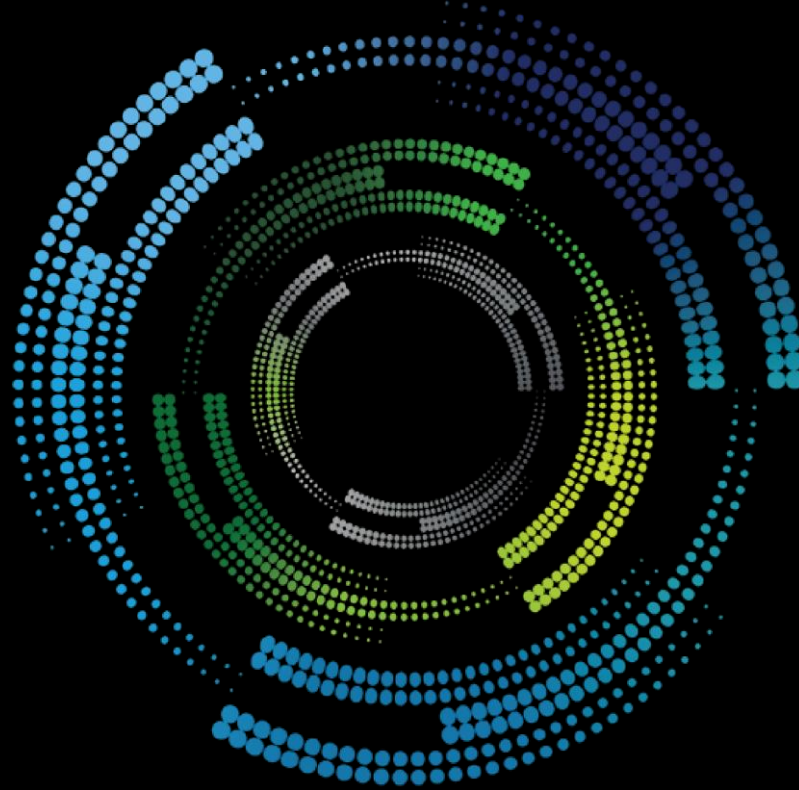




Labour Codes-Time for Action

November 2025

Polling question

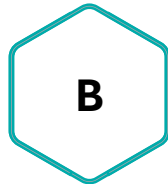


Poll Question

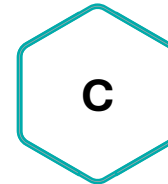
How prepared is your organisation for implementing the Labour Codes?



