Commonly Observed Non-Compliances under New Labour Codes

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Framework

The four-code architecture

Code on Wages, 2019

- Wage definition and wage floors.
- Equal remuneration/ no gender discrimination for same or similar work.
- Overtime wages under Section 14 at not less than twice normal rate.
- Payroll component mapping.

Industrial Relations Code, 2020

- Worker classification.
- Retrenchment, lay-off and closure.
- Fixed-term worker and expiry exclusion.
- Negotiating union/ council and settlements.

Social Security + OSH

- CSS: EPF, ESI, EDLI, gratuity, maternity, compensation.
- OSH: working hours, welfare, leave, contract labour and safety.
- 2026 schemes operationalise PF/ EDLI/ EPS.
- State Rules complete the compliance picture.

Section map

Master section map: recurring sections in this deck

Code on Wages	IR Code	CSS + OSH
• Section 2(y): wages definition. • Section 3: gender non-discrimination in wages/ recruitment for same or similar work. • Section 4: disputes on same/ similar work. • Section 14: overtime wages.	• Section 2(o): fixed-term employment for worker. • Section 2(zh): retrenchment and exclusions. • Retrenchment provisions: compensation, notice and thresholds. • Negotiating union/ council recognition provisions.	• CSS Section 2(14): dependants; Section 2(34): FTE. • CSS Sections 53–57: gratuity and insurance. • CSS Section 67: crèche; ESI/ compensation chapters. • OSH Sections 24, 25, 27, 32 and 57.

2026 EPF/ EPS/ EDLI schemes: where they fit

Legal placement	Deck uses these scheme controls
• Schemes operate under Code on Social Security, 2020, Section 15. • EPF Scheme 2026: membership, contribution, accounts, duties and claims. • EPS Scheme 2026: pension framework. • EDLI Scheme 2026: insurance benefit on death while in service.	• Para 25: employee duties — Aadhaar, PAN, bank, UAN, family and previous PF details. • Para 27: payroll deduction/ remittance control for PF employee share. • Para 44: EPF nomination, marriage and predeceased nominee effects. • EDLI Paras 21–22: eligibility, quantum and payment hierarchy.

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Case Study Sequence

Case Study 1 appears first; each case is followed by section mapping and compliance controls.

Case Study 1: Contract employee dies while commuting in own vehicle

Answer: Family may be eligible if employment nexus is established.

Facts

- Contractor deployed R as maintenance electrician at Principal Employer's plant.
- R left home at 8:10 AM for 9:00 AM shift; accident occurred on normal route, 6 km from plant.
- He used his own scooter; ESI contribution records were active for the wage month.
- No evidence of major personal deviation; FIR and hospital records mention commute to work.

Issue

Does own-vehicle commuting death qualify for statutory benefits/ compensation?

Pitfalls

- Rejecting claim only because the vehicle belonged to employee.
- Failing to preserve contractor muster and wage records.
- Ignoring ESI contribution status for the wage month.
- Treating commute as personal travel without nexus assessment.

Practical takeaway

1. Employment relationship: contractor records, attendance, wage slips, ESI/ IP number.
2. Time and place: journey must be reasonably connected to reporting for duty or returning from duty.
3. Route and purpose: normal route, no substantial personal deviation.

Case Study 1: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Social Security, 2020: Chapter IV ESI; Section 34(3) treats travel between residence and place of employment as employment injury if nexus exists. • Dependants' benefit: Sections 32 and 38; funeral expense also claimable where ESI applies. • If ESI does not apply: Chapter VII employee compensation; Section 74(4) commuting accident concept; Sections 76–77 compensation/ funeral expense. • Dependants: Section 2(14).	• Employment relationship: contractor records, attendance, wage slips, ESI/ IP number. • Time and place: journey must be reasonably connected to reporting for duty or returning from duty. • Route and purpose: normal route, no substantial personal deviation. • Documents: FIR, post-mortem, death certificate, duty roster, contribution challans.	• File ESI death/ dependant benefit claim first if the deceased was covered. • If not ESI-covered, assess Chapter VII compensation and deposit/ pay within statutory timelines. • Coordinate principal employer and contractor records; principal employer should not dismiss the claim because own vehicle was used. • Create incident memo within 24 hours with route map and witness details.

Case facts and answer

Case Study 2: Fixed Term Employee completes 5 years; contract expires

Answer: No retrenchment compensation merely on expiry; gratuity may still apply.

Facts

• A software deployment engineer was hired directly by employer under written fixed-term contract.
• The contract was renewed annually and total service exceeded five years.
• The last contract contained a clear end date and expired without premature termination.
• Employee claims retrenchment compensation because service exceeded five years.

Issue

Does expiry/ non-renewal of fixed-term contract amount to retrenchment?

Pitfalls

• Assuming 5-year completion automatically converts expiry into retrenchment.
• Denying gratuity to FTE after one year where the Code makes it applicable.
• Using contractor engagement while calling worker FTE of principal employer.
• Not documenting parity of wages and benefits for similar work.

Practical takeaway

1. Was engagement direct with employer, not through contractor?
2. Was there a written contract with predetermined period?
3. Did termination occur only because contract expired?

Case Study 2: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Industrial Relations Code, 2020: Section 2(zh) defines retrenchment but excludes non-renewal of contract on expiry and termination on completion of fixed tenure. • Code on Social Security, 2020: Section 2(34) defines fixed-term employment as direct written contract for a pre-determined period. • CSS gratuity provisions: Section 53; fixed-term employees get statutory benefits proportionately and gratuity after one year where applicable. • IR Code FTE definition applies to workers; CSS FTE definition applies to employees.	• Was engagement direct with employer, not through contractor? • Was there a written contract with predetermined period? • Did termination occur only because contract expired? • Was there premature termination before end date? If yes, retrenchment compensation may arise.	• Issue appointment letter and fixed-term contract with start/ end dates and benefit parity clause. • Maintain renewal history and business justification for each tenure. • Pay gratuity/ leave/ bonus/ social security benefits where eligibility arises. • Avoid using repeated FTE renewals as sham permanent employment.

Case Study 3: Approved leave after maternity and gratuity continuity

Answer: Employer cannot exclude approved leave if employment was not broken.

Facts

• Woman employee completed 4 years and 4 months before childbirth.
• She took statutory maternity leave and then additional one-year sanctioned childcare/ medical leave under employer policy.
• Employer resumed her employment without issuing break-in-service order.
• At exit, employer excludes one sanctioned year and denies gratuity.

Issue

Can approved post-maternity leave be excluded from continuous service?

Pitfalls

• Treating all absence after maternity as break in service.
• Ignoring that approved leave is different from unauthorised absence.
• Denying gratuity without any valid break order.
• Not defining childcare/ extended leave in service rules.

Practical takeaway

1. Was leave formally sanctioned before or during absence?
2. Did the employer issue a valid break-in-service order under applicable rules?
3. Was employment relationship kept alive with employee code, leave account, and benefits?

Case Study 3: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Social Security, 2020: Section 53 governs gratuity entitlement. • Section 54 provides continuous service principles; interruption due to leave does not automatically break service. • Section 54 counts maternity leave up to the statutory limit as days actually worked for determining continuous service. • Service rules/ standing orders decide effect of longer sanctioned leave beyond statutory maternity period.	• Was leave formally sanctioned before or during absence? • Did the employer issue a valid break-in-service order under applicable rules? • Was employment relationship kept alive with employee code, leave account, and benefits? • Was there abandonment, resignation, or termination during leave?	• Preserve leave approval letters and HRMS leave records. • Classify statutory maternity leave separately from additional sanctioned leave. • Do not deny gratuity merely because employee was not physically present at work. • If rules treat certain leave as non-service, communicate before sanctioning.

Maternity leave up to statutory limit

Provision

- CSS Chapter VI is the maternity-benefit chapter.
- Section 60 is the principal maternity-benefit provision.
- Usual entitlement: up to 26 weeks for a woman with fewer than two surviving children.
- Not more than 8 weeks may precede the expected delivery.

Reduced / special categories

- Two or more surviving children: 12 weeks; not more than 6 weeks before expected delivery.
- Adopting mother / commissioning mother: 12 weeks from handover of child, subject to statutory conditions.
- 80 days' actual work in the preceding 12 months is the usual qualifying test.

Takeaway **Do not cite Section 54 as the maternity-leave entitlement. Section 54 is for gratuity continuous service.**

Source: Code on Social Security, 2020, Chapter VI, Section 60

Case Study 4: Five years completed but one year unauthorised absence

Answer: Eligible unless absence was validly treated as break in service.

Facts

- Employee served 4 years and 1 month, then remained absent for 11 months without leave.
- No disciplinary order treating absence as break in service was passed.
- Employer later allowed him to rejoin and he worked further 10 months.
- On resignation, HR calculates only actual attendance and denies gratuity.

Issue

Does unauthorised absence automatically break continuous service?

Pitfalls

- Confusing misconduct with discontinuity of service.
- Backdating break-in-service orders after claim arises.
- Ignoring rejoining as evidence that employment relationship continued.
- Applying attendance-based payroll logic to gratuity continuity.

