



New Labour Codes; Changes, Implementation and Challenges

PRESENTED BY:

ASHLAR[®]
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Structure of the webinar

- ▶ Background and Context
- ▶ Legislative Highlights
 - ▶ The Code on Wages, 2019
 - ▶ The Code on Social Security, 2020
 - ▶ The Industrial Relations Code, 2020
 - ▶ The Occupational Safety, Health and Working Conditions Code, 2020
- ▶ Implementation and Compliance

BACKGROUND & CONTEXT

The Second National Commission on Labour Report 2002

- ▶ 10 - member Commission set up on 15 October 1999.
- ▶ 6 Study Groups for in depth and focused study on:
 - ▶ Review of Laws
 - ▶ Umbrella Legislation for Unorganized Sector Workers
 - ▶ Globalization and its Impact, Social Security
 - ▶ Women and Child Labour and Skill Development
 - ▶ Training and Workers' Education
- ▶ Recommended consolidation of central labour laws in following broad groups:
 - ▶ Industrial relations
 - ▶ Wages
 - ▶ Social Security
 - ▶ Welfare and working conditions

Implementation timelines

- ▶ The Centre has framed and shared corresponding Rules for the 4 Codes on 30 December 2025.
- ▶ States are yet to frame and adopt rules and regulations for the new codes, as labour is a Concurrent subject.
- ▶ When to implement the Codes? The Gazette Notifications dated 21 November 2025 for implementation of the 4 Codes do not refer to any transition period, nor do they provide any guidelines on incremental implementation.

"During transition, the relevant provisions of the existing Labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force"

- Press Release dated 21 November 2025, Ministry of Labour and Employment.

- ▶ Pending final notification of the Rules, in accordance with Section 24 of the General Clauses Act, 1897 and corresponding sections in each of the 4 Codes, the rules under the 29 central legislations that were consolidated into the Codes, will continue to apply insofar as they are not inconsistent with the Codes and until such time as they are superseded by new rules.

Present Status

Legislation	Notification of Implementation	Status of Central Rules	Status of State Rules
The Code on Wages, 2019	21 November 2025	Draft Code on Wages (Central) Rules, 2025 Notified in Official Gazette – 30. 12. 2020 Deadline for objections & suggestions - 13.02.2026.	Draft rules published by States. Comments invited. Exceptions – Lakshadweep, Meghalaya, Nagaland, West Bengal
The Code on Social Security, 2020	21 November 2025	Draft Code on Social Security (Central) Rules, 2025 Notified in Official Gazette – 30. 12. 2020 Deadline for objections & suggestions -13.02.2026.	Draft rules published by States. Comments invited. Exceptions – Andhra Pradesh, Arunachal, Delhi, Lakshadweep, Manipur, Meghalaya, Rajasthan, Sikkim, Tamil Nadu, West Bengal.
The Occupational Safety, Health and Working Conditions Code, 2020	21 November 2025	Draft Occupational Safety, Health and Working Conditions Rules, 2025 Notified in Official Gazette – 30. 12. 2020 Deadline for objections & suggestions - 13.02.2026.	Draft rules published by States. Comments invited. Exceptions – Andaman & Nicobar, Delhi, Goa, Lakshadweep, Meghalaya, Mizoram, Nagaland, Rajasthan, Sikkim, West Bengal.
The Industrial Relations Code, 2020	21 November 2025	Industrial Relations (Central) Rules, 2025 Notified in Official Gazette – 30. 12. 2020 Deadline for objections & suggestions- 29.01.2026.	Draft rules published by States. Comments invited. Exceptions – Andaman & Nicobar, Delhi, Lakshadweep, Meghalaya, Nagaland, Rajasthan, Sikkim, West Bengal

Supersession: Code on Wages, 2019

Code on Wages, 2019	Code on Wages (Central) Rules 2020
The Payment of Wages Act, 1936	The Payment of Wages (Procedure) Rules, 1937
The Minimum Wages Act, 1948	The Payment of Wages (Nomination) Rules, 2009
The Payment of Bonus Act, 1965	The Minimum Wages (Central) Rules, 1950
The Equal Remuneration Act, 1976	The Minimum Wages (Central Advisory Board) Rules, 2011
	The Ease of Compliance to Maintain Register under various Labour Laws Rules, 2017
	The Payment of Bonus Rules, 1975;
	The Equal Remuneration Rules, 1976
	The Central Advisory Committee on Equal Remuneration Rules, 1991
	The Payment of Wages (Procedure) Application to Scheduled employments Rules, 1962
	The Payment of Wages (Mines) Rules, 1956
	The Payment of Undisbursed Wages (Mines) Rules, 1989
	The Payment of Wages (Air Transport Services) Rules, 1968
	The Payment of Undisbursed Wages (Air Transport Services) Rules, 1988
	The Payment of Wages (Railways) Rules, 1938
	The Payment of Wages (Deductions for National Defence Fund and Defence Savings Scheme) Rules, 1972
	The Payment of Wages (Manner of Recovery of excess Deductions) Rules, 1966
	The Code on Wages (Central Advisory Board) Rules, 2021
	The Code on Wages (Central Advisory Board) Amendment Rules, 2025

Supersession: The Industrial Relations Code, 2020

The Industrial Relations Code, 2020	Industrial Relations (Central) Rules, 2025
Industrial Disputes Act, 1947	Industrial Disputes (Central) Rules, 1957
Trade Unions Act, 1926	Industrial Employment (Standing Orders) Central Rules, 1946
Industrial Employment (Standing Orders) Act, 1946	