Fully prepared -
systems and policies
already aligned



Partially prepared -
key areas assessed,
some work pending

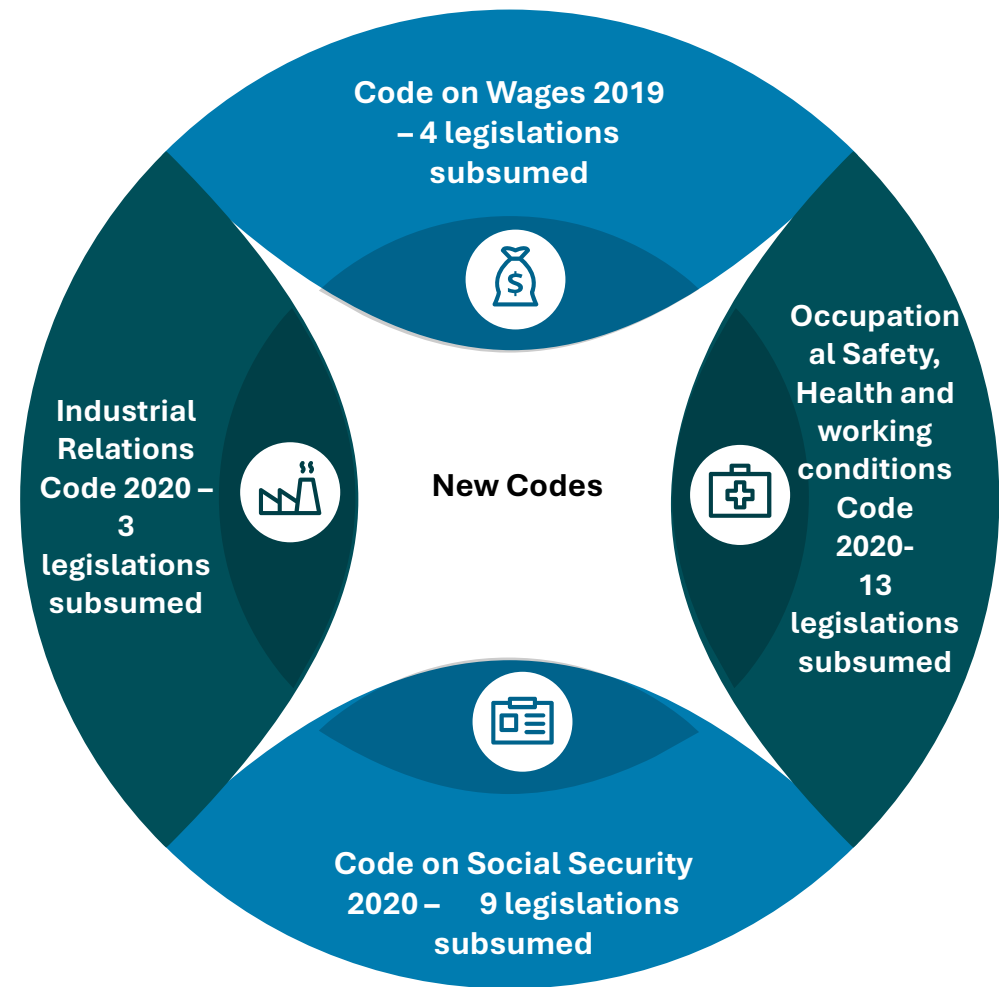
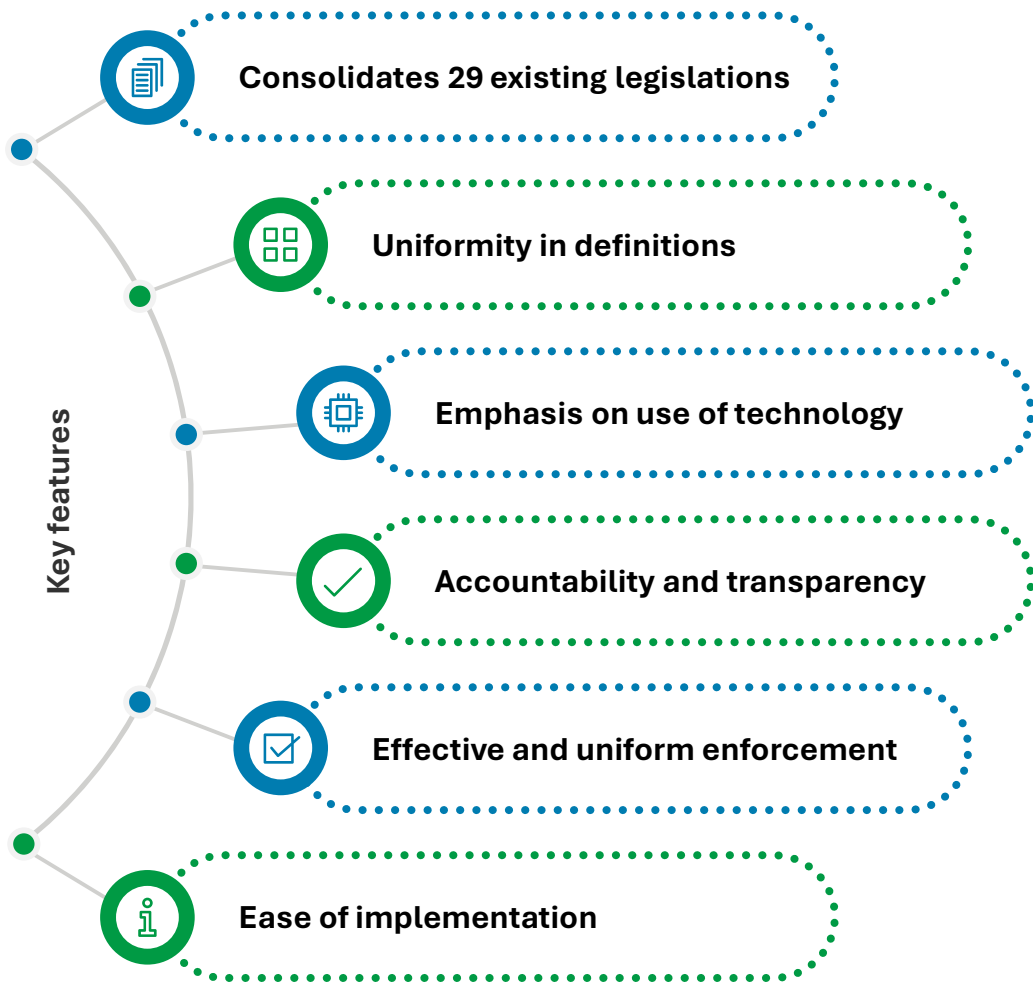


Initiated - awareness and
planning started, but major
work remains



Not prepared/unsure -yet to
begin any assessment or
changes

Labour Codes – An overview



Labour codes: Ushering in an era of EODB and Worker welfare

Ministry of Labour and Employment

Agenda

- Overview of Labour Codes.
- Pre & Post Codes Comparative
- Benefits of the Labour Codes
- **Smooth transition** from existing labour laws to the new framework.
- **Action Plan for implementation.**
- Outreach to the stakeholders for benefits of the Codes.

Overview of the Four Labour Codes

Out of 44 Central Labour Acts, 12 Acts have been repealed and 29 Labour Acts subsumed into four Codes.

