

ILLUSTRATION: BINAY SINHA

OPINION

Labour Codes and the search for clarity

The first of a two-part series on labour Codes looks at wage definition, compliance challenges, and the road ahead



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India's long-awaited labour reforms are finally entering the implementation phase. With the final notification of rules by the Centre and states/UTs, the labour Codes will soon become fully operational. For businesses, however, the real challenge is no longer legislative change but interpreting how the new Codes will function in practice.

The reforms seek to align labour regulation with contemporary economic realities — ensuring decent living standards and social security for employees, establishing a technology-driven labour governance framework, and reducing the heavy compliance burden of labour-related statutes, which reportedly accounted for more than 40 per cent of business-related compliances in the country.

These measures are expected to advance labour force formalisation, strengthen manufacturing competitiveness, and simplify compliance, particularly for micro, small and medium enterprises. Yet, despite the rationalisation of the legislative framework, several provisions remain open to interpretation, prompting stakeholders — especially industry — to seek greater clarity.

Two issues relating to the new wage definition have generated particular discussion. One concerns its implementation across the country, including the manner of wage calculation and the date from which it becomes operational. The implications are significant, as they directly affect the financial planning and

cash-flow management of establishments.

Another issue relates to the expanded applicability of minimum wages across all categories of employees. This raises a connected interpretational question of whether the statutory overtime rate will apply to all employees or only to those classified as workers under the Codes.

This article is the first part of a two-part series examining key provisions under the labour Codes that have generated debate due to interpretational ambiguities. Part I focuses on the implications of the revised wage framework. Part II will examine other operational aspects, including the number of hours in a normal working day, social security coverage, employer liability, the use of contract labour in core activities, the inspector-cum-facilitator enforcement mechanism, and the interaction of the labour Codes with the Shops and Establishments Acts of States and Union Territories.

Uniform definition of wages and its implications

One of the most significant provisions concerns the definition of wages, which has been made uniform across the country for the first time. The objective is to ensure a fair wage structure while preventing the manipulation of salary components to reduce statutory liabilities.

Earlier labour laws contained multiple definitions of wages. As a result, employers often structured salary packages in ways that kept the basic wage component low while increasing allowances.

The Code on Wages provides a clear framework by defining wages to include all remuneration — whether by way of salaries, allowances, or otherwise — while exhaustively listing exclusions such as bonus, house rent allowance, conveyance allowance, and employer contributions to

pension or provident fund [Section 2(y)].

However, a proviso states that if these excluded components exceed one-half (or such other percentage as may be notified by the Central government) of total remuneration, the excess will automatically be included in the wages. This provision ensures that the basic wage remains at a reasonable level for the calculation of statutory payments relating to social security and other employee benefits.

Treatment of unlisted allowances

Allowances vary widely across organisations, including for senior leadership roles. Employers therefore seek clarity on how allowances not listed in the Codes should be treated when applying the one-half (or other notified) cap.

A close reading of Section 2(y) suggests that the provision has been drafted with deliberate clarity. While the definition of “wages” is broad, the exclusions appear carefully and exhaustively listed. In practical terms, if a payment or allowance is not specifically mentioned in the exclusion list, it must be treated as part of wages.

The design appears intentional: To prevent arbitrary classification of allowances by employers as being “outside wages” and to ensure fair treatment of employees.

Impact on employers and financial planning

The revised wage composition is expected to increase employee benefits. From the employer's perspective, however, it may also lead to a higher cost to the company due to increased social security contributions and other statutory liabilities.

Companies are confronted with the question of whether implementation should begin from 21 November 2025 — the date of notification — or whether they



should wait until the final rules are prescribed by the Centre and states.

In practice, provisions that are definitional and self-contained should be implemented without delay. The definition of wages falls squarely within this category. Although the final notification of the percentage cap is still awaited, businesses should accord immediate priority to a review of wage restructuring for all employees.

