

Definition No. 42 – Manufacturing Process

[Section 2(42)]

A manufacturing process includes any activity that changes, treats, prepares, stores, transforms, processes, repairs or otherwise deals with an article, substance, power source or industrial product.

Category I – Treatment of Articles or Substances

The following activities constitute a manufacturing process:

- Making
- Altering
- Repairing
- Ornamenting
- Finishing
- Oiling
- Washing
- Cleaning
- Breaking up
- Demolishing
- Refining
- Treating
- Adapting

provided the activity is connected with:

- Use
- Sale
- Transport
- Delivery
- Disposal

Illustration

A workshop repairs damaged machinery for customers.

Even though no new product is created, repairing itself constitutes a manufacturing process.

Illustration

A garment unit washes and finishes garments before sale.

The activity amounts to a manufacturing process.

Illustration

A scrap processing unit breaks old machinery into reusable parts.

The activity is covered.

Category II – Pumping Activities

Manufacturing process includes:

- Pumping oil
- Pumping water
- Pumping sewage
- Pumping any other substance

Illustration

A municipal pumping station pumping water through a distribution system is carrying on a manufacturing process.

Examination Trap

Many candidates assume manufacturing requires production of goods.

Pumping activities are also manufacturing processes.

Category III – Generation, Transformation or Transmission of Power

The following are covered:

- Generation of power
- Transformation of power
- Transmission of power

Illustration

An electricity generation station.

Covered.

Illustration

A substation transforming electrical voltage.

Covered.

Illustration

An electricity transmission facility.

Covered.

Category IV – Printing Activities

The definition specifically covers:

- Composing
- Offset Printing
- Letter Press Printing
- Lithography
- Photogravure
- Screen Printing
- Three-Dimensional Printing
- Four-Dimensional Printing
- Prototyping
- Flexography
- Book Binding

Legislative Significance

Printing establishments have historically generated considerable litigation regarding factory status.

The Code removes ambiguity by specifically including printing processes.

Illustration

A newspaper printing press is carrying on a manufacturing process.

Illustration

A commercial printing unit engaged in book printing is carrying on a manufacturing process.

Category V – Ship and Vessel Activities

The following activities are covered:

- Constructing ships
- Reconstructing ships
- Repairing ships
- Refitting ships
- Finishing ships
- Breaking up ships

Illustration

A shipyard constructing vessels is carrying on a manufacturing process.

Category VI – Cold Storage Activities

Preserving or storing articles in cold storage is also treated as a manufacturing process.

Why is This Important?

Many people mistakenly believe that storage is not manufacturing.

However, cold storage involves preservation activities that the law specifically recognizes.

Illustration

A cold storage facility preserving fruits and vegetables is carrying on a manufacturing process.

Category VII – Future Activities

The Central Government may notify additional activities.

This gives flexibility to accommodate future industrial developments.

Memory Table

Activity	Manufacturing Process?
Repairing Machinery	Yes
Washing Garments	Yes
Pumping Water	Yes
Printing Books	Yes
Power Generation	Yes
Ship Repair	Yes
Cold Storage	Yes

Definition No. 43 – Maternity Benefit

[Section 2(43)]

For the purposes of Chapter VI, maternity benefit means the payment referred to in Section 60(1).

Legislative Purpose

The objective of maternity benefit is to protect women employees from loss of income during pregnancy and childbirth.

The law recognizes that pregnancy is a biological and social function deserving statutory protection.

Nature of Benefit

Maternity benefit generally represents:

- Wage replacement during maternity leave.
- Financial protection during pregnancy.
- Income security during childbirth-related absence.

Why This Definition is Important

Whenever Chapter VI uses the expression "Maternity Benefit", it refers specifically to the statutory payment prescribed under Section 60.

Examination Tip

Maternity Benefit = Statutory payment under Section 60(1).

Definition No. 44 – Medical Practitioner

[Section 2(44)]

Meaning

A medical practitioner means:

A person registered under any law currently in force.

OR

A person declared by notification of the State Government to be qualified for purposes of the Code.

Two Modes of Qualification

Category	Covered
Registered Medical Practitioner	Yes
State Notified Practitioner	Yes

Importance

Many benefits under the Code require:

- Medical certificates
- Medical examination
- Medical verification

Therefore, identification of a valid medical practitioner becomes important.

Special Provision

Different classes of medical practitioners may be separately notified:

For Chapter IV

By the Central Government.

For Other Chapters

By the Appropriate Government.

Examination Tip

Medical Practitioner does not necessarily mean only MBBS doctors. Statutory notifications may recognize additional classes of practitioners.

Definition No. 45 – Medical Termination of Pregnancy

[Section 2(45)]

Meaning

Medical Termination of Pregnancy (MTP) means termination of pregnancy permissible under the Medical Termination of Pregnancy Act, 1971.

Significance

Instead of creating a separate definition, the Code adopts the meaning provided under the MTP Act.

This ensures consistency between social security law and reproductive health law.

Examination Tip

For MTP-related questions, always connect this definition with the Medical Termination of Pregnancy Act, 1971.

Definition No. 46 – Mine

[Section 2(46)]

Meaning

The Code adopts the definition of "Mine" from the Mines Act, 1952.

Why Reference Definitions are Used

Certain industries require highly technical definitions.

