

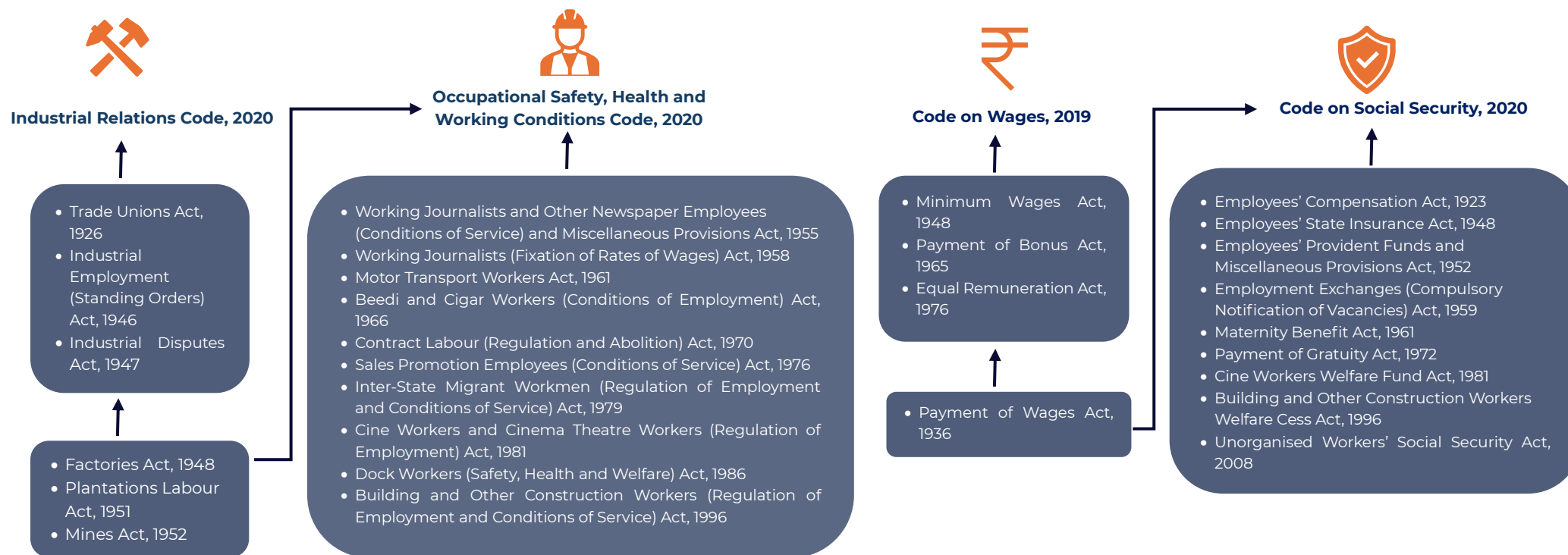
Employment Update

Indian Labour Codes | A Historic Reset

November 24, 2025



For decades, India's workforce and industries operated under a complex and array of Central and State laws, many originating from the pre-independence and early post-independence eras. This fragmented framework, despite its welfare orientation, resulted in significant compliance challenges for employers and insufficient protection for informal workers. To address these shortcomings, the Second National Commission on Labour (2002) recommended a sweeping rationalization and comprehensive consolidation of the numerous Central enactments into a few principal codes, focusing on the functional themes of **wages**, **industrial relations**, **social security**, and **safety/welfare**. Following this, the four labour codes viz. the Code on Wages, 2019, Code on Social Security, 2020, Occupational Safety, Health and Working Conditions Code, 2020 and the Industrial Relations Code, 2020 (**Labour Codes**), proposing to replace 29 Central enactments, were passed by both houses of the Parliament and received the President's assent in 2019 and 2020. **On November 21, 2025, the Government of India, enforced these Labour Codes with immediate effect.**



The operational framework for the Labour Codes relies on the enforcement of corresponding rules, regulations, notifications, schemes etc., pending which, the Government has clarified that the existing labour enactments will continue to remain in force. Further, State-specific shops and establishments laws are not being subsumed by the Labour Codes and will continue to remain in effect.