Practical takeaway

1. Was a written order passed treating absence as break in service?
2. Was the order passed after complying with standing orders/ rules?
3. Did employer permit rejoining, thereby continuing employment relationship?

Case Study 4: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Social Security, 2020: Section 54 includes absence from duty without leave in continuous service unless break-in-service order is passed according to standing orders/ rules/ regulations. • Section 53 provides gratuity after requisite continuous service. • Standing Orders/ service rules govern disciplinary treatment of absence. • Case-law: Divisional Controller v. S.A. Navalgund, Karnataka High Court, 29.10.2025.	• Was a written order passed treating absence as break in service? • Was the order passed after complying with standing orders/ rules? • Did employer permit rejoining, thereby continuing employment relationship? • Did remaining counted service reach five years?	• Do not deny gratuity only on attendance shortage; verify break-in-service order. • Run a standing-order compliance check before treating absence as break. • If absence is misconduct, conduct disciplinary process separately. • Record rejoining terms clearly.

Case Study 5: EDLI death after 7 months of membership in 2026

Answer: Nominee is eligible, but enhanced 12-month benefit may not apply.

Facts

- Employee joined EPF/ EDLI-covered establishment on 1 January 2026.
- He died in service on 31 July 2026; membership period was 7 months.
- Valid e-nomination existed in favour of spouse.
- Average PF balance for membership period was low and below enhanced benefit conditions.

Issue

Can nominee claim EDLI if employee had not completed 12 months?

Pitfalls

- Assuming 12 months is required for any EDLI benefit.
- Ignoring valid e-nomination.
- Not distinguishing minimum assurance from enhanced ₹2.5 lakh–₹7 lakh benefit.
- Delay in employer certification causing hardship to nominee.

Practical takeaway

1. Was employee an EDLI member at time of death?
2. Was death while in service, not after cessation?
3. Is there a valid nomination on EPFO portal?

Case Study 5: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Employees’ Deposit Linked Insurance Scheme, 2026: Para 21(1) — member at time of death is core eligibility. • Para 21(2) — minimum assurance benefit applies even where calculated amount is lower. • Para 21(4) — enhanced benefit requires continuous employment for 12 months immediately before death. • Para 22 — payment to valid nominee; if no nominee, eligible family members; failing both, legally entitled person.	• Was employee an EDLI member at time of death? • Was death while in service, not after cessation? • Is there a valid nomination on EPFO portal? • Was 12-month continuous employment condition met for enhanced benefit?	• File EDLI claim with death certificate, nomination, UAN, bank details and employer certification. • Calculate benefit on actual membership period/ average PF balance; ensure minimum benefit is considered. • Do not reject claim for short service; distinguish eligibility from enhanced quantum. • Employer should complete digital KYC and nominee verification promptly.

EDLI: minimum assurance vs enhanced ₹2.5 lakh–₹7 lakh

Minimum assurance

- Basic calculation is based on average PF balance.
- Where average PF balance is below ₹50,000, the minimum assurance protects the claimant.
- This is not the same as the enhanced ₹2.5 lakh floor.

Enhanced benefit

- Enhanced range applies where the 12-month continuous-employment condition is satisfied.
- Formula uses average monthly wages subject to wage ceiling plus a PF-balance component.
- Benefit is subject to minimum ₹2.5 lakh and maximum ₹7 lakh.

Source: EDLI Scheme, 2026, Para 21

What is “calculated amount” in minimum assurance?

Illustration: calculated amount is lower than minimum assurance

Assume the deceased member had an average PF balance of ₹30,000 and did not satisfy the 12-month enhanced-benefit condition.

Basic calculated amount = ₹30,000.
But minimum assurance = ₹50,000.

Therefore, payable amount should not stop at ₹30,000; the minimum assurance lifts it to ₹50,000.

Separate example: if average PF balance is ₹80,000, basic calculation = ₹50,000 + 40% of ₹30,000 = ₹62,000.

Takeaway **The ₹2.5 lakh floor belongs to the enhanced regime; ₹50,000 is the minimum assurance in the basic regime.**

Source: EDLI Scheme, 2026, Para 21(1)–(4)

Case Study 6: Can contract labour be treated as Fixed Term Employee?

Answer: Not automatically; FTE requires direct written contract with employer.

Facts

• Principal employer engages 80 workers through a licensed contractor for packing work.
• The purchase/ work order is valid for 11 months and is renewed periodically.
• Contractor workers wear principal employer access cards but payroll is by contractor.
• Principal employer calls them fixed-term labour because the contract period is fixed.

Issue

Does fixed duration of contractor deployment make worker FTE of principal employer?

Pitfalls

• Calling contract labour FTE to avoid contractor compliance.
• Ignoring principal employer liability for contractor defaults.
• Using ID cards/ uniforms without clear triangular documentation.
• Using contract labour continuously in prohibited core activities.

Practical takeaway

1. Who issued appointment letter and pays wages?
2. Who controls discipline, leave, attendance and termination?
3. Is there a third-party contractor between principal employer and worker?

Case Study 6: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS Section 2(34): FTE is directly engaged by employer through written contract for pre-determined period. • IR Code FTE definition applies to worker directly engaged by employer. • OSH Code contract labour provisions and Section 57 core activity restrictions must be assessed. • Contract labour and fixed-term employment are separate legal concepts.	• Who issued appointment letter and pays wages? • Who controls discipline, leave, attendance and termination? • Is there a third-party contractor between principal employer and worker? • Is the work core activity and is contract labour permitted under OSH Code/ rules?	• Classify workforce as direct FTE, contract labour, apprentice, consultant or gig — not by label but by facts. • Keep contractor licence, wage records, ESI/ EPF proof and principal employer registers. • For genuine FTE, issue direct written contract and provide parity/ pro-rata benefits. • Review core activity deployment and exemptions.

Case Study 7: Employer asks EPF member for Aadhaar number

Answer: Permissible and required under EPF Scheme 2026 duties.

Facts

• New employee refuses to share Aadhaar and offers only PAN.
• Employer cannot seed bank account or complete e-nomination on EPFO portal.
• Employee argues Aadhaar is private and employer cannot insist.
• HR wants to know whether Virtual ID is sufficient.

Issue

Can employer require Aadhaar details for EPF membership administration?

Pitfalls

• Using Aadhaar for non-statutory profiling.
• Storing scanned Aadhaar without masking/ access control.
• Failing to collect family Aadhaar details needed for nomination.
• Treating refusal as disciplinary issue before explaining statutory duty.

Practical takeaway

1. Is request limited to statutory EPF onboarding/ nomination/ benefit processing?
2. Is Aadhaar being stored securely with access controls?
3. Does EPFO portal require actual Aadhaar rather than VID for authentication?

Case Study 7: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026: Para 25 requires member to furnish particulars including Aadhaar number, Aadhaar-seeded bank account, PAN and UAN. • Family and nomination details also require Aadhaar particulars where applicable. • Aadhaar Act, 2016 defines Aadhaar number to include 12-digit number and Virtual ID generated under Section 3(4), subject to system acceptance. • Data protection and purpose limitation should be followed.	• Is request limited to statutory EPF onboarding/ nomination/ benefit processing? • Is Aadhaar being stored securely with access controls? • Does EPFO portal require actual Aadhaar rather than VID for authentication? • Has employee been informed of statutory purpose?	• Collect Aadhaar through secure HRIS or EPFO process; avoid email/ WhatsApp storage. • Record PAN, UAN and Aadhaar-linked bank details at onboarding. • Use VID where EPFO systems accept it; otherwise obtain actual Aadhaar for authentication. • Update privacy notice and retention schedule.

EPF Para 25: Aadhaar number, VID and system acceptance

What Para 25 requires

- Employee must furnish prescribed particulars, including Aadhaar particulars, bank account, PAN and UAN.
- Family and nomination details also require Aadhaar particulars where applicable.
- Past employment/ PF membership details must be furnished.

Correction to wording

- Do not say EPFO universally rejects VID.
- Aadhaar Act framework recognises Aadhaar number and alternate virtual identity.
- Whether VID works depends on EPFO/ UIDAI functionality for that transaction.

Takeaway **Use: “subject to portal/system acceptance”; do not demand more data than needed for the statutory purpose.**

Source: EPF Scheme, 2026, Para 25; Aadhaar Act, 2016

PF details should not be used for unrelated HR decisions

What this means in practice

- PF/UAN/Aadhaar details collected for statutory PF administration should not become a general employee-profiling database.
- Avoid using PF history to reject a candidate merely because the person had frequent prior employers.
- Avoid using PF withdrawal history to infer financial distress or make promotion/transfer decisions.
- Avoid using family or nomination information for unrelated employment actions.
- Permitted use must have a statutory, contractual or otherwise lawful purpose.

Case Study 8: Manager on prolonged LOP seeks earned leave encashment

Answer: Accrued leave cannot be denied merely because of LOP.

Facts

• Manager resigned after eight months of leave without pay (LOP).
• Before LOP, he had 42 days accrued earned leave shown in HRMS.
• Company policy says LOP does not earn new leave; it is silent on cancellation of old leave.
• He was mainly managerial, not a shop-floor supervisor.