Instead of repeating lengthy provisions, the Code refers to specialized legislation.

Examination Tip

Mine = Meaning under Mines Act, 1952.

Direct factual question frequently asked.

Definition No. 47 – Minor

[Section 2(47)]

Meaning

A minor means:

A person who has not attained eighteen years of age.

Examination Importance

The definition appears repeatedly in:

- Dependant
- Family
- Child-related provisions
- Benefit eligibility provisions

Examination Tip

Minor = Below 18 years.

Definition No. 48 – Miscarriage

[Section 2(48)]

Meaning

Miscarriage means expulsion of the contents of a pregnant uterus before or during the twenty-sixth week of pregnancy.

Important Exclusion

The definition does not include a miscarriage that is punishable under the Indian Penal Code.

Why is This Important?

The law grants benefits only in legally recognized situations.

Illegal acts are excluded.

Illustration

Pregnancy ends naturally at 20 weeks.

Covered.

Illustration

Pregnancy ends at 24 weeks due to medical complications.

Covered.

Examination Tip

The number **26 weeks** is extremely important.

Definition No. 49 – National Social Security Board

[Section 2(49)]

Meaning

The National Social Security Board means the National Social Security Board for Unorganised Workers constituted under Section 6.

Legislative Significance

The Board represents an institutional mechanism for extending social security protection to:

- Unorganised Workers
- Gig Workers
- Platform Workers
- Other vulnerable categories

Examination Tip

National Social Security Board → Section 6.

Definition No. 50 – Notification

[Section 2(50)]

Meaning

Notification means a notification published in:

- Gazette of India; or
- Official Gazette of a State.

Importance

Many powers under the Code are exercised through notifications.

Examples include:

- Wage ceilings
- Applicability provisions
- Exemptions
- Appointments
- Scheme modifications

Examination Tip

A government decision generally acquires legal force under the Code only when properly notified.

Definition No. 51 – Occupational Disease

[Section 2(51)]

Meaning

An occupational disease means a disease specified in the Third Schedule and peculiar to the employment of the employee.

Key Elements

1. Disease must appear in the Third Schedule.
2. Disease must be linked with employment.

Illustration

Silicosis suffered by mining workers.

Example of occupational disease.

Illustration

Certain chemical poisoning conditions suffered by workers in hazardous industries.

May constitute occupational diseases.

Importance

Occupational disease may result in:

- Employment Injury
- Compensation
- Disablement Benefits
- Dependants' Benefits

Examination Tip

Occupational Disease → Third Schedule.

Remember the schedule number.

Definition No. 52 – Occupier

[Section 2(52)]

One of the Most Important Examination Definitions

Questions from Occupier are repeatedly asked in:

- ESIC SSO
- EPFO
- Labour Inspector
- Factory Inspector
- Labour Officer

Basic Rule

Occupier means the person having ultimate control over the affairs of the factory.

Core Principle

The law identifies responsibility not by title but by actual control.

Special Situations

Firm or Association

Any one of the partners or members shall be deemed occupier.

Company

Any one of the directors shall be deemed occupier.

Important Exception

Independent Director is excluded.

This is a favourite examination point.

Government Factory

The person appointed to manage the factory shall be occupier.

Ship Repair in Dry Dock

Special provision applies.

General Rule

Owner of the dock = Occupier.

Exception

Matters directly related to ship condition:

Owner of the ship = Occupier.

Examination Memory Table

Factory Type	Occupier
Partnership Firm	Any Partner
Company	Any Director (except Independent Director)
Government Factory	Appointed Manager
Dry Dock	Dock Owner
Ship Condition Matters	Ship Owner

Examination Tip

Independent Director cannot be deemed occupier.

This is a favourite objective question.

Definition No. 53 – Oilfield

[Section 2(53)]

Meaning

Oilfield carries the meaning assigned under the Oilfields (Regulation and Development) Act, 1948.

Examination Tip

Reference Definition.

Connect with Oilfields Act, 1948.

Definition No. 54 – Organised Sector

[Section 2(54)]

Meaning

The organised sector means any enterprise that is not an unorganised sector.

Understanding the Definition

The Code adopts a negative definition.

Instead of describing organized sector in detail, it states that organized sector means everything outside the unorganized sector.

Examination Tip

Organised Sector = Not Unorganised Sector.

Definition No. 55 – Permanent Partial Disablement

[Section 2(55)]

Meaning

Permanent Partial Disablement exists when:

The employee suffers a permanent injury that reduces earning capacity but does not completely eliminate ability to work.

Key Feature

Reduction in earning capacity.

Not total incapacity.

Illustration

Loss of one finger.

Loss of hearing in one ear.

Partial loss of vision.

These may reduce earning capacity without completely destroying employability.

Fourth Schedule Rule

Every injury listed in Part II of the Fourth Schedule is deemed to result in permanent partial disablement.

Examination Tip

Permanent Partial Disablement → Part II of Fourth Schedule.

Definition No. 56 – Permanent Total Disablement

[Section 2(56)]

Meaning

Permanent Total Disablement exists when the employee becomes incapable of performing all work that he was capable of performing before the accident.

Core Test

Can the employee perform any work he could perform before the accident?

If not, permanent total disablement may exist.

Illustration

Complete paralysis.