Several large companies such as TCS, Infosys, L&T, and Tech Mahindra have already indicated that they are provisioning for the restructuring of wage components in anticipation of higher liabilities for social security payments and other employee welfare benefits. These adjustments are essentially a one-time correction arising from the revised wage structure.

Minimum wages and overtime interpretation

The new labour Codes also expand the scope of minimum wage protection. Minimum wages will now apply to all employees — skilled, semi-skilled, or unskilled — engaged in technical, operational, managerial, or administrative roles.

Earlier, minimum wage provisions

applied only to scheduled employment, leaving many employees outside the protection framework. This expansion raises a related question regarding the category of employees eligible for overtime wages.

Under the Code on Wages, overtime is payable to “an employee,” whereas the Code on Occupational Safety, Health and Working Conditions (OSH&WC) specifies overtime payment to “a worker.” This difference in terminology has generated debate over whether managerial and supervisory employees may also claim overtime, which must be paid at not less than twice the normal rate of wages.

To address this issue, it is necessary to understand the distinction between “employee” and “worker.” Under the Codes, a worker is defined as a person engaged in skilled, unskilled, manual, operational, technical, clerical, or supervisory work, but excludes those in managerial or administrative roles, as well as supervisors drawing wages exceeding ₹18,000 per month. This clarifies that overtime under the OSH&WC Code applies specifically to such workers.

However, the reference to overtime wages being payable to “employee,” as mentioned in the Code on Wages, nevertheless creates some uncertainty. In the broader context of the Code on Wages, it is

presumed the provision is intended primarily to safeguard wage payments across the workforce.

At the same time, overtime provisions are historically linked to the welfare and safety of workers engaged in labour-intensive activities. Their purpose is to protect workers from excessive physical labour and to compensate them for work beyond normal working hours. Managers and senior leadership would generally fall outside this category.

Nevertheless, employers should review employment contracts to determine whether working hours have been defined for employees, including senior leadership.

Need for common narrative

The implementation of the new labour Codes marks an important step towards modernising India's labour regulatory framework and carries significant implications for the Indian economy. At this stage, it is important for a common narrative to emerge that clarifies the provisions and brings all stakeholders onto the same page as the country progresses towards a ‘Viksit Bharat’.

The writer is a former Union labour secretary. Views are personal

OPINION

Getting to the AI frontier

India cannot remain only a user of AI systems shaped elsewhere. It must transition from access to leadership



JAYANT SINHA

The AI Impact Summit demonstrated that India has made meaningful progress in building the foundations of an artificial intelligence ecosystem. Under the IndiaAI Mission, shared compute capacity has expanded, graphics processing unit (GPU) pricing has been lowered, teams are developing indigenous foundation models, and applications across agriculture, health, finance, and public services are being catalysed. This application-first approach has created momentum. The question now is whether this approach is sufficient for the strategic environment taking shape.

The baseline of the AI economy is a G2 world dominated by the United States and China. Frontier model development requires tens of thousands of advanced GPUs, dense data centre clusters, reliable power, specialised talent, and multi-year capital commitments. Both the US and China are making annual investments in the hundreds of billions of dollars in frontier AI capabilities. Once compute, energy, and research ecosystems co-locate at this scale, advantage compounds.

Leading AI researchers have warned that middle powers, such as India, cannot rely on diffusion of AI applications alone. The capital and talent required to train frontier systems are rising sharply, and access to the most advanced models cannot be assumed indefinitely. Even if applications spread widely, economic rents and strategic leverage accrue where frontier capability is built and continuously improved. The implication is not that every nation must match the United States or China, but that credible near-frontier capability is necessary to avoid structural dependency.

Several middle powers have drawn this conclusion. France has backed Mistral as a frontier lab tied to sovereign compute initiatives. Japan has integrated AI into its economic security framework. The United Arab Emirates (UAE) has combined capital and energy advantage to build sovereign model programs and large-scale infrastructure. While none of these countries is

seeking to match the US or China, they are building up their strategic leverage.

