

Labour Codes Capsule



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ahead of the curve

- On November 21, 2025, **four new Labour Codes** (the Code on Wages, 2019; the Occupational Safety, Health and Working Conditions Code, 2020; the Industrial Relations Code, 2020, and the Code on Social Security, 2020, together the “Codes”) came into force, replacing 29 Central laws.
- Final rules, regulations and schemes are pending from the Central and State Governments for their full implementation. Until issued, existing rules under previous legislations will continue to apply, to the extent not contrary to the Codes. Legislative updates to be tracked closely.
- As on date, few States have issued the final Rules under each of the Codes; most States have only issued draft Rules or have re-published their draft Rules for comments. Further clarity on the status of the Rules under the Labour Codes in different States is expected in the coming months.
- Penalties under the Codes range from INR 50,000 to INR 10,00,000, which are significantly higher compared to the previous legislations. However, the Codes emphasize compliance over penalties through measures such as designating facilitator-cum-inspectors tasked with advising organizations on compliance, opportunities to rectify non-compliance, and compounding of certain offences.

Set out below are some of the key changes under the Codes as may be relevant for operations of companies across India, their practices, and documentation vis-à-vis their workforce, which may necessitate suitable action in the near term.

01

The Codes have revised the definitions of ‘employee’ and ‘worker’ and formally recognize fixed term employees, gig workers, and platform workers. This expands workforce coverage and increases companies’ obligations toward employees, including senior management employees and sales promotion employees, who now have statutory protections under the Codes.



02

- ▮ The Codes provide a modified and uniform definition of ‘wages’, and notably, deems that any amount of the listed exclusions exceeding 50% of the total remuneration, as well as the value of remuneration in kind up to 15% of the total remuneration, will be considered wages.
- ▮ Additional details on applicability of certain provisions, such as on statutory bonus, are expected in the final rules/Central Government notifications, and until then the current thresholds will continue to apply.



03

The Codes prescribe protections and benefits to fixed term employees, requiring employers to provide them gratuity (on completing 1 year of service), and other benefits in line with permanent workers doing the same or similar work on a pro-rata basis. The Codes further prescribe protections for gig workers and platform workers, including social security coverage.



04

The Codes require employers to contribute an amount of 15 days’ wages of a retrenched worker to a worker re-skilling fund to be set up by the appropriate government, in addition to other exit payouts.



05

With respect to contract labour, while the Codes provide valuable clarification on exclusion of personnel regularly employed by a service provider from the ambit of 'contract labour', there is an express prohibition on engagement of contract labour in core activities of the organization, with specified exceptions. Various other obligations are cast on an employer vis-à-vis contract labour, such as to provide welfare facilities to contract labour and continued responsibility for social security contributions.



06

Provisions on **leave, working hours, overtime**, and flexibility for women workers to work during night hours are prescribed at the Central level under the Codes, though local shops and establishments legislations will continue to apply in parallel.

Significantly, the OSH Code allows annual encashment of leaves, requires prior consent of workers for overtime work and for women to work during night hours, and imposes a duty on employers to provide free annual health check-ups to all employees above an age to be prescribed. Additional mechanics and limits on overtime, age thresholds, etc. are expected in the final rules.



07

▮ **Industrial establishments**, which includes commercial establishments, with 300 or more workers are required to obtain certified **standing orders** or follow the model standing orders to be notified.

▮ **The Codes also require setting up of a grievance redressal committee** in establishments with 20 or more workers, comprising equal representations of workers and the employer.

▮ **For factories, mines, and plantations**, prior permission of Government authorities for retrenchment, closure, and lay-off of workers is now required where 300 or more workers are employed in a unit (which was earlier 100).



08

The Codes require recognition of a trade union as a sole negotiating union/negotiating council, for the purpose of negotiating and executing settlement agreements, providing notice for standing orders certification/modifications, etc.



09

▮ **Social security benefits** under the Codes broadly remain the same as previous law, but now allow for common creche facilities by tying up with other private employers or availing Government creche facilities.

▮ **The provisions on gratuity** are immediately applicable and will be based on the new definition of 'wages' which may increase the financial impact and insurer arrangements. Also, FTEs will now be entitled to gratuity payments if they have spent at least 1 year with the organisation.

▮ **Current EPF, EDLI, and ESI regimes** remain in force without change till replaced. The current pension regime will continue as-is for 1 year, up to November 21, 2026, by which time the Central Government is expected to implement a new scheme.



10

The Codes allow for common permits for an establishment – 1 registration under SS Code for providing social security benefits, 1 registration under the OSH Code for all establishments (in addition to registration under local shops and establishments legislation) and 1 common license to operate a factory and engage contract labour. Additional details on registration processes, forms, fees etc. are expected in the final rules. Contractors can obtain a work-specific license for project-based work and a license for supplying contract labour or executing work orders in more than 1 state.



Labour Codes - Road Map To Compliance

1 Workforce Mapping

- ▮ Assessing categorisation of workforce: employees, workers, fixed term employees, contract labour, gig workers, platform workers, other third-party personnel.
- ▮ Planning workforce engagement structures, taking into account new obligations under the law and any restrictions, and associated cost impact.

2 Compensation Structure Analysis

Review of current employee compensation structure(s) (including senior management) vis à vis the new definition of “wages” under the Codes, and consequential impact on benefits and payouts.

4 Registrations, Applicability and Substantive Compliance Checklist

- ▮ Checklist of registration requirements, with applicability thresholds.
- ▮ Checklist of applicability thresholds for various chapters.
- ▮ Checklist with key substantive compliances, highlighting key areas of change.
- ▮ Practical guidance on implementation in case of ambiguity.

3 Employee Documentation

- ✓ **Employment Agreements / Offer Letters**
 - ▮ Review of template agreements for various categories of employees (including senior management, junior and mid-level employees, fixed term employees, etc.).
- ✓ **Policies – leave, overtime, working hours and benefits**
 - ▮ Review of leave policies and practical guidance on adopting changes.
- ✓ **Standing orders**
 - ▮ Drafting/ reviewing standing orders, once the final Model Standing Orders are notified.

5 Services Agreements and Manpower Supply Agreements

- ▮ Audit of contract labour arrangements, in light of core activity prohibition.
- ▮ Analysing the possibility of recharacterization as services arrangements.
- ▮ Updating contract labour agreements to ensure appropriate protections of interests.

6 Advice on setting up GRC, recognising union

- ▮ Advising on constitution and set up of Grievance Redressal Committee.
- ▮ Advising on recognition of a trade union, legal and strategic advice on negotiations with sole negotiating union/ negotiating council, and practical guidance on navigating trade union relations.

7 Procedural Compliance Checklist

- ▮ Checklist with key procedural compliances, highlighting key areas of change, once the applicable rules are notified.

8 Employee Communications

- ▮ Preparing employee communications on changes to their terms of employment.

9 Miscellaneous

- ▮ Advising on mitigation of any risks with existing arrangements and practices, and advice on legal implications.
- ▮ Advising on specific situations which may now be impacted by the Codes (e.g., RIF, closure, employee movements).
- ▮ Training sessions for internal teams.

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