Loss of both hands.

Loss of both legs.

Total blindness.

Fourth Schedule Rule

Part I injuries automatically result in Permanent Total Disablement.

Additional Rule

Combination of injuries under Part II causing 100% loss of earning capacity also amounts to Permanent Total Disablement.

Examination Memory Formula

Disablement	Schedule
Partial	Part II
Total	Part I

Definition No. 57 – Pension Fund

[Section 2(57)]

Meaning

Pension Fund means the fund established under Section 16(1)(b).

Purpose

The fund finances pension-related benefits under the Employees' Pension Scheme.

Definition No. 58 – Pension Scheme

[Section 2(58)]

Meaning

Pension Scheme means the Employees' Pension Scheme framed under Section 15(1)(b).

Examination Tip

Pension Fund and Pension Scheme are distinct concepts.

Fund = Money Pool.

Scheme = Benefit Framework.

Definition No. 59 – Plantation

[Section 2(59)]

Highly Important Definition

Questions on plantation frequently appear in labour law examinations.

Category I – Traditional Plantation Crops

Land used for growing:

- Tea
- Coffee
- Rubber
- Cinchona
- Cardamom

and measuring:

Five hectares or more

is a plantation.

Category II – Other Crops

Other crops may also qualify if:

1. Area is five hectares or more.
2. Ten or more workers are employed.
3. State Government issues notification with Central Government approval.

Contiguous Land Rule

A very important examination point.

Two adjoining pieces of land may be combined.

Illustration

Plot A = 3 hectares

Plot B = 2.5 hectares

Same employer.

Contiguous land.

Total = 5.5 hectares.

Plantation requirements may be satisfied.

Category III – Ancillary Premises Included

Plantation also includes:

- Offices
- Hospitals
- Dispensaries
- Schools
- Connected Premises

used for plantation purposes.

Important Exclusion

Factory situated on plantation premises is not included within plantation definition.

Definition No. 60 – Platform Work

[Section 2(60)]

Historical Significance

One of the most revolutionary features of the Code on Social Security, 2020 is the formal recognition of platform-based work.

Traditional labour laws were drafted at a time when employment generally existed in the form of:

- Employer → Employee
- Factory → Worker
- Office → Staff

The digital economy has changed this structure significantly.

Millions of workers now earn income through online platforms without entering into a conventional employment relationship.

The Social Security Code acknowledges this economic reality through the concept of Platform Work.

Essential Elements of Platform Work

A work arrangement qualifies as platform work when:

Element 1

The arrangement exists outside a traditional employer-employee relationship.

Element 2

An online platform is used.

Element 3

The platform connects:

- Individuals with individuals; or
- Organisations with individuals; or
- Organisations with organisations.

Element 4

The objective is:

- Solving specific problems; or
- Providing specific services.

Element 5

Payment is received in exchange.

Understanding the Structure

Traditional Employment Model

Employer → Employee

Platform Work Model

Platform → Service Provider ↔ Customer

Illustrations

Illustration 1

A driver accepts ride requests through a mobile application.

The platform connects passengers and drivers.

This constitutes platform work.

Why Was This Definition Introduced?

The legislature recognised that millions of workers are earning livelihoods through:

- Digital applications
- Internet platforms
- Technology-based marketplaces

Such workers often remain outside traditional labour protection systems.

The Code seeks to extend social security to these workers.

Gig Work vs Platform Work

Students frequently confuse these two concepts.

Basis	Gig Work	Platform Work
Traditional Employment Relationship	Absent	Absent
Online Platform Necessary	Not always	Yes
Digital Platform Dependency	May or may not exist	Essential
Scope	Wider	Narrower

Examination Tip

Every Platform Worker is generally a Gig Worker, but every Gig Worker need not be a Platform Worker.

Definition No. 61 – Platform Worker

[Section 2(61)]

Meaning

A Platform Worker means a person engaged in or undertaking platform work.

Key Requirement

The determining factor is not designation but the nature of work.

If a person performs platform work, he becomes a platform worker.

Examples

- Ride-sharing driver
- App-based delivery partner
- Online service provider
- Platform-based freelancer

subject to facts and circumstances.

Legislative Importance

Platform workers are specifically recognised as beneficiaries under social security schemes framed under the Code.

Examination Tip

Platform Worker = Person performing Platform Work.

Definition No. 62 – Port

[Section 2(62)]

The Code adopts the meaning of "Port" from Section 3(4) of the Indian Ports Act, 1908.

Why Cross-Reference Definitions?

Certain technical subjects already have established definitions in specialised legislation.

Instead of repeating those definitions, the Code adopts them by reference.

Examination Tip

Port → Indian Ports Act, 1908.

Definition No. 63 – Provident Fund

[Section 2(63)]

Meaning

Provident Fund means the Employees' Provident Fund established under Section 16(1)(a).

Importance

The Provident Fund is one of the oldest and most significant social security mechanisms in India.

It provides long-term financial security after retirement and during specified contingencies.

Basic Objective

The Provident Fund seeks to ensure that employees accumulate savings during their working life.

These savings become available:

- After retirement
- Upon resignation
- In certain emergencies
- In specified withdrawal situations

Illustration

An employee contributes monthly to EPF.

The employer also contributes.

