

This update sets out the key changes brought about in the labour regime by the introduction of the new labour codes that were enacted by the Government of India in 2019 and 2020 and broadly brought into effect from November 21, 2025.

With the objective of improving the ease of doing business, the Government of India has amended and consolidated Twenty-Nine (29) existing labour laws into a unified statutory framework through the enactment of the 4 labour codes, namely, the Code on Wages, 2019 ("Wage Code"), the Industrial Relations Code, 2020 ("IR Code"), the Code on Social Security, 2020 ("SS Code") and the Occupational Safety, Health and Working Conditions Code, 2020 ("OSHC Code") (collectively referred to as "Codes"). While the exercise is primarily one of consolidation, the Codes have also simplified compliances, expanded the scope of labour law protections and simplified enforcement mechanisms.

Through several notifications, particularly those issued on November 21, 2025, the Codes have been brought into effect. However, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, continues to remain in effect, except for provisions in respect of the Employees' Pension Scheme, 1995. The corresponding provisions under the SS Code will come into effect once notified by the Government of India. Additionally, provisions in respect of constitution of State Advisory Boards under the Wage Code have not been fully brought into effect yet.

Further, for the effective implementation of the Codes, both the central and state governments are required to notify rules under each Code. As of date, most states have not notified the requisite rules. In view of the foregoing, the actual operationalization of the Codes remains unclear. To address this ambiguity, the central government, by way of a press release, clarified that the relevant provisions of the existing laws (including acts, rules, regulations, notifications, schemes and so on) will continue to remain in force during the transition period. However, the duration and scope of such transition period has not been clarified. The position of law and obligations under the Codes will continue to evolve and become clearer through notification of state-level amendments as well as central and state-level rules.



Wage Code

1. Does the Wage Code apply to my operations?

The Wage Code applies to all employees across all establishments in the organized and unorganized sector, irrespective of any wage ceiling. However, for the purpose of provisions relating to payment of statutory bonus, the Wage Code empowers the appropriate government to notify a wage ceiling for determination of an employee's eligibility for bonus.

2. Who is an employee?

The Wage Code classifies persons employed into two categories – 'employees' and 'workers'. 'Employees' refers to persons undertaking technical, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, skilled, clerical work for hire or reward, whether the terms of employment are express or implied.

3. Who is a worker?

'Worker' is a subset of 'employees', which includes persons employed in an establishment to carry out any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment are express or implied, and includes journalists and sales promotion employees.

Persons working in managerial or administrative capacity, and persons in a supervisory capacity earning more than INR 18,000 per month, are excluded from the definition of workers.

4. Who is an employer?

Employer has been defined to include a person who employs one or more employees, whether directly or through any person (i.e. a contractor) in their establishment. The Wage Code has broadened the definition of 'employer' to specifically include 'contractors' and 'legal representatives of a deceased employer'.

For the purposes of a factory, the occupier or manager of the factory, and for other establishments, the person having ultimate control over the affairs of the establishment is deemed to be the employer. Manager or managing director can now be treated as the employer if (s)he is entrusted with such control over the affairs of the establishment.

5. Does the Wage Code change employee compensation structuring?

The Wage Code defines wages to include all remunerations, whether in cash or kind (if capable of being expressed in monetary terms), including basic pay, dearness allowance and retaining allowance (if any).

The Wage Code provides a list of components of remuneration (CTC) that may be excluded from the definition of wages – (a) statutory bonus, (b) value of house accommodation, supply of light, water or other amenities, (c) employer's contribution to pension/provident fund, (d) travelling allowance, (e) reimbursement of special expenses accrued by the nature of employment, (f) house rent allowance, (g) remunerations payable under any award, settlement or by order of court/tribunal, (h) overtime allowance, (i) commission, (j) gratuity, (k) retrenchment compensation, or any other retirement benefits or any ex-gratia payments made on termination of employment.

Further, the Wage Code requires that at least 50% of an employee's total remuneration (CTC) must be treated as wages. If the excluded components under clause (a) to (j) above exceed 50% of the total remuneration, the excess amount must be treated as wages under the Wage Code.

This will alter the employee compensation structuring for those organizations who may have so far set the basic pay of the employees at an amount lesser than 50% of their total remuneration (CTC) as statutory benefits are required to be calculated on the new definition of 'wages' (i.e. at a minimum of 50% of CTC). This will increase statutory outgo.

