

Comply View

Compliance Simplified

New Labour Codes 2025

A Comprehensive Guide for Employers, HR Leaders & Compliance Professionals



Please note: - The rules under these Labour Codes from Central Government and State Government's have not yet been notified. After the Notifications of these rules, final Policies and strategy will be recommended We will keep you informed on same.

Overview and Purpose of the New Labour Codes

For decades, India's labour framework was scattered across 29 separate central laws dealing with wages, social security, industrial relations and workplace safety. Many of these legislations were antiquated—some originating from the pre-independence era—resulting in overlapping provisions, compliance challenges and operational confusion for both employers and workers.

To simplify and modernise this structure, the Government has consolidated these 29 laws into four comprehensive Labour Codes:

1. **Code on Wages, 2019**
2. **Social Security Code, 2020**
3. **Occupational Safety, Health and Working Conditions Code, 2020**
4. **Industrial Relations Code, 2020**

These reforms aim to promote universal wage protection, strengthen social security, enhance workplace safety, improve ease of doing business, and minimise discretionary inspections through technology-enabled compliance mechanisms.

WHAT ARE THE KEY BENEFITS FOR EMPLOYERS?

- **Simplified compliance:** As 29 scattered labour laws are now merged into 4 streamlined, easier-to-follow Codes.
- **Fixed-term employment:** Allows employers to hire for specific projects or durations without long-term workforce commitments.
- **Single Registration, Single License and Unified Returns:** Reduce duplication, paperwork and departmental interaction.
- **Standardized wage and legal definitions:** Standardised wage and legal definitions minimize confusion, compliance errors and labour disputes by clearly defining terms such as worker, employee, employer, and wages.
- **Working-hour flexibility up to 12 hours/day:** (with safety caps and overtime compliance) supports production peaks and business demands.
- **Layoff flexibility up to 300 workers:** gives organizations more operational freedom during restructuring. (from 100 to 300).
- **Women allowed to work:** in all sectors including night shifts (with safeguards).

The Four New Labour Codes

1. CODE ON WAGES, 2019

Purpose: - To ensure fair, timely and uniform wage practices for all employees across India.

Key Provisions

- Single, universal definition of “**Wages**”
- **Basic + DA must be at least 50% of total CTC**
- Minimum wages applicable to **all employees**, not only scheduled industries
- Mandatory payment timelines — monthly wages within **7 days**
- Equal remuneration for men and women
- Digital, randomised inspection system for transparency

Impact on Employers

- Salary structures may need restructuring
- PF, gratuity & bonus liabilities may increase
- Strong payroll compliance & documentation required
- Digital wage payment and wage slips become essential

2. SOCIAL SECURITY CODE, 2020

Purpose: - To expand social protection and statutory benefits to all categories of workers — including organised, unorganised, gig and platform workforce.

Key Provisions

- ESIC coverage expanded to all districts from 566 districts earlier to all 740 districts.
- ESIC benefits made available even if only one employee is engaged in hazardous work.
- Universal PF and ESI coverage expanded to include unorganized, gig and platform workers.
- Creation of a dedicated Social Security Fund to support nearly 40 crore unorganized workers
- **Gratuity eligibility for fixed-term employees - 1 year**
- Aadhaar-linked UAN ensures seamless national portability of PF and social security benefits.
- Establishments employing **20 or more workers** must report vacancies online.
- A centralised national database for unorganized and migrant workers enables targeted welfare delivery.

Impact on Employers

- Wider coverage of PF & ESIC contributions
- Gig/platform employment to be recorded & contributed for
- New HR onboarding, exit & payroll compliance systems required
- Mandatory record maintenance & digital reporting

3. OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE, 2020

Purpose: To standardise workplace health, safety, welfare and employment conditions across industries.

Key provisions

- Merges 13 Acts including Factories Act & Contract Labour Act
- Common, single registration & licence for establishments
- Mandatory **appointment letters** for all employees
- Women allowed to work in all sectors including night shifts (with safeguards)
- Free annual health check-ups for eligible workers. (all employees over the age of 40)
- Strengthened protections for migrant workers, including:
 - Self-registration on a national portal
 - Annual travel assistance to home State
 - Nationwide ration access under One Nation One Ration Card
 - Mandatory State-level helplines
 - Creation of a centralised migrant worker database
- Stricter workplace safety, sanitation, ventilation & welfare facilities
- Improved leave entitlements - eligibility for earned leave reduced from 240 to 180 working days.

Impact on Employers

- Enhanced workplace safety responsibilities
- Contractor labour compliance becomes more structured
- Annual medical check-up provisions must be implemented
- Updated HR, admin & EHS policies required

4. INDUSTRIAL RELATIONS CODE, 2020

Purpose: To balance employment flexibility with industrial peace, faster dispute resolution and stronger labour-management relations.

Key Provisions

- Combines Trade Unions Act, Standing Orders Act & ID Act.
- Faster dispute resolution through two-member Industrial Tribunals, with a targeted one-year decision timeline.
- **Re-skilling allowance** - retrenched workers receive 15 days' wages to support re-employment.
- Job-loss support available to eligible workers under the Atal Beemit Vyakti Kalyan Yojana.
- **Clear legal procedures** for strikes, layoffs and closures while continuing to safeguard workers' right to strike.

Impact on Employers

- Greater flexibility in workforce management
- Structured employee relations & union negotiations
- Need for grievance redressal systems & documentation
- HR legal compliance becomes more strategic

Conclusion

These Labour Codes are giving some cosmetic changes with the objective of removing ambiguities. After State level Rules notifications, we will keep updating you and guiding you for implementation on the Labour Codes.

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