

Rules and Regulations Review

Code on Wages (Central) Rules, 2026

Key Features of the Rules

- ◆ The Rules provide for the fixation of a floor wage by the central government, based on minimum living standards, with consultation from the Advisory Board and state governments.
- ◆ The Rules provide for the fixation of minimum wages by the central government which will specify the criteria for calculation through a special or general order.
- ◆ The Rules provide for an eight-hour work day for an employee whose wage period is on a daily basis. For an employee whose wage period is other than on a daily basis, the Rules provide for a 48-hour work week.

Issues and Analysis

- ◆ The Code on Wages, 2019 provides that the appropriate government shall prescribe the manner of calculating minimum wages, and the norms of fixing minimum wage rates. The Rules do not specify the criteria for determination of minimum wage. The central government will specify the criteria through a special or a general order.
- ◆ The Code provides that the central government must fix the floor wage considering the prescribed minimum living standards of a worker. The Rules state that floor wages must be based on minimum living standards but do not specify detailed norms for determining such floor wage.
- ◆ In some cases, the Rules may be going beyond the scope of powers delegated under the Code. These include: (i) adding deposit conditions for appeals against decisions on claims arising under the Code, (ii) mandating who the employee may nominate for payment of dues, and (iii) reducing proprietor's liability in case contractor fails to pay bonus.

The central government consolidated 29 labour laws into the following four Labour Codes: (i) the Code on Wages, 2019, (ii) the Industrial Relations Code, 2020, (iii) the Code on Social Security, 2020, and (iv) the Occupational Safety, Health, and Working Conditions Code, 2020. These Codes were notified on November 21, 2025.

The Code on Wages, 2019 regulates wage and bonus payments in all employments in which any trade, industry, business or manufacturing is carried on.¹ It replaces four laws: (i) the Payment of Wages Act, 1936, (ii) the Minimum Wages Act, 1948, (iii) the Payment of Bonus Act, 1965, and (iv) the Equal Remuneration Act, 1976. The central government released draft Rules for public consultation on December 30, 2025.² The final Rules were notified on May 8, 2026.³ The Rules propose to supersede rules framed under the repealed Acts including the Payment of Wages (Procedure) Rules, 1973, Minimum Wages (Central) Rules, 1950, Payment of Undisbursed Wages (Mines) Rules, 1989. In addition, it also replaces rules notified under the Code on Wages, 2019 including the Code on Wages (Central Advisory Board) Rules, 2021 and the Code in Wages (Central Advisory Boards) Amendment Rules, 2025.

G.S.R. 343(E).
Code on Wages
(Central) Rules,
2026 dated
May 8, 2026

KEY FEATURES

These Rules will apply to all central sector establishments. These include: (i) railways, mines, oilfields, and banking companies, and (ii) establishments carried on by or under the authority of the central government.

- **Calculation of minimum wages:** The Rules provide that the minimum wage rate will be fixed on a day basis. The criteria for deciding these wage rates will be specified by the central government by a special or general order. To fix the hourly rate, the daily rate will be divided by eight, and for the monthly rate it will

be multiplied by 26. For a working week which is shorter than six days, the hourly rate calculated will be used to derive the daily minimum wage.

- **Floor wage:** Under the Code on Wages, 2019, the floor wage must be fixed by the central government. The minimum wage must be higher than the floor wage. The Rules provide that the floor wage shall be fixed on the basis of the minimum living standard including food, clothing, housing, and other factors. The central government may consult the Central Advisory Board for fixing the floor wage. The Board's consultation may be circulated to all state governments for further consultation. The Board will consist of: (i) employers, (ii) employees (in equal number as employers), (iii) independent persons, and (iv) five representatives of state governments. The central government may revise the floor wage every five years and adjust the wage for variations in cost of living periodically.
- **Normal working hours and weekly day of rest:** The Rules provide for an eight-hour work day for an employee whose wage period is on a daily basis. The weekly working hours should not exceed 48 hours for any employee whose wage period is other than on a daily basis. The rest day or any changes in the rest day must be clearly notified at the workplace. Every employee will be entitled to at least one weekly rest day. This will normally be Sunday in a six-day working week, while rest days may include Saturday or Sunday for shorter work weeks. However, the employer may fix any other day of the week as the rest day for any employee or class of employees. The Rules also state that an employee cannot work for more than 10 consecutive days without a full rest day. If an employee works on a rest day, the employer is required to provide a substituted rest day and pay overtime wages (subject to certain exceptions for certain six-day-week employees).
- **Revision of dearness allowance:** The Rules provide that the variable dearness allowance will be revised twice yearly (once before April 1 and once before October 1). This revision will be based on the Average Consumer Price Index for Industrial Workers.
- **Nominee in case of death of employee:** The Code requires that in case of death of an employee, all amounts payable to him under the Code, be paid to the person nominated by him as prescribed. The Rules state that if an employee has a family, he must make such nomination in favour of his spouse, followed by other family members. Nominations in favour of a person other than the employee's family will be invalid.
- **Other details:** The Rules also specify other details such as term of office and procedure of the Central Advisory Board, and the formats of forms, registers and payslips.