Supersession: Code on Social Security, 2020

Code on Social Security, 2020	Code on Social Security (Central) Rules 2025
The Employee's Compensation Act, 1923	Employees' State Insurance (Central) Rules, 1950
The Employees' State Insurance Act, 1948	Tribunal (Procedure) Rules, 1997
The Employees Provident Funds and Miscellaneous Provisions Act, 1952	Employment Exchanges (Compulsory Notification of Vacancies) Rules, 1960
The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959	Employees' Provident Funds Appellate Tribunal (Conditions of Service) Rules, 1997
The Maternity Benefit Act, 1961	Maternity Benefit (Mines and Circus) Rules, 1963 Payment of Gratuity (Central) Rules, 1972
The Payment of Gratuity Act, 1972	Cine-Workers Welfare Fund Rules, 1984 Building and other Constructions Workers' Welfare Cess Rules, 1998
The Cine-Workers Welfare Fund Act, 1981	Unorganised Workers' Social Security Rules, 2009
The Building and other construction Workers' Welfare Cess Act, 1996	Employee's Compensation Rules, 1924
The Unorganised Workers' Social Security Act, 2008	Building and other Constructions Workers' Welfare Cess Rules, 1998
	Employee's Compensation (Transfer of Money) Rules, 1935
	Employee's Compensation (Transfer of Money) Rules, 1935
	Employee's Compensation (Venue of Proceedings) Rules, 1996

Supersession:

Occupational, Safety, Health and Working Conditions Code, 2020

Occupational, Safety, Health and Working Conditions Code, 2020	Occupational Safety, Health and Working Conditions (Central) Rules, 2025.
The Factories Act, 1948	Dock Workers (Safety, Health and Welfare) Rules, 1990
The Plantations Labour Act, 1951	Building and Other Construction Workers (Regulation of Employment and Condition of Services), Rules, 1998
The Mines Act, 1952	Model Factories Rules
The Working Journalist and other Newspaper Employees (Conditions of Service and Miscellaneous Provisions) Act, 1955	Mines Rules, 1955
The Working Journalists (Fixation of Rates of Wages) 05 Act, 1958	Mines Rescue Rules, 1985
The Motor Transport Workers Act, 1961	Mines Vocational Training Rules, 1966
The Beedi and Cigar Workers (Conditions of Employment) 07 Act, 1966	Pithead Bath Rules, 1959
The Contract Labour (Regulation and Abolition) Act, 1970	Mines Crèche Rules, 1966
The Sales Promotion Employees 09 (Conditions of Service) Act, 1976	Contract Labour (Regulation and Abolition) Central Rules, 1971
The Inter-State Migrant workmen (Regulation of Employment and Conditions of Service) Act, 1979	Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Central Rules, 1979
The Cine Workers and Cinema Theatre Workers Act, 1981	Working Journalists (Conditions of Service) and Miscellaneous Provisions Rules, 1957
	Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Rules, 1984
	Sales Promotion Employees (Conditions of Service) Rules, 1976

Streamlining of regulations and compliance

	PRE-LABOUR CODES	PRESENT POSITION
Statutes	29 Laws and 1436 Rules	4 Codes and 351 Rules
Forms	181	73
Registers to be maintained by employers	84	8
Returns	31 Returns	A single electronic return
License	4	Single
Compliance	Monthly and state specific filings	Annual consolidated returns
Inspection	On-site paper audits	Risk-based digital inspections
Grievance Redressal	Multiple tribunals	Unified facilitation centres.

Substantive reforms across 4 Codes

- ▶ Formalisation of employment through mandatory appointment letters
- ▶ Uniform definition of “Wages”
- ▶ Uniform application of Minimum Wages
- ▶ Broadened definition of “Worker”
- ▶ Broad definition of “Industry”
- ▶ Wider social security coverage
- ▶ Gender inclusions
- ▶ Provision of mandatory preventive healthcare

LEGISLATIVE HIGHLIGHTS

THE CODE ON WAGES, 2019

Changes in the law brought by the code

- Uniform definition of Wages.
- Introduction of National “floor wage”
- Replacement of “inspectors” with “inspectors-cum-facilitators”
- Compounding of Offences
- Change in limitation period for employees

Uniform Definition of "Wages"

Section 2(y) & Section 3 of the Code on Wages, 2019: The definition of 'Wages' provides a uniform definition across all labour legislation. It includes all remuneration—salary, allowances, or otherwise—payable to an employee for fulfilling employment terms, replacing the earlier varied definitions across different legislation.

What's included

- Basic pay
- Dearness allowance
- Retaining allowance

What's excluded

- Bonuses and commissions
- Employer PF contributions
- House rent allowance
- Travel and overtime allowances
- Gratuity
- Retrenchment compensation/ Retirement benefit/ *ex gratia* payment made to an Employee on termination

- Key Requirement: Basic pay must constitute at least 50% of total earnings. If 'exclusions' together account for more than half of an employee's total earnings, the amount exceeding that threshold will automatically be counted as part of the employee's wages. Also, this definition needs to be implemented from 21 November 2025. The same has been clarified in a FAQs on Labour Codes issued by the Ministry of Labour and Employment.

Gratuity under the Wages Code

Revised Gratuity calculation on the basis of new definition of Wages will be applicable w.e.f. 21st Nov, 2025 i.e. date of enforcement of the Wages Code. Establishments may make provision as per accounting norms.

Calculations:

- For permanent employees – Gratuity payable for continuous service for not less than 5 years (completion of continuous service of 5 years shall not be necessary where the termination of the employment of any employee is due to death or disablement or expiration of fixed term employment or happening of any such event as may be notified by the Central Government)
- For fixed term employment or a deceased employee, gratuity is payable on pro rata basis.
- For seasonal employees employed in a seasonal establishment, gratuity is payable at the rate of seven days' wages

Presently maximum gratuity payable as per Central Government is Rs. 20 lakhs. But Section 53(5) of the Social Security Code states that nothing in this section shall affect the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer. This position has been kept largely intact as they were in the erstwhile Payment of Gratuity Act, 1972.

