



# FROM OLD ROADS TO BOLD CODES: INDIA'S REFRESHED LABOUR LAW

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## 1. Introduction[1]

India's labour regulatory landscape has long been criticised for being fragmented, outdated, and difficult for corporate entities to navigate. With multiple overlapping laws, rigid frameworks, and ambiguous provisions, compliance had become a challenge even for well-structured organisations. Recognising the need to modernise and streamline this framework, the Government of India undertook a comprehensive reform exercise, culminating in the enactment of the New Labour Codes, which have come into force with effect from 21<sup>st</sup> November, 2025.

These reforms consolidate 29 central labour legislations into four unified Labour Codes[2], namely:

1. The Code on Wages, 2019[3]
2. The Industrial Relations Code, 2020[4]
3. The Code on Social Security, 2020[5]
4. The Occupational Safety, Health and Working Conditions (OSH) Code, 2020[6] (“New Labour Code/Codes”)

For corporate organisations, whether in IT/ITES, services, consulting, BFSI, start-ups, retail, or other non-manufacturing sectors, these Codes represent a significant evolution in the regulatory framework governing employment relationships, workplace policies, HR structures, and welfare obligations. While several operational details will ultimately depend on the rules yet to be notified by the respective state governments, the Codes now introduce multiple structural changes that are relevant for corporate entities to understand at this stage.

[1] The article reflects the general work of the authors and the views expressed are personal. No reader should act on any statement contained herein without seeking detailed professional advice.

[2] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2200433&reg=3&lang=2#:~:text=The%20four%20Labour%20Codes%20%2D%20the,working%20conditions%2C%20safety%2C%20wages%2C>

[https://labour.gov.in/sites/default/files/the\\_code\\_on\\_wages\\_as\\_introduced.pdf](https://labour.gov.in/sites/default/files/the_code_on_wages_as_introduced.pdf)

[3] [https://labour.gov.in/sites/default/files/ir\\_gazette\\_of\\_india\\_0.pdf](https://labour.gov.in/sites/default/files/ir_gazette_of_india_0.pdf)

[4] [https://labour.gov.in/sites/default/files/ir\\_gazette\\_of\\_india\\_0.pdf](https://labour.gov.in/sites/default/files/ir_gazette_of_india_0.pdf)

[5] [https://labour.gov.in/sites/default/files/ss\\_code\\_gazette.pdf](https://labour.gov.in/sites/default/files/ss_code_gazette.pdf)

[6] [https://dglasli.gov.in/public/Admin/Cms/AllPdf/OSH\\_Gazette.pdf](https://dglasli.gov.in/public/Admin/Cms/AllPdf/OSH_Gazette.pdf)



Against this backdrop, the following is a sector-agnostic overview on the key statutory provisions across each Code that have the potential to reshape HR frameworks, organisational processes, workforce policies, and employer-employee relationships.

## 1. The Code on Wages, 2019

The Code on Wages, 2019 is the foundation stone of the new labour law framework. It seeks to bring uniformity and transparency to wage-related obligations by introducing a single, standardised approach to wages, minimum wages, payment timelines, and equal remuneration. For corporate entities, this Code directly impacts compensation structuring, payroll practices, statutory cost projections, and gender-pay equity policies, making it one of the most consequential Codes from an HR and finance standpoint.

### A. Universal Applicability

- Applies to all employees, irrespective of wage ceilings or job categories;
- Merges multiple earlier statutes into a single framework specifically consolidates and rationalises Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976, into a single, uniform framework;
- The Code is applicable to managerial personnel also;



## B. Standardised Definition of “Wages”(Sec. 2(y))

- Introduces a uniform definition across all four Codes
- 50% rule: Basic + DA + Retaining Allowance must be at least 50% of total remuneration, which is likely to impact on PF, ESIC, gratuity, bonus, and other statutory components
- Under the Code on Wages, “Wages” = Basic + DA + Retaining Allowance (RA). This must be at least 50% of total remuneration. If Basic + DA + RA is less than 50%, then allowances must be added back to reach the 50% threshold, leading to higher statutory payouts

### *Illustration:*

*If an employee’s CTC is Rs. 60,000 and Basic is Rs. 20,000 (33%), Basic must now be increased to Rs. 30,000 (50%). This increases employer PF contribution from Rs. 2,400 to Rs. 3,600 and raises gratuity, leave encashment, and separation payouts.*

Let’s take a comparative view:

ABC’s salary structure before and after New Labour Code:

| <b>Component</b>                     | <b>Before</b>   | <b>After</b>    |
|--------------------------------------|-----------------|-----------------|
| <i>Basic</i>                         | 20,000/-        | 30,000/-        |
| <i>Allowances<br/>(HRA + others)</i> | 40,000/-        | 30,000/-        |
| <b>Total</b>                         | <b>60,000/-</b> | <b>60,000/-</b> |