KEY ISSUES AND ANALYSIS

Details not specified in the Rules

Criteria for calculation of minimum wage

Code:
Section 6,
67(2)(a), (b),
(c)
Rules: Rule 3

The Code on Wages, 2019 provides that the manner of calculating minimum wages, and the norms of fixing minimum wage rates shall be prescribed by the appropriate government. In fixing such wages, the appropriate government must consider the skill of the workers, and may consider the arduousness of work and hazardous occupations. The Rules state that the minimum wage rate will be fixed on a day basis. They do not specify the method to calculate minimum wages. Instead, the criteria for deciding these wage rates will be specified separately by the central government by a special or general order. The Rules also do not specify whether minimum wage will be different across geographies.

The 2025 draft Rules provided a detailed criteria for the calculation of minimum wages which included: (i) three consumption units, (ii) calorific requirement of 2,700 calories per adult per day, (iii) housing rent expenditure to constitute 10% of food and clothing expenditure, and (iv) fuel, lighting, and other miscellaneous items to constitute 20% of minimum wage.⁴ The 2026 Rules do not specify such details.

Consumption unit is a key factor used for determining minimum wage. The average household size helps determine the number of consumption units per working family (i.e., the number of persons each wage earner supports) adjusted for age and gender. In the past, experts have noted that an average household comprises four people (or an equivalent of three consumption units).^{5,6} More recently, the Expert Committee to determine a National Minimum Wage (2019) examined data from the NSSO Consumer Expenditure Survey (2011-12) and suggested that the composition has increased to an average household size of 4.4 people (equivalent to 3.6 consumption units).⁵

Another factor considered is the daily calorific intake per consumption unit. In 1957, the 15th Labour Conference had suggested daily calorific intake of 2700 calories per consumption unit.⁷ The 2019 Expert Committee studied the NSSO Consumer Expenditure Survey (2011-12) and noted that food consumption patterns have changed in favour of non-cereal items, and a lower proportion of adult workers are now engaged

in heavy work compared to earlier years.⁸ Thus, it suggested a daily calorific intake of 2400 calories, along with a balanced diet.

Detailed methodology to fix floor wage

Code:
Sections 9,
67(3)(a)
Rules: Rule 10

The Code states that the central government must fix the floor wage considering the minimum living standards of a worker as prescribed. Floor wage may be different across geographical areas. Before fixing the floor wage, the central government may obtain the advice of the Central Advisory Board and consult with states as prescribed. The Rules state that the central government will decide the floor wage based on minimum living standards including food, clothing, housing, and other appropriate factors. The floor wage may be revised every five years and adjusted considering variations in the cost of living. The Rules do not specify the exact norms for determining the floor wage based on these criteria. They also do not provide details on how geographic differences may factor into the calculation.

The concept of a floor wage was introduced in 1996 on the recommendation of the National Commission on Rural Labour (1991).⁹ A floor wage was recommended as a baseline wage to combat low minimum wages and address state-wide disparities in the fixation of minimum wages across various scheduled employments.⁵ As per the Code, minimum wages fixed by the central or state governments cannot be lower than the floor wage.

Prior to the new Labour Codes, the floor wage was fixed on the basis of the recommendations of the 15th Indian Labour Conference (ILC), 1957 and a judgement of the Supreme Court (1992), which were re-iterated at the 44th ILC (2012) and 46th ILC (2015).^{5,7,10} These norms included: (i) three consumption units, (ii) calorific requirement of 2,700 calories per adult per day, and (iii) 20% of total minimum wage for fuel, lighting, and other miscellaneous items. The Standing Committee (2019), which had reviewed the Code on Wages, 2017, had endorsed this formula.¹¹ The Committee had stressed on the need to adopt this methodology to remove arbitrariness and unwarranted discretion in fixing a floor wage.

The 2025 draft Rules specified that floor wage be determined by considering the minimum living standard (food, clothing, housing and others) of a standard working-class family.² It defined this family to include a spouse and two children apart from the earning employee, i.e., an equivalent of three adult consumption units.

Deductions for recovery of loans from labour welfare funds

Code: Section
18(2)(f)(ii),
67(2)(g)

The Code on Wages, 2019 provides for deductions from the wages of an employee for recovery of loans made from any fund constituted for labour welfare, and the interest due on it. The Code empowers the appropriate government to prescribe the manner of deducting such loans. However, the Rules do not specify such details.

Rules may be going beyond powers delegated under the Code

The Supreme Court has held that Rules cannot alter the scope, provisions, or principles of the parent Act. It has held that the general power of rule-making cannot be exercised in a manner to create substantive rights or obligations or disabilities that are not contemplated by the provisions of the Act itself.¹² Certain rules may be going beyond the scope of powers delegated under the Code.

Deposit required for filing appeals

Code: Sections
45, 49,
67(2)(w)
Rules: Rule
50(1)

The Code provides for an authority to hear and determine the claims arising under the Code. Appeals against these decisions will lie with an appellate authority appointed by the appropriate government. The form and manner of such appeal will be prescribed. The Rules state that the appeal must be submitted in a prescribed form with the relevant documents. The Rules also add that an employer cannot appeal unless they have deposited the claim amount with the appellate authority. It may be argued that requiring a pre-appeal deposit goes beyond the remit of the power delegated, as the parent law does not impose any such condition on appeals.