Accordingly, an employee with accrued gratuity of more than 20 lakhs can be accrued additional gratuity on their basic pay, if an award, agreement or a contract with employer allows it.

Definition of 'Employee'

Section 2(k) of the Code on Wages, 2019

Expanded Definition

The definition of 'employee' has been broadened to encompass individuals in supervisory, managerial, and administrative capacities, thereby expanding the scope of applicability for labor regulations.

What is Covered

- Skilled work
- Semi-skilled work
- Unskilled work
- Manual work
- Operational work
- Supervisory work
- Managerial work
- Administrative work
- Technical work
- Clerical work

Definition of Worker

Section 2(z) of the Code on Wages, 2019

Expanded definition:

The definition of worker' has been broadened to encompass working journalists and sales promotion employees.

What is covered

- manual
- unskilled
- skilled
- technical
- operational
- clerical
- supervisory work

Gender Equality & Worker Protection

Section 2(y) & Section 3 of the Code on Wages, 2019

- The Wages Code mandates employers shall not discriminate based on gender for the same work or work of similar nature.
- Under erstwhile legislations, such as Equal Remuneration Act, 1976, discrimination was prohibited only on the basis of their sex. The Wages Code mandates that employers shall not discriminate on the basis of a person's gender, if involved in the same work or work of similar nature. Inclusion of the term gender ensures that transgenders are protected under this legislation.

National Floor Wage

Section 9 of the Code on Wages, 2019

Central Government introduces "Floor Wage" as the baseline standard

States Set Minimum Wages based on the national "floor wage".

Minimum wages cannot fall below the national "floor wage".

Fixing of Floor Wage (Rule 11 of the Code on Wages (Central Rules) 2020)

The **Central Government**, in consultation with the **Central Advisory Board**, will determine the **floor wage**.

While fixing the floor wage, factors such as **minimum living standards of a working-class family** (food, clothing, housing, etc.) will be considered.

The **Board's advice will be circulated to State Governments** for consultation before finalising the floor wage.

The **floor wage may be revised at intervals not exceeding 5 years**, with periodic adjustments for **cost of living changes**.

Payment of Wages

Section 15 of the Code on Wages 2019

The Wages Code recognises payment of wages in electronic mode. For the first time, electronic payment has been statutorily recognised in labour laws. The statute states, “All wages shall be paid in current coin or currency notes or by cheque or by crediting the wages in the bank account of the employee or by the electronic mode”

Section 17 of the Code on Wages, 2019

The Wages Code outlines specific time-periods for wage disbursement. If employee is engaged on,

- **Daily Basis:** Payment at shift end
- **Weekly Basis:** Before weekly holiday
- **Fortnightly:** Within two days after fortnight end
- **Monthly:** Within seven days of next month

If employee terminated: Within two working days

These provisions guarantee timely income, prevent financial distress, and ensure employees can meet essential needs without delay.

Annual Bonus Requirements

Section 26 & Section 29 of the Code on Wages, 2019

Minimum Bonus

Employers must pay at least 8.33% of annual wages as bonus to eligible employees.

Maximum Bonus

Annual bonus capped at 20% of annual wages for eligible employees.

Note:

For bonus calculation, employees earning more than the notified wage ceiling will be treated as earning only the notified amount or the minimum wage (whichever is higher).

Disqualification from Bonus

Employees dismissed for fraud, violent behaviour, theft, misappropriation, sabotage, or conviction for sexual harassment are disqualified from receiving statutory bonus.

Penalties for Non-Compliance

Section 54 of the Code on Wages, 2019

Paying Less Than Due Wages

First offence: Fine up to ₹50,000

Repeat offence (within 5 years):

Imprisonment up to 3 months and/or fine up to ₹1,00,000

Other Contraventions

First offence: Fine up to ₹20,000

Repeat offence (within 5 years):

Imprisonment up to 1 month and/or fine up to ₹40,000

Compensation: For defaults in payment of wages, minimum wages, or bonus, compensation awarded could be up to 10 times the value of the claim.

Dispute Resolution & Statutory Authorities

The new Labour Codes introduce significant changes to the mechanisms for dispute resolution and the role of statutory authorities, aiming for greater efficiency and worker protection.

1

Facilitative Approach (Section 51 & Section 54 of the Code of Wages, 2019)

New 'Inspectors-cum-Facilitators' replace "inspectors". Authorised to conduct inquiries, carry out investigations and guide employers, employees and workers on how to comply with the law.

2

Extended Limitation Period (Section 45 of the Code of Wages, 2019)

Employees now have a significantly extended period of three years to file claims for unpaid wages or other grievances, offering enhanced protection compared to previous timelines. Earlier a six-month to two-year window, were given to workers to pursue and resolve their grievances.

Compounding of Offences

Section 56 of the Code on Wages, 2019

The Wages Code permits composition of offences not punishable with imprisonment.

First-time offenders may pay up to **50% of the maximum penalty** for composition.

Once compounded, no prosecution will be instituted against the offender for that specific offence.

Impact Points to be Considered

1

Employee payout will require to be recalibrated in light of basic pay constituting 50% of total remuneration.

2

Expanded employee definition significantly increases the workforce covered by labour protections, requiring employers to extend compliance measures to supervisory, managerial, and administrative personnel.