1. Code on Wages, 2019

Consolidates 4 laws: Minimum Wages Act, Payment of Wages Act, Equal Remuneration Act, Payment of Bonus Act.

Uniform definitions of wages, universal minimum wages and timely payment.

2. Industrial Relations Code, 2020

- Consolidates 3 laws: Trade Unions Act, Industrial Employment (Standing Orders) Act, Industrial Disputes Act.
- Simplifies dispute resolution, promotes industrial harmony and improves business environment.

3. Social Security Code, 2020

- Consolidates 9 laws including EPF, ESI, Gratuity, Maternity Benefit, Unorganised Workers' Social Security.
- Extends social security to unorganised workers, gig/platform workers.

4. OSH & Working Conditions Code, 2020

- Consolidates 13 laws governing workplace safety and working conditions.
- Single registration, common license, uniform health & safety standards across sectors.

Overview of Benefits

	Existing Acts	Labour Codes
Sections	1228	480
Rules	1436	351
Registrations	8	1
Licenses	4	1
Forms	181	73
Registers	84	8
Returns	31	1
De-criminalisation	87 (Sections with imprisonment)	22
Improvement Notice	--	New Provision
Compounding	--	New Provision

Labour Reforms – Pre & Post Comparative (1/2)

S. No	Pre Labour Reforms	Post Labour Reforms
Formalization of Employment	No mandatory appointment letters.	Mandatory appointment letters to all workers. <i>Written proof will ensure transparency, job security, and formal employment.</i>
Social Security Coverage	Limited Social Security Coverage.	Under Code on Social Security, 2020, all workers including gig & platform workers to get social security coverage .
Minimum Wages	Minimum wages applied only to scheduled industries/ employments; large sections of workers remained uncovered.	Under the Code on Wages, 2019, all workers to receive a statutory right of minimum wage payment . Concept of Floor Wage introduced; <i>reducing wage disparity across States and promoting standard of living.</i>
Preventive Healthcare	No legal requirement for employers to provide free annual health check-ups to workers.	Employers must provide all workers with a free annual health check-up . <i>Promoting timely preventive healthcare culture .</i>

Labour Reforms – Pre & Post Comparative (2/2)

S. No	Pre Labour Reforms	Post Labour Reforms
Timely Wages	No compliance for timely payment of wages.	Mandatory for employers to provide timely wages . <i>Provide financial stability, reducing work stress and boosting overall morale of the workers.</i>
Women Workforce Participation	Female employment in night shifts and certain occupations was prohibited.	Women are permitted to work at night and in all types of work across all establishments, subject to their consent and required safety measures. <i>Women will get equal opportunities to earn higher incomes – in high paying job roles.</i>
ESIC Coverage	ESIC coverage was limited to notified areas and specific industries; establishments with fewer than 10 employees were excluded, and hazardous-process units did not have uniform mandatory ESIC coverage across India.	ESIC coverage and benefits are extended Pan-India — voluntary for establishments with less than 10 employees, and mandatory for establishments with even one employee engaged in hazardous processes . <i>Social protection coverage will be expanded to all workers.</i>
Compliance Burden	Multiple registrations, licenses and returns across various labour laws.	Single registration, PAN-India single license and single return . <i>Simplified processes and reduction in Compliance Burden.</i>

Benefits of Labour Codes

Overview of Benefits- Ease of Doing Business

- **Uniform Definitions:** Wages, Employee, Worker etc.
- **Leveraging technology:** Electronic forms, registers and returns
- **Transparency in enforcement**
 - **Inspector-cum-Facilitator** in place of Inspector
 - **Randomized Web-based Inspection** System
- **Higher female labour force participation**
 - **Right to work** in all roles; **work at night** with consent
 - **Crèche** facility in establishments having **50** or more employees
- **Flexibility in fixing working & overtime hours** to Appropriate Government

1. Code on Wages

Benefits to Employees

- **Statutory right** for minimum wage extended to all employees.
- **Timely payment of wages** including via **electronic transfer**.
- **Prohibits discrimination** on ground of gender in matter relating to wages and recruitment.
- **Statutory Floor Wage** introduced.
- **Allowances exceeding 50%** made **part of Wage**
- Enhanced maternity benefits, gratuity, EPF, EPS contribution, etc.

2. Code on Social Security (1/2)

Benefits to Employers

- **Ease of compliance under Employees' Provident Fund (EPF)**
 - Limitation period of 5 years for inquiry in past cases.
 - Assessment orders within 2 years.
 - Power to reopen cases on suo-moto basis abolished.

EPF Appeals

- Appeal deposit amount reduced from 75% to 25% of assessed liability.

2. Code on Social Security (2/2)

Benefits to Employees

Universalization of Social Security

- Gig and Platform workers
- Unorganized workers
- ESIC coverage to all establishments
- **Provisions for increased participation of Women Workers**
 - **Work-from-home option** after maternity leave.
 - **Mandatory Crèche Facility** for establishments with 50 or more employees.