The accumulated amount forms part of the Provident Fund.

Examination Tip

Provident Fund = Fund.

Provident Fund Scheme = Rules governing the Fund.

Never confuse the two.

Definition No. 64 – Provident Fund Scheme

[Section 2(64)]

Meaning

Provident Fund Scheme means the Employees' Provident Fund Scheme framed under Section 15(1)(a).

Difference Between Fund and Scheme

Particular	Meaning
Provident Fund	Money accumulated in the Fund
Provident Fund Scheme	Legal framework governing the Fund

Examination Tip

Fund = Corpus.

Scheme = Operating Rules.

Definition No. 65 – Prescribed

[Section 2(65)]

Meaning

"Prescribed" means prescribed by rules made under the Code.

Importance

This is a deceptively small but extremely important definition.

Whenever the Code states:

"as may be prescribed"

it means:

"as may be prescribed by Rules framed under the Code."

Legislative Technique

Parliament often lays down broad principles in the Act and leaves procedural details to be prescribed later through rules.

Examination Tip

Prescribed = Prescribed by Rules.

Not by Notifications.

Not by Circulars.

Definition No. 66 – Railway

[Section 2(66)]

Meaning

Railway has the meaning assigned under Section 2(31) of the Railways Act, 1989.

Examination Tip

Reference Definition.

Railway → Railways Act, 1989.

Definition No. 67 – Railway Company

[Section 2(67)]

Meaning

Railway Company includes:

- Owners of a railway.
- Lessees of a railway.
- Parties to an agreement for working a railway.

Broad Coverage

The definition is intentionally wider than ordinary corporate understanding.

A railway company need not necessarily be a company incorporated under the Companies Act.

Examination Tip

Railway Company may include persons whether incorporated or not.

Definition No. 68 – Recovery Officer

[Section 2(68)]

Importance

Social security laws require effective recovery mechanisms.

If employers fail to pay:

- Contributions
- Dues
- Penalties

recovery proceedings become necessary.

A Recovery Officer means an officer authorised by notification to discharge recovery-related functions under the Code.

Possible Sources of Appointment

The officer may belong to:

- Central Government
- State Government
- Central Board
- Corporation

Examination Tip

Recovery Officer requires statutory authorization through notificatio

Definition No. 69 – Regulations

[Section 2(69)]

Meaning

Regulations mean regulations made by the Corporation under the Code.

Important Distinction

Students often confuse:

Instrument	Made By
Act	Parliament
Rules	Government
Regulations	Corporation

Examination Tip

Regulations under this definition are made by ESIC.

Definition No. 70 – Retirement

[Section 2(70)]

Meaning

Retirement means termination of service otherwise than on superannuation.

Understanding the Difference

Superannuation

Retirement on reaching prescribed retirement age.

Retirement

Termination of service before superannuation due to retirement under service conditions.

Examination Tip

Retirement and Superannuation are not identical concepts.

Definition No. 71 – Sales Promotion Employees

[Section 2(71)]

Meaning

Sales Promotion Employees have the meaning assigned under the Sales Promotion Employees (Conditions of Service) Act, 1976.

Examination Tip

Reference Definition.

Connect with the 1976 Act.

Definition No. 72 – Schedule

[Section 2(72)]

Meaning

Schedule means a Schedule attached to the Code.

Importance

Several important provisions depend upon:

- First Schedule
- Second Schedule
- Third Schedule

- Fourth Schedule

and other schedules.

Examination Tip

Always check the relevant Schedule whenever the Code refers to one.

Definition No. 73 – Seamen

[Section 2(73)]

Meaning

Seamen means persons forming part of the crew of a ship.

Important Exclusion

The Master of the Ship is excluded.

Examination Tip

Crew Member = Seaman.

Master of Ship = Not Seaman.

Definition No. 74 – Seasonal Factory

[Section 2(74)]

Importance

This is a highly examinable definition.

A Seasonal Factory is a factory exclusively engaged in certain seasonal manufacturing activities.

Included Industries

Cotton Ginning

Covered.

Cotton Pressing

Covered.

Jute Pressing

Covered.

Groundnut Decortication

Covered.

Indigo Manufacture

Covered.

Lac Manufacture

Covered.

Sugar Manufacture

Covered.

Gur Manufacture

Covered.

Connected Activities

Any manufacturing activity connected with the above industries is also included.

Seven-Month Rule

A factory engaged for a period not exceeding seven months in a notified manufacturing process may also be treated as a seasonal factory.

Examination Tip

The period of seven months is extremely important.

Definition No. 75 – Self-Employed Worker

[Section 2(75)]

A self-employed worker is a person who:

- Is not employed by an employer;
- Works in the unorganised sector;
- Earns income through his own occupation.

Examples

- Street vendors
- Small traders
- Artisans
- Independent craftsmen
- Self-employed professionals in the unorganised sector

subject to notified income limits.

Additional Requirement

The worker must satisfy:

- Monthly earning limits; or
- Landholding limits

as notified.

Examination Tip

No Employer = Possible Self-Employed Worker.

Definition No. 76 – Shop

[Section 2(76)]

Meaning

Shop means a shop as defined under the relevant State law.

Importance

Different States may have different statutory definitions.

Therefore, the Code adopts the applicable State definition.