Issue

Can employer refuse encashment of already accrued leave due to prolonged LOP?

Pitfalls

• Cancelling earned leave that had already vested.
• Applying worker provisions mechanically to non-workers, or denying all rights to managers.
• Failing to reconcile HRMS leave balances before full and final settlement.
• Treating LOP as misconduct without process.

Practical takeaway

1. Is the manager a “worker” or only an “employee”?
2. Was leave already accrued before LOP began?
3. Does policy expressly lapse accrued leave on LOP/ resignation?

Case Study 8: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• OSH Code Section 2(1)(t): employee includes managerial and administrative work. • OSH Code Section 2(1)(zzl): worker excludes mainly managerial or administrative capacity. • OSH Code Section 32 applies annual leave with wages and exit encashment to workers. • If not a worker, entitlement depends on appointment terms, policy and applicable State S&E law.	• Is the manager a "worker" or only an "employee"? • Was leave already accrued before LOP began? • Does policy expressly lapse accrued leave on LOP/ resignation? • Was there abandonment/ termination rather than accepted resignation?	• Separate leave accrual during LOP from leave already earned. • Pay statutory leave encashment to workers on quit/ discharge/ dismissal/ superannuation/ death. • For managers, apply contract and State S&E law consistently. • Document calculations: opening balance + accrual – availed – lapse permitted by law.

Case Study 9: EPF member refuses previous employment/ PF details

Answer: Member must provide prior employment and recognised PF membership details.

Facts

- Employee joins new employer and claims this is first PF membership.
- UAN search reveals earlier PF account under different mobile number.
- Employee fears disclosure will affect background verification.
- Employer wants to complete transfer and avoid duplicate UAN issues.

Issue

Can employee choose not to disclose earlier EPF/ recognised fund membership?

Pitfalls

- Creating a fresh UAN despite prior membership.
- Ignoring earlier service for pension/ EDLI continuity checks.
- Accepting incomplete declaration without follow-up.
- Using PF details for unrelated employment decisions.

Practical takeaway

1. Does employee have previous UAN or member ID?
2. Was previous establishment EPF-covered or exempted/ recognised PF?
3. Is KYC linked to Aadhaar and bank account?

Case Study 9: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026: Para 25 duties include furnishing personal details and past employment/ PF membership particulars. • UAN portability and service continuity depend on accurate earlier membership data. • Wrong declaration affects PF transfer, pensionable service and EDLI/ social security record continuity. • Employer must process through EPFO portal and maintain onboarding records.	• Does employee have previous UAN or member ID? • Was previous establishment EPF-covered or exempted/ recognised PF? • Is KYC linked to Aadhaar and bank account? • Are there mismatches in name, DOB, gender or mobile?	• Use onboarding declaration covering previous UAN, member ID and service dates. • Run UAN/ Aadhaar verification before creating new member ID. • Assist with transfer claim and profile correction where necessary. • Train payroll team that duplicate UAN is a compliance risk.

Case Study 10: Recovering employee loan by deducting from gratuity

Answer: Ordinary loan is not automatic ground for gratuity forfeiture/ deduction.

Facts

• Employee resigns after 12 years; gratuity payable is ₹6.2 lakh.
• Housing/ employee loan outstanding is ₹2.4 lakh.
• Employer has a general loan agreement but no specific gratuity adjustment clause.
• Finance wants to net off loan in full and pay balance.

Issue

Can employer deduct loan outstanding from statutory gratuity?

Pitfalls

• Treating any outstanding dues as forfeiture under Section 53(6).
• Withholding gratuity to pressure employee.
• Ignoring statutory interest exposure for delayed gratuity.
• Using broad authorisation to override protected statutory benefit.

Practical takeaway

1. Is it forfeiture or recovery of civil debt?
2. Does loan document authorise adjustment against gratuity specifically?
3. Is deduction contrary to statutory protection of gratuity?

Case Study 10: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS Section 53: gratuity payable on termination including resignation after requisite service. • Section 53(6): forfeiture permitted only on specified grounds such as damage/ loss, riotous/ disorderly conduct, violence, or offence involving moral turpitude in course of employment. • Case law: United Bank of India v. Bidyut Baran Haldar (Calcutta HC DB, 2018) — gratuity cannot be adjusted against employee loan in ordinary case. • Case law: Canara Bank v. M. Shantha Kumari (Karnataka HC DB, 2024) — adjustment may depend on facts/ authorisation/ service terms.	• Is it forfeiture or recovery of civil debt? • Does loan document authorise adjustment against gratuity specifically? • Is deduction contrary to statutory protection of gratuity? • Are there competing High Court views in jurisdiction?	• Pay gratuity separately unless clear lawful basis exists for adjustment. • Obtain post-payable voluntary settlement/ consent where legally permissible. • Recover ordinary loan through contractual/ civil recovery route. • Before adjustment, get legal opinion considering jurisdiction and loan document wording.

“Broad authorisation” cannot override protected gratuity

Broad authorisation means

Example clause:

“I authorise the Company to recover all amounts due from me from any salary or terminal benefit payable.”

This is generic and does not identify a specific debt, amount, terminal benefit or statutory consequence.

Legal control

- CSS Section 53(6) regulates gratuity forfeiture.
- Consent cannot create a new statutory ground for forfeiting gratuity.
- Separate contractual loan recovery from statutory forfeiture.
- Use specific undertaking, service rules and jurisdictional case law.

Case Study 11: Crèche facility: all employees or only women?

Answer: Facility obligation is triggered at establishment level; access rules need harmonised reading.

Facts

- IT park has 220 employees: 72 women, 148 men; 13 employees have children under six.
- Employer wants to pay allowance instead of running crèche.
- Male employee with infant asks for crèche access; HR says maternity chapter is women-only.
- There is no negotiating union.

Issue

Must crèche be available to all employees or only women?

Pitfalls

- Treating allowance as unilateral substitute.
- Restricting physical facility to women despite OSH welfare and MoLE FAQ position.
- Ignoring state-specific crèche norms.
- Failing to include contractor workers in threshold assessment where applicable.

Practical takeaway

1. Is establishment above 50 employee/worker threshold?
2. Is actual facility required by central/state rules for that establishment category?
3. Is substitution by allowance permitted and agreed?

Case Study 11: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS Section 67: establishment employing 50 or more employees must have crèche within prescribed distance; provision sits in maternity chapter. • OSH Code Section 24: appropriate government may require establishments with more than 50 workers to provide crèche as welfare measure. • SS Rules 2026: crèche allowance in lieu requires agreement with negotiating union/ council or majority; allowance eligibility extends to women, widowers and single male parents with child below six. • MoLE FAQ dated 16 March 2026: crèche facility available irrespective of gender.	• Is establishment above 50 employee/ worker threshold? • Is actual facility required by central/ state rules for that establishment category? • Is substitution by allowance permitted and agreed? • Who is entitled to allowance versus physical facility?	• Maintain functional crèche or compliant shared/ common facility when threshold is met. • Provide access on gender-neutral basis unless specific binding rule says otherwise. • Use allowance only after required agreement and only for eligible categories. • Document distance, hours, safety, staffing and child records.

Crèche: children under six, 1 km distance and Chapter VI

Statutory anchor

- CSS Chapter VI is the maternity-benefit chapter.
- Section 67 is the crèche provision.
- Rule 37 prescribes operational requirements.

Operational threshold

- Rule 37 refers to children under six years of eligible employees.
- Prescribed distance: within 1 km of the establishment, subject to permitted common-facility/ relaxation arrangements.
- Do not simply write “nearby crèche” without citing the distance rule.

Source: CSS Section 67; SS Central Rules, 2026, Rule 37

Crèche allowance in lieu: why union/council/majority matters

Rule number

- Primary rule: SS Central Rules, 2026, Rule 37(2)(viii).
- It refers to recognised negotiating union/ council under IR Code Section 14.
- Where no negotiating union/ council exists, majority-employee agreement may be relevant.

Practical message

- Employer cannot unilaterally convert statutory crèche obligation into allowance.
- Document agreement route.
- Check eligibility categories, child age and applicable State Rules.

Source: SS Central Rules, 2026, Rule 37(2)(viii); IR Code Section 14

Case Study 12: Do new Labour Codes make working hours more arduous?

Answer: They tighten overtime economics; they do not simply extend working hours.

Facts

- Factory previously ran 9-hour shifts, 6 days a week, without daily overtime until >9 hours.
- Employer proposes continuing 9-hour shift after OSH Code implementation.
- Weekly total remains 48 hours in some weeks but daily work exceeds 8 hours.
- Payroll system still calculates overtime only beyond 9 hours.

Issue

What changes in daily working-hour compliance under new Codes?

Pitfalls

- Thinking 48 weekly hours alone is sufficient.
- Calling extra hour a shift allowance instead of statutory overtime.
- Applying factory-era 9-hour trigger after new Code rules.
- Ignoring state rules for shops/ offices.

Practical takeaway

1. Do daily hours exceed 8, even if weekly hours do not exceed 48?
2. Is worker/ employee covered under applicable OSH/ COW rules?
3. Was overtime consent obtained where required?