3. Occupational Safety, Health & Working Conditions Code (1/2)

Benefits to Employers

Higher Thresholds

- Contract labour: 20 → 50 workers
- Factories with power: 10 → 20 workers
- Factories without power: 20 → 40 workers

Simplified Compliance

- Single All-India License valid for 5 Years
- Deemed approval & renewal of licenses

Third-Party Certification for start-ups and class of establishments.

3. Occupational Safety, Health & Working Conditions Code (2/2)

Benefits to Employees

- **Formalization** through appointment letters
- **Free annual health check-ups**
- **Inter-State Migrant Worker** includes directly employed or through contractor
- **Universal Occupational Safety & Health**
 - National standards for health & safety
 - Welfare facilities: canteen, medical, etc.

4. Industrial Relations Code 2020 (1/2)

Fixed Term Employment (FTE) introduced where an employee gets all the **benefits at par with permanent worker**. Proportionate gratuity on completion of 1 year of service.

Fifteen days wages to be paid to retrenched workers from **Re-skilling Fund contributed by** employers.

Statutory '**Negotiating Union**' and '**Negotiating Council**' to facilitate collective bargaining.

Two-Member Industrial Tribunal as against one member for speedy disposal of industrial disputes.

4. Industrial Relations Code 2020 (2/2)

Equal representation of employer and employee in Grievance Redressal committee.

14 days prior notice before strikes and lockouts applicable to all establishment irrespective of industries. It will facilitate speedy resolution of disputes and reduce conflicts.

Penalties for violations rationalized and made **commensurate with gravity of offence.**

Raised Threshold for Retrenchment/Lay-off/Closure : 100 to 300 workers.

Response to issues (1/4)

S. No.	Issues	Details	MoLE Response
1.	Increase in threshold of number of workers from 10 to 20 (with power) and 20 to 40 (without power) for applicability of Factories Act (OSH&WC Code)	• Many workers will be out of purview of labour laws and welfare measures. • Health and safety would be compromised • Increase the number of unorganized workers	• Health and safety measures mandatory for establishments with 10 workers • Will help small manufacturing units to function without much compliance burden. • Promote ease of doing business. • 20 States and UTs already notified these changes.
2.	Increase in threshold of number of workers from 20 to 50 for applicability of Contract Labour Act (OSH&WC Code)		
3.	Increase in threshold of number of workers from 100 to 300 for retrenchment/lay off/ Closure (IR Code)	• Freedom to Estt with less than 300 workers to hire and fire • No prior permission from Govt. • Major portion of Manufacturing Units will be outside coverage	• Promotes formalisation • Promote ease of doing business • Promote maximum governance minimum government

Response to issues(2/4)

S. No.	Issues	Details	MoLE Response
4.	Introduction of Fixed Term Employment (FTE) (IR Code)	• Will discourage permanent employment • Will take away job security • Suggested for 10% cap	• Will increase employability and meet workers' aspirations. • Brought at par with regular employees • Enables augment staff to meet the short time demand • Employer can engage workers on FTE directly without a contactor • Win-win situation for both employers and employees
5.	Mandatory 14 days prior notice for calling strike (IR Code)	• Potentially weaken the bargaining power of workers • Making difficult for workers to address workplace grievances	• Will avoid sudden stoppage of work • Reduce loss of man-days • Will give an opportunity for conciliation for resolving the issue in the first place • Enhance harmonious relationship between workers and management.

Response to issues(3/4)

S. No.	Issues	Details	MoLE Response
6.	Web Based inspection (All 4 Codes)	It is diluting the power of inspectors for direct inspection, be it on complaint basis or random bases or statutory bases.	• Web-based inspection will save time, manpower and cost. • In case of specific complaint, physical inspection may continue. • Encourages voluntary compliance and focused enforcement in non-compliant establishments.
7.	Concept of Negotiating Union with majority of 51% or more (IR Code)	TUs perceive 51% as too high – will compromise representation.	• TUs with less than 51% workers and having at least 20% workers will be part of negotiating council.
8.	Decriminalization of offences (All 4 Codes)	With the removal of imprisonment provision, number of offences may increase.	• With decriminalization, amount of fine/penalty has been increased manifold as deterrence to repeated offences. • Decriminalising trivial nature of civil offences will promote ease of doing business • Promotes voluntary compliance.

Response to issues (4/4)

S. No.	Issues	Details	MoLE Response
9.	Concept of Inspector cum Facilitator (All 4 Codes)	Will dilute the enforcement machinery.	• Facilitator will help the employers to comply with the labour laws • This will ultimately bring down the prosecution cases and create a healthy environment. • Facilitation does not mean less enforcement or compromising with laws • Rather it facilitates proactive action towards compliance.
10.	Improvement notices before prosecution (All 4 Codes)	CTUs are of the opinion that this provision will reduce the deterrent value of prosecution and prescribed penalties.	• Improvement notice before prosecution will give an opportunity to the employer to comply with the labour laws before going into prosecution • Will create harmonious working environment.