LEGISLATIVE HIGHLIGHTS

THE CODE ON SOCIAL SECURITY, 2020

New Provisions Introduced

- ▶ Gig Workers (Section 2(35))– work outside traditional employment relationships
- ▶ Platform Workers (Section 2(61)) – work mediated through digital platforms
- ▶ Aggregators (Section 2(2))– digital intermediaries connecting service providers
- ▶ Fixed-Term Employees (Section 2(34))– contract-based employment model
- ▶ Contract Labour (Section 2(19)) - employed by or through a contractor without the knowledge of the principal employer.
- ▶ Social Security Schemes for gig and platform workers- (Section 141)

Gig & Platform Worker Framework

- ▶ First statutory recognition under Indian labour law
- ▶ Aggregator contributions mandated under Section 114(4)
- ▶ Contribution: 1–2% of annual turnover
- ▶ Cap: 5% of payments made to gig/platform workers
- ▶ Funds channeled into Social Security Fund (Section 141)

Gratuity Reform: Fixed-Term Employees (Section 53)

- ▶ Expanded concept of 'employee' for welfare statutes
- ▶ Pro-rata gratuity entitlement introduced
- ▶ Fixed-term employees are now eligible for gratuity after completing one year of continuous service, a benefit that was earlier available only to permanent employees.
- ▶ Aligns labour law with modern workforce practices
- ▶ Under Section 4 of the Payment of Gratuity Act, gratuity generally required five years of continuous service (except in cases of death or disablement).
- ▶ For employees who exit service on or after 21 November 2025, gratuity must be paid as per the new requirements. ICAI clarifies that the resulting increase in gratuity liability must be recognised in financial results for the period ending 31 December 2025, and cannot be deferred to the next financial year.

Fixed Term Employees (Gratuity Reform)

- ▶ **Rules for Gratuity**
- ▶ **Rule 34(1)**- requires an employee, nominee, or legal heir to **apply for gratuity within 30 days from the date it becomes payable.**
- ▶ The gratuity claim must be submitted in **Form IV.**
- ▶ **Rule 34(2)** requires the employer to **verify the gratuity claim and issue a notice within 15 days.**
- ▶ The employer's notice regarding **payment or rejection of gratuity must be issued in Form V.**

Expansion of Social Security Coverage (Section 45 and Section 47)

- ▶ ESIC coverage may be extended nationwide
- ▶ Hazardous establishments may be covered regardless of size
- ▶ Commuting accidents recognised where employment nexus exists
- ▶ Earlier ESIC coverage was limited to notified geographical areas and specific establishment thresholds.
- ▶ National Social Security Board (NSSB) would be set up to recommend to the Central Government for framing suitable social security schemes for different sections of unorganised workers, gig workers and platform workers.

Rules under Social Security Code (Central) Rules 2025

Gig workers- Registration under Section 113, Rule 49

- ▶ The worker must be **at least 16 years of age** to register as a gig worker.
- ▶ The worker must **authenticate identity through Aadhaar** for completing registration.
- ▶ **Universal Account Number-** Upon successful registration, the gig worker is issued a **Universal Account Number (UAN)** for identification under social security schemes.
- ▶ **Identity Card** - Every registered gig worker is issued a **digital identity card through the portal** for verification and access to benefits.
- ▶ **Eligibility for Social Security Schemes-** A gig worker becomes eligible for notified social security schemes after **working for 90 days with one aggregator or 120 cumulative days with multiple aggregators in the previous financial year.**
- ▶ **Updating Worker Information-** Registered gig workers must **periodically update their address, occupation, mobile number, and skill details on the portal.**
- ▶ Failure to update required information may **result in ineligibility for certain social security benefits.**

Platform Workers- Platform workers must **register on the designated portal under Section 113, Rule 49.**

- ▶ The registration process requires **Aadhaar authentication for identity verification.**
- ▶ Upon registration, the platform worker receives a **Universal Account Number (UAN) and digital identity card.**
- ▶ Platform workers become eligible for benefits after **meeting the engagement threshold of 90 days with one aggregator or 120 cumulative days with multiple aggregators in the last financial year.**

Aggregators- Rule 50 – Implementation of Schemes and Contributions

- ▶ **Rule 50(1)** authorises the Central Government to **designate an authority to collect contributions and implement social security schemes for gig and platform workers.**
- ▶ **Rule 50(2)** provides that if an aggregator fails to pay the required contribution, **interest at the rate of 1% per month is payable on the delayed amount.**
- ▶ **Aggregator Registration- Rule 50(5)** requires every aggregator to **register on the designated government portal for compliance with contribution obligations.**
- ▶ **Contribution Requirement-** Under **Section 114(4)**, aggregators must contribute **either 1–2% of their annual turnover or 5% of the amount paid to gig and platform workers, whichever is lower.**

Forms for Aggregators –

- ▶ **Form XX- Rule 50(3)(a)** requires aggregators to submit **Form XX as a self-assessment of their contribution liability by 30 June each year.**
- ▶ **Form XXI-** Under **Rule 50(3)(b) and (c)**, aggregators must file **Form XXI as a final return after audited accounts by 31 October each year.**

Increased penalties for non compliance: Section(s) 133 and 134

- ▶ SS Code provides for higher monetary penalties for non-compliance with social security obligations.
- ▶ Relevant to employers Stakeholders: Legal, Finance & Compliance Important for determining liabilities for non compliance.

Contract Labour

- ▶ **Sections 16–39** govern the **Employees' Provident Fund scheme** under the Code.
- ▶ **Sections 28–49** deal with the **Employees' State Insurance scheme**.
- ▶ **Section 53** governs **gratuity benefits for eligible employees**.
- ▶ **Sections 60–72** regulate **maternity benefits for employees**.

- ▶ **Obligations**
 - ▶ The principal employer must ensure that **contract labourers receive statutory social security benefits such as Provident Fund, ESI, gratuity, and maternity benefits**.
 - ▶ Compliance responsibilities may be **shared between the contractor and the principal employer under the applicable schemes**.