6. How are minimum wages and floor wages regulated?

The central government after taking into consideration the living standards of workers in a particular area, will fix a floor wage. Such floor wage may be national or may vary for different geographical locations. The states would then fix a minimum wage for such areas falling in their jurisdiction which will not be lower than the floor wage. Where the existing minimum wage for a particular area is higher than the prescribed floor wage, such minimum wage will not be reduced.

7. Is there a change in the applicability of benefits under the Wage Code?

With the expansion of the definition of employee, the applicability of benefits such as payment of minimum wages, fixation of normal working hours and rest periods and wages for overtime work has been broadened. These protections now extend to senior-level employees, irrespective of the industry they are employed in.

8. Who is eligible for statutory bonus and how is payment of bonus regulated?

The provisions in respect of payment of bonus apply to establishments with 20 or more employees. Employees that work for minimum 30 days in an accounting year are eligible for statutory bonus calculated at the rate of 8.33% of the wages earned by the employee or INR 100, whichever is higher. The wage ceiling for eligibility to statutory bonus is yet to be notified. The Wage Code expands the grounds for disqualification of employees from receiving such bonus to include conviction for sexual harassment.

9. What are the other key compliances for employers?

- Remit salaries to employees by the 7th day of every month (in case of a monthly worker), and in case of separation of an employee, within 2 working days of their separation (including resignation).
- Pay overtime at twice the normal rate of wages.
- Issue wage slips to all the employees in the prescribed manner.
- Review policies on working hours, rest hours and overtime.



Social Security Code

1. Who is an employee?

The definition of employee is broadly the same as that under the Wage Code. However, for the purposes of determining benefits under the employee's compensation framework, the employees eligible for each benefit have been identified under the SS Code.

2. Who is a contract labour?

Any worker hired in or in connection with the work of an establishment through a contractor. The definition of contract labour now includes an inter-state migrant worker as well, but does not include those who are regularly employed by the contractor for any activity of his establishment and whose employment is governed by mutually accepted standards of conditions of employment including on a permanent basis, and who receive periodic increments in the pay, social security coverage and other benefits.

3. Who is an inter-state migrant worker?

Any person recruited by an establishment directly or through a contractor in a state for employment in an establishment situated in another state. The definition now also includes persons voluntarily traveling for employment and subsequently change jobs in the same state, provided their wages do not exceed INR 18,000 per month, or a higher notified amount.

4. Who are gig and platform workers?

The SS Code has recognised the concept of gig and platform workers which is distinct from the concept of employees. While gig workers are those performing work or participating in work arrangements outside of a traditional employer-employee relationship, platform workers are those using digital platforms to deliver services outside of a traditional employer arrangement. The central government will notify schemes for the benefit of gig and platform workers on matters in respect of life and disability, accident insurance, maternity, old age and any other benefits that may be notified.

5. Who is an employer?

The definition of 'employer' is broadly the same as that under the Wage Code, however, a key difference is that a manager of a factory is not included in the definition of employer, rather, only the occupier is noted as the employer for a factory under the SS Code.

6. Are there any changes to social security contributions under the SS Code?

The change in definition of 'wages', will likely have a significant impact on the contributions and benefits accruing under the SS Code, thereby increasing statutory outgo for employers.

The SS Code empowers the central government to notify a different rate of employee's contribution under the Employees' Provident Fund ("EPF") and the period for which such rates may apply. Thus, the rate of employee's contribution to EPF can be made different to the employer's contribution, if notified as such.

7. When do social security benefits become applicable under the SS Code?

The SS Code lays down mandatory thresholds of various categories of employees and establishments for applicability of the social security provisions, as set out below.

Provisions	Applicability
Employees' Provident Fund	Establishments employing 20 or more employees.
Employees' State Insurance Corporation	Establishments employing 10 or more persons, excluding seasonal factories.
Gratuity	Establishments engaged in hazardous or life-threatening occupations, as will be notified by the central government, in which even a single person is employed.
Maternity Benefit	Factories, mines, oilfields, plantations, ports, and railway companies. Shops and establishments employing 10 or more employees, or having employed on any day in the preceding 12 months.
Employee's Compensation	Establishments that are factories, mines or plantations. Shops and establishments employing 10 or more employees, or having employed on any day in the preceding 12 months.
Social Security and Cess in respect of Building and Other Construction Workers	Employers and employees who are not covered under the ESI framework, subject to the categories of employees listed in the Second Schedule of the SS Code.
Social Security for Unorganised Workers	Establishments falling under building and other construction work.
Unorganised Workers	Unorganised sector, unorganised workers, gig workers and platform workers.
Employment Information and Monitoring	Career centres, vacancies, persons seeking services of career centres and employers.

