



Key Changes under India's New Labour Codes (Enforced on November 21, 2025)

As employment, unemployment and allied fields such as conditions of work, factories, trade union, labour welfare, workman compensation, employer's liability and social security fall in the Concurrent List of the Indian Constitution, both Central Government and State Governments in India can make laws on employment.

The Central Government has consolidated 29 Central labour legislations on wages, industrial relations, social security and occupational safety, welfare and working conditions into four Labour Codes namely, the Code on Wages, 2019 ("**Wages Code**"); the Code on Social Security, 2020 ("**SS Code**"); the Occupational Safety, Health and Working Conditions Code, 2020 ("**OSH Code**"); and the Industrial Relations Code, 2020 ("**IR Code**") and enforced them with effect from November 21, 2025. The Central and State-specific rules under the Labour Codes are expected to be enforced in the coming 45 days.

This facilitates implementation by removing extraneous provisions, providing uniform definitions across legislations, reducing overlapping enforcement authorities, reporting and filing requirements, and thereby reduces the overall compliance requirements and costs for employers. Further, it promotes transparency and accountability in the enforcement of labour laws.

The Wages Code amalgamates 4 existing Central labour laws on wages, namely, the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976.

The SS Code amalgamates 9 existing Central labour laws relating to social security, namely, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; the Employees' State Insurance Act, 1948; the Maternity Benefit Act, 1961; the Building and Other Construction Workers Cess Act, 1996; the Payment of Gratuity Act, 1972; the Employment Exchange (Compulsory Notification of Vacancies) Act, 1959; the Cine Workers Welfare Fund Act, 1981; the Unorganized Workers' Social Security Act, 2008; and the Employees Compensation Act, 1923.



The OSH Code amalgamates 13 existing Central labour laws on safety, welfare and working conditions, namely, the Factories Act, 1948; the Plantations Labour Act, 1951; the Mines Act, 1952; the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955; the Working Journalists (Fixation of Rates of Wages) Act, 1958; the Motor Transport Workers Act, 1961; the Beedi and Cigar Workers (Conditions of Employment) Act, 1966; the Contract Labour (Regulation and Abolition) Act, 1970; the Sales Promotion Employees (Conditions of Service) Act, 1976; the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; the Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981; the Dock Workers (Safety, Health and Welfare) Act, 1986; and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

The IR Code amalgamates 3 existing Central labour laws on industrial relations, namely, the Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946; and the Industrial Disputes Act, 1947.

In this blog, we have broadly summarized the key changes introduced by the 4 Labour Codes in short bullet points for ease of understanding.



The Code on Wages, 2019

- “Establishment” defined to mean ‘*any place where industry, trade, business, manufacture or occupation is carried on*’.
- Code applies to all establishments for purposes of minimum wages, payment of wages and equal remuneration.
- Code defines both “worker” and “employee” with former being a subset of the latter.
- “Employees” to include managerial and supervisory employees.
- Supervisory staff exercising managerial functions or receiving wages up to INR 15,000 per month to qualify as “worker”.
- “Wages” to be considered as 50% of total monthly wages for purposes of calculation of employee benefits leading to increased employee costs.
- Central Government to fix Floor Wage.
- State Governments to fix Minimum Wage at or above Floor Wage.
- Minimum Wages likely to be fixed for “workers” and not all “employees”.
- Employees whose Minimum Wage is not fixed may not be entitled to Overtime Wages.
- State Governments to fix wage ceiling for statutory bonus.
- Clawback of Joining/ Retention bonuses and Notice Pay likely to be illegal.
- Code mandates payment of wages within 2 working days from date of dismissal, retrenchment or resignation.
- Principal Employer to pay Contractor’s fee in advance for timely disbursement of wages to Contract Labour.
- Failure by Contractor to pay minimum bonus to contract employees would trigger Principal Employer’s liability.
- Limitation period for filing of claims by employees enhanced to 3 years.
- Code to have overriding effect over other laws in force or awards, settlements, agreements or service contracts.



The Code on Social Security, 2020

- “Employee” definition widened to cover maximum employees and workers including Contract Labour and distinguish them basis wage ceiling and employments for eligibility to various social security benefits.
- “Establishment” defined to include a place where any industry, trade or business, manufacture or occupation is carried on, a factory, a motor-transport undertaking, and newspaper establishment.
- Establishments required to obtain a registration unless already registered under any former Central labour law.
- Establishments having employees less than prescribed threshold for Employees’ Provident Fund and Employees’ State Insurance coverage given option of voluntary coverage and subsequently opting out of such voluntary coverage.
- Revised definition of “wages” may result in lesser take-home salary for employees and higher employer contributions towards social security of employees.
- Formal recognition of non-traditional paid work arrangements with Gig and Platform Workers.
- Code provides for registration of gig workers, a specific social security fund for them and formulation of social security schemes related to life and disability cover, health and maternity benefits, old age protection, education, housing, provident fund, etc. tailored to specific needs of gig workers.
- Code stipulates coverage of gig workers and their families under Employees’ State Insurance framework.
- “Aggregators” (defined as digital intermediaries or marketplaces for buyers or users of services to connect with sellers or service providers and classified into several categories) mandated to contribute towards social security fund for gig workers @ 1-2% of their annual turnover but not exceeding 5% of annual amount paid or payable by them to their gig workers.
- Qualifying period of 5 years of continuous service for gratuity maintained for regular employees but reduced to 3 years for working journalists.
- Fixed-term employees also entitled to receive gratuity on a pro-rata basis.
- Limitation period of 5 years prescribed for recovery of past Employees’ Provident Fund and Employees’ State Insurance Fund dues from employers.