Enforcement of Labour Codes

All four Labour Codes made effective from 21 November 2025.

Smooth transition to Labour Codes.

Action plan for implementation of Codes (1/2)

- ✓The sections of the Codes which do not require any Rules, Regulations, By-laws, Schemes, etc. become effective immediately from the date of enforcement of Codes.
- ✓The sections of the Codes which require Rules, Regulations, Notifications, By-laws, etc. will be issued after following due process.
- ✓There will be no legal vacuum during the intervening period, i.e. between Code enforcement and Rules implementation. The existing Acts and Rules, Regulations, Notifications, By-laws will remain effective.
- ✓Draft Central Rules under the Codes will be pre-published again for 45 days within a week.

Action plan for implementation of Codes (2/2)

- ✓ After receiving public comments/suggestions on the draft Rules, Regulations, Notifications, By-laws, etc; updation as applicable shall be carried out in next 45 days.
- ✓ Regulations, Schemes, Standards, Notifications, Bye-laws, Forms and IT interventions to be finalized within 90 days.
- ✓ Social Security Fund
- ✓ Social Security Boards
- ✓ Capacity Building of stakeholders for smooth implementation.
- ✓ Regional conferences with stakeholders
- ✓ Hand-holding for States/UTs wherever required.

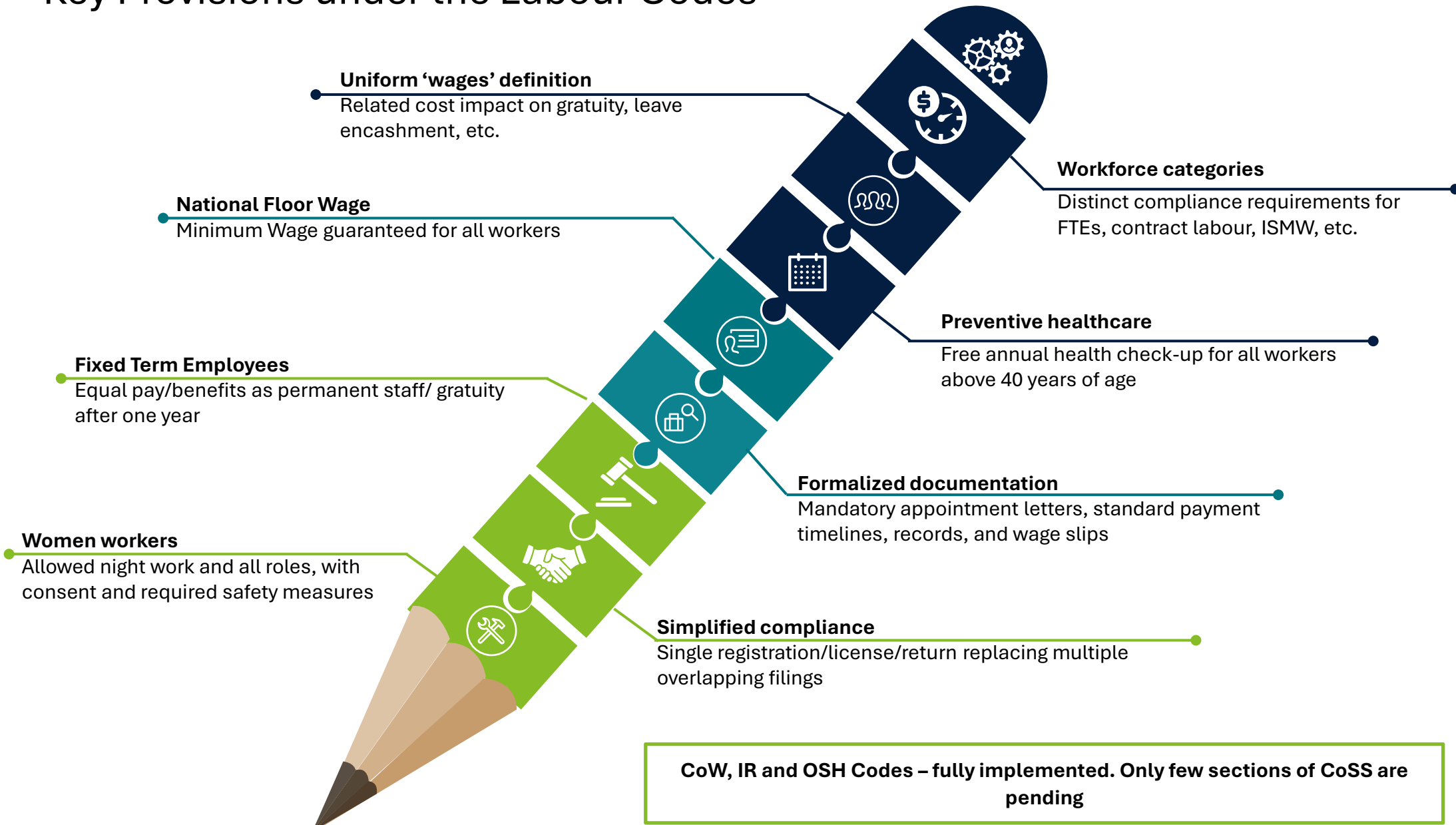
➤ **Activities to be carried out by the States/UTs**