8. Are there changes to applicability of social security benefits under the SS Code?

- The SS Code clarifies that once any social security benefits begins to apply to an employer, they continue to apply even if the workforce falls below the prescribed threshold.
- Central government has the power to notify wage ceiling of employees for the applicability of EPF and ESI related provisions.
- The voluntary coverage earlier provided under the EPF Act is now also extended to ESI under the SS Code which provides for voluntary application of the EPF and ESI frameworks on establishments where the employer and majority of workers agree to such application. The SS Code goes a step further in also allowing employers to opt out of the voluntary coverage in case of an agreement to this effect between the employer and majority of the employees.

9. Are there any changes to entitlement to maternity benefits under the SS Code?

While the framework of maternity benefits remains largely unchanged, certain provisions relating to crèche facilities and medical benefits have been revised. Similar to the requirement under the earlier legislation, establishments with 50 or more employees are required to provide crèche facilities. The central government will prescribe the maximum distance of such facilities from the establishments, and may also prescribe a new employee threshold for applicability of the crèche related requirements. Employers can now use common crèche facilities established by the government, municipalities, NGOs, private entities, or by groups of establishments.

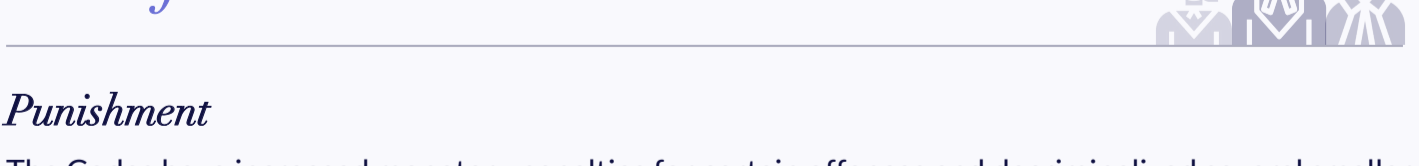
The amount of medical bonus remains unchanged at INR 3,500; however, the central government may now increase this amount by notification without any maximum cap, unlike the earlier limit of INR 20,000.

10. What liabilities arise with respect to social security benefits in case of transfer of establishment?

In case of transfer of establishment, either wholly or partly, through sale, gift, lease, license, or any other means, the transferee and transferee are jointly and severally liable for dues under the SS Code. The transferee's liability is limited to the value of the assets acquired through the transfer.

11. Do establishments have to procure additional registrations under the SS Code?

Establishments already registered under the earlier labour legislations will be deemed to be registered under the SS Code.



A. Enforcement Mechanism Under the Codes

Punishment

The Codes have increased monetary penalties for certain offences and decriminalised several smaller offences. The maximum penalty set out below is for repeat offences and the penalty for first time offences will be lower than the maximum penalty set out below.

Punishment	Wage Code	SS Code	IR Code	OSHC Code
Maximum penalty	INR 1,00,000	INR 300,000	INR 2,000,000	INR 2,000,000
Maximum imprisonment	3 months	3 years	6 months	3 years

Cure Period

The Wage Code, the SS Code and the OSH Code now provide employers an opportunity to rectify any defaults prior to initiation of prosecution for certain offences. If the employer is able to correct defaults within the time period that may be provided in the notice (30 days for OSH Code) issued to the employer by the authorities, no proceedings may be initiated. However, in case of repeat offence committed within the period stipulated under the legislations (3 years for SS Code and OSH Code and 5 years for Wage Code) of the first offence, such opportunity will not be provided.

Compounding of Offences

In addition to higher fines, the Codes permit compounding of offences, which gives an employer the opportunity to rectify non-compliance and settle through monetary payment.