India's current approach is application-first and focused on democratising AI access. Companies such as Sarvam are building multilingual models suited to Indian conditions, and IndiaAI is expanding shared compute access. This is necessary but not sufficient. An application-first strategy has become a full-stack AI strategy for five reasons.

First, value extraction is moving upward. Frontier model owners capture disproportionate rents through application programming interfaces (APIs), enterprise licensing, and ecosystem control. Building applications on externally controlled models risks long-term dependency. Second, affordability cannot be assumed. As AI becomes embedded in enterprise and public systems, pricing power may concentrate. Near-frontier domestic capability materially improves negotiating leverage.

Third, national security considerations are inseparable from AI capability. Frontier models are dual-use systems relevant to cybersecurity, intelligence, logistics, and defence. Operational autonomy at the inference layer is useful, but strategic autonomy requires influence over training and updates. Fourth, long-term capability building requires depth. Frontier labs anchor research talent, generate spillovers into academia and industry, and create durable scientific capacity. Without concentrated nodes, ecosystems plateau at integration rather than advance core science.

Fifth, training priorities reflect the interests of those who fund and control frontier labs. The most advanced multimodal systems are optimised for enterprise productivity, advertising, and global consumer markets. India's needs differ. With hundreds of millions consuming entertainment in multiple languages, there is substantial demand for multimodal models that can generate and localise video, audio, and interactive content across Indian languages and cultural contexts. If training objectives are set elsewhere, optimisation will not prioritise Indian linguistic nuance or regional storytelling economics. Over time, this shapes which industries benefit most from AI advances.

The obvious question is cost. A serious

frontier program would likely require annual capital commitments in the low single-digit billions of dollars over five to seven years to fund large-scale GPU clusters, energy provisioning, and sustained research teams. In the context of India's overall digital infrastructure and industrial investment plans, this is material but manageable. It represents strategic insurance rather than financial overreach. Moreover, we have many corporate groups that can build such a frontier capability working within a well-designed policy framework.

This effort should be designed carefully. India does not need a proliferation of symbolic labs. We should strive to enable a small number of frontier-scale champions with ring-fenced compute access, milestone-based funding, and periodic performance review. Shared pools should continue to support ecosystem diffusion, but frontier training requires dedicated capacity and long-horizon planning.

The strategy should also be embedded in a broader middle-power framework. In a G2 baseline world, pluralism will not emerge organically.

India should work with France, the United Kingdom, Japan, Korea, the UAE, and others to build a distributed network of frontier capabilities that reach 80 to 90 per cent of global best performance on critical capability benchmarks. Such a network would reduce systemic dependence, create interoperability options, and influence governance norms more effectively than isolated efforts.

India's civilisational scale strengthens the case. With one-sixth of humanity and extraordinary linguistic diversity, India cannot remain only a user of AI systems shaped elsewhere. Artificial intelligence will increasingly mediate economic transactions, public services, cultural production, and national security. The AI Summit should therefore mark a transition from access to leadership. In the coming decade, countries that possess credible frontier capability will shape the terms on which AI is diffused. India must be among them.

The writer is president, Everstone Group, and visiting professor in practice at the London School of Economics. He is a former Union minister and Lok Sabha MP. Views are personal

