



Newsflash – Implementation of New Labour Codes Effective 21 November 2025

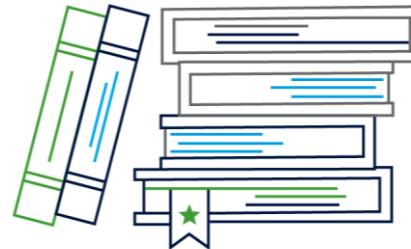
Newsflash

Implementation of New Labour Codes Effective 21 November 2025

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1.0 Background

India's labour framework has long been shaped by **29 separate central labour laws**, many of which are rooted in pre-Independence priorities and have gradually become misaligned with the modern, diverse economy. Their overlapping provisions, varying definitions, and rigid compliance procedures often led to structural inefficiencies, raising operational costs for employers while offering limited adaptability to emerging forms of work.



The introduction of the **Four Labour Codes** marked a decisive shift towards a consolidated and contemporary regulatory regime. By unifying multiple legislation into a coherent framework, the codes aim for **simplification, standardisation, and administrative efficiency**. Additionally, they strengthen worker protections through national wage floors, broader social security, and formal recognition of gig and platform workers, reflecting an intent to modernise India's labour ecosystem without undermining competitiveness.

Strategically, these reforms are aligned with the vision of **Aatmanirbhar Bharat**, seeking to promote formalisation, reduce regulatory complexity, and enhance India's attractiveness as an investment destination. The real test, however, lies in effective implementation across states and in achieving the right equilibrium between **flexibility for employers** and **security for workers**.

2.0 The Four Labour Codes (Effective 21 November 2025)

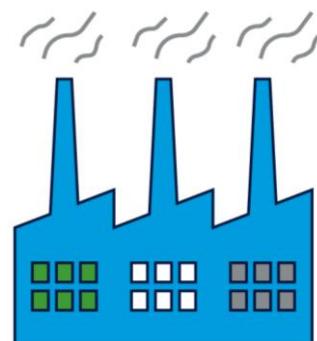
2.1 Code on Wages, 2019

- **Universal Application of Minimum Wages** - Ensures that minimum wages apply to all employees across organised and unorganised sectors, removing the previous schedule-based coverage.
- **Standardisation of Wage Components** - Clearly defines "wages" to include *basic pay, dearness allowance (DA), and retaining allowance*, bringing uniformity and reducing the scope for disputes.
- **Timely Payment of Wages** - Mandates prompt wage payments and empowers the government to fix different wage periods (daily/weekly/fortnightly/monthly) to prevent delays.

- **National Floor Wage** - Introduces the concept of a *statutory national floor wage*, below which no state can fix its minimum wage, helping to reduce inter-state discrepancies.
- **Simplification of Laws** - Consolidates and replaces four earlier labour laws, i.e. Payment of Wages Act (1936), Minimum Wages Act (1948), Payment of Bonus Act (1965), and Equal Remuneration Act (1976) for easier compliance.
- **Digital and Transparent Compliance** - Encourages electronic payment of wages and digital record-keeping to enhance transparency and prevent exploitation.
- **Equal Remuneration Provisions** - Reinforces the principle of *no gender-based discrimination* in wages and recruitment for similar work.
- **Stronger Inspection and Enforcement** - Introduces a technology-enabled, risk-based inspection system to improve enforcement and reduce arbitrary inspections.
- **Dispute Resolution Mechanism** - Establishes an efficient grievance redressal system, allowing employees to file claims related to wage payments, bonuses, or discrimination.
- **Clarity on Bonus Payments** - Sets uniform criteria for bonus eligibility, calculation, and disbursement across sectors.
- **Flexibility for States** - Allows state governments to fix minimum wages above the national floor wage, based on local economic conditions and cost of living.
- **Protection for Contract and Gig Workers** - Extends wage security provisions to contract workers, outsourced employees, and other vulnerable categories.

2.2 Industrial Relations Code, 2020

- **Streamlines Rules on Strikes, Lockouts, and Dispute Resolution** - Introduces uniform procedures and mandatory notice periods to ensure orderly industrial relations.
- **Higher Threshold for Retrenchment/Closure Approval** - Requires establishments with **300+ workers** to seek prior government permission for retrenchment, layoffs, or closure (raised from 100 earlier).
- **Simplifies Union Recognition** - Introduces the concept of a **sole negotiating union** (with 51% membership) or a negotiation council, which critics say may make unionisation more difficult.
- **Facilitates Fixed-Term Employment** - Allows fixed-term contracts across sectors, giving employers flexibility while ensuring pro-rata benefits to workers.



- **Promotes Ease of Doing Business** - Aims to reduce compliance burden and encourage investment through more predictable industrial relations.
- **Grievance Redressal Mechanism** - Mandates an internal grievance redressal committee for establishments with 20 or more workers.

2.3 Code on Social Security, 2020

- **Wider Social Security Coverage** - Expands EPF, ESI, EDLI, maternity benefits, and gratuity to a larger share of the workforce, including unorganised-sector employees.
- **Recognition of Gig and Platform Workers** - Formally recognises gig and platform workers for the first time and enables the creation of social security schemes funded by government, employers, and aggregators.
- **Gratuity for Fixed-Term Employees** - Allows fixed-term employees to receive gratuity after **1 year** of service instead of 5, ensuring greater protection for short-term workers.
- **Universal Account Number (UAN) Based Portability** - Facilitates easy portability of social security benefits when workers change jobs or migrate across states.
- **Social Security Fund for Unorganised Workers** - Creates a dedicated fund to finance welfare schemes for unorganised, gig, and platform workers.
- **Expanded ESIC Coverage** - Allows voluntary ESIC enrolment in areas where ESIC is not yet notified, increasing access to health benefits.
- **Simplified and Unified Definitions** - Harmonises definitions of wages, employees, and establishments across various social security schemes to reduce disputes and ensure consistency.