Applicability	Offences not being those punishable with imprisonment along with fine.	SS Code	SS Code	IR Code
Offences Code	Specified penalties and offences under the OSH Code.	Offences that are punishable with fine only or with imprisonment up to 1 year along with fine.	Offences that are punishable with fine only or with imprisonment up to 1 year and/or fine (as the case may be).	Offences that are punishable with fine only or with imprisonment up to 1 year or fine.
Bar on compounding of repeat offence	5 years	3 years		
Compounding fee	50% of the maximum fine provided for such offence.	50% of the maximum fine in case of a penalty, and 75% of the maximum fine in case of an offence.	50% of the maximum fine in case the offence is punishable with fine only, and 75% of the maximum fine in case of imprisonment up to 1 year and/or fine (as the case may be).	

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The Codes have subsumed a number of existing central legislations as set out below:

Code	Acts subsumed
1. Wage Code	(a) Payment of Wages Act, 1936; (b) Minimum Wages Act, 1948; (c) Payment of Bonus Act, 1965; and (d) Equal Remuneration Act, 1976.
2. IR Code	(a) Trade Unions Act, 1926; (b) Industrial Employment (Standing Orders) Act, 1946; and (c) Industrial Disputes Act, 1947.
3. SS Code	(a) Employee's Compensation Act, 1923; (b) Employees' State Insurance Act, 1948; (c) Employees' Provident Funds and Miscellaneous Provisions Act, 1952; (d) Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959; (e) Maternity Benefit Act, 1961; (f) Payment of Gratuity Act, 1972; (g) Cine-Workers Welfare Fund Act, 1981; (h) Building and Other Construction Workers' Welfare Cess Act, 1996; and (i) Unorganised Workers' Social Security Act, 2008.
4. OSH Code	(a) Factories Act, 1948; (b) Plantations Labour Act, 1951; (c) Mines Act, 1952; (d) Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955; (e) Working Journalists (Fixation of Rates of Wages) Act, 1958; (f) Motor Transport Workers Act, 1961; (g) Beedi and Cigar Workers (Conditions of Employment) Act, 1966; (h) Contract Labour (Regulation and Abolition) Act, 1970; (i) Sales Promotion Employees (Conditions of Service) Act, 1976; (j) Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; (k) Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981; (l) Dock Workers (Safety, Health and Welfare) Act, 1986; and (m) Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

Industrial Relations Code

1. Does the IR Code apply to my operations?

The IR Code applies to all industrial establishments. Industry under the IR Code has been defined as any activity carried out by cooperation between the employer and worker for the production, supply or distribution of goods or services to satisfy customer demands. Given the broad coverage, the definition of industrial establishments would also include commercial establishments.

2. Who is an employee?

The definition of employee is same as that defined under the Wage Code. The IR Code has also introduced the concept of fixed term employment which includes those workers engaged for a fixed period on the basis of a written contract. In respect of such employees, employers are required to ensure the following –

- Fixed term employees receive wages, allowances, hours of work and other benefits which are commensurate to that of a permanent worker doing same or similar work.
- Statutory benefits are made available to such workers proportionately according to their period of service, even where any relevant requirement of qualifying period of employment is not met.
- Such employees are also eligible to receive gratuity benefits upon completing 1 year of service.

3. Who is a worker?

The definition of worker is broadly the same as that under the Wage Code.

4. Who is an employer?

The IR Code also defines 'employer' in broadly the same manner as the Wage Code.

5. Do the Codes affect any planned rationalization activities?

- The definition of retrenchment, layoff and closure continues to be the same as under the ID Act. Termination of the service of a worker as a result of completion of their fixed term employment is treated as an exception to the definition of retrenchment under the IR Code.
- Factories, mines and plantations employing more than 300 workers under the IR Code or such higher number as may be notified by the appropriate government are required to seek prior permission from the appropriate government prior to retrenchment/closure/lay-off.
- Industrial establishments not meeting the above thresholds will be required to send a notice of the planned rationalization to the appropriate government.

6. Do I need to bring a change to the policies governing employment of the workers?

- Industrial establishments employing or having employed in the past 12 months 300 or more than 300 workers are required to prepare their draft standing orders, or modify their standing orders, within a period of 6 months from the commencement of the IR Code/its application to the establishment.
- Establishments adopting the notified model standing orders will be deemed to be certified by the authorities and the employer would only be required to inform the certifying authority.
- Establishments with modified standing orders are required to seek certification of the certifying authority on the proposed modifications.
- Establishments with existing standing orders in place which are consistent with the IR Code may continue to apply the same and such standing orders will be deemed to be certified.

