



## Labour Codes Go Live

22 November 2025

On 21 November 2025, the Ministry of Labour and Employment notified the long-pending Labour Codes - the Code on Wages, 2019 (**Wage Code**), the Industrial Relations Code, 2020 (**IR Code**), the Code on Social Security, 2020 (**SS Code**) and the Occupational Safety, Health and Working Conditions Code, 2020 (**OSHW Code**) (collectively, **Labour Codes**). The Labour Codes consolidate 29 existing central labour laws. While this is a welcome reform intended to streamline and modernise India's labour framework, significant ambiguity will remain around their implementation for the foreseeable future, since various rules and schemes under the Labour Codes have not yet been brought into force.

Instead of offering advance notice and implementing the Labour Codes from a future date, the press release from the Ministry of Labour and Employment only states that during the "*transition... existing labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force*". However, the fact remains that the Labour Codes have been notified to take effect from 21 November 2025, and these have now repealed the old laws (a list of the repealed laws is enclosed at the end for reference), save and except the Employees Provident Fund and Miscellaneous Provisions Act, 1952 (**EPF Act**).

Therefore, the *prima facie* position appears to be that the existing rules under the old (repealed) laws will continue to apply and would have to somehow be read in consonance with the substantive provisions of the newly notified Labour Codes to guide future compliance (to the extent they are not contrary to the Labour Codes). This would be the position till the time State governments formally notify and implement fresh rules for the Labour Codes. This is a less-than-ideal approach to the implementation of such a significant body of law, which is certainly going to create confusion and complexities in the coming weeks and months. What substantive provisions of the Labour Codes can and cannot be validly implemented in the absence of the accompanying rules that are meant to apply to these codes, would be a matter of legal interpretation.

Given the enormity of the changes, the detailed impact of the Labour Codes will have to be assessed for each organisation based on its own unique policies and practices. However, there are certain key changes that are going

to impact most employers to varying degrees. This initial update outlines the key developments that have taken place on 21 November 2025, and highlights some of the areas that organisations should be focusing on immediately.

### Key points to note and focus areas

- **Status of implementation:** While the IR Code and OSHW Code have been implemented completely, certain sub-sections of the SS Code and Wage Code are yet to be notified (largely relating to provisions linked to the EPF Act under the SS Code and constitution of a Central Advisory Board under the Wage Code).
- **Continuity of EPF Act:** The current notification does not repeal the EPF Act. While certain provisions in this respect were notified previously (relating to the Employees' Pension Scheme), the existing EPF Act continues to remain in force presently.
- **Revised wage, revised gratuity:** The new definition of 'wages' across the Labour Codes has now taken effect. This impacts how various benefits based on 'wages' will be calculated – most tellingly in the context of 'gratuity'. Gratuity was only payable on the 'basic salary' and 'dearness allowance' under the now repealed Payment of Gratuity Act, 1972. The new definition of wages is wider and covers other fixed/guaranteed allowances, expanding the base on which gratuity must be calculated. This is going to impact the accounting provision for gratuity made by companies in their balance sheet, and/or the funding for their gratuity trust. Legal advice must be sought around how gratuity must be calculated and paid from and after 21 November 2025.
- **Impact on calculation of benefits:** The new definition of 'wages' further states that if the components of compensation that are expressly excluded/not treated as wages (for e.g., House Rent Allowance), exceed 50% of the total compensation, then at least 50% of the compensation would be deemed to be 'wages'. Further, remuneration in kind (if any) up to 15% will be treated as wages. To the extent this has not already been done, employers must immediately examine the impact of this new definition on various employee payments, including leave encashment, gratuity, statutory bonus, maternity, retrenchment compensation, etc. Strategies, if any, to mitigate this impact would have to be carefully assessed.
- **Restrictions on engaging contract labour:** Employers are now prohibited from engaging 'contract labour' in **core activities** of an establishment, barring certain customary and emergency exceptions built into this prohibition. This change – now applicable on a nation-wide basis – will have a significant impact on how contingent labour is engaged in various organisations and will necessarily require employers to re-assess their organisational design, hiring practices and vendor engagements.
- **Who qualifies as a 'worker':** References to workman have been replaced by 'worker', which now excludes supervisory employees earning more than INR 18,000 per month (against INR 10,000 under earlier law) and employees in a managerial role. Further, 'worker' now includes sales promotion employees as well, that were previously understood to be excluded from the workman definition in most States.
- **Evolving industrial relations:** Factories with 300 or more workers (an increase from the previous threshold of 100 workers in most Indian States), are now required to take permission of the appropriate government before any lay-off, retrenchment or closure exercise. A re-skilling fund is also meant to be set-up (no notification has been passed on this yet), and employers will need to contribute 15 days last-drawn wages for retrenched workers into this fund, thereby increasing severance costs. In unionised environments, new provisions around union recognition and bargaining have been introduced by the IR Code, which may create fresh demands for recognition and/or collective bargaining from trade unions.