Case Study 12: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• OSH Code, 2020: daily working-hours threshold is 8 hours; weekly cap continues around 48 hours subject to rules. • Code on Wages, 2019: Section 14 requires overtime wages at not less than twice normal rate where overtime is prescribed. • Earlier Factories Act framework allowed up to 9 hours/ day; new framework tightens daily trigger. • Coverage is broader across establishments depending on applicability.	• Do daily hours exceed 8, even if weekly hours do not exceed 48? • Is worker/ employee covered under applicable OSH/ COW rules? • Was overtime consent obtained where required? • Are rest interval and spread-over limits compliant?	• Rebuild shift roster around 8-hour normal day. • Configure payroll to trigger OT beyond daily and weekly thresholds. • Maintain OT approval, consent, attendance and wage calculation records. • Assess compressed workweek only after legal and rule-based validation.

Working-hours section map: 8 hours/day and 48 hours/week

- OSH Code Section 25(1)(a): worker shall not be required or allowed to work beyond 8 hours in a day, subject to intervals/spread-over.
- OSH Central Rules, 2026, Rule 64: weekly framework of 48 hours.
- OSH Code Section 27: overtime work and consent/control.
- Code on Wages Section 14: overtime wages at not less than twice normal rate where overtime applies.

Takeaway **Holiday-work benefit and overtime are different enquiries.**

Source: OSH Code Sections 25 and 27; OSH Central Rules, 2026, Rule 64; Code on Wages Section 14

Case Study 13: EPF nomination made before marriage

Answer: Pre-marriage nomination becomes invalid after marriage; fresh nomination required.

Facts

- EPF member nominated his mother before marriage.
- He married in 2026 and did not update e-nomination.
- After his death, spouse and mother both claim PF/ EDLI amounts.
- Employer has old pre-marriage nomination in HR file.

Issue

Does pre-marriage EPF nomination continue after marriage?

Pitfalls

- Assuming old nomination overrides family rights.
- Not syncing HR marital status with EPFO nomination drive.
- Delaying family settlement due to outdated paper nomination.
- Failing to capture spouse details at onboarding/ post-marriage.

Practical takeaway

1. Was nomination made when member had no family?
2. Did member acquire family by marriage?
3. Was fresh nomination filed after marriage?

Case Study 13: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026: Para 44(3) requires nomination in favour of eligible family member(s) after acquiring family by marriage. • Nomination made before marriage when member had no family becomes invalid on marriage. • Para 44(4) permits nomination of any person only where member has no family. • Family definition and scheme hierarchy decide settlement if no valid nomination exists.	• Was nomination made when member had no family? • Did member acquire family by marriage? • Was fresh nomination filed after marriage? • Who qualifies as family/ eligible claimant under scheme?	• Trigger automatic EPF nomination update reminder on marital status change. • Annual e-nomination confirmation campaign for all employees. • Do not rely on stale HR file nomination; verify EPFO e-nomination. • Educate employees that marriage changes nomination validity.

EPF family definition and settlement hierarchy

Nomination validity

- Para 44 governs nomination.
- If member has a family, nomination should ordinarily be in favour of family member(s).
- Pre-marriage nomination is deemed invalid on marriage; fresh nomination is required.

If no valid nomination

- Para 50 death-settlement hierarchy applies.
- First: valid nominee.
- If no valid nomination: eligible family members in prescribed shares.
- If neither: person legally entitled.

Source: EPF Scheme, 2026, Paras 44 and 50

Case Study 14: Factory worker works on Independence Day

Answer: Holiday work is not automatically overtime; overtime depends on hours exceeded.

Facts

- Factory in Karnataka asks workers to work normal 8-hour shift on 15 August.
- No daily or weekly hour threshold is crossed.
- Workers demand overtime at twice wages for all 8 hours.
- Employer has not planned substitute holiday option.

Issue

Is work on mandatory holiday automatically overtime?

Pitfalls

- Conflating holiday premium with overtime wages.
- Ignoring substitute holiday option where available.
- Applying one state's rule across all locations.
- Failing to display holiday list and maintain register.

Practical takeaway

1. Was work beyond 8 daily hours or 48 weekly hours?
2. Does state National/ Festival Holidays Laws provide double wages or substituted paid holiday?
3. Was notice/ permission for holiday work required?

Case Study 14: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• OSH Code: overtime applies when prescribed daily/ weekly working-hour thresholds are exceeded. • Code on Wages Section 14: overtime rate at not less than twice normal rate for overtime work. • Karnataka Industrial Establishments (National and Festival Holidays) Act, 1963: 15 August is mandatory paid holiday; worker working that day may receive holiday benefit as per state law. • State holiday law operates separately from overtime law.	• Was work beyond 8 daily hours or 48 weekly hours? • Does state National/ Festival Holidays Act provide double wages or substituted paid holiday? • Was notice/ permission for holiday work required? • Were workers given statutory holiday registers/ pay entries?	• Pay state holiday benefit even if no overtime is triggered. • Pay overtime only for extra hours beyond statutory limits. • Maintain holiday work approval, worker consent if required, and wage records. • Check state-specific holiday law before designing national holiday rosters.

Karnataka National Holiday benefit and substitute holiday

Holiday benefit

- 15 August is a statutory National Holiday under Section 3.
- Section 5 provides wages for holidays allowed under the Act.
- For daily/ piece-rated employees, the 30-days-in-90-days condition does not apply to 15 August.

Substitute holiday option

- If the employee works on the holiday, State law may allow holiday-work compensation alternatives.
- A substituted holiday means another paid holiday given in lieu of the statutory holiday worked.
- This is not automatically OSH overtime unless daily/ weekly limits are exceeded.

Source: Karnataka Industrial Establishments (National and Festival Holidays) Act, 1963, Sections 3 and 5

Case Study 15: Nominee dies before EPF member

Answer: Nominee's share reverts to member; it does not pass to nominee's heirs.

Facts

• EPF member nominated sister for 50% and brother for 50%.
• Sister died before the member; member never updated nomination.
• Member dies later, leaving spouse and children.
• Sister's legal heirs claim her 50% share.

Issue

Does deceased nominee's share pass to nominee's legal heirs?

Pitfalls

• Paying deceased nominee's heirs directly.
• Treating nomination as will/ succession.
• Ignoring family members where nomination has become invalid.
• Not documenting why payment followed no-valid-nomination route.

Practical takeaway

1. Did nominee die before member?
2. Was fresh nomination made after nominee's death?
3. Was there any surviving valid nominee for remaining share?

Case Study 15: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026: Para 44(7) — if nominee predeceases the member, nominee's interest reverts to the member. • Member may make fresh nomination for such reverted interest. • If no valid nomination remains at member's death, settlement follows scheme rules for family/ legal heirs. • Nomination is not succession to nominee's estate.	• Did nominee die before member? • Was fresh nomination made after nominee's death? • Was there any surviving valid nominee for remaining share? • Who are family members under the scheme at member's death?	• Run annual nomination validity audit and trigger update if nominee death is known. • Educate employees to revise nomination after death of nominee, marriage, divorce or birth/ adoption. • For claims, apply EPFO scheme hierarchy, not personal succession assumptions. • Collect death proof of nominee where dispute arises.

Case Study 16: Gratuity became payable before CSS commencement

Answer: Accrued right remains governed by law in force when gratuity became payable.

Facts

- Employee retired before Code on Social Security became enforceable.
- He filed gratuity claim after the Code's commencement.
- Employer argues the new Code governs because claim was filed later.
- Employee relies on Payment of Gratuity Act, 1972.

Issue

Which law governs when right accrued before new Code?

Pitfalls

- Confusing claim filing date with gratuity due date.
- Applying new Code retrospectively without express basis.
- Ignoring saved proceedings/ rights under old law.
- Failing to document transition analysis.

Practical takeaway

1. When did gratuity become payable — retirement/ resignation/ death/ disablement date?
2. Was CSS applicable and enforced on that date?
3. Is there express retrospective provision affecting accrued gratuity?

Case Study 16: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Substantive rights are ordinarily governed by law in force when cause of action/ right accrued. • CSS Section 53 governs gratuity after commencement and applicable notifications. • Repeal/ savings and transition provisions must be checked for accrued rights. • Payment of Gratuity Act, 1972 continues to govern pre-commencement accrued claims unless new law expressly provides otherwise.	• When did gratuity become payable — retirement/ resignation/ death/ disablement date? • Was CSS applicable and enforced on that date? • Is there express retrospective provision affecting accrued gratuity? • What do savings clauses and notifications provide?	• Create transition matrix for cases straddling commencement date. • Do not shift law merely because application was filed later. • Record payable date, claim date and payment date separately. • Apply interest rules relevant to governing law and delay period.

Case Study 17: Apprentice under Apprentices Act seeks maternity benefit

Answer: Generally not eligible as employee, unless apprenticeship is sham or contract grants benefit.

Facts

- A trade apprentice is engaged under registered Apprentices Act contract.
- She receives stipend, not salary; she is under training programme.
- She becomes pregnant and asks for statutory maternity benefit.
- Factory has many women employees covered under maternity rules.

Issue

Does statutory maternity benefit apply to Apprentices Act apprentice?