Examination Tip

Shop = State-specific definition.

Definition No. 77 – Sickness

[Section 2(77)]

Meaning

Sickness means a condition:

- Requiring medical treatment;
- Requiring medical attendance;
- Necessitating absence from work.

Essential Conditions

All three elements are important.

Illustration

An employee suffering from viral fever requiring treatment and rest.

Covered.

Examination Tip

Treatment + Attendance + Abstention from Work.

Definition No. 78 – Social Security

[Section 2(78)]

One of the Most Important Definitions in the Entire Code

This definition explains the philosophy behind the entire legislation.

Social Security refers to protective measures ensuring:

Health Care

Access to medical care.

Income Security

Protection against loss of income.

Situations Covered

- Old Age
- Unemployment
- Sickness
- Invalidity
- Employment Injury
- Maternity
- Loss of Breadwinner

Beneficiaries

- Employees
- Unorganised Workers
- Gig Workers
- Platform Workers

Examination Tip

Social Security = Health Security + Income Security.

Definition No. 79 – Social Security Organisation

[Section 2(79)]

The Code recognises six categories of Social Security Organisations.

Organisations Included

Organisation	Section
Central Board of Trustees (EPF)	Section 4
Employees' State Insurance Corporation	Section 5

National Social Security Board	Section 6
State Unorganised Workers' Board	Section 6
Building Workers' Welfare Board	Section 7
Other Notified Organisation	By Central Government

Examination Tip

Memorise all six organisations.

Definition No. 80 – State Government

[Section 2(80)]

Special Meaning

For Union Territories:

UT with Legislature

Government of that Union Territory.

UT without Legislature

Administrator appointed under Article 239.

Definition No. 81 – State Unorganised Workers' Board

[Section 2(81)]

The Board constituted under Section 6(9).

Function

To address welfare and social security concerns of unorganised workers at State level.

Definition No. 82 – Superannuation

[Section 2(82)]

Superannuation means attaining the age fixed for retirement under service conditions.

Special Rule

For Chapter III:

Superannuation Age = 58 Years

This is extremely important.

Examination Tip

Chapter III → 58 Years.

Definition No. 83 – Temporary Disablement

[Section 2(83)]

Meaning

A temporary inability to perform work due to employment injury.

Characteristics

- Employment injury exists.
- Medical treatment required.
- Incapacity is temporary.

Illustration

A fractured leg requiring three months' rest.

Temporary disablement.

Examination Tip

Temporary Disablement differs from Permanent Disablement because recovery is expected.

Definition No. 84 – Tribunal

[Section 2(84)]

Tribunal means the Industrial Tribunal constituted under Section 7A of the Industrial Disputes Act, 1947.

Examination Tip

Tribunal → Industrial Tribunal.

Definition No. 85 – Unorganised Sector

[Section 2(85)]

Meaning

An enterprise:

- Owned by individuals or self-employed workers;
- Producing goods or services;
- Employing less than ten workers.

Definition No. 86 – Unorganised Worker

[Section 2(86)]

Included Categories

1. Home-Based Worker
2. Self-Employed Worker
3. Wage Worker in Unorganised Sector

Additional Inclusion

Certain workers in organised sectors who are not covered by:

- Industrial Disputes Act, 1947
- Chapters III to VII of the Code

may also be included.

Examination Tip

Unorganised Worker is wider than Unorganised Sector Worker.

Definition No. 87 – Vacancy

[Section 2(87)]

A Vacancy means an unoccupied post carrying remuneration.

Included Posts

- Existing Vacancies
- Newly Created Posts
- Trainee Posts
- Apprentice Posts
- Other Unoccupied Posts

Examination Tip

Vacancy includes newly created posts and trainee posts.

Many candidates incorrectly think only existing vacant posts are covered.

Revision Table (Definitions 60–87)

Definition	Most Important Point
Platform Work	Online platform-based work
Platform Worker	Person performing platform work

Provident Fund	Fund under Section 16
Provident Fund Scheme	Scheme under Section 15
Recovery Officer	Authorised recovery authority
Seasonal Factory	Seven-month rule important
Self-Employed Worker	No employer relationship
Social Security	Health + Income Security
Superannuation	58 years for Chapter III
Unorganised Sector	Less than 10 workers
Vacancy	Includes trainee posts

Definition No. 88 – Wages

[Section 2(88)]

The Most Important Definition in the Entire Code

Among all definitions contained in the Code on Social Security, 2020, the definition of "**Wages**" is arguably the most important.

Almost every major social security benefit under the Code depends directly or indirectly upon wages.

The following are determined on the basis of wages:

- Provident Fund Contributions
- ESI Contributions
- Pension Contributions
- Social Security Benefits
- Coverage of Employees
- Eligibility under Various Schemes

- Calculation of Certain Benefits
- Determination of Wage Ceiling

For competitive examinations such as:

- ESIC SSO
- ESIC Manager Grade-II
- EPFO EO/AO
- UPSC EPFO
- Labour Officer
- Labour Inspector

this definition is one of the most frequently tested areas.

Legislative Objective Behind Uniform Wage Definition

Prior to the Labour Codes, different labour laws contained different definitions of wages.

As a result:

- One amount was considered wages under one law.
- The same amount was excluded under another law.

This created confusion, litigation and compliance difficulties.

