

India's New Labour Codes: An Overview of Key Changes and Implications

BACKGROUND

Almost 24 years after the Second National Commission on Labour (2002) recommended simplification of central labour laws and almost 7 years after the Government of India took the first step towards effecting such simplification when the President's assent was given to the Code on Wages, 2019, the Government of India brought into force on 21 November 2025 the four comprehensive labour codes, which consolidated India's erstwhile fragmented labour law regime into: (i) the Code on Wages, 2019 ("**Wage Code**"); (ii) the Code on Social Security, 2020 ("**Social Security Code**"); (iii) the Industrial Relations Code, 2020 ("**IR Code**"); and (iv) the Occupational Safety, Health and Working Conditions Code, 2020 ("**OSH Code**" and collectively, the "**Labour Codes**"). This legislative reform represents an attempt at bringing India's labour jurisprudence in line with the changing social, economic structure of the country.

WHAT IS "IN" AND WHAT IS "OUT"

A brief snapshot of the labour laws replaced by the Labour Codes is set forth below:

Labour Codes	Repealed labour laws
Wage Code	<ol style="list-style-type: none"> 1. Payment of Wages Act, 1936 2. Minimum Wages Act, 1948 3. Payment of Bonus Act, 1965 4. Equal Remuneration Act, 1976
Social Security Code	<ol style="list-style-type: none"> 1. Employee's Compensation Act, 1923 2. Employees' State Insurance Act, 1948 3. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 4. Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 5. Maternity Benefit Act, 1961 6. Payment of Gratuity Act, 1972

	<ol style="list-style-type: none"> 7. Cine-Workers Welfare Fund Act, 1981 8. Building and Other Construction Workers' Welfare Cess Act, 1996 9. Unorganised Workers' Social Security Act, 2008
OSH Code	<ol style="list-style-type: none"> 1. Factories Act, 1948 2. Plantations Labour Act, 1951 3. Mines Act, 1952 4. Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 5. Working Journalists (Fixation of Rates of Wages) Act, 1958 6. Motor Transport Workers Act, 1961 7. Beedi and Cigar Workers (Conditions of Employment) Act, 1966 8. Contract Labour (Regulation and Abolition) Act, 1970 9. Sales Promotion Employees (Conditions of Service) Act, 1976 10. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 11. Cine -Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 12. Dock Workers (Safety, Health and Welfare) Act, 1986 13. Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
IR Code	<ol style="list-style-type: none"> 1. Trade Unions Act, 1926 2. Industrial Employment (Standing Orders) Act, 1946 3. Industrial Disputes Act, 1947

Labour-related matters fall under the Concurrent List of the Constitution of India, which means both the central and state governments may legislate on this area, with state laws supplementing or modifying the central framework in the respective state jurisdictions in accordance with applicable law. While the Labour Codes consolidate 29 central labour legislations, and provide a uniform statutory framework at the central level, their on-ground implementation will differ based on state-specific rules and notifications, which will come into effect in the future, and they do not change state-specific Shops and Commercial Establishments Acts (which also regulates matters such as leave entitlement, work hours, holidays, notice period etc).

They also do not address other labour-related legislations, including, *inter alia*:

1. Apprentices Act, 1961;
2. Industry specific laws such as for railways;

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3. Child Labour (Prohibition & Regulation) Act, 1986 (while the matters concerning child labour are dealt with under the OSH Rules, the erstwhile law on Child Labour has not been repealed – it is unclear whether this is an oversight or a deliberate intention to cover child labour under both legislations); and
 4. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

KEY CHANGES

1. Wage Code:

- a. A new definition of ‘wages’ has been introduced, which will apply across all the Labour Codes. The revised and more prescriptive definition has a direct bearing on statutory contributions and payments linked to wages, including provident fund, employees’ state insurance, and gratuity. Under the new framework, the revised definition encompasses all remuneration capable of being expressed in terms of money, paid or payable to an employee in respect of work performed pursuant to a contract of employment, whether express or implied. If allowances/exclusions exceed 50%, the excess is added to the “wages” base.

Accordingly, the definition is an inclusive definition, setting out: (i) what components are included in wages, (ii) a list of specified exclusions, and (iii) the deeming rule that where the excluded components exceed 50% of total remuneration, the excess portion will be deemed to form part of “wages”.

Note that the definition of “wages” is substantially consistent across all the Labour Codes.

- b. Provisions relating to payment of wages (such as for timely payment of wages, authorised deductions etc.) were earlier only applicable to employees earning below a particular threshold amount (INR 24,000 per month) – however, these are now applicable to all employees.
- c. Employers are required to not discriminate on the basis of gender in paying wages for the same or similar work and must not discriminate on the basis of sex while recruiting employees.
- d. Every establishment is required to fix wage periods (daily, weekly, fortnightly, or monthly) and all wages must be paid within the prescribed timelines for each wage cycle.
- e. Deductions (which includes certain allowances) to wages cannot exceed 50% of wages during the wage period.