LABOUR CODES

Labour Code	Key Changes	Still to Come
Code on Wages, 2019	• Definition of Wages: A single definition of “wages” (which varied across different labour statutes) for calculation of statutory benefits such as gratuity, provident funds, overtime, ‘ESI’ contributions and statutory bonus, has been introduced. Any non-wage components of total remuneration that exceed 50% of the total remuneration, are now deemed to be “wages” for calculation of benefits. • Coverage of Employees: Certain protections regarding timely payment of wages and against unauthorised deductions, which were previously applicable only to employees earning up to INR 24,000, are now applicable to all employees. • Final Settlement upon Exit: The mandate of payment of wages within two working days of cessation of employment, previously limited to cases of termination, is now applicable to cases of resignation as well. • Floor Wage Framework: The framework for a “floor wage” (for different categories of employment in different geographical areas based on minimum living standards of workers) to be fixed by the Central Government is established. The “minimum wage” rates to be fixed by State Governments cannot be less than the “floor wage rate”.	• Following key matters remain to be provided for under the State/Central rules and regulations: ➤ Manner of fixation of “floor wage” and consultation with State Governments. ➤ Manner of calculation of wages including categorization of workers, depending on the difficulty of the work. ➤ Fixing hours of work of employees engaged in emergencies, preparatory / complementary work, intermittent employment, time-sensitive technical work, or work dependent on irregular natural forces. ➤ Aspects relating to deductions from wages and the procedure for making deductions from wages in the event of absence from duty, damage, recovery of advances. ➤ Manner of imposing fines on employees.
Code on Social Security, 2020	• Gig & Platform Workers’ Coverage: Definitions for “aggregators”, “gig workers”, and “platform workers” are introduced, along with the framework for social security schemes (such as life and disability cover, accident insurance, health and maternity benefits etc.) which are yet to be notified. Aggregators are required to contribute 1-2% of their annual turnover to a social security fund, • Fixed-Term Employees (FTE): Eligibility for FTEs to the same statutory benefits and the service conditions (hours of work, wages, allowances) as permanent employees engaged for the same or similar work, previously limited to certain States, is now available across India. Gratuity will be payable to FTEs on a pro-rated basis (subject to the employee rendering the service under the contract for a period of one year.)	• Following key matters remain to be provided for under the State/Central rules and regulations: ➤ Procedures for proceedings before the Employees’ Insurance Court. ➤ Social security schemes for gig-workers, platform workers, unorganised sector workers, building and other construction workers. ➤ Other procedural and compliance matters such as maternity benefits’ claim process in specified cases.
Occupational Safety, Health and Working Conditions Code, 2020	• Work Hour Limit and Over Time Wages: A maximum working day of 8 hours across India for all workers in covered establishments and factories is mandated. Workers can only be required to work overtime with their consent.	• Following key matters remain to be provided for under the State/Central rules and regulations:

Labour Code	Key Changes	Still to Come
	• Contract Labour Restriction: Engagement of contract labour in the “core activities” of an establishment is prohibited, unless specific exceptions apply (e.g., <i>intermittent nature of work, sudden increase in volume</i>). The provisions relating to engagement of contract labour will apply to only those establishments engaging at least 50 contract labourers. • Revised Definition of Contract Labour: Definition of contract labour now includes inter-state migrant workers but excludes individuals regularly employed by the contractor at the contractor’s establishment. • Gender Parity: Women are permitted to work at night and in all types of work across all establishments, subject to their consent and required safety measures.	➤ Information to be included and the form of the letter of appointment to be issued to every employee. ➤ The age beyond which free of cost health tests for employees are to be provided. ➤ Conditions relating to safety, holidays, and working hours for women employed at night (<i>before 6 a.m. and beyond 7 p.m.</i>). ➤ The form and particulars of registers to be maintained, and the manner and period of filing returns to the Inspector-cum-Facilitator. ➤ Form and manner of sending notice and the authority to whom the notice has to be sent for commencement and cessation of operation.
Industrial Relations Code, 2020	• Grievance Redressal Committee (GRC): A GRC for resolution of disputes / grievances arising between the employer and employees which relate to the conditions and terms of employment, is required to be constituted by establishments having 20 or more workers. The GRC will comprise of an equal number of employers and employees and will have women representatives not less than the proportion of women to the total workforce. • Recognition of Trade Unions: The recognition of a sole negotiating trade union (<i>which has the support of at least 51% workers in the establishment</i>) or a negotiating council (<i>comprising of multiple unions that have support of at least 20% of total workers</i>) for negotiation and collective bargaining, previously limited to certain States, is now extended across India. Employers are required to recognise a sole negotiating union / negotiating council for collective bargaining as against the fragmented approach of dealing with multiple unions. • Internal Disciplinary Inquiry: The investigation against workers pending inquiry for misconduct will now be completed within 90 days, pending which the employee will be paid a subsistence allowance at the rate of 50% of wages. • Standing Orders (SO) Threshold: The threshold for applicability of the requirement to frame standing orders (<i>where employers formally define the conditions of service applicable to employees</i>), previously set at 100 workers in most states, has changed to establishments having 300 workers across India.	• Following key matters remain to be provided for under the State/Central rules and regulations: ➤ GRC member selection procedures for employer and worker representatives. ➤ Conciliation application procedures for decisions on grievances before conciliation officers. ➤ Subscription payment procedures, donation collection methods, recognition procedures and dispute resolution for trade unions. ➤ Notice procedures including number of persons required, recipients, and notification methods for a strike and lock-out. ➤ Model standing orders.