The Code on Social Security adopts a standardized wage definition to bring uniformity.

Core Meaning of Wages

Wages mean all remuneration payable to an employee in respect of employment or work performed.

The remuneration may be:

- Salary
- Allowance
- Monetary benefit
- Any other payment capable of being expressed in money

provided it arises out of employment.

Components Specifically Included in Wages

The Code expressly includes three components.

1. Basic Pay

Basic Pay forms the foundation of wages.

It is the fixed component of salary paid regularly.

Illustration

Basic Pay = ₹20,000

Included in wages

2. Dearness Allowance (DA)

Dearness Allowance is paid to compensate employees against inflation and rising cost of living.

Illustration

Basic Pay = ₹20,000

DA = ₹5,000

Both are included.

3. Retaining Allowance

Retaining Allowance is paid to retain employees during periods when work may not be available.

This is common in seasonal industries.

Illustration

Sugar factory workers may receive retaining allowance during the off-season.

Included in wages.

Formula for Included Components

Wages Include

Component	Included?
Basic Pay	Yes
Dearness Allowance	Yes
Retaining Allowance	Yes

Components Excluded from Wages

The Code excludes several payments.

These exclusions are extremely important for examinations.

Exclusion 1 – Statutory Bonus

Bonus payable under law and not forming part of contractual remuneration is excluded.

Example

Bonus under the Payment of Bonus framework.

Excluded.

Exclusion 2 – House Accommodation and Amenities

Value of:

- House Accommodation
- Light
- Water
- Medical Facilities
- Other Amenities

is excluded.

Example

Employer provides company quarters.

Value of accommodation is excluded.

Exclusion 3 – Employer's PF or Pension Contribution

Employer's contribution towards:

- Provident Fund
- Pension Fund

is excluded.

Interest thereon is also excluded.

Example

Employer contributes ₹3,600 to PF.

Not included in wages.

Exclusion 4 – Conveyance Allowance

Conveyance allowance is excluded.

Example

Transport Allowance = ₹2,000

Excluded.

Exclusion 5 – Travelling Concession

Travel-related benefits are excluded.

Example

Leave Travel Concession (LTC)

Excluded.

Exclusion 6 – Special Employment Expenses

Payments made to meet special employment-related expenses are excluded.

Example

Field duty allowance reimbursing actual work-related expenses.

Excluded.

Exclusion 7 – House Rent Allowance (HRA)

HRA is excluded.

Example

HRA = ₹8,000

Excluded.

Exclusion 8 – Award or Settlement Payments

Amounts payable under:

- Award
- Settlement
- Court Order
- Tribunal Order

are excluded.

Exclusion 9 – Overtime Allowance

Overtime payments are excluded.

Example

OT Payment = ₹3,000

Excluded.

Exclusion 10 – Commission

Commission payable to employees is excluded.

Example

Sales Commission = ₹10,000

Excluded.

Exclusion 11 – Gratuity

Gratuity payable upon termination is excluded.

Example

Retirement Gratuity

Excluded.

Exclusion 12 – Retrenchment Compensation and Retirement Benefits

The following are excluded:

- Retrenchment Compensation
- Retirement Benefits
- Ex-Gratia Payments on Termination

Example

Compensation paid during retrenchment.

Excluded.

Complete Table

Component	Included/Excluded
Basic Pay	Included
DA	Included
Retaining Allowance	Included
Bonus	Excluded
HRA	Excluded
Conveyance Allowance	Excluded
Overtime	Excluded
Commission	Excluded
Gratuity	Excluded
PF Contribution	Excluded
Pension Contribution	Excluded

The 50% Rule

What Does the Rule Say?

Suppose excluded components become excessively large.

The employer may structure salary in such a way that:

Basic Pay = ₹10,000

Allowances = ₹40,000

Total Salary = ₹50,000

If such practices are allowed, social security contributions become very low.

To prevent this, the Code introduced the famous:

50% Rule

Legal Principle

If the total value of excluded components exceeds 50% of total remuneration, the excess amount will be added back into wages.

Illustration

Salary Structure

Basic Pay = ₹20,000

DA = ₹5,000

HRA = ₹20,000

Conveyance = ₹10,000

Total = ₹55,000

Excluded Components:

HRA + Conveyance = ₹30,000

50% of Total Remuneration = ₹27,500

Excess = ₹2,500

This excess ₹2,500 will be added back into wages.

Why Was This Rule Introduced?

To prevent artificial salary structuring.

Before the Labour Codes, some employers reduced:

- Basic Pay

and increased:

- HRA
- Allowances
- Other Excluded Components

thereby reducing social security contributions.

The 50% rule prevents such manipulation.

Second Proviso – Equal Wages and Payment of Wages

For purposes relating to:

- Equal Wages
- Payment of Wages

certain excluded components are considered while computing wages.

This provision is often ignored by students but occasionally appears in advanced examinations.

Remuneration in Kind

The explanation deals with wages paid partly in kind.

Suppose an employee receives:

- Food grains
- Rations
- Goods
- Other benefits in kind

instead of cash.

The value of such remuneration may be counted.

Maximum Limit

Only up to:

15% of Total Wages

may be treated as wages.