2. Social Security Code:

- a. Benefits of social security coverage have been extended to a broader section of the workforce including: (i) unorganized workers such as self-employed or home based workers or wage workers in the unorganized sector; (ii) contract labour including inter-state migrant workers; (iii) gig workers and platform workers (engaging in activities outside the traditional employer-employee relationship); and (iv) fixed term employees, who are now entitled to statutory benefits at par with permanent employees on a pro-rata basis.
- b. Coverage of provident fund and employee state insurance has been expanded to all employers employing more than the prescribed number of employees (under the earlier legislations, only scheduled industries/employers were covered).
- c. Fixed term employees are now eligible for gratuity after one year of service (instead of five-years).
- d. A new Social Security Fund (“**Fund**”) is envisaged to be set up by the Central Government for social security and welfare of unorganised workers, gig workers and platform workers. Aggregators are required to contribute between 1% and 2% of their annual turnover to the Fund, subject to a cap of 5% of the total amount paid or payable to gig and platform workers.
- e. Portability of social security benefits has been facilitated through the introduction of Aadhaar-linked universal account numbers, enabling workers (particularly inter-state migrant workers and workers operating in the unorganised sector) to access and carry their social security entitlements across states and employers. A national database of unorganised, gig and migrant workers is envisaged to be created and maintained for this purpose.

3. IR Code:

- a. Establishments with up to 300 employees (previously 100) do not need prior government approval for lay-offs, retrenchments or closures.
- b. If more than one registered trade union operates in an industrial establishment, the employer is required to recognise the trade union that has the support of 51% or more of the workers on the muster roll as the negotiating union. If multiple registered trade unions exist and none has the support of 51% or more workers, the employer must constitute a Negotiating Council.

4. OSH Code:

- a. Employers are now mandated to issue letters of appointment to all workers in order to formalise their employment with the relevant employer, regardless of the nature or duration of their employment.
- b. Free annual health check-ups have been mandated for employees, especially for those over 40 years.
- c. Appointment of safety officers has been made mandatory for specific factories.
- d. The engagement of contract labour in the core activities of an establishment is prohibited, subject to limited exceptions (for instance, where such work is ordinarily outsourced, does not require full-time roles, or there is a temporary spike in workload). The OSH Code now defines core and non-core activities.
- e. The threshold for applicability of the contract labour provisions has been raised from 20 to 50 contract labour employed in the preceding 12 months.
- f. Provisions relating to hours of work and annual leave which were earlier only applicable to workmen in factories have now been made applicable to all 'workers' in an 'establishment'. Since these provisions will be applicable in concurrence with local state-specific Shops and Commercial Establishments Acts (which also govern these provisions), these will need to be examined to ensure compliance with all applicable statutes, both central and state.

Apart from the above, the Labour Codes introduce a unified and digital compliance framework featuring a single license, a single registration and a single annual return.

The Labour Codes also introduce stricter penalties for non-compliance ranging from monetary fines up to INR 1,000,000 and imprisonment extending to five years for severe violations involving worker safety or wilful non-compliance. However, the Labour Codes also introduce provisions for compounding (settlement) of offences and improvement notices, to encourage and facilitate compliance.

CONCLUSION

The introduction of the Labour Codes represents a significant legislative intervention that materially amends the legal framework governing employment relations in India. By consolidating a fragmented statutory landscape into four comprehensive Labour Codes, the Indian legislators have sought to achieve the objectives of simplification of compliance procedures, universalisation of labour protections, expansion of social security coverage, modernisation of workplace regulations and enhancement of enforcement mechanisms.

However, while the Labour Codes are already effective, considerable ambiguity persists in relation to their operational implementation given that the governing rules and schemes under the Labour Codes have not yet been notified and brought into force – with the Central Government only having announced draft rules and frequently asked questions (FAQs) in connection with the Labour Codes. Therefore, the existing rules under the old (repealed) labour legislations will continue to apply and would have to be read in consonance with the substantive provisions of the newly notified Labour Codes to guide future compliance (to the extent that such rules are not contrary to the Labour Codes). However, at this stage there has been no official communication on how the existing rules under the earlier labour laws should be implemented under the new Labour Codes or the tentative interim timelines until which the existing rules are expected to apply.

It is also noteworthy that the Labour Codes enable the states to come up with rules under the relevant code for addressing several matters under the Codes including matters that will affect applicability of provisions of a Labour Code. Unfortunately, not all or even majority of the states have notified rules under each Labour Code. More importantly, in some cases, states have pushed back and have undone the possible progress attempted by the Labour Code, by enacting rules and exemptions. For example, Madhya Pradesh and Uttar Pradesh have exempted factories/establishments from complying with majority of the provisions of the Labour Codes for a period of ~3 years. Similarly, several states have increased the threshold for retrenchments that require approval of the government. Accordingly, the exercise of centralizing the labour laws and easing compliance in India might lead to scattered applicability and enforcement given that the ‘appropriate governments’ have been provided a broad range of powers.

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