2.4 Occupational Safety, Health and Working Conditions (OSH) Code, 2020

- **Consolidates 13 Labour Laws** - Merges various safety, health, and welfare legislations into a single, simplified code for easier compliance.
- **Mandatory Appointment Letters** - Requires employers to issue formal appointment letters to all employees, improving transparency in employment terms.
- **Regulation of Working Hours and Conditions** - Standardises working hours, overtime norms, and daily/weekly limits while ensuring adequate rest intervals.
- **Work-from-Home Provisions** - Empowers the government to frame rules related to work-from-home arrangements, reflecting modern workplace needs.



- **Stronger Safety and Welfare Measures** - Enhances welfare provisions such as creche facilities, canteens, and first-aid requirements in establishments.
- **Improved Safety Standards for Hazardous Work** - Introduces stricter norms for hazardous industries and mandates real-time monitoring of workplace safety in certain sectors.
- **Alignment with Global Best Practices** - Aims to bring Indian occupational safety standards in line with international norms, promoting safer and healthier workplaces.

3.0 Analytical Overview

3.1 Strengths

- **Simplification & Clarity** - Replacing 29 fragmented laws with 4 codes reduces compliance complexity.
- **Worker Protection** - Universal minimum wages, gratuity after 1 year, and inclusion of gig workers are landmark steps.
- **Ease of Doing Business** - Common definitions and streamlined compliance encourage investment and formalisation.

3.2 Challenges

- **Implementation Gaps** - Many provisions require state-level rules, which could delay uniform enforcement.
- **Union Rights** - Stricter strike conditions and higher thresholds for union recognition may weaken collective bargaining.
- **Employer Leverage** - Flexibility in retrenchment and contract hiring could lead to job insecurity despite formal protections.
- **Social Security Funding** - Extending benefits to gig workers raises questions about financing and employer contributions.

3.3 Broader Impact

- **Formalisation Push** - By mandating appointment letters and wage transparency, informal employment may shrink.
- **Gig Economy Recognition** - India becomes one of the few countries to legally acknowledge gig workers' rights.
- **Employer-Friendly Tilt** - Labour groups may argue that relaxed thresholds and stricter strike rules may weaken collective bargaining and worker protections.
- **Balance of Power** - While workers gain protections, employers gain flexibility, thus creating a delicate equilibrium that will depend on enforcement.

3.4 Impact Overview - At a Glance

| Labour Code | Replaces | Key Focus |
|--|--------------------------------|---|
| Code on Wages | 4 laws incl. Minimum Wages Act | Wage standardisation, equal pay, timely payment |
| Industrial Relations Code | 3 laws incl. ID Act | Strikes, layoffs, dispute resolution |
| Social Security Code | 9 laws incl. EPF/ESI | Universal social security, gig worker coverage |
| OSH & Working Conditions Code | 13 laws incl. Factories Act | Safety, working hours, employer obligations |

Each code consolidates multiple laws into a single, coherent framework. The above table shows what each code covers.

3.5 Key Comparisons

| Theme | Earlier Framework | New Labour Codes |
|-----------------------------|------------------------------------|--------------------------------------|
| Wage Structure | Sector-specific, inconsistent | Unified and standardised |
| Worker Definition | Multiple, conflicting definitions | Single comprehensive definition |
| Compliance | Multiple registrations/inspections | Single registration, digital filings |
| Social Security | Mostly the formal sector | Includes gig & unorganised workers |
| Industrial Relations | Complex & fragmented | Simplified procedures & thresholds |
| Safety Standards | Varied by industry | Uniform standards across sectors |

This comparison highlights how the new codes simplify and expand coverage, making compliance easier and more inclusive.

3.6 Compliance Impact on Employers

- Single registration across multiple codes
- Digital maintenance of records and filings
- Higher coverage and expanded obligations
- Greater transparency and structured accountability
- Reduced paperwork with increased monitoring expectations

The new system reduces paperwork and improves transparency, but also increases employer responsibility.

3.7 Strategic Implications for Organisations

- Improved ease of doing business
- Better workforce management and modernisation
- Enhanced risk mitigation through clearer compliance
- Stronger employee trust and retention

Beyond compliance, these reforms offer strategic advantages, especially for organizations focused on growth and talent retention.

4.0 Action Plan for Organisations

A practical roadmap for organizations to transition smoothly and stay compliant may be to:

- Conduct a comprehensive compliance audit
- Revise all HR policies, employment contracts, and standing orders
- Upgrade payroll and HRMS systems to align with wage definitions
- Train HR, compliance, and legal teams
- Communicate the major changes to employees for smooth adoption

5.0 Way Forward

The November 2025 labour codes are a double-edged reform - they modernise India's labour framework and strengthen protections, but may introduce transition challenges, particularly around engagement with trade unions and consistency of enforcement. Their success will hinge on how effectively states implement them and whether social security for gig workers is meaningfully supported.

Overall, these labour reforms aim to strike a balance between flexibility for businesses and protection for workers. Their real impact will depend on how smoothly the transition unfolds, the level of administrative readiness, and how well the reforms translate into meaningful benefits on the ground.

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