

# UPDATE

This Update has been prepared by Parag Bhide and Subarna Saha.

## Labour Law Series: Part I: Implementation of New Labour Codes – Key Updates for the Employers

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The Ministry of Labour and Employment, Government of India (“**Ministry**”) pursuant to the press release dated 21 November 2025 (“**Press Release**”) has implemented 4 (four) labour codes, namely, (i) the Code on Wages, 2019 (“**Wage Code**”), (ii) the Industrial Relations Code, 2020 (“**Industrial Relations Code**”), (iii) the Code on Social Security, 2020 (“**Social Security Code**”), and (iv) the Occupational Safety, Health and Working Conditions Code, 2020 (“**Health and Safety Code**”) (collectively “**Labour Codes**”) with immediate effect. As per the Press Release, the Labour Codes are intended to keep pace with changing economic realities, evolving forms of employment and are aimed at reducing the compliance burden on both workers and industry thereby improving overall ease of doing business in India.

In this Part I of the labour law series of *Nota Bene*, we have discussed few key changes proposed by the Labour Codes and provided few practical tips for corporates to take note of. Keep an eye out for our upcoming publications in this series, discussing the nuances and inter-disciplinary impact of the Labour Codes in detail.

### **A. STATUS OF OLD LABOUR LAWS**

The Labour Codes are part of the Concurrent List of the Constitution of India, which allows both the Central and the State Governments to legislate on the employment matters. The Labour Codes have replaced all 29 existing labour laws (except the Employees Provident Fund and Miscellaneous Provisions Act, 1952) (“**Old Labour Laws**”) as set forth in Annexure with effect from 21 November 2025. However, the Ministry and / or State Governments are yet to notify rules / regulations under the Labour Codes. The Ministry in the Press Release has clarified that during the transition, relevant provisions of the Old Labour Laws and their respective rules, notifications, etc. will continue to remain in force. Therefore, *prima facie* it appears that the applicable provisions of Old Labour Laws and rules / regulations thereunder will continue to apply. We expect the Ministry will issue further clarification to help the industry participants to navigate migration to the Labour Codes.

### **B. CRITICAL CHANGES INTRODUCED BY LABOUR CODES**

- **Standardisation of Definition of Wages:** The Labour Codes introduce a uniform and wider definition of wages to ensure consistency in calculating salaries, social security, and other benefits. The definition of wages now prescribes a ceiling of 50% on exclusions, i.e. if the specified exclusions exceed the ceiling, such components will then be included in the wages for computation of relevant social security benefits. *Hence, companies will now have to rework their salary structures to comply with the statutory “wage” definition.*

- Gratuity for Fixed Term Employee: The fixed term employment (“FTE”) was introduced through Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018 which stated that the FTE will be eligible for all statutory benefits available to a permanent workman on a proportionate basis. However, amendments to the Payment of Gratuity Act, 1972 (**Gratuity Act**) were not hitherto notified. Now, the Social Security Code has repealed the Gratuity Act and mandated that all FTE(s) will be eligible for gratuity if they complete 1 (one) year of continuous service. *Therefore, employers will now have to start provisioning for gratuity of FTE(s) in case they have FTE on the payrolls.*
- Increased Coverage for Minimum Wage: In the earlier regime, minimum wages were notified by state governments region-wise and applied only to scheduled employments. Under the Wage Code, minimum wages will now not just apply to scheduled employment but to all sectors – whether organised or unorganised. A new concept of floor wage (i.e baseline wage) has been introduced which will be notified by the Central Government. *Hence, once the notification is released, employers in all sectors will have to conduct internal review and ensure that their salary structure is aligned with minimum wages requirements.*
- Strict Timeframes for Payment of Salaries and Full and Final Settlement: Earlier the applicability of time period for payment of wages was limited to ‘workers’ in factories and specified establishments covered under the Payment of Wages Act, 1936 (“PWA”). Further, such payment time period differed on the basis of number of workers engaged. Now, under the Wage Code, the coverage has been widened, thereby mandating all employers to pay wages to their employee within the 7<sup>th</sup> day of every month, irrespective of the size of the establishment. Further, where an employee is removed/ dismissed from service/ retrenched/ resigned, the wages payable to him shall be paid within 2 (two) working days of his cessation of employment. *Hence, organisations, irrespective of sector have to update their payroll management systems to ensure that not only salaries are paid on time but full and final settlement is also undertaken within 2 (two) working days to avoid any potential disputes and implications of non-compliance.*
- Engagement of Contract Labours: The Health and Safety Code expressly prohibits engagement of contract workers in core activities, i.e., any activity for which the establishment is set up or any activity which is essential or necessary to such activity. Earlier, pursuant to Section 10 of the Contract Labour (Regulation and Abolition) Act, 1970, the state governments had the discretion to notify areas where employment of contract labour was prohibited. States like Andhra Pradesh and Telangana had notified list of such core areas. However, this has now been incorporated in the Wage Code itself, thereby providing a pan-India coverage. *Therefore, internal checks have to be conducted to align workforce between core and no-core activities of the company to ensure that contractual workers are not engaged in core activities.*
- Revised Threshold for Applicability of Retrenchment Provisions: Under the Industrial Relations Code the threshold for applicability of retrenchment and layoff provisions has been revised. In the erstwhile Industrial Disputes Act, 1947 (“ID Act”), industries covered under Chapter VB (i.e employing more than 100 workers) required prior approval of appropriate government for undertaking retrenchment or layoff. This threshold for provisions of Chapter VB of ID Act (which corresponds to Chapter X of the Industrial Relations Code) has been revised instead of leaving it up to the discretion of the States. Hence, industrial establishments employing up to 300 (three hundred) workers are now exempt from seeking prior government approval for retrenchment or closure of establishment.