7. How do my interactions with trade unions change as an employer?

- The IR Code deals with complexities that arise from a multiplicity of trade unions by introducing the recognition of 'sole negotiating union' and 'negotiating council'. Only such union or council will be entitled to negotiate with the employers of industrial establishments on matters to be registered.
- If an industrial establishment has only one registered trade union or has multiple registered trade unions with one having support from at least 51% of the workers on the muster rolls, such a trade union will be treated as the sole negotiating union.

- Where multiple registered trade unions are functioning in an industrial establishment and none of them are able to meet the 51% criteria, the employer is required to constitute a negotiating council, comprising of representatives from each union that receives support of at least 20% of the total workers, with one representative for each 20% and for the remainder after calculating membership on each 20%. An agreement upon negotiation will be said to be reached if it is agreed to by majority of the representatives on the council.

- This introduction will allow employers to negotiate with a single union or council, without the uncertainties involved in negotiating with minority unions. Employers can expect smaller unions consolidating with each other or larger unions due to this change in law.

8. In what manner have the procedures governing strikes and lock-outs been revised?

- The IR Code increases the procedural regulation of strikes, thereby making it tougher for workers to go on flash strikes or for employers to implement sudden lock-outs. Workers are prohibited from going on strike in breach of contract: (a) without giving a notice to the employer of strike within 60 days before striking, (b) within 14 days of giving such notice before the expiry of the notice, and (c) if the notice is not given. Given that strikes now include concerted casual leave on any given day by 50% or more of the workers, such actions will need to conform to these notice requirements.

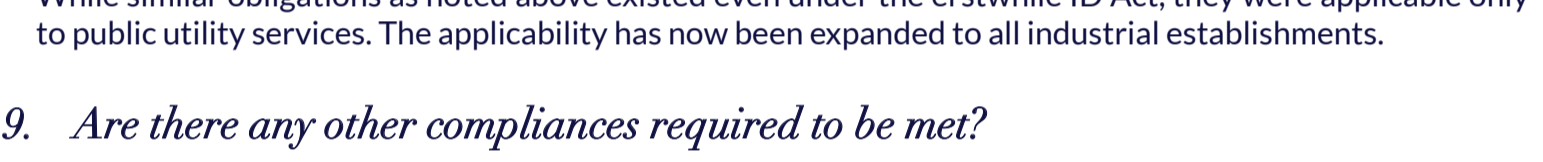
- Employers are also similarly disallowed from locking-out workers, unless the notice requirements are met. While similar obligations as notified above existed under the erstwhile ID Act, they were applicable only to public utility services. The applicability has now been expanded to all industrial establishments.

9. Are there any other compliances required to be met?

IR Code mandates that every industrial establishment with 20 or more workers is required to establish a Grievance Redressal Committee.

10. What happens to ongoing matters under the Industrial Disputes Act, 1947?

The central government has clarified that to ensure continuity and avoid any legal or administrative vacuum, the existing Labour Courts, Industrial Tribunals and National Tribunals are required to adjudicate on ongoing and new cases until the constitution of the Industrial Tribunals and National Industrial Tribunals under the IR Code. Existing statutory authorities under the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947 will also continue to function, until the appointment of the corresponding authorities under the IR Code.



Occupational Safety, Health and Working Conditions Code

1. Does the OSH Code apply to my operations?

The OSH Code applies to an establishment where any industry, trade, business, manufacturing or occupation is carried out, employing 10 or more workers. Factories with 10 or more workers are also required to register as establishments under the OSH Code. This worker threshold shall not apply to establishments undertaking hazardous or life-threatening activities, as may be notified.

2. What is a factory under the OSH Code?

Factory means any premises and its precincts undertaking manufacturing process: (a) if with the aid of power – employing 20 or more workers, or (b) if without the aid of power – employing 40 or more workers.

3. Who is an employee?

The definition of employee is broadly the same as that under the Wage Code.

4. Who is a worker?

The definition of worker is broadly the same as that under the Wage Code. However, specific criteria is laid down under the SS Code's definition for eligibility of employees to receive benefits in respect of pension fund, deposit-linked insurance fund, employees state insurance and employees' compensation.