The Code on Occupational Safety, Health and Working Conditions, 2020

- All establishments (except mines, ports and docks) employing 10 or more workers required to be registered.
- Employers restricted from employing any employee if establishment is unregistered or its registration is cancelled.
- Applicability threshold for factories revised to comprise manufacturing processes undertaken by up to 20 workers with aid of power and 40 workers without aid of power - smaller manufacturing units likely to be unregulated by factory-specific provisions.
- Factories given option to obtain a common license for factory, beedi and cigar work and contract worker engagement (or any combination thereof) or a single license for any of them.
- More workers included within Contract Labour with inclusion of inter-State migrant workers and revision of “wage ceiling” of supervisory workers to INR 18,000 per month under “worker” definition.
- Applicability threshold for regulating Contract Labour engagement increased from 20 to 50 Contract Labour.
- No separate Principal Employer registration needed for establishments engaging Contract Labour.
- Single Contractor Licence de-linked from Principal Employer with 5 years validity possible if prescribed qualifications/ criteria are met else ‘work-specific contractor licence’ renewable as prescribed obtainable.
- Contractor’s responsibility for provision of welfare facilities, such as canteen, restrooms, drinking water and first aid to Contract Labour engaged in Principal Employer’s establishment now becomes sole responsibility of Principal Employer without recourse to recovery of costs from Contractor.
- Mandatory for contractors to issue a letter of appointment and an experience certificate to every Contract Labour.
- Engagement of Contract Labour in core activities of an establishment permitted only in few circumstances.
- Central Government to have overriding power to regulate general safety and health of persons residing in India during an epidemic, pandemic or disaster.



The Industrial Relations Code, 2020

- “Industry” definition revised to mean any systemic activity between employer and workers for production, supply or distribution of goods or services for satisfying human wants or wishes that are not merely spiritual or religious, irrespective of whether activity is pursued with a profit motive or has capital investment.
- Institutions run by organizations engaged in charitable, social or philanthropic service and sovereign activities of the government and domestic service specifically excluded from “Industry” definition with power to Central Government to exclude any other activity.
- Supervisory employees earning wages up to INR 18,000 per month brought within “worker” definition and thus made eligible for, amongst others, receipt of retrenchment compensation.
- Grievance Redressal Committee (GRC) to comprise of maximum 10 members instead of 6 with adequate representation of women workers.
- Limitation period of 1 year prescribed for presenting grievances to GRC.
- A grievance that remains unresolved by GRC and GRC’s decisions made subject to conciliation proceedings.
- ‘Industrial Establishment or Undertaking’ defined to mean an establishment where an industry is carried on.
- Applicability threshold for Certified Standing Orders (CSOs) increased from 100 to 300 or more workers thereby removing CSO requirement for new smaller industrial establishments - industrial establishments having CSOs need to continue with CSOs provided they are not inconsistent with Code.
- Unless a specific or conditional exemption is granted, Information Technology (IT)/ Information Technology-enabled Services (ITeS) units would need to have CSOs.
- Fixed-term workers of establishments that need to have CSOs become eligible to fixed-term worker benefits, including gratuity, if they render service for 1 year.
- Definition of “Strike” expanded to include concerted or mass casual leave by 50% or more workers on a given day.
- Workers of all industrial establishments required to give 60 days’ advance notice of strike and prohibited from proceeding on strike in first 14 days of such notice. Similar requirements prescribed for employers in relation to lock-outs. The intent is to deter workers and employers from indulging in arbitrary strikes and lock-outs.



- ‘Negotiating Union/ Council’ to be recognized as ‘Sole Negotiating Body’ for negotiations with employer of industrial establishment on prescribed matters.
- A registered trade union that is the only trade union in an establishment or has a membership of minimum 51% workers needs to be recognized as ‘Sole Negotiating Body’ of such establishment.
- In case of multiple trade unions without a single trade union commanding majority, a ‘Negotiating Council’ needs to be constituted by representatives of all major trade unions having at least 20% workers as members to function as ‘Sole Negotiating Body’.
- To protect interest of workers, a time limit of 90 days’ is introduced for completion of investigation/ inquiry into misconduct by a worker that involves his suspension.
- Employers need to contribute 15 days’ last drawn wages of each retrenched worker to Worker Re-skilling Fund as an added cost towards retrenched workers.
- Retrenched workers entitled to receive an amount equivalent to 15 days of their last drawn wages from the Worker Re-skilling Fund within 45 days of retrenchment.

As an immediate step, all employers need to modify their existing employment agreements to align them with the new legal requirements. Contractors need to issue appointment letters and experience certificates to their contract employees. Businesses in the services sector need to have CSOs in place and modify all their existing contracts and agreements accordingly or obtain an exemption from the CSO requirement. Managerial employees at senior levels who are currently exempt under some of the existing laws need to be covered under the Labour Codes. Restructuring of employee compensation needs to be undertaken at all levels and the way various employee benefits are computed needs to change. Apart from all this, due to the new operational compliances, new licenses/registrations may be needed, GRC may need to be constituted/ reconstituted, additional occupational health, safety and other welfare measures may need to be undertaken, and almost all workplace policies may need to be modified.

The enforcement of the 4 Labour Codes signals a business-friendly ecosystem in India which will aid in achieving a win-win for corporates and their workforce, boost investors’ confidence and not only attract new foreign players to India but also encourage existing players to expand their Indian operations. Balancing interests of employers and workers will go a long way in enhancing workforce participation as India moves towards achieving its goal of Viksit Bharat 2047.

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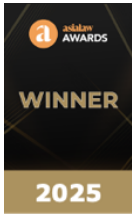
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