Social Security Schemes for Gig and Platform Workers

- ▶ **Section 114** mandates **aggregator contributions to the Social Security Fund**.
- ▶ **Section 114(1)** empowers the government to **frame social security schemes for gig and platform workers**.
- ▶ **Section 114(2) and Section 114(3)** provides for the **administration and implementation of these schemes**.
- ▶ **Section 141(1)** establishes the **Social Security Fund for financing welfare measures**.

Rule 50 – Administration of Fund

- ▶ Under **Rule 50**, contributions collected from aggregators are **deposited in a separate Social Security Fund account dedicated to gig and platform workers**.

Revised Provisions and the Impacts

- ▶ **Career Centre (Section 2(9))**- providing career services by maintaining information on recruiting employers. Expands the role of employment exchanges under the **Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959** to include vocational guidance and counselling for self-employment and increases the penalty for failure to notify vacancies to career centres from INR 1,000 to up to INR 50,000.
- ▶ Relevant to employers and job seekers Stakeholders: HR & Compliance Employers may be mandatorily required to notify certain vacancies to career centres.

Electronic registration: Section 3

- ▶ Mandates electronic maintenance of records and unified registration under the Code.
- ▶ Existing establishments need not re-register.
- ▶ Earlier compliance under laws such as Employees' Provident Funds and Miscellaneous Provisions Act and Employees' State Insurance Act were required multiple registrations and manual record maintenance under separate enactments.
- ▶ Relevant to employers Stakeholders: HR & Compliance Important to ensure the employer's establishment is registered under SS Code once such requirement becomes applicable.

Calculation of PF, gratuity, maternity benefit, compensation of workplace accidents: Section 2(88)

Calculation based on the new definition of wages, subject to applicable caps as may be prescribed by the appropriate government.

- ▶ Social security obligations may vary based on the revised definition of wages.
- ▶ Relevant to all employers and employees. Impact will vary based on the nature of the benefit and employees entitled to receive such benefits. Stakeholders: Finance, Payroll & HR Employers will need to understand what will constitute 'wages' based on their salary structure and accordingly, the change in their obligations.

Joint-liability of transferor-transferee in case of transfer of establishment: Section 145

If an establishment is transferred wholly or partly, both the existing employer and transferee entity are jointly and severally liable for unpaid dues prior to the transfer date, but the transferee's liability is limited to the value of the assets received.

Extends joint and several liability on transfer of establishments to all social security dues, unlike earlier **PF law**, which limited such liability only to provident fund obligations.

Relevant to employers transferring businesses. Stakeholders: Legal Important in case of transfer of employees and allocation of liabilities between the parties.

Rules under Social Security Code (Central) Rules 2025

Electronic Registration- Section 113 of the Code and Rule 49 of the Central Rules

Unorganised workers, gig workers, and platform workers must register electronically on the designated government portal using Aadhaar, after which they receive a Universal Account Number and a digital identity card.

Aggregators must upload and periodically update details of gig and platform workers on the portal, including new engagements and worker particulars.

Calculation of PF, Gratuity, Maternity Benefit, and Compensation –

Employers must maintain prescribed records such as **Form XXII – Register of Women Employees** for maternity benefit payments under **Rule 54(1)(a)**.

Establishments must submit a **single online annual integrated return (Form XXIII) under Rule 54(5)** covering compliance under multiple labour codes.

Women Centric Provisions

The Code did not amend the existing maternity benefits but ensured their seamless legal continuity by consolidating the MB Act into the new Code structure. The Code retains the provision of 26 weeks paid leave, rights for adopting mothers and commissioning mothers for 12 weeks paid leave and the provision for mutually agreed work from home arrangements after availing the maternity benefits.

Key Risks for Companies

- ▶ Higher Compliance Burden
- ▶ Increased Financial Liability
- ▶ Joint Liability in Business Transfers
- ▶ Higher Penalties for Non-Compliance Gig and Platform Worker Obligations
- ▶ Mandatory Vacancy Reporting
- ▶ Digital Compliance Risks
- ▶ Expanded Benefit Entitlements

Practical Implementation Challenges

- ▶ Delay in Framing and Notification of Rules
- ▶ Lack of Awareness Among Employers and Workers
- ▶ Complexity in Digital Registration and Portal Systems
- ▶ Difficulty in Identifying and Registering Gig and Platform Workers
- ▶ Compliance Burden for Small and Medium Enterprises
- ▶ Ambiguity in the Definition of Wages
- ▶ Coordination Challenges Between Central and State Governments
- ▶ Enforcement and Monitoring Limitations

What Employers Should Do Now

- ▶ Conduct a Social Security Compliance Audit
- ▶ Review Employment Contracts and HR Policies
- ▶ Recalculate Wage Structures as per the New Definition of Wages
- ▶ Implement Strong Digital Compliance and Record Systems
- ▶ Ensure Timely Registration on Government Portals
- ▶ Strengthen Reporting and Filing Mechanisms
- ▶ Conduct Due Diligence in Business Transfers
- ▶ Budget for Additional Social Security Contributions
- ▶ Train HR and Compliance Teams on the New Code

LEGISLATIVE HIGHLIGHTS

INDUSTRIAL RELATIONS CODE, 2020

Trade Unions & Collective Bargaining



Stricter Membership

10% or 100 workers (whichever is less), minimum 7 members at application. Must maintain membership post-registration.



Negotiating Union

Single union recognised automatically. Multiple unions: union with 51% worker support becomes sole negotiating union.



Negotiating Council

Constituted when no single union has 51% support. Includes all unions with at least 20% worker support.

Grievance Redressal Committee

Mandatory Constitution

Every **industrial establishment with 20+ workers** must constitute GRC.
Equal employer-worker representation, maximum 10 members.