5. Who is a contract labour?

The definition of contract labour is broadly the same as that under the SS Code.

6. Who is an inter-state migrant worker?

The definition of inter-state migrant worker is same as that under the SS Code.

Under the OSH Code, employers/contractors are required to extend to inter-state migrant workers all benefits available to other workers of an establishment, including those under the Employees' State Insurance Act, 1948, the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, or any other applicable laws, along with access to medical check-up facilities. Employers are also required to pay an annual fare, taking into account the minimum service for entitlement, periodicity, class of travel and other matters to be prescribed, for the said worker's journey from the place of employment to their native place.

7. Who is an employer?

OSH Code defines 'employer' broadly in the same manner as done under the Wage Code, however, a key difference is that a manager of a factory is not included in the definition of employer, rather, only the occupier is noted as the employer for a factory under the OSH Code.

8. How are working hours, leaves, overtime and other benefits regulated under the OSH Code?

Employee Benefits	Applicable to	Entitlement
Maximum working hours	Workers	Maximum of 8 hours in a day, subject to intervals and spread over to be notified by the appropriate government.
Leave entitlement	Workers having worked for 180 days or more in a calendar year	1 day of leave for every 20 days of work in the calendar year.
Leave encashment	Workers	Up to 30 leaves to be carried forward. Besides encashment of leaves at the time of separation, under the Codes, based on the revised definition of 'employees', contract laborers are also eligible for gratuity and other benefits. Core activities are those for which the establishment is set up including any activity that is essential or necessary to such activity.
Appointment letters	Employees	Employers must issue an appointment letter to all employees within 12 months, and to existing employees (if not so previously issued) within 3 months of the commencement of the OSH Code, containing information as may be prescribed.
Working hours of women	Female employees	Women may be employed to work beyond 7 PM and before 6 AM, subject to their consent and the employer's compliance with the conditions relating to safety, holidays, working hours and other conditions as may be prescribed.
Overtime	Workers	Extra wages for overtime beyond the prescribed hours of work at the rate of twice the rate of wages (with the worker's consent).
Weekly holidays	Workers	One in a week.

9. What are the restrictions placed on engagement of contract labourers?

The OSH Code prohibits the engagement of contract labour in the core activities of an establishment, except in specified circumstances. This is a significant departure from the earlier regime, wherein the prohibition on contract labour was limited to certain sectors, notwithstanding the appropriate engagement of contract labour in core activities of establishments. The OSH Code has introduced a similar prohibition at a national level. Hence, establishments across India engaging contract labour, must evaluate and identify their core activities to ensure compliance. Core activities are those for which the establishment is set up including any activity that is essential or necessary to such activity.

The OSH Code also specifies activities that are deemed to be non-core activities, unless the establishment is run for such activity itself. These include sanitation, security, canteen or catering, loading and unloading operations, maintenance, gardening, housekeeping, laundry, transport and courier services, setting up hospitals, educational institutes, guest houses and clubs, and any activity of intermittent nature.

As an exception to the above principle, contract labour may be engaged in core activities in the following circumstances: (a) the activities notified by the establishment is such that the activity is ordinarily done through contractor; (b) the activities are such that they do not require full time workers for the major portion of the working hours in a day or for longer periods, as the case may be; or (c) any sudden increase of volume of work in the core activity which needs to be accomplished in a specified time.

10. Unified Registration. Every establishment to which the OSH Code applies is required to make, electronically, a single application for registration, within 60 days of the applicability of the OSH Code. However, establishments already registered under any other central labour laws, will be deemed to be registered under the OSH Code.

11. Common License for Contractors, Factories and Beedi and Cigar Industrial Premises. Organizations can procure one common license, by making an electronic application, in respect of factories, engaging contract workers and industrial premises for beedi and cigar work (or any combination of the foregoing). Any license procured with respect to the aforesaid matters under any central law, before the commencement of the OSH Code will remain valid, till its expiry.

12. Licensing of Contractors. Under the OSH Code, contractors employing 50 or more contract labour, or having employed on any day in the preceding 12 months, are required to procure a license in order to supply or engage contract labour in an establishment, or to undertake the work through contract labour. Contractor may be granted 'work specific license' if they are unable to meet the qualifications to be notified by the central government. Additionally, those contractors operating in one or more states will now also be able to apply for a pan India license to a central authority.