Nomination by employees for payment of dues in case of death

Code: Sections
44(1), 67(2)(u)
Rules: Rules
45, 46

The Code requires that in case of an employee's death all amounts payable to him under the Code be paid to the person nominated by him, as prescribed. The Rules state that if an employee has a family, he must make such nomination in favour of his spouse, followed by other family members. Any nomination made in favour of a person other than the employee's family will be invalid. The Code delegates only the power to prescribe the authority and manner of depositing the due with such authority. The Rules may be going beyond the scope of the law by also deciding whom can the employee nominate.

Fixing minimum wages for central government employees

Code:
Sections 5, 6,
25
Rules: Rule 3

The Code on Wages, 2019 provides that no employee should be paid wages less than the minimum wages notified by the appropriate government, and the appropriate government will fix minimum wages. The central government is the appropriate government for all authorities under the central government including railways, mines, major ports, and central PSUs. The Code defines employee to include any person employed on wages to do any skilled, unskilled, manual, managerial or clerical work. Where the rates of wages are fixed by the hour,

day or month, the manner of calculating the wages will be prescribed. The Rules provide that the minimum wage rate will be fixed on a day basis, and the central government will specify the criteria for deciding these wage rates by a special or general order. However, it adds that the central government will not fix the wages of the central government employees under the Code. The Code exempts government establishments with respect to the payment of wages (Chapter III of the Code), but not for fixation of minimum wages (Chapter II of the Code). By carving out this exemption for fixing of wages, the Rules might be going beyond the scope of the Code.

Payment of bonus by proprietor in case contractor fails to pay

Code:
Sections 26(3),
43
Rules: Rule 21

Under the Code, eligible employees will receive a minimum bonus of 8.3% of wages, whether or not the employer has an allocable surplus. If in a year the allocable surplus exceeds the minimum bonus payable, the employer shall pay bonus which can be up to 20% of an employee's wages. The Code also provides that every employer shall pay all amounts due to an employee. If the employer fails to make such payment, then the proprietor of the establishment will be responsible for such payment. The Rules state that if a contractor fails to pay the bonus due to an employee, then the proprietor of the establishment shall pay minimum bonus to the employee. The employee or registered trade union must give written information of such failure to pay. Thus, the Rules are reducing the proprietor's liability to the employee in cases where the contractor fails to pay, from what is mandated in the Code.

Extent and conditions of working hours for certain categories of employees

Code: Section
13
Rules: Rule 8

The Code requires that the appropriate government may fix number of working hours, weekly rest day, and payment for working on the rest day at an overtime rate. It adds that these details will apply to certain classes of employees only to such extent and subject to conditions as prescribed. These classes of employees include: (i) emergency workers, (ii) employees whose nature of work is such that it must be carried out outside regular work hours, and (iii) those whose employment is intermittent. The Rules do not provide the extent or the conditions for these categories of employees. They add a blanket provision that the number of working hours for such employees may exceed normal working hours, and they will be paid overtime as per the Code.

1. The Code on Wages, 2019.
2. The draft Code on Wages (Central) Rules, 2025, Ministry of Labour and Employment, December 30, 2025, <https://www.labour.gov.in/static/uploads/2026/01/44b4b68890bb457be71155b25fcd804.pdf>.
3. The Code on Wages (Central) Rules, 2026, Ministry of Labour and Employment, May 8, 2026, [https://egazette.gov.in/\(S\(alivyck2ji5g4roxvyhvf0w0\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(alivyck2ji5g4roxvyhvf0w0))/ViewPDF.aspx).
4. Rule No. 3, the draft Code on Wages (Central) Rules, 2025.
5. Report of the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage, Ministry of Labour and Employment, January 8, 2019, <https://www.labour.gov.in/static/uploads/2025/06/ef67cd1e69e23cff9bf792a6f526f41a.pdf>.
6. Report of the National Commission on Rural Labour, Ministry of Labour Report, 1991, <https://www.indianlabourarchives.org/handle/20.500.14121/190>.
7. "Minimum Wages", Press Information Bureau, Ministry of Labour and Employment, March 19, 2012, <https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=81227®=3&lang=2>.
8. Report of the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage, Ministry of Labour and Employment, January 8, 2019, <https://www.labour.gov.in/static/uploads/2025/06/ef67cd1e69e23cff9bf792a6f526f41a.pdf>.
9. Report of the National Commission on Rural Labour, Ministry of Labour Report, 1991, <https://www.indianlabourarchives.org/handle/20.500.14121/190>.
10. Workmen represented by Secretary v. Reptakos Brett & Co Ltd (1992) 1 SCC 290.
11. "Report No. 43: The Code on Wages Bill, 2017", Standing Committee on Labour and Employment, December 17, 2018.
12. Naresh Chandra Agrawal v. Institute of Chartered Accountants of India & Ors., Civil Appeal No. 4672 of 2012, Supreme Court of India, February 8, 2024.

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