Chairperson Selection

Selected from employer and worker representatives alternatively on rotational basis every year.

Timeline

Grievances filed within 1 year. Proceedings completed within 30 days of receipt.

Key Point

GRCs mandated even if other grievance mechanisms exist under Section 4(1).

Standing Orders & Notice of Change

Standing Orders

Applicable to establishments with 300+ workers (earlier: 100).
Must draft based on Model Standing Orders within 6 months of Code commencement.

Notice of Change

Employer must give notice for changes in service conditions under Third Schedule.
Implementation after 21 days.
Notice to be given under Form-IV under Rule 19 of the Industrial Relations (Central) Rules, 2025.

Emergent Situations

Shift changes allowed in emergent situations in consultation with GRC—a new provision absent in earlier Act.

Dispute Resolution Framework

Conciliation Officer

Appointed by Government.
45-day timeline for report. If fails, parties may apply to Tribunal within 90 days.

Industrial Tribunal

Two-member bench
(Judicial + Administrative)
for important matters.
Single-member for others.

National Tribunal

For disputes of national importance or affecting multiple states. High Court Judge as Judicial Member.

The Code rationalises structure, abolishing Board of Conciliation, Court of Inquiry, and Labour Court under earlier framework.

Arbitration & Worker Reskilling

Voluntary Arbitration

Employers and workers may refer disputes through written agreement specifying arbitrator(s). Arbitration and Conciliation Act, 1996 does not apply.

Worker Re-skilling Fund

Section 83 introduces fund. Employer contributes 15 days' last drawn wages within 45 days of retrenchment—additional to retrenchment compensation.

Disciplinary Inquiry Timeline

Suspension

Worker suspended pending investigation or inquiry for misconduct.

1

Subsistence Allowance

Employer must pay during suspension as per applicable standing orders.

2

3

90-Day Timeline

Inquiry must be completed within 90 days from date of suspension under Section 38.

No specific statutory timeline existed under earlier Industrial Disputes Act, 1947.

Strikes, Lockouts & Lay-Off

Expanded Prohibition

Section 62 applies to all industrial establishments, not only public utility services under earlier Act.

Extended Notice

Notice period increased to 60 days (earlier: six weeks). Post-adjudication prohibition extended from two months to 60 days.

Threshold Changes

Radius for alternative employment increased from 5 miles to 8 kilometres. Permission threshold raised from 100 to 300 workers.

Fixed-Term Employment & Penalties

Fixed-Term Employment

Recognised under Section 2(o) as engagement on written contract for fixed period.

Increased Penalties

Maximum fine up to ₹2,00,000 for violations relating to lay-off, retrenchment, closure. Subsequent contraventions: imprisonment up to 6 months and/or fine up to ₹5,00,000.

Earlier Industrial Disputes Act, 1947 had maximum penalty of ₹5,000 only.



Composition of Offences

01

Section 89 Introduction

Compounding of certain offences for first convictions—a new provision absent in earlier Act.

02

Fine-Only Offences

May be compounded by paying 50% of maximum fine.

03

Imprisonment Offences

Offences punishable with imprisonment up to 1 year and fine may be compounded by paying 75% of maximum fine.

Bar on Civil Court Jurisdiction:

Civil courts cannot hear or grant injunction in relation to any matters that are governed by this Code.

This however does not take away a person's right to approach the High Court or the Supreme Court under the provisions of Article 32 or Article 226 of the Constitution as the same are an essential feature of the Constitution.

LEGISLATIVE HIGHLIGHTS

OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE, 2020

Transitional Provisions

- ▶ Section 143(3) provides a savings clause, ensuring that registrations, approvals, and notifications done under repealed laws remain valid.
- ▶ Ongoing licenses and registrations automatically carry forward to prevent any retrospective compliance gaps.

Unified Registration Framework

- ▶ Section 3 mandates every establishment to obtain a single registration certificate prior to commencement of operations or within 60 days of the Code's enforcement.
- ▶ **Deemed Registration [Section 3(4)]:** inaction by authorities in issuing a registration number results in deemed registration.
- ▶ The Draft OSH(Central) Rules, 2025 ("**Draft Rules**") enforce a strict timeline; if the registering authority does not communicate approval or rejection within 7 days, the registration certificate is auto-generated and deemed to have been granted.
- ▶ **Transition for Existing Establishments:** For businesses already registered under old laws, the new draft rules mandate that employers must update their particulars on the Shram Suvidha Portal within six months.

Composite Licensing & Enforcement Mandates

- Section 119(1) of the Code introduces a single, composite licence for factories, beedi/cigar units, and contract labour activities.
- Deemed Licence Issuance: Under Section 119(4) Licence is deemed issued if authority fails to act within 45 days.
- Strict Prohibition: Section 3(7) strictly prohibits employment in unregistered or deregistered establishments.

Contract Labour-New Thresholds & Licensing

- ▶ Higher applicability Threshold: The Code now applies to establishments employing 50 or more contract workers, up from the previous trigger of 20 workers.
- ▶ Contractor Licensing: (Secs. 47–50) Mandatory licence for contractors; valid up to 5 years; can be national or state-specific.
- ▶ Work-Specific Licenses: Under Section 47(2), contractors can now obtain licenses for specific projects even if they do not meet general licensing criteria

Actionable Insights: Employers should track contractor's compliance strictly. Even though the threshold has increased to 50, if your contractor fails to obtain or renew their national or state licence, the legal and financial liability for those workers can fall entirely on you as the Principal Employer.