- Framing of draft rules under the Codes
- Notifications
- Constitution of Social Security Board
- Social Security Fund
- Framing of schemes as prescribed under the Codes
- Training of enforcement machinery according to change in Acts

Readiness of IT interventions for updating State portals for –

- ✓ Single registration
- ✓ Pan India Single license
- ✓ Settlement of claims and disputes
- ✓ Filing returns
- ✓ Web-based inspection

Key Provisions under the Labour Codes



Labour Codes – Potential Areas of impact



Gratuity Liability for the past period

Gratuity to be computed with respect to “Wages” as against “basic salary”.



On Going Gratuity Costs

The annual additional liability towards gratuity would also increase since gratuity is now payable on “Wages”-Impact on net take home.



Provident Fund (Not yet repealed)

Contributions to be made on “wages”. Wage ceiling to be factored.

ESI & Statutory bonus

Change in coverage on account of change in definition of “Wages”

Minimum Wages – Qualifying wages

Resultant change in qualifying wage to determine compliance with Minimum Wage.

Leave Encashment

Higher base for computation of Leave encashment

Policy related changes

Requirement of significant policy updates across HR, compliance, and workforce management.

Compliance and process related changes

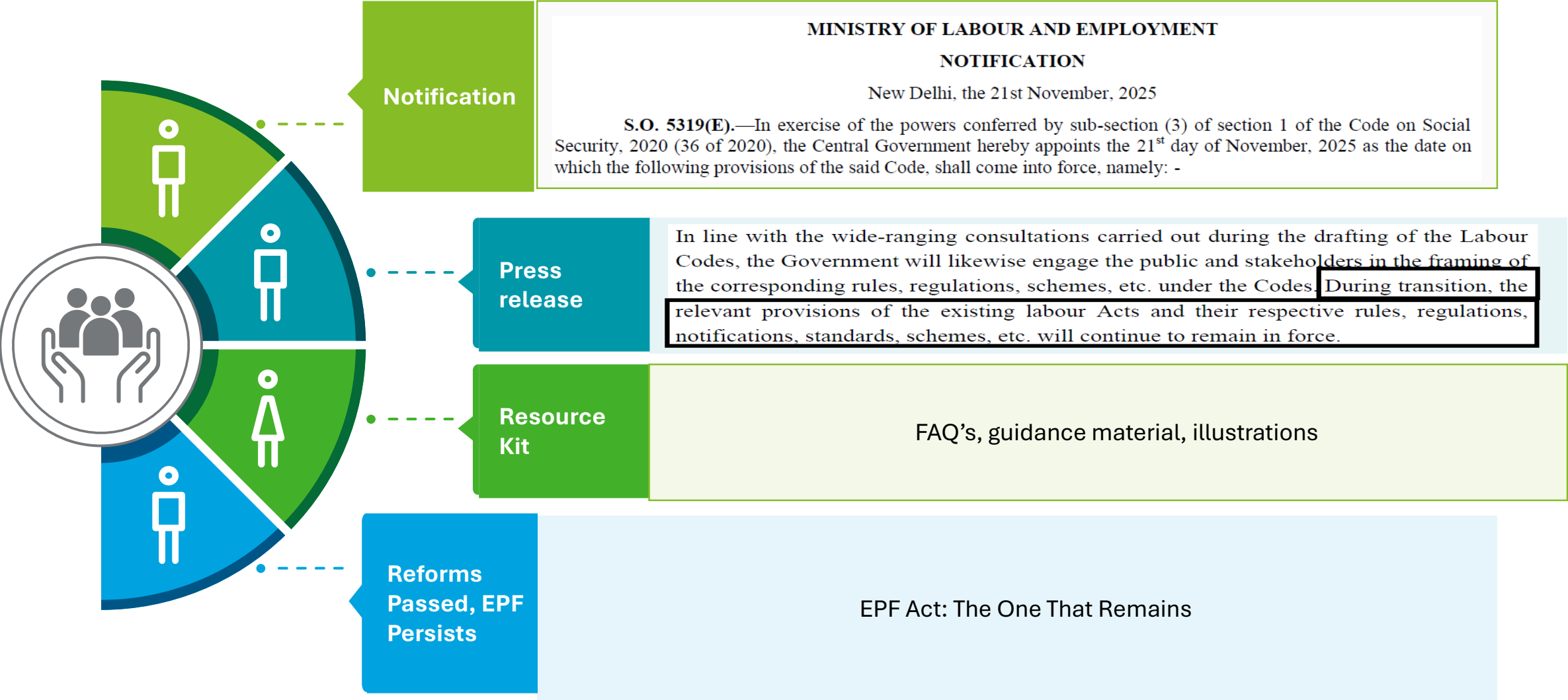
Simplification of registration/filings/standardized record maintenance