**This provision pushes companies towards a uniform, logical structure, but also increases:**

- PF contribution
- Gratuity liability
- Leave encashment costs
- Retrenchment/termination compensation

### **C. Timelines for Payment**

- Clear timelines are prescribed for payment of wages, bonus, and final settlements (Sec. 17).
- Where an employee has been— (i) removed or dismissed from service; or (ii) retrenched or has resigned from service, or became unemployed due to closure of the establishment, the wages payable to him/her shall be paid within two (2) working days of his/her removal, dismissal, retrenchment or, as the case may be, his/her resignation. This may require HR and payroll teams to streamline sign-off workflows.
- Payment of Wages through digital modes are favoured for transparency and auditability (Sec. 15).

### **D. Floor Wages**

- The Code on Wages empowers the Central Government to notify a national floor wage, which may vary across geographical regions. State Governments are prohibited from fixing minimum wages below the applicable floor wage (Sec. 5).

### **E. Equal Remuneration**

- This Code reinforces prohibition on gender-based wage discrimination (Sec. 3).



## 2. Industrial Relations Code, 2020

The Industrial Relations Code, 2020 focuses on balancing workforce flexibility with industrial stability. It consolidates laws governing standing orders, trade unions, dispute resolution, and termination-related permissions. From a corporate perspective, this Code reshapes how organisations design employment models, manage workforce restructuring, document service conditions, and engage with collective employee representation, particularly in large, multi-location establishments.

### A. Standing Orders (Sec. 28)

- Applicable to establishments with 300+ workers (earlier it was 100 workers)
- Offers scope for modern, tech-aligned, clearly drafted HR policies. Corporate entities operating large campuses or multi-shift offices may need to codify policies on remote work, digital misconduct, data security, and hybrid attendance as part of their Standing Orders

### B. Fixed-Term Employment (FTE) (Sec. 2(o))

- Employees engaged on fixed-term employment are now formally recognised under the Industrial Relations Code, 2020.
- Fixed-term employees are entitled to all statutory benefits on a proportionate basis, including gratuity, if they render service for at least one year.
- Gratuity is payable on a pro-rata basis for the period of service completed, without the requirement of completing five years of continuous service.

#### *Illustration:*

*An employee appointed for an 18-month project (as FTE) will be eligible for gratuity corresponding to the actual period of service completed, even though the five-year threshold is not met.*



### C. Trade Unions

- While earlier labour laws recognised trade unions, they did not statutorily provide for a negotiating union or sole bargaining agent at the central level. The Industrial Relations Code, 2020 bridges this gap by introducing a uniform mechanism for recognition of negotiating unions, thereby streamlining collective bargaining and dispute management.
- For corporate entities, this change reduces uncertainty in union negotiations and enables structured, predictable engagement in collective disputes.

### D. Retrenchment, Lay-Off, Closure

- This code mandates prior government approval for retrenchment, lay-off, or closure only in establishments employing 300 or more workers, or such higher number as may be notified by the appropriate government. Under the erstwhile regime, Chapter V-B of the Industrial Disputes Act, 1947 required such prior approval for establishments employing 100 or more workmen, a threshold that was widely regarded as restrictive and often led to procedural delays and prolonged disputes. By increasing the threshold, the Code seeks to ease regulatory constraints on mid-sized establishments while retaining safeguards for larger workforces.



### 3. Occupational Safety, Health and Working Conditions (OSH) Code, 2020

The OSH Code, 2020 significantly expands the concept of workplace safety and welfare beyond traditional factory environments. It introduces a consolidated framework for registration, working hours, safety standards, contract labour governance, and women's employment. For corporate offices, IT parks, shared service centres, and multi-location enterprises, this Code signals a shift toward holistic workplace governance, covering physical safety, ergonomic wellbeing, and regulatory accountability across all establishments.

#### A. Single Registration (Sec. 3)

- The OSH Code enables corporate entities to obtain a single unified registration for an establishment, which may also cover multiple locations, depending on the rules. This significantly reduces the administrative burden of maintaining separate registrations/ renewals for each office or unit.

#### *Illustration:*

*A company with offices in Mumbai, Pune, and Bengaluru can obtain a single establishment registration instead of maintaining separate registrations for each location.*

#### B. Working Hours and Leave (Sec. 25 and 26)

- Introduces standardised norms for:
  - eight hours in a day/ 6 days in a week i.e. total 48 hours per week
  - maximum weekly working hours (expected to broadly align with the existing 48-hour norm),
  - rules on spread-over, rest intervals, and overtime, and
  - conditions governing shift work and night work, including safeguards.



