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Tax alert: Government announces implementation of labour codes

22 November 2025

Teaser: The Ministry of Labour & Employment (MoLE), Government of India, has announced the implementation of four Labour Codes viz. **the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020,** effective 21 November 2025. The implementation of the Labour Codes marks a significant step towards aligning with global trends, considering emerging workforce, wider coverage from social security perspective and enhancing the ease of doing business.

In a nutshell

Labour reforms

The Government of India has announced the implementation of four Labour Codes, viz. the Code on Wages (2019), Industrial Relations Code (2020), Social Security Code (2020) and Occupational Safety, Health and Working Conditions Code (2020) effective 21 November 2025.

While these Codes not only consolidate 29 existing labour legislations but also bring these into a better framework, it is important to note that the Shops & Establishments Act is not subsumed.

During the transitional phase, the existing provisions, rules, etc. would continue to remain in force.

Wage and work condition reforms

A national floor wage guarantees a minimum living wage. Timely wage payment (timelines prescribed) has been mandated for all employees and overtime wage rate is set at double the regular/ normal rate.

Equal remuneration, permitting women to work in night shifts pave the way for better opportunities, strengthen wage fairness and enhance gender-neutral employment.

Wider social security and safety benefits:

All workers will now receive mandatory appointment letters, written records providing job security.

The Code on Social Security extends retiral (Provident Fund) and other benefits such as insurance coverage, maternity benefit to various categories of work force (gig, platform, contract, migrant, women, youth and vulnerable groups), and mandates free annual health check-ups for employees aged 40 years and above.

Safety committees (for establishments with 500+ workers) enhance workplace safety and worker protection.

Simplified compliance and enforcement

Registration for employers to be a pan-India system (single licence and single return), making compliance simpler and reducing administrative burden.

An inspector-cum-facilitator model emphasizes guidance to voluntary compliance rather than a punitive action.

Better clarity on levy of penalty and damages along with decriminalization enhances ease of compliance.

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Highlights of the Press release

The four Labour Codes are effective 21 November 2025.

Key reforms

- Minimum wage guaranteed for all workers; **National floor wage** to ensure no worker receives a wage below the minimum living standard.
- Issuance of appointment letters made mandatory for all workers, to ensure transparency and job security. Mandatory compliance for employers to provide timely wages i.e. on or before 7th of every month.
- **Working hours** - Daily working hours have been capped at 8-12 hours and weekly working hours at 48 hours per week, to ensure health and work-life balance.
- Overtime work beyond prescribed working hours to be based on consent and at least double the normal wage to be paid for such overtime work. Specific provisions included for MSME (Micro, Small, and medium enterprise) workers.
- **ESIC coverage** now expanded (eliminating the criteria of 'notified areas'), voluntary for establishments with less than 10 employees, and mandatory for establishments engaged in hazardous processes. Coverage extends for **workers in plantations** with more than 10 workers/ 5 hectares. Plantation workers and their families to get full ESI medical facilities; education facilities for their children also guaranteed.
- **Women workers** are permitted to engage in all types of work and to work in night shifts as well, subject to obtaining their consent and the prior provision of applicable safety measures. Women workers to get equal opportunities and equal pay, eliminating gender discrimination. To ensure inclusivity, provision to add parents-in-law in definition of 'Family' for female employees.
- **Mandatory safety committee** for establishments with more than 500 workers to monitor safe handling of hazardous items; all workers engaged in hazardous industries will receive employer-funded annual health check-ups. Workers (aged 40 years and above) in other industries will also receive employer-funded annual health check-ups.
- **Fixed term employees (FTE)/ Contract workers -** FTEs to receive equal wages and benefits on par with permanent workers including health benefits, leave and social security. FTEs are now eligible to receive gratuity after one year of continuous service.
- **Gig work, platform work and aggregators have been** defined under the Code. All workers including gig and platform workers set to be covered for PF, ESIC, insurance and other social security benefits. Easy access to these benefits to be provided based on Aadhaar-linked UAN. Aggregators must contribute 1–2% of the annual turnover, capped at 5% of the amount paid/ payable to gig and platform workers.

Compliance and administration

- **Benefits to Employer -** Employers will now have simplified registration/ license/ return across safety and working-conditions' requirements, replacing multiple overlapping filings under various labour laws.
- Further, Inspector-cum-Facilitator system is introduced to facilitate compliance.
- National Occupational Safety and Health Board to harmonize safety and health standards, mandatory safety committees to be setup in establishments with over 500 workers.

Comments

Given that the effective date of the Labour Codes has been announced as 21 November 2025, it is imperative for organizations to revisit the labour compliances to align them with the provisions of the Codes.

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Key areas that need to be revisited include:

- Definition of wages, realignment of salary structure
- Financial impact for the organizations and potential impact on take home pay of employees considering changes relating to gratuity, leave encashment, etc.
- Impact on FTEs: business model to leverage on FTEs
- Payroll process and systems (issue of appointment letters and payslips in the specified format), meet statutory timelines for remittance of salary
- Identify workforce categories (women, contract labour, gig workers, etc.) and align type of activity undertaken and specific compliance requirements
- Organizations that fall under "Aggregators" need to put processes in place to comply with requirements in respect of gig and platform workers
- Safety standards and protocols

Next steps:

Based on the press release, it is expected that the government will commence discussions and consultations prior to finalizing rules and notifications. However, organizations will have to gear up to aligning with the provisions of the Labour Codes, given that the effective date has been notified.

Source: The press release can be accessed from the below link of Press Information Bureau (PIB) website.

Link: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2192463

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