Safety Standards and Industrial Relations

Tighter safety, welfare, and working-hour norms, mandatory facilities, stronger contractor oversight, and formal safety committees. changes bring stricter strike/lockout rules

Key Questions for Deliberation

Time For Action



Wage definition

Meaning and inclusions

Means **all remuneration** whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, in terms of employment, express or implied, where fulfilled, be payable to a person employed in respect of his employment, and includes –

- Basic pay;
- Dearness allowance; and
- Retaining allowance, if any.

Specified exclusions

- Statutory bonus payable but not forming part of remuneration;
- Value of house accommodation and utilities (such as light, water, medical attendance, etc.);
- Employer contribution to provident fund / pension together with accretions;
- Conveyance allowance or value of travelling concession;
- Sum paid to defray special expenses due to nature of work;
- House rent allowance;
- Remuneration payable under any award settlement;
- Any overtime allowance;
- Any commission payable;
- Any gratuity payable on termination;
- Any retrenchment comp/ benefit payable or ex gratia payment made

Conditional inclusions

- Where the aggregate of specified exclusions as highlighted:
- exceeds one-half or such other notified percentage of all remuneration calculated under this clause,
- amount which exceeds such one-half or other percent, so notified
- shall be deemed as remuneration
- & shall accordingly be added under this clause

Conveyance/value of travel concession, house rent allowance, remuneration payable under award or settlement and overtime allowance shall be taken for computation of wage – for the purpose of equal wages to all genders and for the purpose of Payment of Wages

Value of remuneration in kind

Where an employee is **given remuneration in kind**

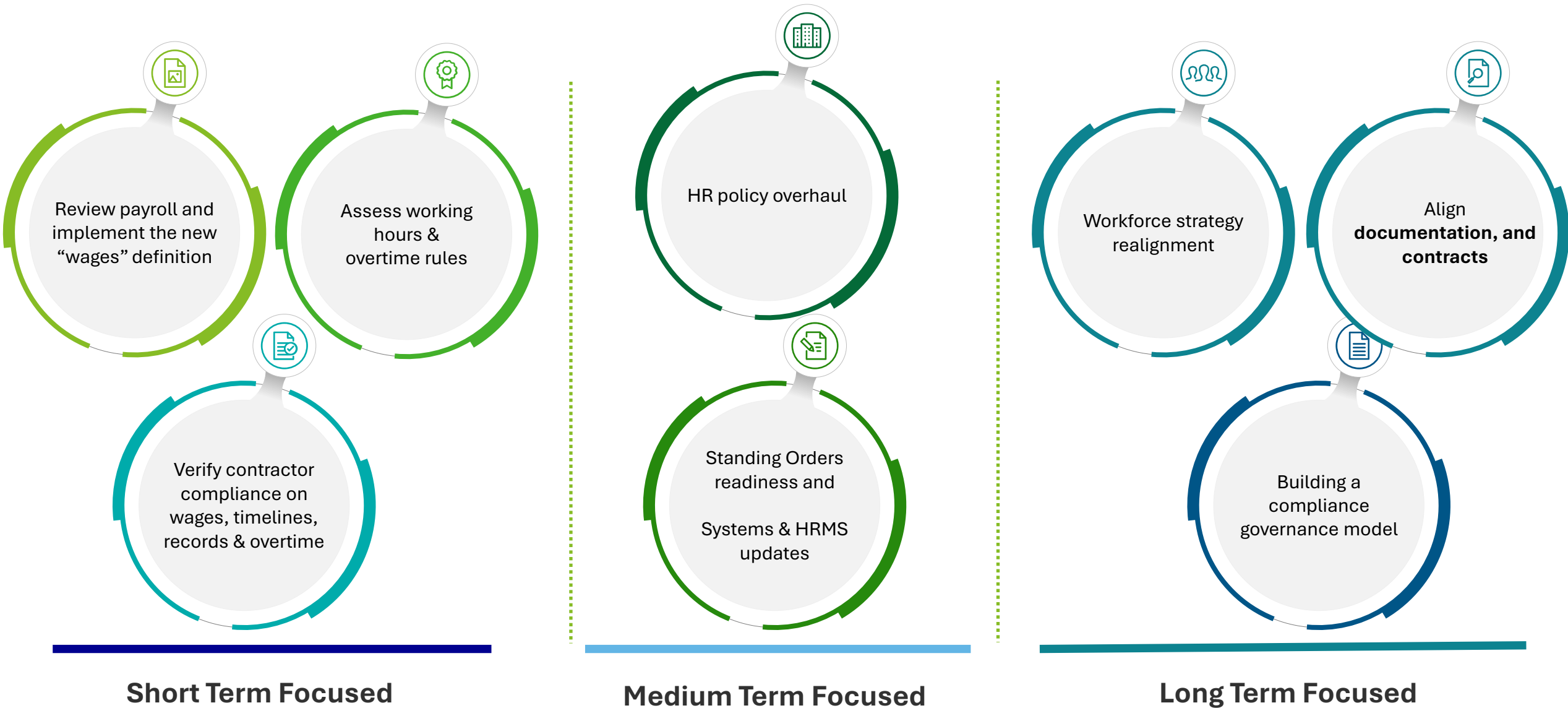
- in lieu of either the whole or part of the wages payable to him
- value of such remuneration as does not exceed 15% of total wages payable to him