“Core Activity” Restrictions

- ▶ “Core activity” is defined as the essential purpose for which an establishment is set up. Section 57 expressly prohibits contract labour in core activities.
- ▶ Statutory Exceptions: Contract workers can still be engaged for non-core support functions, explicitly including:
 - ✓ Security services
 - ✓ IT and support services
 - ✓ Transport and courier services
 - ✓ Canteen and catering services
 - ✓ Sanitation and cleaning

Actionable insights: Employing contract workers in your core manufacturing or primary service lines is a major violation under the new Code. If authorities find contract workers performing "core" duties, it may attract penalties under section 94, of ₹2,00,000–₹3,00,000 for contraventions and ₹2,000/day for continuing breach.

Working Conditions, Hours, and Leave Entitlements

- ▶ Section 25 mandates a maximum of 8 daily working hours.
- ▶ Section 25 also caps maximum weekly working hours at 48 hours.
- ▶ Section 32 entitles workers to 15 days of paid annual leave per 180 days of service.

Falsification of Time/Attendance Records (Section 98): If an employer tries to hide overtime violations by doctoring the biometric attendance records, maintaining double "books," or falsifying the mandatory registers, such acts can attract imprisonment for up to 3 months, or a fine up to ₹1,00,000, or both under the code.

Duties of Employer & Supply Chain

- ▶ Section 6 places a general duty on employers to ensure the safety, health, and welfare of workers.
- ▶ Employers must prevent overcrowding, maintain hygiene, provide sanitary facilities, and ensure adequate lighting.
- ▶ Section 7 introduces a new duty of care for designers, manufacturers, and suppliers along the supply chain. These parties must ensure that equipment and machinery meet safety standards and do not endanger workers.

If an employer's failure to fulfill safety duties directly results in a workplace accident (S.104):

- ▶ **Resulting in Death:** *Imprisonment up to **2 years**, or a fine up to **₹5,00,000**, or both.*
- ▶ **Resulting in Serious Bodily Injury:** *Imprisonment up to **1 year**, or a fine up to **₹4,00,000**, or both.*

Additional Employer duties under the Draft OSH Rules

- ▶ **Mandatory Annual Health Check-ups (Rule 6):** mandates employers to arrange free annual medical examinations for every worker above the age of 40 years This must be completed within 120 days from the start of the calendar year.
- ▶ **Mandatory Appointment Letters (Rule 7):** To formalize employment, employers are legally required to issue comprehensive appointment letters to all employees prior to employment, or within 3 months of the rules taking effect for existing staff.
- ▶ **Strict Accident Reporting Timelines (Rule 8):** The new rules shift accident reporting to a time-bound digital framework. Employers must report fatal accidents immediately, and non-fatal serious injuries within 12 hours (after 48 hours of worker incapacity).

Unified Welfare Provisions

- ▶ Chapter VI consolidates scattered welfare obligations into a unified set of amenities
- ▶ Employers must provide separate washing and toilet facilities for men and women, locker spaces, and first-aid boxes.
- ▶ Seating must be provided for workers engaged in standing operations
- ▶ Establishments employing 100 or more workers are required to provide canteens.

Under the previous regime, welfare provisions like canteens were often treated lightly by factory inspectors. Under the new framework, failing to provide these specific amenities will instantly trigger the General Penalty under section 94 (₹2,00,000–₹3,00,000) for breach of employer duties.

Employment of Women

- ▶ Under Chapter X of the OSH Code Women are now legally permitted to work night shifts (before 6:00 a.m. and after 7:00 p.m.)
- ▶ **Mandatory Safety Conditions:** The draft rules make it clear that allowing women to work night shifts is strictly conditional upon the employer providing a highly secure ecosystem. Employers must ensure:
 - ✓ **Express Consent:** must obtain explicit, documented consent from the female employee to work the night shift.
 - ✓ **Safe Transportation:** from the workplace to the employee's residence
 - ✓ **Workplace Security:** adequate lighting, CCTV surveillance, secure washrooms, and the presence of female supervisors.

If an employer schedules women for night shifts without obtaining written consent, or fails to provide the mandated safe transportation and CCTV security as per the Draft Rules, they face targeted specific penalties under Section 97 (fines up to ₹1,00,000, escalating to imprisonment for repeat offences).

Enforcement, Penalties and Compliance

- ▶ Inspector-cum-Facilitator regime introduced.
- ▶ Employer Penalties (Sec.94): ₹2,00,000–₹3,00,000 for contraventions and ₹2,000/day for continuing breach.
- ▶ Obstruction of Inspector (Sec.94): Up to 3 months imprisonment or ₹1,00,000 fine or both.
- ▶ Section 114 permits compounding of certain minor contraventions upon payment of 50 to 75 percent of the maximum fine prescribed.
- ▶ The amounts realized through compounding are credited to the 'Social Security Fund' established for the benefit of unorganised workers.

Key Takeaways

- ▶ The transition to the OSH Code, 2020, and the Draft Central Rules, 2025, marks a fundamental shift.
- ▶ Employers must proactively adapt by conducting immediate workforce audits to ensure contract labour is not engaged in core activities, overhauling HR systems to align with the new 48 hour weekly limits and 180 day leave accrual thresholds, and preparing for mandatory annual health check-ups.
- ▶ With the introduction of severe financial penalties, time-bound digital reporting mandates for accidents, and the genuine risk of criminal liability for safety negligence or data falsification, proactive compliance under the new Code is no longer just an administrative routine, but a critical pillar of business continuity.

Implementation and Compliance

Position of Workplace Mediation in the Labour Code

- ▶ Under the Industrial Relation Code, 2020 any industrial disputes arising between a worker and employer, may be referred to conciliation before the conciliation officer. In case of individual grievances, the individual worker may file it before the Grievance Redressal Committee to be established by every establishment having twenty or more workers.
- ▶ Workplace mediation may be undertaken between the employer and the employee where the employment agreement executed between them contains provisions permitting or providing for mediation for resolution of disputes.