Illustration

Total Wages = ₹20,000

Value of Food Supplied = ₹2,000

Since ₹2,000 is within 15%, it may form part of wages.

Two Important Numbers

50% → Wage Structure Rule

15% → Remuneration in Kind Rule

Definition No. 89 – Wage Ceiling

[Section 2(89)]

Meaning

Wage Ceiling means the amount of wages notified by the Central Government for purposes of membership under:

- Chapter III (Provident Fund)
- Chapter IV (ESI)

Why is Wage Ceiling Important?

Many benefits depend on whether wages are below or above the prescribed ceiling.

Legislative Flexibility

The Code does not fix the ceiling permanently.

The Central Government may revise it through notification.

Examination Tip

Wage Ceiling is not fixed in the Code itself.

It is notified by the Central Government.

Definition No. 90 – Wage Worker

[Section 2(90)]

Meaning

A Wage Worker is a person employed for remuneration in the unorganised sector.

The employment may be:

- Direct
- Through Contractor

The remuneration may be:

- Cash
- Kind

Categories Covered

The definition is intentionally broad.

It includes:

Home-Based Worker

Covered.

Casual Worker

Covered.

Temporary Worker

Covered.

Migrant Worker

Covered.

Domestic Worker

Covered.

Important Feature

The worker may work:

- For one employer;
- For multiple employers.

Both situations are covered.

Illustration

A domestic worker working in four households for wages.

Covered.

Definition No. 91 – Woman

[Section 2(91)]

Woman means a woman employed for wages in an establishment.

The employment may be:

- Direct
- Through Contractor

Importance

The concept becomes important while dealing with:

- Maternity Benefits under ESI
- Medical Benefits
- Other Women-Centric Benefits

Inclusion of Commissioning Mother

The Code specifically recognizes:

Commissioning Mother

A biological mother who provides her egg and gets the embryo implanted in another woman.

Legislative Significance

This provision acknowledges modern reproductive technologies and surrogacy arrangements.

Inclusion of Adoptive Mother

A woman who legally adopts a child up to three months of age is also covered.

Why Was This Introduced?

Earlier labour laws focused primarily upon biological childbirth.

The Code expands protection to include:

- Commissioning Mothers
- Adoptive Mothers

thereby recognising modern family structures.

Illustration

A woman legally adopts a two-month-old child.

She falls within the statutory coverage.

Memory Table

Category	Included?
Biological Mother	Yes
Commissioning Mother	Yes
Adoptive Mother (Child up to 3 months)	Yes
Insured Woman under ESI	Yes

SECTION 3

Registration and Cancellation of Establishment

This is the first operational provision after the definitions.

It deals with the legal identity of establishments under the Code.

Why Registration is Necessary?

The Government cannot effectively administer social security unless establishments are identified and recorded.

Registration creates an official record regarding:

- Employer
- Establishment
- Employees
- Compliance Status
- Social Security Coverage

Section 3(1) – Mandatory Registration

Every establishment to which the Code applies must be registered.

Registration may be:

- Electronic
- Any other prescribed mode

Important Feature

The procedure, timeline and manner are prescribed by the Central Government.

Deemed Registration

This is a highly important examination concept.

Rule

If an establishment is already registered under another Central Labour Law, it need not obtain fresh registration under the Code.

Effect

Such existing registration is deemed to be registration under the Social Security Code.

Legislative Purpose

The objective is:

Ease of Compliance

The employer should not repeatedly register under every labour law.

Illustration

An establishment already registered under another Central Labour Law.

Fresh registration under the Code may not be required.

The earlier registration is treated as registration under the Code.

Examination Tip

Existing Registration under Central Labour Law = Deemed Registration under Code.

Section 3(2) – Cancellation of Registration

An establishment covered under:

- Chapter III (EPF)
or
- Chapter IV (ESI)

may apply for cancellation if business activities are closing.

Key Requirement

Business must be in the process of closure.

Illustration

A factory permanently shuts down operations.

The employer may seek cancellation of registration.

Section 3(3) – Procedure for Cancellation

The following are prescribed by the Central Government:

- Application Procedure
- Conditions for Cancellation
- Verification Process
- Other Related Matters

Examination Tip

Registration is mandatory.

Fresh registration is generally unnecessary if valid registration already exists under another Central Labour Law.

Cancellation is available only through prescribed procedure.

CHAPTER II

SOCIAL SECURITY ORGANISATIONS

Introduction to Chapter II

The Code on Social Security, 2020 does not merely create rights and obligations. It also establishes a complete administrative framework for implementing social security laws throughout the country.

A welfare law can function effectively only when there are dedicated institutions responsible for:

- Collection of contributions
- Management of funds
- Administration of schemes
- Protection of beneficiaries
- Investment of social security funds
- Adjudication and compliance

For this reason, Chapter II creates various Social Security Organisations.

These organisations form the institutional backbone of India's social security framework.

The most important among them is the **Central Board of Trustees of the Employees' Provident Fund**, commonly known as the **Central Board**.

Section 4

Constitution of Board of Trustees of Employees' Provident Fund

Historical Background

Before the enactment of the Code on Social Security, 2020, the Employees' Provident Fund Organisation (EPFO) functioned under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

The Code has retained the basic institutional structure because of its proven effectiveness and nationwide presence.

The Central Board continues to function as the apex body responsible for administering Provident Fund related matters.