- This may influence rosters, productivity models, and HRMS configurations. Companies running 24×7 IT support or customer care operations may need to redesign shift rosters to comply with uniform working-hour rules across states.

### **C. Health and Safety Duties (Sec.6)**

- Employer shall ensure that workplace is free from hazards which cause or are likely to cause injury or occupational disease to the employees
- provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of the employees
- provide such annual health examination or test free of costs to such employees of such age or such class of employees of establishments or such class of establishments, as may be prescribed by the appropriate Government

### **D. Contract Labour (Sec.45)**

- Unified online system for registration and licensing of contractors and principal employers
- Greater traceability and welfare monitoring
- Principal employers will be able to review digital records of contractor PF/ESIC compliance, reducing risk of future liabilities

### **E. Women's Employment in Night Shifts (Sec. 43)**

- Women permitted to work night shifts subject to specified safety measure, which is more relevant for IT/ITES, shared services, logistics, and retail sectors.



## 4. The Code on Social Security, 2020

The Code on Social Security, 2020 represents a paradigm shift in extending social protection to a wider spectrum of the workforce. By rationalising and consolidating social security laws and by recognising new-age work arrangements, the Code reflects evolving employment models in corporate India. For organisations, this Code has implications for workforce classification, statutory benefit planning, cost forecasting, and future compliance responsibilities, particularly once the implementation framework is operationalised.

### A. Expanded Definition of “Employee” (Section 2(26))

- The definition of “employee” is clarified and expanded to expressly cover fixed-term employees and certain categories of workers engaged through intermediaries, bringing them within the ambit of mandatory social security benefits.
- Gig workers and platform workers are consciously excluded from the definition of “employee” and are instead addressed under separate welfare mechanisms.

### B. PF and ESIC Alignment

- The definition of “wages” under the Code on Social Security, 2020 (Section 2(88)) is aligned with the standardised definition under the Code on Wages, 2019, thereby impacting the wage base for Provident Fund and other wage-linked contributions.
- The Code enables pan-India applicability of the ESIC framework (Section 1(4)), potentially extending coverage to districts and emerging business hubs that were earlier outside notified ESIC areas.
- These changes may significantly alter statutory cost structures, particularly for corporates operating in newly developed commercial zones and using allowance-heavy compensation models.



### **C. National Social Security Board (Section 6)**

- The Code provides for the constitution of a National Social Security Board empowered to recommend and frame social security schemes for unorganised workers, gig workers, and platform workers.
- Corporate entities engaging such workforce categories may be subject to reporting, data-sharing, or contribution-related obligations, once the relevant schemes and rules are notified.

### **D. Creche Facilities (Section 67)**

- Creche-related obligations have been streamlined and consolidated under the Code, replacing fragmented requirements under earlier laws.
- Applicability thresholds and operational details will be prescribed through rules, requiring corporates to align workplace welfare policies accordingly.

### **E. Gig and Platform Workers (Sections 2(35), 2(60), 113 and 114)**

- The Code introduces first-time statutory recognition of gig workers and platform workers as distinct workforce categories.
- This recognition enables the creation of databases and the notification of dedicated social security schemes, without treating such workers as traditional employees.



## Conclusion

The New Labour Codes mark a significant shift toward simplification, uniformity, and modernisation of India's labour framework. While the Codes lay down the foundational principles, several operational elements will ultimately depend on the specific rules to be issued by the Central and State Governments. As the regulatory landscape continues to evolve, organisations may benefit from understanding the substantive changes already introduced, so that internal HR manuals, policy structures, and corporate frameworks can be aligned smoothly once the detailed rules are published.

Organisations may benefit from familiarising themselves with the substantive changes already introduced, so that policy updates, HR frameworks, and workforce practices can be aligned seamlessly once the detailed rules are in place. The upcoming months are likely to shape how these Codes translate into day-to-day corporate processes, making it an important period for observation, preparedness, and informed adaptation by business entities.

For any feedback or response on this article, the authors can be reached on [ashvini.kandalgaonkar@ynzgroup.co.in](mailto:ashvini.kandalgaonkar@ynzgroup.co.in) and [ayushi.kalelkar@ynzgroup.co.in](mailto:ayushi.kalelkar@ynzgroup.co.in)

**Author: Ashvini Kandalgaonkar**

Ashvini is a Partner- Corporate Legal Advisory, She is experienced in corporate litigation and non-litigation. She is experienced in Corporate litigation and non- litigation. She provides training required under POSH Act.



**Co -Author: Ayushi Kalelkar**

Ayushi is a Partner - Investment and Deal Advisory at YNZ Legal. She is also a member of Bar Council of Maharashtra & Goa. By qualification she is Master in Commerce and Bachelor of Law from Mumbai University.