first thing an inspector looks for.

5. Fixed-term employees and gratuity

Fixed-term employees engaged directly by the establishment become eligible for gratuity on a pro-rata basis after one year of continuous service, instead of the earlier five. This does not extend to workers engaged through contractors. Review your gratuity provisioning if you rely on fixed-term hiring.

6. Contract labour: the 50-worker line and core activities

The contract labour framework under the safety Code applies where 50 or more contract workers are engaged on any day in the preceding twelve months. Contract labour in core activities is restricted, with exceptions such as intermittent work, specialised short-duration work or sudden spikes in volume. The central rules add duties for principal employers and contractors around wage payment, minimum bonus, settlements, experience certificates and common licensing. Contract terms cannot fully shift statutory liability away from the principal employer.

- Record a reasoned core and non-core assessment for each activity.
- Audit contractors for licences, wage records and statutory registrations in every state.
- Where a worker is retrenched, build the prescribed 10-day transfer to the labour commissioner's account into your exit checklist.

7. Gig and platform workers

The Social Security (Central) Rules, 2026, notified on 8 May 2026, require aggregators to register gig and platform workers on a central portal in real time and to report exits. Workers qualify for scheme benefits after 90 days with one aggregator or 120 days across several. Aggregators fund a social security fund with 1 to 2 percent of annual turnover, capped at 5 percent of payouts to workers. Sources differ on whether each category's contribution rate and start date have been notified, so platforms should watch for Ministry notifications.

A 30-day action plan

Week	Action
Week 1	Map establishments by central or state jurisdiction; build a state-by-state rules tracker.
Week 2	Run a wage-definition and PF/ESI impact simulation for all salary bands.
Week 3	Update payroll for the Rs 25,000 PF ceiling; enrol newly covered employees; review contractor agreements.
Week 4	Refresh appointment letters, standing orders and policies; brief management on cost impact.

Bottom line: the Codes link wage design, payroll, social security, contractors and workforce classification into one framework. Employers who model the numbers early and document their reasoning will be far better placed than those who wait for an inspection.

This article is general information based on public material available as of 19 October 2026 and is not legal advice. Rules and notifications change; confirm against the official Gazette or the Ministry of Labour and Employment, EPFO and ESIC before acting.