Purpose of Section 4

Section 4 creates the Central Board and provides for its composition.

The Central Board acts as the supreme administrative authority for matters relating to:

- Employees' Provident Fund
- Employees' Pension Scheme
- Employees' Deposit Linked Insurance Scheme
- Investment of Social Security Funds
- Administration of Provident Fund Accounts
- Policy Formulation relating to Chapter III

Why is a Board Necessary?

The Provident Fund system affects:

- Crores of employees
- Lakhs of employers
- Thousands of establishments
- Massive financial resources

Such a large system cannot be managed by a single officer.

Therefore, a representative body is required.

The Board ensures participation of:

- Central Government
- State Governments
- Employers
- Employees

This creates a balanced and democratic decision-making structure.

Section 4(1)

Constitution of the Central Board

Power to Constitute

The Central Government may constitute the Board by issuing a notification.

Notification

The Board does not come into existence automatically.

Its constitution requires:

Official Notification

issued by

Central Government

and published in the Official Gazette.

Effective Date

The notification specifies:

- Date of constitution
- Commencement of functioning

Therefore, the Board legally comes into existence from the date mentioned in the notification.

Official Name of the Board

The Board shall be called:

Central Board

or

Board of Trustees of Employees' Provident Fund

Examination Tip

The statutory name is:

Board of Trustees of Employees' Provident Fund

Popularly known as:

Central Board

Purpose of the Central Board

The Central Board is established for:

Administration of Chapter III

Chapter III deals with:

- Provident Fund
- Pension Fund
- Deposit Linked Insurance

Management of Funds

The Board manages:

Provident Fund

Pension Fund

Insurance Fund

These funds belong to millions of workers across India.

Therefore, their management is a matter of national importance.

Nature of the Central Board

The Board is a representative body.

It is not composed only of government officers.

Instead, different stakeholders are represented.

This ensures:

- Transparency
- Accountability
- Balanced Decision Making
- Protection of Employees' Interests
- Consideration of Employers' Concerns

Composition of the Central Board

Section 4(1) specifies different categories of members.

Category 1

Chairperson and Vice-Chairperson

Number

One Chairperson

One Vice-Chairperson

Appointment Authority

Both are appointed by:

Central Government

Importance

These officers provide leadership to the Board.

They preside over meetings and guide policy decisions.

Organisational Structure

Chairperson

↓

Vice-Chairperson

↓

Board Members

↓

Central Provident Fund Commissioner

↓

EPFO Administration

Examination Tip

Chairperson and Vice-Chairperson are appointed by the Central Government.

Category 2

Central Government Representatives

Number

Not more than five persons.

Source

Selected from officials of the Central Government.

Why Are They Included?

The Central Government is responsible for:

- Labour Policy
- Social Security Policy
- Financial Oversight
- National Welfare Programmes

Therefore, government representation is essential.

Maximum Number

Five

Students frequently confuse this number.

Remember:

Not more than five Central Government officials.

Examination Tip

Central Government Representatives = Maximum 5

Category 3

State Government Representatives

Number

Not more than fifteen persons.

Appointment

Appointed by the Central Government.

Representation

These members represent States specified by the Central Government.

Why State Representation is Necessary?

Provident Fund administration affects workers in every State.

State Governments possess valuable information regarding:

- Labour conditions
- Industrial development
- Regional employment patterns
- Local implementation challenges

Therefore, State participation improves governance.

Maximum Number

Fifteen

Examination Memory Table

Category	Maximum Members
Central Government Representatives	5
State Government Representatives	15

Examination Tip

State Government Representatives = Maximum 15

Category 4

Employers' Representatives

Number

Ten persons.

Who Do They Represent?

Employers of establishments covered under Chapter III.

Appointment Authority

Central Government.

Consultation Requirement

Before appointment, consultation must take place with recognised employers' organisations.

Why Employer Representation?

Employers contribute significantly to:

- Provident Fund
- Pension Scheme
- Compliance Mechanisms

Their participation ensures that practical business concerns are considered during policy formation.

Examples of Employer Concerns

- Compliance burden
- Digital filing systems
- Contribution procedures
- Administrative requirements
- Operational difficulties

Representation allows such issues to be discussed within the Board itself.

Important Feature

The Central Government cannot arbitrarily appoint employer representatives.

It must consult recognised employers' organisations.

Examination Tip

Employer Representatives:

Number = 10

Appointment = Central Government

After Consultation = Yes

Structure of Representation So Far

Category	Number
Chairperson	1
Vice-Chairperson	1

Central Government Representatives	Up to 5
State Government Representatives	Up to 15
Employer Representatives	10

Why This Structure is Important?

The Provident Fund system involves three major stakeholders:

Government

Creates and regulates the system.

Employers

Contribute financially and comply with obligations.

Employees

Receive social security benefits.

The Board is designed to accommodate all these interests.

Administrative Philosophy Behind Section 4

The legislature has adopted a principle known as:

Tripartite Representation

Tripartism is a globally recognised labour governance model.

Under this model, labour administration involves participation from:

1. Government
2. Employers
3. Employees

rather than allowing any single group to dominate.

International Significance

Tripartite governance has been strongly promoted by the International Labour Organization.

India's social security framework reflects this principle.