Wage breakdown structure

- ▶ Wages = Basic + Dearness Allowance + Retaining Allowance
- ▶ Any other allowances mentioned under clause 2(y)(a) to 2(y)(i) cannot exceed 50% of total remuneration; Any excess will be added back to Wages

Practical Examples of Wage Structure: Illustration 1

COMPONENT OF REMUNERATION	AMOUNT (₹)
Basic Pay + Dearness Allowance	₹20,000
Allowances [*Section 2(y)(a) to Section 2(y)(i) of the Wages Code, 2019]	₹40,000
Other components (Gratuity and retrenchment compensation) [*Section 2(y)(j) and Section 2(y)(k)]	₹16,000
Total remuneration	₹76,000
Max. allowance allowed for calculation of wages (50% of total remuneration)	₹38,000
Excess allowance over 50% limit	₹2,000
₹2000 shall be added back to wages (Basic Pay + DA) for statutory compliances.	₹20,000 + ₹2,000
Statutory calculations shall be made on revised wages	₹22,000

Practical Examples of Wage Structure: Illustration 2

COMPONENT OF REMUNERATION	AMOUNT (₹)
Basic Pay + Dearness Allowance	₹46,000
Allowances [*Section 2(y)(a) to Section 2(y)(i) of the Wages Code, 2019]	₹20,000
Ex-gratia payment on termination [*Section 2(y)(k) of the Wages Code, 2019]	₹10,000
Total remuneration	₹76,000
Max. allowance allowed for calculation of wages (50% of total remuneration)	₹38,000
Excess allowance over 50% limit	None
Statutory calculations shall be made on wages	₹46,000

Practical Examples of Wage Structure: Illustration 3

COMPONENT OF REMUNERATION	AMOUNT (₹)
Basic Pay + Dearness Allowance	₹46,000
Allowances [*Section 2(y)(a) to Section 2(y)(i) of the Wages Code, 2019]	₹20,000
Ex-gratia payment on termination [*Section 2(y)(k) of the Wages Code, 2019]	₹10,000
Total remuneration	₹76,000

Position before 21 November 2025

(Allowances may be any percentage of total remuneration)

	COMPONENT OF REMUNERATION	AMOUNT (₹)
A	Basic Pay + Dearness Allowance	₹20,000
B	Allowances [*Section 2(y)(a) to Section 2(y)(i) of the Wages Code, 2019]	₹40,000
C	Other components (Gratuity and retrenchment compensation) [*Section 2(y)(j) & Section 2(y)(k) of the Wages Code, 2019]	₹16,000
D	Statutory calculations shall be made on wages: ₹20,000	

Position after 21 November 2025

(Allowances cannot exceed 50% of total remuneration)

	COMPONENT OF REMUNERATION	AMOUNT (₹)
A	Total remuneration	₹76,000
B	50% of total remuneration	₹38,000
C	Allowances paid [*Section 2(y)(a) to Section 2(y)(i) of the Wages Code, 2019]	₹40,000
D	Excess allowances above 50% [C-B]	₹2,000
E	Statutory calculations shall be made on wages [(Basic Pay + Dearness Allowance) + D]	₹20,000+ ₹2,000

Wages for statutory calculation for November 2025

DAYS	WAGE
1–20 November 2025 (20 days)	₹20,000 x 2/3 = ₹13,333.33
21–30 November 2025 (10 days)	₹22,000 x 1/3 = ₹7,333.33
Proportionate statutory wage for November 2025	₹13,333.33 + ₹7,333.33
Statutory calculations for November 2025 shall be made on wages	₹20,666.67 (approx.)

Compliance: Immediate steps for organizations

- ▶ All establishments and organizations must immediately revise their wage calculations to ensure compliance with the 50% - 50% requirement.
- ▶ Ensure payment structures don't discriminate on basis of gender for the same or similar work.
- ▶ Revise the timelines for payment of wages in the following manner:

Basis of payment	Deadline for Payment of Wages
Daily basis	At the end of the shift
Weekly basis	On the last working day of the week (before the weekly holiday)
Fortnightly basis	Before the end of the 2nd day after the end of the fortnight
Monthly basis	Before the expiry of the 7th day of the succeeding month
If employee exits establishment via resignation, dismissal or termination	Within 2 days from the date of exit

- ▶ If industrial establishment employing 20 or more workers, constitute one or more Grievance Redressal Committees to address individual employee grievances.
- ▶ Adopt Model Standing Orders or prepare draft Standing Orders within six months of commencement of the Code (21 November 2025), based on the notified Model Standing Orders.
- ▶ Obtain registration under the OSH Code if not already applied for, if establishment employs 10 or more persons. If registered, intimate the registration details to the Registering Officer.
- ▶ Establish Safety Committee comprising of employer and worker.
- ▶ Register for EPF, EPS and EDLI (if employing more than 20 persons and not registered); ESI (if employing more than 10 persons and not registered).

Thank You.



Phone: 8918724671

Email: ea@ashlarlaw.com

Website: ashlarlaw.com

Mumbai Office

209, Rewa Chambers, 31
New Marine Lines,
Mumbai: 400020

Delhi Office

I-8, Lajpat Nagar – III,
Basement, New Delhi:
110024

Bangalore Office

2nd floor, 96 Infantry Road,
Tasker Town, Shivajinagar,
Bangalore: 560001

Kolkata Office

210, Krishna Building, 2nd
floor, 224 AJC Bose Road
Kolkata: 700017

Hyderabad Office

No. 205, 3rd Floor, Sri Sai
Balaji Construction, 186,
Puppal Guda, Hyderabad -
500075