KEY EMPLOYER ACTIONS

Compliance Standardisation:

- Ensure all employees are issued appointment letters on a prospective basis, preferably mentioning the employee's designation, wage breakdown etc. For employees engaged prior to notification of the Labour Codes, issue appointment letters within three months.
- Ensure compliance with the daily working hours limit. Obtain necessary consent from employees for overtime work and ensure overtime wages are paid at the correct rates.
- Establish a leave management system that grants annual leave after 180 days of work, up to a maximum of 30 days of paid leave per year with appropriate leave encashment provisions. Update employment policies, if required.
- Ensure compliance with non-discriminatory conditions on hiring and in respect of remuneration payable to employees and hiring practices and update employment policies to reflect these principles.
- Ensure internal inquiries against workers are completed within 90 days and that subsistence allowance is paid during this period.
- Assess whether standing orders are required to be framed and if yes, frame them in line with the model standing orders (once the new ones are prescribed) or obtain certification.
- Monitor and look out for the notification of Central and State rules under the Labour Codes.

Workforce or Payroll Practice Restructuring:

- Audit salary structures and assess financial impact, if any, owing to the revised calculation of statutory benefits payable due to the revised 50% wages threshold. Increase the statutory contributions, if required.
- Review employee categorization against new definitions of “worker”, “employee”, “platform worker”, “gig worker”, and “inter-state migrant worker” to determine eligibility for various entitlements.
- Ensure timely payment of wages for the newly covered employees without any unauthorized deductions.
- Ensure compliance with timely payments of final settlements upon cessation of employment.
- Ensure that all individuals engaged with the core and dominant activities of the organisation are directly employed and not through a contractor.
- Employers, aggregators and platforms to ensure compliance with obligations such as registration of gig and platform workers, payment of social security contributions etc.
- Ensure compliance with respect to the conditions for engagement of fixed-term employees and provide them with the prescribed pro-rated statutory benefits, such as gratuity.
- Assess workforce participation and membership across different trade unions in preparation of the changes to collective bargaining obligations and initiate recognition of a trade union/negotiating council as prescribed and if required.

Infrastructure & Welfare Enhancement:

- Maintain clean workspaces with proper ventilation, drinking water, separate toilets for all genders, washing facilities, first-aid kits, creches and canteens, if required to do so depending on the specific workforce count.
- Provide free annual health check-ups for all workers above the prescribed age.
- Implement women's night shift safety measures, if required. Obtain written consent from women working night shifts and provide safe transportation, CCTV monitoring, security personnel, and adequate lighting.

*This update has been contributed by **Adil Ladha** (Partner), **Ramya Suresh** (Partner), **Abhishek Jasuja** (Associate), **Amitabh Abhijit** (Associate), **Anuj Vakharia** (Associate) and **Anushka Sharma** (Associate). This document only presents a summary of the applicable provisions; for an in-depth analysis, please reach out to the team at corporate.communications@sarafpartners.com.*

Saraf and Partners is one of India's fastest growing, independent, professionally owned and managed law firms, with 45 partners and over 250 lawyers. As a contemporary full-service law firm, our lawyers bring more than three decades of experience. We deliver bespoke, innovative, and integrated legal solutions, applying global best practices. Drawing on sector experts with significant experience and expertise, Saraf and Partners works with India's leading corporations and advises global companies with interests in India.

At Saraf and Partners, communication is a priority. We listen to clients' concerns and goals, responding promptly to inquiries and keeping clients informed at every stage. Supported by a team with wide-ranging skills, we provide timely, cutting-edge legal advice while upholding the highest standards of ethical conduct.

Our unwavering commitment to our clients and their business interests remains central to our work. With extensive experience and pragmatic approaches, we strive to offer the best legal advisory services for nuanced legal matters. Our dedication to professional excellence has earned our leadership team recognition among the top legal advisors in India.

Our Offices

Delhi NCR

FC – 10 & 11,
Sector 16 A, Filmcity,
Noida – 201301
+91 (120) 463 0600
Delhi@sarafpartners.com

New Delhi

D – 145, Defence Colony,
Opposite South Delhi Public
School,
New Delhi – 110024
+91 (11) 4405 0600
Delhi@sarafpartners.com

Mumbai

One International Centre,
Tower 2, Unit No 2402, 24th floor,
Senapati Bapat Marg,
Lower Parel - 400013
+91 (22) 4405 0600
Mumbai@sarafpartners.com

Bengaluru

201, Embassy Square, 148 Infantry
Road,
Opp. Police Commissioner's
Residence
Vasanth Nagar, Bengaluru – 560001
+91 (80) 4405 0600
Bengaluru@sarafpartners.com

Hyderabad

8-2-619, Third Floor, SAHA
Complex,
Road No. 11, Banjara Hills,
Hyderabad – 500034
+91 (40) 3551 2050
Hyderabad@sarafpartners.com

Disclaimer: All information contained in this update has been compiled from credible, reliable sources and while reasonable care has been taken to ensure that the information contained herein is true and accurate, such information is provided on an 'as is' basis, with no warranty, express or implied, as to its accuracy or completeness. The contents of this update are provided for general informational purposes only and should not be construed as legal or other advice on any subject matter. You should not act or refrain from acting on the basis of any content included in this update without seeking legal or other professional advice. The views and opinions expressed in this are those of the author(s) and do not necessarily reflect the views of the firm. Saraf and Partners shall not be liable for any losses incurred by any person from any use of this update or its contents.

Contact us:

www.sarafpartners.com | [LinkedIn](#) | [X](#) | [Facebook](#) | [Instagram](#)