- **Increased Coverage for Employees State Insurance:** Earlier, applicability of employees' state insurance (ESI) was limited to the areas where the scheme was notified by the appropriate government, i.e. notified areas. The concept of notified areas has been removed now, and all the sectors, across India, will have to contribute to employees' state insurance corporation for eligible employees. *Companies will have to do a quick internal check to determine if they are complying with ESI provisions or if they were not falling in notified areas under the erstwhile regime. If they were outside the purview of ESI till now, they will now have to commence compliance with registering their establishment and making prescribed contributions.*

### **C. MISCELLANEOUS CHANGES**

In addition to certain critical pointers enumerated above, the Labour Codes introduce a host of other reforms to enhance labour reform while balancing ease of compliance. Find below a list of quick to-dos of other changes for the internal teams:

- ✓ Issue appointment letter(s) to all employees
- ✓ Arrange health check-up
- ✓ Maintain records and registers electronically
- ✓ In case of retrenchment, contribute prescribed amounts to re-skilling fund
- ✓ Migrate to the updated formats for registers, notices and returns as all the Labour Codes have consolidated multiplicity of registers, notices and returns

Apart from the above, the Labour Codes also introduce several other changes, overhaul the sector specific framework for *bidi* workers, plantation workers, etc as well as introduce, for the first time, gig-workers. We will have to await the necessary rules, regulations and schemes to examine how the provisions span out over the coming months.

### **D. CONCLUDING REMARKS**

The implementation of the four new Labour Codes marks a pivotal shift in India's employment law framework, aligning it with contemporary business realities. For corporates, this transition presents both an opportunity and a responsibility—an opportunity to streamline compliance and redesign workforce strategies for greater efficiency, and a responsibility to ensure transparent and equitable employment practices.

Therefore, an immediate need is for employers to undertake structured internal checks and “gap assessments” to identify misalignments between existing operations, and the new code requirements. Simultaneously, structured training for HR, line managers and supervisors on the Labour Codes needs to be rolled out focusing on practical scenarios such as overtime approval, payroll management, disciplinary action and restructuring. For multinational corporates, this would mean harmonising the Labour Code compliances with global policies while ring-fencing India-specific stricter requirements. Therefore, by proactively reviewing documentation, auditing payroll and benefits, and updating HR and compliance processes, organizations can mitigate enforcement and litigation risks and build a more transparent, legally robust workforce framework.

## ANNEXURE

Wage Code	Industrial Relations Code	Social Security Code	Health and Safety Code
(i) Payment of Wages Act, 1936 (ii) Minimum Wages Act, 1948 (iii) Payment of Bonus Act, 1965 (iv) Equal Remuneration Act, 1976	(i) Trade Unions Act, 1926 (ii) Industrial Employment (Standing Orders) Act, 1946 (iii) Industrial Disputes Act, 1947,	(i) Employee's Compensation Act, 1923 (ii) Employees' State Insurance Act, 1948 (iii) Employees' Provident Funds and Miscellaneous Provisions Act, 1952 [not repealed yet] (iv) Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 (v) Maternity Benefit Act, 1961 (vi) Payment of Gratuity Act, 1972 (vii) Cine-Workers Welfare Fund Act, 1981 (viii) Building and Other Construction Workers' Welfare Cess Act, 1996 (ix) Unorganised Workers' Social Security Act, 2008	(i) Factories Act, 1948 (ii) Mines Act, 1952 (iii) Dock Workers (Safety, Health and Welfare) Act, 1986 (iv) Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (v) Plantations Labour Act, 1951 (vi) Contract Labour (Regulation and Abolition) Act, 1970 (vii) Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 (viii) Working Journalist and other News Paper Employees (Conditions of Service and Miscellaneous Provision) Act, 1955 (ix) Working Journalist (Fixation of rates of wages) Act, 1958 (x) Motor Transport Workers Act, 1961 (xi) Sales Promotion Employees (Conditions of Service) Act, 1976 (xii) Beedi and Cigar Workers (Conditions of Employment) Act, 1966 (xiii) Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981

This update has been prepared by Parag Bhide and Subarna Saha who can be reached at [parag.bhide@aquilaw.com](mailto:parag.bhide@aquilaw.com) and [subarna.saha@aquilaw.com](mailto:subarna.saha@aquilaw.com) respectively. This Update is only for informational purposes and is not intended for solicitation of any work. Nothing in this update constitutes legal advice and should not be acted upon in any circumstance.