Pitfalls

- Assuming all trainees are outside labour law regardless of facts.
- Using apprentices to avoid maternity/ social security liabilities.
- No policy for pregnancy during apprenticeship.
- Failure to register/ structure apprenticeship properly.

Practical takeaway

1. Is there a valid registered apprenticeship contract?
2. Is work primarily training with prescribed syllabus and stipend?
3. Is apprentice used as substitute for regular employee?

Case Study 17: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Apprentices Act, 1961: Section 18 treats apprentices as trainees and not workers; labour law provisions generally do not apply by virtue of apprenticeship alone. • Code on Social Security maternity chapter applies to a woman employed in an establishment. • If engagement is a sham apprenticeship with regular work/ control, courts may look at real relationship. • Contract/ policy may voluntarily provide maternity-like support.	• Is there a valid registered apprenticeship contract? • Is work primarily training with prescribed syllabus and stipend? • Is apprentice used as substitute for regular employee? • Do contract/ standing orders grant maternity leave/ support?	• Keep apprenticeship contracts, training schedule and stipend records compliant. • Avoid using apprentices for regular production roles without training substance. • Provide humane policy support even where statutory maternity benefit does not apply. • Assess risk of sham classification before denying benefit.

Case facts and answer

Case Study 18: Employee permission before EPF wage deduction

Answer: Separate permission is not required for statutory employee contribution deduction.

Facts

• Employee asks payroll not to deduct EPF from salary for first three months.
• Employer considers taking written consent before deduction.
• Wage slip shows basic wages within statutory coverage.
• Payroll team asks whether employee share can be waived.

Issue

Can EPF contribution be deducted without employee's permission?

Pitfalls

• Treating EPF deduction as optional salary sacrifice.
• Recovering employer share from employee.
• Taking broad consent to reduce statutory liability.
• Not remitting after deduction, which is a serious compliance breach.

Practical takeaway

1. Is employee covered by EPF and not an excluded employee?
2. Are wages and ceiling rules correctly applied?
3. Was deduction made before wage payment for that wage period?

Case Study 18: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026: employer must deduct member contribution from wages and remit along with employer contribution. • Code on Social Security Section 15 empowers EPF Scheme and contribution framework. • EPFO guidance states employer deducts employee contribution before wage payment. • Employer contribution cannot be recovered from employee wages.	• Is employee covered by EPF and not an excluded employee? • Are wages and ceiling rules correctly applied? • Was deduction made before wage payment for that wage period? • Were employer and employee shares separately accounted?	• Deduct statutory employee share automatically in payroll for covered employees. • Show employee contribution clearly on wage slip. • Do not ask employees to waive statutory contribution. • Where deduction was missed, review scheme rule before recovering later from employee.

Case Study 19: EPF interest on fixed balance throughout financial year

Answer: No; interest is computed on running monthly balance and credited annually.

Facts

• Employee had opening EPF balance of ₹4 lakh on 1 April.
• Monthly contributions of ₹6,000 were added through the year.
• He withdrew ₹1 lakh in December.
• He expects declared annual interest on ₹4 lakh for entire year.

Issue

Is EPF interest calculated on a fixed opening balance?

Pitfalls

• Calculating interest on opening balance only.
• Ignoring withdrawal timing.
• Confusing fund interest with delayed contribution interest/ damages.
• Not reconciling EPFO passbook with payroll.

Practical takeaway

1. What was monthly balance after each contribution and withdrawal?
2. Was account in operative/ inoperative status?
3. Was final settlement before annual rate declaration?

Case Study 19: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme accounting uses monthly running balance logic: opening balance plus monthly contributions less withdrawals/ transfers. • Interest rate is declared/ credited annually, but calculation reflects timing of contributions and withdrawals. • No interest accrues on amounts withdrawn after withdrawal month under normal fund accounting principles. • 2026 scheme continues EPF fund administration under CSS Section 15 framework.	• What was monthly balance after each contribution and withdrawal? • Was account in operative/ inoperative status? • Was final settlement before annual rate declaration? • Were contributions received timely or delayed?	• Explain monthly running-balance interest method to employees. • Reconcile employee passbook with monthly challans and withdrawals. • For delayed deposits, assess statutory damages/ interest separately. • Communicate that annual rate does not mean same balance for all 12 months.

Case Study 20: Gratuity based on employee’s actual wages last drawn

Answer: Yes, for monthly-rated employees formula uses last drawn wages subject to statutory definition.

Facts

• Employee resigned after 8 years and 7 months.
• Last drawn monthly wages for gratuity components were ₹52,000.
• Employer wants to average wages of last 12 months because salary recently increased.
• Employee is monthly-rated and not piece-rated.

Issue

What wage base should be used for gratuity calculation?

Pitfalls

• Averaging salary after recent increment to reduce gratuity.
• Using calendar-day divisor 30 instead of statutory 26 method where applicable.
• Excluding allowances incorrectly after Code on Wages changes.
• Ignoring fixed-term employee 1-year gratuity rule.

Practical takeaway

1. Which wage components fall within “wages” for gratuity?
2. Is employee monthly-rated, piece-rated or seasonal?
3. How many completed years and part exceeding six months?

Case Study 20: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS Section 53: gratuity payable on eligible termination events including resignation, death, disablement and fixed-term contract termination. • Gratuity formula for monthly-rated employee follows 15 days wages for every completed year/ part exceeding six months, based on last drawn wages. • Common computation: 15/ 26 × last drawn qualifying wages × completed years. • For piece-rated employees, average of preceding period applies; overtime is normally excluded.	• Which wage components fall within "wages" for gratuity? • Is employee monthly-rated, piece-rated or seasonal? • How many completed years and part exceeding six months? • Is gratuity ceiling or tax treatment relevant?	• Use last drawn qualifying wages, not historic average for monthly-rated employees. • Count 8 years 7 months as 9 years where part exceeds six months. • Document component inclusion/ exclusion under wage definition. • Pay within statutory timeline to avoid interest exposure.

Case Study 21: Leave encashment and “wages” under Code on Wages

Answer: Treatment depends on timing and nature; exit leave encashment is generally not regular wages.

Facts

• Company pays annual leave encashment every March to employees who do not take leave.
• Separate leave encashment is also paid at resignation.
• Payroll asks whether leave encashment should be included for bonus, PF, overtime and gratuity calculations.
• Policy uses the word “wages” loosely.

Issue

Is leave encashment part of wages under Section 2(y) of Code on Wages?

Pitfalls

• One wage definition used blindly for every labour statute.
• Treating all leave encashment as salary or all as excluded.
• Ignoring Code on Wages exclusion/ add-back structure.
• No documentation for component design.

Practical takeaway

1. Is encashment paid during service as recurring payroll component or only on exit?
2. Is it linked to leave surrender or terminal settlement?
3. Which statute is using the wage base — PF, bonus, gratuity, OT, minimum wages?

Section map, compliance response

Case Study 21: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Wages Section 2(y) defines wages and lists exclusions; statutory interpretation depends on payment nature. • Leave encashment on termination resembles terminal/ settlement payment and is generally not regular wage for future wage-linked computations. • Periodic in-service encashment may require separate payroll analysis depending on rule, frequency and component structure. • OSH Code/ State S&E law may independently require payment of leave encashment.	• Is encashment paid during service as recurring payroll component or only on exit? • Is it linked to leave surrender or terminal settlement? • Which statute is using the wage base — PF, bonus, gratuity, OT, minimum wages? • Do exclusions exceed statutory threshold requiring add-back?	• Create a component-wise wage matrix for each statute. • Classify in-service leave encashment separately from exit encashment. • Avoid using leave encashment to manipulate wage floor/ composition. • Take payroll/ legal review before excluding from statutory bases.

Case facts and answer

Case Study 22: Interest rate for delayed gratuity under CSS

Answer: Use the notified rate; do not assume a fixed 12% rate unless currently notified.

Facts

- Employer delays gratuity payment by 8 months due to internal approval.
- Employee claims 12% per annum as statutory interest.
- Payroll argues no interest is payable because calculation was disputed.
- No written permission from controlling authority for delayed payment exists.

Issue

Is delayed gratuity interest automatically fixed at 12% under CSS?

Pitfalls

- Assuming 12% or 10% without checking current notification.
- Withholding admitted gratuity during internal audit.
- Treating payroll dispute as automatic interest waiver.
- Failing to budget interest cost.

Practical takeaway

1. What was due date and actual payment date?
2. Which law governed on due date — old Act or CSS?
3. What interest rate was notified for that period?

Case Study 22: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS gratuity framework requires timely determination and payment of gratuity. • Interest for delay is governed by statutory rate/ notification and applicable rules; rate may change. • Bona fide dispute does not automatically excuse delay unless statute/ rules permit and authority conditions are met. • Old and new law transition must be checked for applicable rate.	• What was due date and actual payment date? • Which law governed on due date — old Act or CSS? • What interest rate was notified for that period? • Was delay due to employee fault or employer fault?	• Maintain gratuity due-date tracker from resignation/ retirement/ death date. • Pay admitted amount promptly even if dispute exists. • Verify latest Central/ State notification before computing interest. • Record reasons for delay and legal approval.

