

Decoding India's New Labour Codes A Snapshot

The most significant overhaul of employment laws takes effect from November 21, 2025. After years of deliberation, India has consolidated 29 of its central level labour laws into four comprehensive Codes ("Labour Codes").

The Dual Goal	
For Employers	For Employees
Harmonised compliance, reduced administrative burden, enhanced ease of doing business, and greater certainty in industrial relations.	Extended coverage for minimum wages, expanded social security (<i>including gig workers</i>), and better safety standards.

The Four Pillars of Reform

Code on Wages, 2019: Consolidates laws on wages & bonus

- **Extended Coverage for Minimum Wages:** Applicable to **all** employees across all sectors, removing wage ceilings.
- **Unified 'Wages' Definition:** A single definition impacting calculations such as inter alia gratuity, provident fund contributions, bonus payments and retrenchment compensation, necessitating assessment of financial impact for employers.
- **Faster Settlements:** Full and final payments must be made within two working days of exit.

Industrial Relations Code, 2020: Consolidates laws on disputes & unions

- **Increased Flexibility:** Threshold for prior government approval for retrenchment/lay-offs raised to **300+ workers** (*providing significant personnel management flexibility*).
- **Fixed-Term Equity:** Fixed-term employees get same benefits (wages, social security) as permanent workers on a pro-rata basis.
- **Grievance Mechanisms:** Mandatory grievance redressal committees for establishments with 20+ workers.
- **Re-skilling Fund:** Introduction of employer-financed fund for retrenched workers.

- Occupational Safety, Health & Working Conditions Code, 2020: Regulates workplace safety & conditions**
- **Broader Applicability:** Applies to establishments employing **10+ workers**.
 - **Streamlined Licensing:** Contractors can obtain a single, pan-India license. Threshold raised to 50 workers.
 - **Contract Labour Restrictions:** Prohibited in core activities (with exceptions for intermittent/outsourced work).
 - **New Financial Implications:** Employers must provide annual free health check-ups and end-of-year leave encashment upon employee demand.

- Code on Social Security, 2020: Regulates social security schemes**
- **Recognition of the Gig Economy:** For the first time, gig and platform workers are brought under the social security ambit, impacting aggregators.
 - **Setting up of Social Security Fund:** Aggregators are required to set up a fund for their gig workers, with a mandated contribution of 1-2% of annual turnover of the aggregator.
 - **Pro-Rata Gratuity:** Fixed-term employees are eligible for gratuity even without completing five years of service.
 - **Decriminalisation:** Replaces imprisonment with higher monetary penalties for several offences.

Immediate Next Steps for Employers:

Ensure Substantive Compliance	Any substantive provisions that are clear and do not depend on the rules for further implementation should, be complied with on priority. For e.g: evaluating the existing wage structures for computing inter alia provident fund, gratuity, bonus and others.
Financial Impact	Recalculate statutory contributions in light of the new definition of 'wages' to assess the potential financial impact.
Re-examine employment contracts, policies and practices	Revise and fine tune employment contracts and internal policies to ensure alignment with the Labour Codes. Exit processes should be streamlined to ensure compliance with separation pay-out timelines and other related requirements.
Compliance Audit	Conduct a compliance audit to identify areas where record-keeping, reporting or display requirements will change (e.g: registers, returns, notices). However, rules may need to be awaited for further clarity.
Stakeholder Communication and Training	Develop and execute a structured communication plan for employees, HR, payroll and management teams to create awareness and avoid disruption.

The co-authors are:



Preetha Soman
Partner



Aishwarya Maria Manjooran
Senior Associate



Sneha Mohanty
Associate