Shall be deemed to form part of wages of such employee.

Labour Codes – Trigger Strategic Decisions



Labour code - Key Focus and Action Points



Key Questions for Deliberation

Industrial Relations and Occupational Safety Health and Working Conditions Code

Key Areas of Impact

Areas of Impact	Key change triggering the impact	Challenges to be addressed
Core Activity	Introduction of concept of core activity	- Contract labour is prohibited to engage in core activities subject to certain exemptions - the normal functioning of the establishment is such that the activity is ordinarily done through contractor; or - the activities are such that they do not require full time workers for the major portion of the working hours in a day or for longer periods, as the case may be; - any sudden increase of volume of work in the core activity which needs to be accomplished in a specified time.
Mandatory issuance of appointment Letter	Employee covered under extant Act are sale promotion employees	Appointment letter to be issued to every employee with prescribed minimum details: - Aadhar number - Labour Identification Number (LIN) of the establishment - Universal Account Number (UAN)/Insurance Number (ESIC), Applicability of social security EPFO and ESIC benefits Appointment letter in specified format shall be issued to existing employees within 3 months of commencement of Code
Leave Encashment	- Reduction in time limit to be eligible for leave with wages - Leave can be demanded for encashment while in service	- Worker who has worked for 180 days or more in a calendar year will be entitled for leave with wages - Worker shall be entitled on his demand for encashment of leave at the end of calendar year - Where the leaves exceeds 30 days, worker shall be entitled to encash the exceeded leaves
Overtime	It was applicable on the factories	- Applicable to every Industrial establishment - Where a worker works for more than 8 hours in any day or for more than 48 hours in any week, Workers must be paid at twice the rate of his ordinary wages for overtime. - No worker shall be allowed to work overtime exceeding 125 hours in any quarter. - It is mandatory to obtain consent of workers for the overtime

Industrial Relations and Occupational Safety Health and Working Conditions Code

Key Areas of Impact

Areas of Impact	Key change triggering the impact	Challenges to be addressed
Constitution of Grievance committee	Applicable on every industrial establishment employing 20 or more workers	- Maximum number of member- 10 - Equal representation of nominee of employer and workers - The representatives of the workers shall be chosen by the registered Trade Union - Adequate representation of women workers which shall not be less than the proportion of women workers to the total workers employed in the industrial establishment - Grievance Redressal Committee to complete its proceedings within 30 days of receipt of application;
Re-Skilling Fund	Introduction of new concept of Re-Skilling Fund	- Overall increase in worker's retrenchment compensation. - In addition to existing retrenchment compensation 15 days wages to be contributed to Re-Skilling Fund maintained with Govt: within 10 days of retrenchment - Govt. to transfer amount contributed to re-skilling fund to retrenched worker within 45 days
Negotiating union	Introduction of concept of Negotiating Union	- It is mandatory on the employer to recognize negotiating union where the trade union is registered - Going forward, negotiating union will negotiate on the terms of employment including consultation on Standing Orders
Gratuity	Extending gratuity benefits to Fixed Term employees.	- Gratuity is payable to fixed term employees who have completed 1 year of service - The broadening of definition of wages is likely to increase the quantum of gratuity – e.g. wages as per new definition includes bonus (except statutory bonus), value of perquisites etc.
Flexibility in employment of women	Women may be employed in all types of establishments and beyond prescribed hours.	The following conditions shall be met for employment of women during night or before 6.00 a.m. and beyond 7.00 p.m. in any day, namely: - The consent of women employees shall be obtained; - Creche to be provided for the use of children below 6 years - Employment shall not be against the maternity benefit provisions laid down under the Social Security Code, 2020 - Adequate transportation facilities shall be provided to woman employee to pick-up and drop such employee at her residence; - The provisions of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013, shall be complied with.

Key Questions for Deliberation

Thank you!

- Kindly spare a minute to help us with your valuable feedback for today's session...
- For any queries, please feel free to write to us at intax@deloitte.com



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