Current notification: interest for delayed gratuity / CSS dues

Current position

Central Government notification S.O. 2698(E), dated 29 May 2026, specifies simple interest at 12% per annum on delayed amounts payable under the Code on Social Security framework

Source: S.O. 2698(E), 29 May 2026; CSS interest framework

Case Study 23: Validity of negotiating union/ council recognition

Answer: Recognition is not indefinite; diarise re-verification and renewal.

Facts

- Factory recognised negotiating union after membership verification in 2026.
- HR assumes recognition continues permanently unless union loses majority.
- A rival union gains membership in 2028 and demands fresh verification.
- Employer signs long-term settlement without checking recognition period.

Issue

Is recognition of negotiating union/ council valid indefinitely under IR Code?

Pitfalls

- Treating recognition as permanent.
- Ignoring rival union membership changes.
- Signing settlement with wrong representative body.
- No record of verification methodology.

Practical takeaway

1. Was recognition order/ date recorded?
2. What period is prescribed by applicable Central/ State rules?
3. Have membership thresholds changed materially?

Case Study 23: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• IR Code, 2020 provides framework for negotiating union/ council based on membership strength. • Recognition is for prescribed statutory period, commonly tracked as three years unless rules/ notifications alter process. • Negotiating council may be required where no single union meets threshold. • Recognition affects settlements, discussions, crèche allowance agreement and industrial relations decisions.	• Was recognition order/ date recorded? • What period is prescribed by applicable Central/ State rules? • Have membership thresholds changed materially? • Is there pending rival claim or dispute?	• Maintain recognition calendar with expiry and verification window. • Re-verify membership before signing major settlements close to expiry. • Do not rely on stale recognition for statutory agreements. • Keep minutes of negotiations and proof of union/ council authority.

Case facts and answer

Case Study 24: Overtime allowance vs overtime wages

Answer: A payroll allowance is not a substitute for statutory overtime wages.

Facts

- Employer pays a fixed “overtime allowance” of ₹2,000 per month to supervisors.
- Actual overtime varies from 0 to 30 hours per month.
- Payroll does not compute twice normal rate for each overtime hour.
- Some employees work beyond 8 hours daily but total weekly hours are under 48.

Issue

Can fixed allowance satisfy statutory overtime payment?

Pitfalls

- Paying flat allowance below statutory entitlement.
- No hour-wise overtime records.
- Misclassifying operational supervisors as managers.
- Treating consent to allowance as waiver of statutory overtime.

Practical takeaway

1. Were statutory hours exceeded?
2. What is normal rate of wages for calculation?
3. Does fixed allowance equal or exceed actual statutory OT for every period?

Case Study 24: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Wages Section 14: overtime wages must be paid at not less than twice normal rate of wages for prescribed overtime. • OSH Code daily/ weekly limits determine when work becomes overtime. • Overtime allowance may be a wage component for payroll but cannot underpay statutory entitlement. • Worker/ employee classification and supervisory/ managerial exclusions must be checked.	• Were statutory hours exceeded? • What is normal rate of wages for calculation? • Does fixed allowance equal or exceed actual statutory OT for every period? • Are approvals and attendance reliable?	• Calculate overtime hour-wise and pay at statutory rate. • If fixed allowance is retained, reconcile against actual statutory OT and top up monthly. • Keep overtime register and supervisor approvals. • Define who is excluded as managerial/ admin based on actual duties.

Case facts and answer

Case Study 25: Ownership return at entrance and website

Answer: Display and update ownership/ establishment particulars where rules require.

Facts

• Retail chain changes operating entity after merger.
• Old registration certificate remains displayed at store entrance.
• Company website still shows previous employer name for labour compliance.
• Inspector asks for ownership return/ update evidence.

Issue

What is the compliance risk of outdated ownership display/ return?

Pitfalls

• Assuming MCA merger filing updates labour registrations automatically.
• Mismatch between payroll employer and displayed establishment.
• Old contractor/ principal employer names on returns.
• No evidence of display during inspection.

Practical takeaway

1. Did legal employer, occupier, manager, principal employer or contractor change?
2. Which registrations require amendment — S&E, EPF, ESI, CLRA/ OSH, Professional Tax?
3. Is display/ website aligned with current certificate?

Case Study 25: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Labour Codes and rules move toward integrated registration/ returns and establishment-level transparency. • Applicable State S&E, OSH and labour welfare rules may require display of registration/ ownership particulars at entrance and/ or website. • Change in ownership/ occupier/ manager typically requires intimation/ amendment within prescribed time. • Integrated annual return may capture establishment identity and responsible persons - Paragraph 24(2)(vi) EPF Scheme – Form VI	• Did legal employer, occupier, manager, principal employer or contractor change? • Which registrations require amendment — S&E, EPF, ESI, CLRA/ OSH, Professional Tax? • Is display/ website aligned with current certificate? • Were employees notified of employer change and continuity?	• Run change-management checklist after merger, transfer, lease or branch opening. • Update entrance display, website labour compliance page and statutory registers. • File amendment/ intimation within prescribed time. • Preserve proof of filing and display photographs.

Case Study 26: EPF Scheme 2026 Para 27 deduction control

Answer: Deduction/ remittance must follow scheme mechanics; employee consent is not waiver.

Facts

- Payroll missed deducting employee PF share for two months after joining.
- Employer paid net wages without deduction.
- Later payroll wants to recover both missed employee share and current month share at once.
- Employee refuses double deduction.

Issue

How should employer handle EPF deduction and missed deduction under Para 27 controls?

Pitfalls

- Recovering missed employee share without legal basis.
- Treating employee refusal as waiver of statutory contribution.
- Recovering employer share from employee.
- Not remitting after deduction.

Practical takeaway

1. Was employee share deducted before wage payment?
2. Was contribution remitted despite missed deduction?
3. Do wage deduction laws allow recovery in later month?

Case Study 26: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF Scheme, 2026 Para 27 is treated in compliance practice as governing deduction/ remittance mechanics for employee share from wages. • Employer must deduct employee share before wage payment and remit statutory contributions. • Employee share should not be waived by consent; employer share is never recoverable from employee. • Where deduction was missed, recovery must follow scheme/ rules and wage deduction limits.	• Was employee share deducted before wage payment? • Was contribution remitted despite missed deduction? • Do wage deduction laws allow recovery in later month? • Is employer liable for damages/ interest due to late remittance?	• Configure onboarding so PF deduction starts in first wage cycle. • If missed, obtain legal/ payroll review before retrospective recovery. • Communicate error transparently and avoid hardship deduction beyond limits. • Reconcile challan, wage slip and employee ledger monthly.

Case facts and answer

Case Study 27: Retrenchment compensation for monthly-rated worker

Answer: Use statutory average pay methodology; do not understate by casual divisor.

Facts

• Monthly-rated worker earns qualifying wages of ₹31,200 per month.
• He is retrenched after 6 years and 8 months of continuous service.
• HR divides monthly wage by 30 and pays 15 days × 7 years.
• Union claims divisor should be 26 and compensation is short-paid.

Issue

How should average daily wage be computed for monthly-rated retrenchment compensation?

Pitfalls

• Using 30-day divisor automatically to reduce amount.
• Paying compensation after termination date.
• Ignoring prior permission thresholds.
• Misclassifying worker as manager to avoid retrenchment.

Practical takeaway

1. Is employee a “worker” under IR Code?
2. How does applicable rule define average pay/ daily wage for monthly-rated workers?
3. Has part-year beyond six months been rounded to full year?

Case Study 27: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• IR Code retrenchment compensation generally follows 15 days' average pay for every completed year/ part exceeding six months. • Average pay definition and applicable rules must be used for monthly-rated, weekly-rated and daily-rated workers. • For gratuity, the 15/ 26 principle is established; for retrenchment, many compliance calculations use average pay methodology consistent with statutory/ rule definitions. • Notice, reasons and prior permission/ threshold provisions must also be checked.	• Is employee a "worker" under IR Code? • How does applicable rule define average pay/ daily wage for monthly-rated workers? • Has part-year beyond six months been rounded to full year? • Were notice/ notice pay and government intimation/ permission complied with?	• Prepare retrenchment calculation sheet with statutory basis and divisor. • Count 6 years 8 months as 7 years where part exceeds six months. • Pay notice pay and statutory compensation before retrenchment takes effect. • Obtain local legal review on average pay formula and state rules.

Retrenchment compensation: average pay and divisor correction

Correct approach

IR Code Section 70(b): retrenchment compensation is 15 days' average pay for every completed year of continuous service or part exceeding six months, unless notified otherwise.

IR Code Section 2(d) defines average pay, i.e. "average pay" means the average of the wages payable to a worker,—
(i). in the case of monthly paid worker, in three complete calendar months;
(ii). in the case of weekly paid worker, in four complete weeks;
(iii). in the case of daily paid worker, in twelve full working days,

preceding the date on which the average pay becomes payable, if the worker had worked for three complete calendar months or four complete weeks or twelve full working days, as the case may be, and where such calculation cannot be made, the average pay shall be calculated as the average of the wages payable to a worker during the period he actually worked

Note: do not automatically import the gratuity 26-day divisor into retrenchment compensation. Use the statutory "average pay" framework.

Takeaway **For stable monthly wages, the result may resemble half-month average pay — but cite Section 2(d), not the gratuity formula.**

Source: IR Code Sections 2(d) and 70(b)

Case Study 28: Voluntary settlement after employees accept benefits

Answer: Usually final if voluntary and lawful; statutory minimum rights cannot be waived.

Facts

- Employer offers voluntary separation scheme to 120 employees.
- Employees sign settlement, receive ex-gratia, gratuity and leave encashment, and exit service.
- Six months later, some employees allege underpayment and seek reinstatement.
- Scheme documents include no-coercion declaration and benefit computation annexures.

Issue

Does acceptance of voluntary settlement make it final?

Pitfalls

- Using settlement to short-pay gratuity/ bonus/ leave.
- Obtaining signatures under threat of termination.
- No calculation annexure.
- Different terms for similarly placed employees without rationale.

Practical takeaway

1. Was consent voluntary, with adequate time and explanation?
2. Were statutory dues paid separately and correctly?
3. Was there discrimination or targeted pressure?

Case Study 28: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Industrial dispute settlements/ voluntary separations are respected when free, informed and supported by consideration. • Waiver cannot defeat mandatory statutory minimum benefits or be contrary to public policy. • Allegations of fraud, coercion, misrepresentation, discrimination or unequal treatment may reopen disputes. • Standing orders, union recognition and settlement procedure affect enforceability.	• Was consent voluntary, with adequate time and explanation? • Were statutory dues paid separately and correctly? • Was there discrimination or targeted pressure? • Did employee retain benefits while challenging settlement?	• Use clear VSS/ settlement documents with itemised calculations. • Pay statutory dues independently of ex-gratia. • Document counselling, option period and no-coercion acknowledgement. • Avoid tying release to waiver of non-waivable statutory claims.

Case facts and answer

Case Study 29: Supreme Court quarterly labour-law digest use

Answer: Use digest as alert tool; verify original judgments before compliance decisions.

Facts

• HR receives a 2026 quarterly digest summarising 20 labour judgments.
• Management wants to change regularisation and contract labour policy based only on digest headlines.
• One case concerns temporary workers; another concerns pension; another mental health under Article 21.
• Legal team has not reviewed full texts.

Issue

How should organisations operationalise case-law digests?

Pitfalls

• Relying on headlines or LinkedIn summaries.
• Applying old-law ratio without transition analysis.
• Ignoring jurisdictional limits of High Court decisions.
• Changing payroll policy without statutory section mapping.

Practical takeaway

1. Is the judgment Supreme Court or High Court?
2. What are material facts and exact legal issue?
3. Is it about old law or new Labour Code?

Case Study 29: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Binding effect depends on court hierarchy, bench strength, facts and ratio decidendi. • Labour-law compliance must distinguish statutory text, delegated rules and judicial interpretation. • High Court decisions bind territorially; Supreme Court ratio binds nationally. • Digest summaries are secondary sources, not legal authority.	• Is the judgment Supreme Court or High Court? • What are material facts and exact legal issue? • Is it about old law or new Labour Code? • Does it conflict with other precedent or state rule?	• Maintain quarterly case tracker with columns: court, date, statute, section, issue, ratio, action required. • Tag cases to policy owners: HR, payroll, IR, safety, contractor cell. • Do legal validation before policy change. • Use digests for training but cite original judgment in advisories.

Case Study 30: Architecture of uncertainty: blindspots and contractual traps

Answer: Main risk is classification uncertainty across overlapping Codes and rules.

Facts

• Platform business uses employees, FTEs, contractors, apprentices and freelancers.
• Same person may be employee under CSS, worker under IR, and non-worker under OSH depending on function.
• State rules are not harmonised across locations.
• Contracts use broad labels but operational control tells a different story.

Issue

Where do 2025–2026 Labour Code blindspots create compliance traps?

Pitfalls

• One label used across all statutes.
• Ignoring state S&E laws after Labour Codes.
• Repeated fixed-term renewals without business rationale.
• No evidence supporting independent contractor status.

Practical takeaway

1. Who controls work, attendance, discipline and pay?
2. Is work core/ perennial or project-specific?
3. Which Code uses "employee" and which uses "worker"?

Case Study 30: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code definitions differ: employee, worker, fixed-term employee, contract labour, gig worker, platform worker. • CSS social security extends some coverage; IR Code focuses industrial relations; OSH Code regulates safety/ hours/ welfare; COW controls wages. • Rules, schemes and notifications determine operational compliance. • Contract labels do not override real relationship tests.	• Who controls work, attendance, discipline and pay? • Is work core/ perennial or project-specific? • Which Code uses “employee” and which uses “worker”? • Do state rules impose additional display, leave, holiday or registration obligations?	• Build single worker master data with classification flags for each Code. • Run quarterly classification audit on contractors, FTEs, apprentices and consultants. • Map every HR policy clause to a Code section/ rule. • Escalate grey cases before onboarding, not after dispute.

Case facts and answer

Case Study 31: Has Shops & Establishments law outlived utility?

Answer: No; State S&E laws continue to matter unless expressly repealed/ subsumed.

Facts

- Service company has offices in 9 states and assumes Labour Codes replace S&E law.
- It stops renewing S&E registrations and stops state holiday registers.
- Employees challenge leave and weekly-off practices under local S&E provisions.
- Inspector asks for local display and register.

Issue

Do Labour Codes eliminate State S&E compliance?

Pitfalls

- Central-code-only compliance approach.
- One national leave policy below some state minimums.
- Ignoring local inspector jurisdiction.
- No renewal and display evidence.

Practical takeaway

1. Has relevant State S&E Act been repealed/ amended post-Code?
2. Is establishment a shop/ commercial establishment outside factory/ mine/ plantation category?
3. Are state leave/ holiday provisions more specific?

Case Study 31: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Labour Codes consolidate many central labour laws but state S&E legislation may continue for shops/ commercial establishments until repealed/ amended. • S&E laws commonly regulate registration, opening/ closing hours, weekly holidays, leave, employment of women/ young persons, display and records. • OSH/ COW may overlap but do not automatically remove every state obligation. • State rules under Codes may further interact with S&E requirements.	• Has relevant State S&E Act been repealed/ amended post-Code? • Is establishment a shop/ commercial establishment outside factory/ mine/ plantation category? • Are state leave/ holiday provisions more specific? • Does local authority still require registration/ renewal?	• Maintain state-wise S&E tracker even after Labour Code transition. • Align holiday, weekly-off and leave policy with both Code and S&E requirements. • Update registers and displays location-wise. • Take state-specific advice before discontinuing any compliance.

Case Study 32: EPF withdrawal and interest rate declared later

Answer: Withdrawal does not always earn end-year declared rate in a simple way.

Facts

• Employee exits in November and withdraws EPF in January before annual interest rate is credited.
• In March, EPFO declares annual interest rate for the financial year.
• Employee asks employer whether withdrawn amount will get full year rate.
• Employer gives informal assurance without checking EPFO accounting.

Issue

Will EPF withdrawal always earn the rate declared at financial year-end?

Pitfalls

• Promising full-year interest after withdrawal.
• Confusing employer contribution with fund interest.
• No passbook reconciliation before closure queries.
• Failure to distinguish final settlement and advance withdrawal.

Practical takeaway

1. Was account finally settled or partially withdrawn?
2. What was monthly balance up to settlement?
3. Was annual rate declared before or after settlement?

Case Study 32: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• EPF interest is annual in declaration/ credit but calculated on monthly balances and account status. • Final settlement before rate declaration may use provisional/ accounting approach subject to EPFO rules and system updates. • Withdrawn amounts stop earning after withdrawal; interest may be credited up to relevant period as per EPFO accounting. • Employer should not promise fund interest; EPFO administers fund.	• Was account finally settled or partially withdrawn? • What was monthly balance up to settlement? • Was annual rate declared before or after settlement? • Did EPFO passbook later credit any arrear interest?	• Advise employee to rely on EPFO passbook/ claim settlement statement. • Do not give employer guarantee on EPFO interest credit timing. • Help employee raise EPFO grievance if interest appears missing. • Educate employees that declared rate is not applied to a static annual balance.

Case Study 33: Anti-discrimination and equal pay compliance

Answer: Equal treatment requires comparable work analysis plus protected-class safeguards.

Facts

• Two quality supervisors do similar shop-floor work; woman supervisor is paid 18% lower.
• Employer says she negotiated lower salary at hiring.
• Male supervisor has same qualification, responsibility and reporting line.
• No formal job evaluation or pay band exists.

Issue

Can employer rely on negotiation history to justify pay disparity?

Pitfalls

• No comparable-work analysis.
• Using market negotiation to justify gender gap.
• Different titles for same work to avoid equal pay.
• Ignoring unorganised/ contract worker discrimination.

Practical takeaway

1. Are duties, skill, effort, responsibility and working conditions same or similar?
2. Is disparity linked to gender or other protected attribute?
3. Are pay bands and objective criteria documented?

Case Study 33: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• Code on Wages, 2019: Section 3 prohibits discrimination on ground of gender in wages and recruitment for same/ similar work. • Section 4 deals with disputes on same or similar nature of work. • Constitution Articles 14 and 16 shape equality principles, especially state/ public employment. • Case law: In V. Markendeya v. State of AP (1989), the SC established that the principle of equal pay for equal work is not abstract. Pay differentiation is valid when based on functional differences like educational qualifications, experience, and job duties, meaning titles alone do not dictate pay parity.	• Are duties, skill, effort, responsibility and working conditions same or similar? • Is disparity linked to gender or other protected attribute? • Are pay bands and objective criteria documented? • Are private-sector policies aligned with anti-discrimination norms?	• Conduct job evaluation and pay equity audit. • Fix pay bands with objective experience/ skill/ responsibility criteria. • Correct unexplained gender-linked disparities prospectively and assess arrears risk. • Train hiring managers that negotiation does not override equal-pay obligations.

Case Study 34: FTE contractualisation and fragmentation of rights

Answer: FTE is lawful flexibility, but repeated renewals without controls create vulnerability.

Facts

• Manufacturing unit engages 40% of its core workforce on 11-month FTE contracts.
• Many workers have 6–8 consecutive renewals and perform identical work as permanent workers.
• All statutory benefits are paid, but there is no route to permanency.
• Union alleges permanent temporariness and sham contracting.

Issue

When does FTE become a contractual trap?

Pitfalls

• Perpetual 11-month contracts.
• No parity audit.
• No documented reason for fixed term.
• Using FTE to replace regular workers after retrenchment.

Practical takeaway

1. Is there genuine project/ season/ business rationale for fixed term?
2. How many renewals and total tenure?
3. Are benefits, wages, facilities and leave equal to comparable permanent workers?

Case Study 34: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• CSS Section 2(34) recognises FTE with written contract and pre-determined period. • IR Code excludes expiry/ non-renewal from retrenchment, but premature termination may attract retrenchment compensation. • FTEs must receive parity/ pro-rata benefits for same or similar work. • No clear Indian cap on renewals/ duration creates policy risk; global models use limits/ registration/ justification.	• Is there genuine project/ season/ business rationale for fixed term? • How many renewals and total tenure? • Are benefits, wages, facilities and leave equal to comparable permanent workers? • Is FTE used to avoid unionisation/ regularisation?	• Adopt internal renewal cap and business justification memo. • Register/ record every FTE contract digitally for audit trail. • Represent FTEs in grievance mechanism. • Review roles lasting beyond defined duration for permanent staffing.

Case Study 35: AI content moderation and labour-law blindspot

Answer: Codes cover physical industrial risks better than psychological digital hazards.

Facts

- Vendor hires 500 “content reviewers” for AI safety labelling from home.
- Workers view violent, abusive and sexual content for piece-rate pay.
- Contracts call them independent contractors; client platform controls quality scores and targets.
- Workers report anxiety, sleep disturbance and trauma but no clinical support.

Issue

How do Labour Codes fail to protect AI moderation workers?

Pitfalls

- Calling all remote moderators freelancers despite operational control.
- No hazard assessment for psychological exposure.
- NDAs blocking disclosure of working conditions.
- No social security or grievance mechanism.

Practical takeaway

1. Is there control/ supervision by vendor or principal platform?
2. Is piece-rate pay below minimum wage when realistic time is counted?
3. Is content exposure a foreseeable occupational hazard?

Case Study 35: Section mapping and action controls

Statutory/ scheme provisions	Tests to establish	Actions/ controls
• OSH Code recognises occupational safety but schedules focus largely on physical/ chemical industrial hazards; psychological trauma/ PTSD is not expressly listed as occupational disease. • Code on Wages universalises wage floor but struggles with task/ piece-rate psychological arduousness. • CSS recognises gig/ platform workers but may normalise independent-contractor classification if not carefully applied. • IR Code rights may be lost if workers are classified as contractors/ gig workers rather than employees/ workers.	• Is there control/ supervision by vendor or principal platform? • Is piece-rate pay below minimum wage when realistic time is counted? • Is content exposure a foreseeable occupational hazard? • Do NDAs prevent reporting/ medical support?	• Classify high-volume graphic moderation as safety-sensitive work internally. • Provide clinical mental health support, rotation, caps on exposure and paid recovery breaks. • Audit piece-rate algorithms against minimum wage and safe pace. • Make principal employer/ client contractual liability explicit for safety and social security.

02

Deep-Dive Compliance Controls

The following slides convert case studies into repeatable audit checks and SOP controls.

Control 1: Gratuity decision tree

Purpose

Map event first: resignation, retirement, superannuation, death, disablement, fixed-term termination.

Checklist

- Then test continuous service under CSS Section 54 and calculate under Section 53.
- Do not mix gratuity with civil recoveries.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 2: Continuous service audit

Purpose

Keep a break-in-service order register.

Checklist

- Absence, leave, sickness, accident, maternity and lay-off do not automatically break service unless rules permit and valid order exists.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 3: FTE contracting controls

Purpose

Every FTE file should contain written contract, start/ end dates, direct employer evidence, parity statement, pro-rata benefit computation and renewal justification.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Control 4: Contract labour triangulation

Purpose

Maintain principal employer registration, contractor licence, wage/ ESI/ EPF challans, attendance proof, work-order scope and core-activity assessment under OSH Code.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 5: EPF onboarding workpaper

Purpose

At joining capture Aadhaar, PAN, UAN, Aadhaar-seeded bank account, family details, nomination and previous PF membership.

Checklist

- Reconcile before first payroll.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 6: EPF nomination governance

Purpose

Trigger nomination review on marriage, divorce, birth/ adoption, death of nominee and annual HRMS confirmation.

Checklist

- Do not rely on stale paper nominations.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 7: EDLI claim workflow

Purpose

Confirm membership at death, valid nomination, death in service, last 12 months continuity for enhanced benefit, minimum assurance benefit and employer certification.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 8: ESI/ commuting accident workflow

Purpose

Record route, time, shift, employment nexus, no personal deviation, FIR/ hospital records and ESI contribution status.

Checklist

- Own vehicle is not by itself a disqualification.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 9: Overtime roster controls

Purpose

Roster for 8-hour normal day, 48-hour week, rest intervals and spread-over.

Checklist

- Configure payroll to compute twice normal wages under Code on Wages Section 14.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 10: Leave encashment audit

Purpose

Separate accrued leave, new accrual, LOP period, statutory worker entitlement and managerial policy entitlement.

Checklist

- Exit encashment should be calculated before full-and-final release.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 11: Loan vs gratuity recovery guardrails

Purpose

Never treat ordinary loan as gratuity forfeiture.

Checklist

- Pay statutory gratuity unless clear legal authorisation and jurisdictional support exist; use separate recovery where needed.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Control 12: Crèche implementation checklist

Purpose

Threshold, facility location, hours, safety, staff ratio, common facility agreement, allowance agreement, eligible beneficiaries and annual return disclosure should be documented.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 13: Anti-discrimination audit

Purpose

Compare wages for same/ similar work by gender and other protected attributes.

Checklist

- Maintain job evaluation records; correct unexplained disparity.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Control 14: Apprentice engagement audit

Purpose

Keep registered contract, training syllabus, mentor record and stipend proof.

Checklist

- Do not use apprentices as substitute regular employees.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 15: Negotiating union calendar

Purpose

Record recognition date, period, membership verification, rival claims and settlement authority.

Checklist

- Diarise renewal before expiry.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 16: Ownership/ display control

Purpose

After merger/ branch change, update labour registrations, entrance display, website particulars, responsible manager and integrated returns.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 17: Voluntary settlement checklist

Purpose

Document option period, individual calculation, independent explanation, separate statutory dues and no coercion.

Checklist

- Do not seek waiver of mandatory rights.
- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Implementation check

Control 18: AI moderation risk assessment

Purpose

Treat psychological exposure as safety risk: exposure caps, counselling, breaks, escalation rights, algorithmic quota audit and contractor/ principal liability.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Control 19: State S&E harmonisation

Purpose

Maintain state-wise grid for registration, holidays, leave, weekly off, women working hours, display and registers even after Codes.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.

Control 20: Monthly compliance pack

Purpose

Payroll challans, wage register, leave register, OT register, contractor proof, incident register, nomination changes, gratuity provisions and union/ works committee minutes.

Checklist

- Map legal owner, HR owner, payroll owner and due date.
- Keep evidence folder with approvals, portal acknowledgements and computation sheets.
- Review exceptions at monthly compliance meeting.
- Escalate variances before payroll close or exit settlement.

Audit evidence to retain

- Policy/ SOP version mapped to Code section or scheme paragraph.
- Computation sheet or decision memo with facts and reviewer sign-off.
- Employee/ contractor communication and proof of delivery.
- Registers, returns, challans, portal screenshots and acknowledgements.

Escalate if

- Classification is disputed or mixed: employee/ worker/ FTE/ contractor.
- State rule conflicts with central-Code reading.
- Benefit denial depends on conduct, break in service or forfeiture.
- Claim involves death, disability, maternity, discrimination or union rights.