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Sl. No.	Name of Borrower, Loan Amount and Loan A/c No.	Description of the property mortgaged	NPA Date, Demand Notice Date & Amount O/s
1	Mr. Ramachandran Krishna Vadivu Nadar, S/o Mr. Krishnavadevu Nadar, No.9-102A, Allankottai, Ganapathipuram, Agasteeswaram, Kannyakumari, Tamilnadu-629502. Mrs. Vijayarani Arunachala Perumal, W/o Mr. Ramachandran Krishna Vadivu Nadar, No.9-102A, Allankottai, Ganapathipuram, Agasteeswaram, Kannyakumari, Tamilnadu-629502. Loan Account No.809002840535	PROPERTY OWNED BY: MR. RAMACHANDRAN Schedule of Property: District Kanyakumari, Registration District Kanyakumari, Sub Register Office Rajakkamanagalam, Taluk Agastheeshwaram, Village Neendakarai 'B'. Re.Sy.652/11, Measuring 4.225 cents, As per Separate Patta area is only 3.750 cents, hence I am giving clearance for 3.750 cents only.(1633.5 Sq.Feet), Patta No.11788. Boundaries: East: Property belonged to Thangaiah Nadar. South: Road; West: Vacant land belonged to Ponnaiah; North: Property belonged to Pandarakutty Nadar.	NPA Date: 07-12-2025 O/s Amount: Rs.7.92,327.57 Outstanding due as on: 02-03-2026 Demand Notice Date: 02-03-2026
2	Mr. Mahalisundaram V, S/o Mr. Velusamy, No. 2/221, Reddyarchathram (Via), S. Vadipatti (Post), Kothapulli, Dindigul, Near Muthalamman Kovil, Reddyarchathram Dindigul, Tamilnadu-624622. Mrs. Kowsalya.M, W/o Mr. Mahalisundaram V, No.2/221, Reddyarchathram(Via), S. Vadipatti (Post), Kothapulli, Dindigul, Near Muthalamman Kovil, Reddyarchathram Dindigul, Tamilnadu-624622. Loan Account No.809001809304	PROPERTY OWNED BY: MRS. KOWSALYA Schedule of Property: In Dindigul R.D.Kannivadi Sub Registrar Office of Kothapulli Village, in S.No.468/8 of 0.18.0 Ares of 0.45 cents in which on the Western side of Southern part of about 0.09 ¼ cents of house site of 4200 Sq.ft.s of 390.24 Sq.Mtrs is bounded by: East: Property Vested with Mahalisundaram; North: Property of Mahalisundaram; South: Property of Santhanam; West: East-West Common Pathway Natham property of kothapulli Village; With in which Said plot is having the measurements of east - west with 60 feet's North - South with 70 Feet to the total of 4200 Sq.Ft. of 390.25 sq.mtrs of house site in which building had been constructed thereby assessed to Tax by No.108 and along with all other usual rights thereon.	NPA Date: 04-02-2026 O/s Amount: Rs.9,31,589.38 Outstanding due as on: 02-03-2026 Demand Notice Date: 02-03-2026

Now the authorized officer of **RBL Bank Ltd.** do hereby publish the contents of the above demand notice as provided under the Rules for discharge your liabilities in full, failing which, we shall, without any further reference, be constrained to enforce the following security created by you in our favour by exercising any or all the rights given under the said Act. Please note that this publication is made without prejudice to such rights and remedies as are available to **RBL Bank** against the borrower and the guarantors of the said financial under law. You are further requested to note that as per section13(13) of the said Act, you are restrained/prohibited from disposing of or dealing with the above security or transferring by way of sale, lease or otherwise of above secured asset, without our prior written consent.

Place: Tamilnadu, Date: 12-03-2026**Sd/- Authorised Officer, RBL BANK LTD.**

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APPENDIX-IV-A [SEE PROVISION TO RULE 8(6)] SALE NOTICE FOR SALE OF IMMOVABLE PROPERTIES
E-Auction Sale Notice for Sale of Immovable Assets under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 read with provision to Rule 8(6) of the Security Interest (Enforcement) Rules, 2002.
Notice is hereby given to the public in general and in particular to the Borrower/s and Guarantor/s that the below described immovable properties mortgaged/ charged to Truhome Finance Limited (formerly M/s Shriram Housing Finance Limited), the Possession of which have been taken by the Authorized Officer of Truhome Finance Limited, will be sold on "As is where is", "As is what is" and "Whatever there is" basis in e-auction on 27/03/2026 between 11:00 A.m. to 11:30 A.m. for recovery of the balance due to Truhome Finance Limited from the Borrowers And Guarantors, as mentioned in the table.
Details of Borrowers and Guarantors, amount due, Short Description of the immovable property, reserve price and earnest money deposit and date of Inspection are also given as: