LEXOLOGY

The future of work: India's unified Labour Code regime takes effect

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Background

After years of deliberation and phased legislative reform, the four new Labour Codes, namely the Code on Wages, 2019 ("**Wage Code**"), the Industrial Relations Code, 2020 ("**IR Code**"), the Occupational Safety, Health and Working Conditions Code, 2020 ("**OSH Code**"), and the Code on Social Security, 2020 ("**SS Code**"), have been brought into effect by the Government of India vide several notifications dated November 21, 2025.[1] The implementation of the Labour Codes, which consolidates 29 existing central labour laws into a cohesive and simplified framework, marks a landmark moment in India's employment law landscape, ensuring greater uniformity in labour regulation, reduced compliance burden for employers, and a more balanced framework for industrial relations that supports ease of doing business while safeguarding worker rights. This article examines the transformative changes under the new Labour Codes and what they mean for employers navigating India's evolving labour law framework.

Introduction

The implementation of the Labour Codes had been anticipated since their notification in the Official Gazette in 2019 and 2020, however, delays arising from the need for formulation of the rules at the state-level and prolonged stakeholder consultations posed challenges, culminating in their eventual enforcement on November 21, 2025. With the ushering of the Codes, the new regime is expected to have a wide-ranging impact on how organisations manage their workforce, compliance obligations, and employee relations.

For one, the Labour Codes introduce greater uniformity and clarity by redefining the concept of wages, expanding social security coverage, streamlining compliance and reporting mechanisms across sectors. At the same time, the Codes seek to provide greater procedural flexibility to employers in areas such as fixed-term employment, contract labour engagement, and industrial dispute resolution, while continuing to strengthen worker protections and social security entitlements.

As per the notifications issued by the Ministry of Labour and Employment on November 21, 2025, while all provisions of the IR Code and the OSH Code have been brought into effect, only select provisions of the Wage Code and the SS Code have been implemented at this stage. While draft rules under all four Codes had been published earlier, these are now being reviewed to reflect the current legal and economic environment. The Government has announced that the revised draft rules will soon be released for public consultation for a period of at least 45 days. Once the final rules are notified, the major provisions of the Codes will become fully operational.

I. Occupational Safety, Health and Working Conditions Code, 2020

The OSH Code represents a major reform in India's labour regulatory framework, aimed at ensuring safer, more equitable working conditions across industries.

Laws subsumed: It consolidates and rationalises 13 existing central legislations governing occupational safety, health, and working conditions, including Factories Act, 1948, Contract Labour (Regulation and Abolition) Act, 1970, Mines Act, 1952, and Dock Workers (Safety, Health and Welfare) Act, 1986, among others.

Impact to be assessed:

1. Applicability: The OSH Code introduces a unified electronic registration system for establishments employing 10 or more workers, replacing the earlier system that required multiple registrations under

different laws. Establishments can now obtain a single registration, one licence, and file one consolidated return, creating a centralised database that enhances compliance efficiency and supports the government's ease of doing business agenda. The OSH Code also provides procedural flexibility by exempting establishments employing between 20 and 49 contract workers from the requirement of obtaining separate registration or licensing under the Contract Labour provisions, while increasing the applicability threshold for contract labour regulations to 50 workers. This reform aims to reduce administrative burdens for smaller businesses while maintaining worker protections. Additionally, the Code revises the applicability threshold for factories, increasing them from 10 to 20 workers (where power is used) and from 20 to 40 workers (where power is not used), thereby reducing compliance obligations for smaller manufacturing units.

2. Prohibition on Contract Labour in Core Activities: The OSH Code introduces a significant restriction by prohibiting the engagement of contract labour in core activities of an establishment, except in limited circumstances. Employers must therefore carefully evaluate the classification of their business functions as "core" or "non-core" and to assess whether the engagement of contract labour in core activities falls within the limited exceptions permitted under the Code to ensure compliance.
3. Welfare schemes: One of the key welfare measures introduced under the OSH Code is the mandatory provision of free annual health check-ups for all workers above the age of 40. This marks a significant expansion in occupational health coverage, which was earlier confined to workers engaged in hazardous or notified processes under older laws such as the Factories Act, 1948. Further, the OSH Code also strengthens workforce formalisation by mandating that employers issue written appointment letters to all employees, clearly specifying job roles, wages, and social security entitlements.
4. Nightshift working for women employees: A progressive provision under the OSH Code relates to women's participation in the workforce. Women are now permitted to work in all types of establishments and during night hours, subject to their consent and the implementation of prescribed safety measures. While several states had previously allowed such flexibility through periodic notifications, the Code brings uniformity by embedding it within the central statute, signalling a more inclusive and equitable approach to workforce participation.

II. Industrial Relations Code, 2020

The IR Code seeks to streamline and modernise the framework governing trade unions, conditions of employment, industrial disputes, and the resolution of conflicts between employers and workers.

Laws subsumed: It consolidates and rationalises 3 key legislations including Industrial Disputes Act, 1947, Trade Unions Act, 1926, and Industrial Employment (Standing Orders) Act, 1946.

Impact to be assessed:

1. Applicability: One of the most notable reforms is the enhancement of key regulatory thresholds. The requirement for prior government approval for lay-off, retrenchment, and closure has been increased from 100 to 300 workers, while the applicability threshold for the Standing Orders has also been raised to 300 workers. This reform is not entirely new, as several states such as Karnataka, Andhra Pradesh, Assam, Bihar had already implemented similar changes under the earlier Industrial Disputes Act, 1947. The IR Code now brings uniformity by standardising these higher thresholds, thereby simplifying compliance and providing greater operational flexibility to mid-sized establishments. Another significant reform is the introduction of fixed term employment (FTE), which allows employers to engage workers directly on time-bound contracts while ensuring parity in wages and benefits with permanent employees. Additionally, the expanded definition of "worker" now includes supervisory employees earning up to INR 18,000 per month, thereby extending statutory coverage to a broader segment of the workforce, which previously were not governed by most of the applicable labour laws.
2. Re-skilling Fund: The creation of a Re-skilling Fund for retrenched employees, financed by a contribution equivalent to 15 days' wages, is a progressive measure that provides a financial cushion and supports workforce redeployment. This contribution is in addition to the retrenchment compensation payable to workers at the time of retrenchment, thereby enhancing the overall social protection of workers' rights.
3. Impact of the New Definition of Wages on Payouts: Employers must reassess the financial implications of the new uniform definition of "wages," as it directly impacts the computation of statutory payments such as retrenchment compensation. It is therefore essential for employers to review their existing pay structures to ensure compliance with the revised definition and accurately evaluate potential cost implications arising from retrenchment or employee separation scenarios.
4. Notice period for Strikes & Lockouts: The introduction of a mandatory 14-day notice period for strikes and lockouts in all establishments ensures a cooling-off period that allows time for negotiation and

conciliation before any disruption occurs. Previously, under the Industrial Disputes Act, 1947, this requirement was limited only to public utility services. By extending this requirement to all industrial establishments, the IR Code aims to prevent flash strikes and sudden work stoppages across the private sector, fostering a more stable, predictable, and dialogue-driven industrial relations environment.

5. Ease of Doing Initiatives (such as compounding, digitization of records): In a move that aligns with the Government's initiative of ease of living and doing business, the Code embodies the government's larger policy shift towards decriminalisation and compounding of minor offences, replacing imprisonment with monetary fines to encourage voluntary compliance. It also enables digital processes for maintaining records, filing returns, and communication with authorities, thereby reducing administrative burden and aligning with the broader Digital India initiative. Collectively, these reforms signal a move away from a punitive and inspection-heavy regime towards a more facilitative, technology-driven, and compliance-oriented regulatory model.

III. Code on Social Security, 2020

The SS Code marks one of the most comprehensive reforms in India's employment law landscape, creating a unified framework for the administration of social welfare benefits.

Laws subsumed: It consolidates 9 key legislations relating to social security, including Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Employees' State Insurance Act, 1948, Employees' Compensation Act, 1923, Maternity Benefit Act, 1961, and Payment of Gratuity Act, 1972, among others. By merging these diverse legislations, the SS Code simplifies compliance, enhances portability of benefits, and seeks to extend social protection to a wider segment of India's workforce.

Impact to be assessed:

1. Applicability: The SS Code applies to all establishments and employees covered under the earlier legislations while expanding its reach to previously unprotected categories such as gig workers, platform workers, and those engaged in the unorganised sector. To this end, national and state-level Social Security Boards are to be established for recommending and administering welfare schemes, thereby ensuring that social protection extends beyond the formal employment relationship.
2. Gratuity Payouts and Standardization of 'Wages': Employers must carefully evaluate the financial impact of gratuity payments due to two major reforms under the SS Code. FTEs now become eligible for a pro-rata payment upon the expiry of their contract, provided they complete at least 1 year of continuous service. This marks a significant shift from the earlier 5-year requirement, substantially increasing the employer's liability for fixed-term contracts. Second, the impact on calculation of gratuity payouts will have to be assessed basis the new, uniform definition of "wages".
3. Recognition of Gig-workers & Aggregator Arrangements: The Code also brings a major policy shift by formally recognising gig and platform workers as part of the social security framework. The definition of gig worker has been kept broad, encompassing anyone engaged in work arrangements outside a traditional employer-employee relationship. Aggregators are required to contribute between 1-2% of their annual turnover, capped at 5% of total payments made to such workers during the financial year.
4. Portability of Social Security Benefits of Gig-workers: By mandating electronic registration and a universal account system, the SS Code embeds portability and ensures that benefits like provident fund and insurance seamlessly follow workers across jobs and geographies. This guarantees continuity of coverage, particularly for migrant and gig workers, regardless of changes in employment or location.
5. Extension of ESI Scheme: Among its most notable changes, the SS Code introduces pan-India applicability of the Employees' State Insurance (ESI) scheme, removing the earlier requirement of notified areas. Smaller establishments with fewer than 10 employees may voluntarily opt into the scheme, while coverage has been made mandatory for hazardous occupations, even if a single employee is employed.
6. Work from Home Flexibility: To provide more flexibility to women returning after maternity leave, the SS Code allows the employer to permit them to Work from Home (WFH), provided the nature of work permits and, on such terms, as may be mutually agreed between the employer and the woman. This provision seems to be in line with the earlier WFH provision under the Maternity Benefit Act, 1961. A similar provision for employees recovering from certain kinds of sickness would go a long way in providing necessary flexibility to the workforce.
7. Introduction of Inspector-cum-Facilitator: The SS Code replaces the traditional inspector system with an Inspector-cum-Facilitator model, which introduces a web-based inspection framework aimed at ensuring greater transparency and objectivity. This model focuses on promoting compliance through guidance and capacity-building rather than punitive enforcement, marking a shift from a policing approach to a

facilitative one. This reform aligns with the government's broader intent to decriminalise certain offences to improve ease of doing business. Further, the SS Code advances the digitisation of compliance by mandating electronic maintenance of records, registers, and returns. This shift toward a paperless and technology-driven system is expected to enhance administrative efficiency, reduce costs, and improve oversight.

IV. Code on Wages, 2019

The Wage Code is the first among India's four new labour codes to be enacted, laying the foundation for the country's comprehensive labour law reform. The objective of the Wage Code is to ensure universal coverage of minimum wage (*which, under the Minimum Wages Act, 1948, applied only to scheduled employments, covering roughly 30% of India's workforce*), protection against unlawful deductions, timely payment provisions across all sectors, promoting principles of equality and fairness in remuneration, and to simplify compliance through standard definitions and procedures.

Impact to be assessed: It consolidates and rationalises 4 key legislations governing wage and remuneration matters, namely Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976, into a single, uniform framework.

1. Applicability: Reflecting the spirit of inclusion of all categories of employees, whether those engaged in skilled, unskilled, managerial/supervisory, or non-managerial employees, the Wage Code adopts a broad and inclusive definition of "employee". It extends fundamental protections such as timely payment of wages and regulation of permissible deductions to all employees, irrespective of their wage ceiling. Therefore, employers will now need to take all employees, including those in managerial or supervisory roles, into account in complying with provisions of the Code.
2. National Floor Wage: One of the most significant changes introduced by the Wage Code is the extension of the statutory right to minimum wages to all employees across both the organised and unorganised sectors. In this light, the Wage Code has introduced the concept of a 'National Floor Wage', a uniform benchmark set by the Central Government based on the minimum living standards required for workers and their families. This statutory floor wage serves as the baseline below which no State Government may fix its own minimum wage rates, thereby preventing a "race to the bottom" in wage determination while still allowing States the flexibility to account for regional and economic variations. The Wage Code also mandates the use of objective and transparent criteria for fixing minimum wages, including skill level (unskilled, semi-skilled, skilled, or highly skilled), type of work, and geographical area, ensuring that wage determination reflects both fairness and local realities.
3. Equal Remuneration for all Genders: In keeping with its emphasis on equity, the Wage Code strengthens the principle of equal remuneration by explicitly prohibiting gender-based discrimination, including against transgender persons, in recruitment and the payment of wages for similar work.
4. Wage Deductions and Final Settlements: By expanding the definition of 'employees', the Wage Code significantly increases employee protection while ensuring that provisions governing authorized deductions from wages now apply to all employees, irrespective of any wage limit. Previously, these protections typically ceased for employees drawing above INR 24,000 per month. Additionally, the Wage Code mandates strict adherence to defined timelines for full and final settlements upon separation, resignation, or termination of employment.
5. Standardization of Overtime: The Wage Code further standardises overtime pay by requiring that employees be compensated at least twice their normal wage rate for work performed beyond standard working hours, ensuring consistency and eliminating variations in overtime compensation across different sectors and establishments.
6. Introduction of Inspector-cum-Facilitator: The traditional role of the "Inspector" has been replaced by that of an Inspector-cum-Facilitator, whose mandate extends beyond enforcement to providing guidance and support to employers, thereby promoting voluntary compliance and reducing adversarial interactions.
7. Ease of Doing Initiatives: In line with the Government's broader labour reform agenda, the Wage Code decriminalises minor, non-imprisonable offences and introduces a compounding mechanism for first-time violations, allowing offenders to resolve issues by paying a monetary penalty rather than facing prosecution.

Looking ahead

The implementation of the four Labour Codes marks a defining milestone in India's journey toward modernising and harmonising its labour and employment law framework. For employers, this transition will require a careful recalibration of existing policies, HR processes, and compliance mechanisms. While the Codes

promise significant simplification and uniformity, their full impact will unfold gradually as the Central and State Governments finalise and notify the accompanying rules. Until then, the existing labour laws and corresponding rules will continue to govern employment relationships, providing a buffer period for employers to prepare for the transition.

It is also important to note that the consolidation under the Labour Codes does not replace all existing state-specific employment laws. Local statutes, such as the Shops and Establishments Acts, will continue to operate and regulate essential aspects like working hours, holidays, and service conditions for commercial establishments.

As India moves toward a more formalised and inclusive labour ecosystem, employers should take this period as an opportunity to assess their compliance readiness, review workforce structures, and align internal frameworks with the spirit of the new Codes.

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