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- **Grievance redressal committee:** Industrial establishments with 20 or more workers are now required to mandatorily constitute a grievance redressal committee, which must include an equal number of *worker representatives* (in addition to women representation). This is likely to be a significant departure for all employers from their existing grievance redressal mechanisms, which do not normally comprise worker representatives. Decisions of the grievance redressal committee will not only have to be passed by a majority but also agreed upon by more than half of the worker representatives.
- **New minimum wage framework:** National Floor Wage will be fixed by the Central Government, and States will not be able to fix a lower wage, with limited exceptions.
- **Timeline for clearing unpaid wages on exits:** A two-day timeline is now prescribed for payment of unpaid wages for employees in cases of termination, *resignation* or closure of the establishment - a significant shift from the earlier regime, where such timelines applied only to a limited category of employees and only on termination. Companies will need to reassess and streamline their payroll and exit-clearance timelines.
- **Gig workers:** Social security schemes will be rolled out by the Central Government to cover gig workers. How these schemes apply in relation to State laws that have come out in few States (like Karnataka) would need to be carefully assessed.
- **Other compliance actions for employers:**
  - a. Establishments with 300 or more workers will need to obtain certified standing orders. This is an increase from the previous threshold of 100 workmen (with some states providing different thresholds). It will need to be assessed if existing exemptions granted by some State governments to certain industries (like IT/ITES) will continue to apply.
  - b. Employers need to mandatorily issue a letter of appointment to all workers. This may not impact most large employers but does bring in greater clarity and accountability for employees in smaller establishments.
  - c. Fixed term employees are entitled to all benefits extended to permanent employees, proportionate to their tenure, regardless of completion of the qualifying period. They are now entitled to gratuity on *pro-rata* basis.
  - d. Consent of the worker would be necessary before requiring them to work overtime.
  - e. It would be expected that investigative and disciplinary proceedings are concluded within 90 days from the date of suspension of a worker.

This is by no means an exhaustive list of the key impact areas, which must be examined by each organisation independently based on its activities and policies.

We anticipate that the coming weeks and months will bring further clarity on how organisations can navigate the changes brought about by the Labour Codes. Since labour laws remain a concurrent subject of legislation for Central and State governments under the Constitution, we anticipate that various States will try and adapt the Labour Codes through amendments, to better suit State level policies and objectives, and hopefully also achieve greater alignment between the Labour Codes and State laws (like the Shops and Commercial Establishments Acts) which have not been repealed by the Labour Codes.

The implementation of the Labour Codes marks a paradigm shift in India's labour regulatory environment. Employers cannot avoid taking immediate stock of the Labour Codes, assessing their financial impact as well as their impact on employment terms and policies, and coming up with a customised plan of action to align with the new laws. A majority of the States are already ready with draft rules under the Labour Codes, and stakeholders will need to stay

on the look-out for their implementation as well as other updates and guidance from both central and state authorities.

### List of laws subsumed by the Labour Codes

Labour Code	Subsumed Legislations
Wage Code	<p>The Wage Code consolidates four legislations, namely:</p> <ul style="list-style-type: none"> <li>▪ The Payment of Wages Act, 1936;</li> <li>▪ The Minimum Wages Act, 1948;</li> <li>▪ The Payment of Bonus Act, 1965; and</li> <li>▪ The Equal Remuneration Act, 1976.</li> </ul>
SS Code	<p>The SS Code amends and consolidates nine legislations, namely:</p> <ul style="list-style-type: none"> <li>▪ The Employee's Compensation Act, 1923;</li> <li>▪ The Employees' State Insurance Act, 1948;</li> <li>▪ The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;</li> <li>▪ The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;</li> <li>▪ The Maternity Benefit Act, 1961;</li> <li>▪ The Payment of Gratuity Act, 1972;</li> <li>▪ The Cine-Workers Welfare Fund Act, 1981;</li> <li>▪ The Building and Other Construction Workers' Welfare Cess Act, 1996; and</li> <li>▪ The Unorganised Workers' Social Security Act, 2008.</li> </ul>
IR Code	<p>The IR Code amends and consolidates 3 legislations, namely:</p> <ul style="list-style-type: none"> <li>▪ The Trade Unions Act, 1926;</li> <li>▪ The Industrial Employment (Standing Orders) Act, 1946; and</li> <li>▪ The Industrial Disputes Act, 1947.</li> </ul>
OSHW Code	<p>The OSHW Code amends and consolidates 13 legislations, namely:</p> <ul style="list-style-type: none"> <li>▪ The Factories Act, 1948;</li> <li>▪ The Plantations Labour Act, 1951;</li> <li>▪ The Mines Act, 1952;</li> <li>▪ The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955;</li> <li>▪ The Working Journalists (Fixation of Rates of Wages) Act, 1958,</li> <li>▪ The Motor Transport Workers Act, 1961;</li> <li>▪ The Beedi and Cigar Workers (Conditions of Employment) Act, 1966;</li> <li>▪ The Contract Labour (Regulation and Abolition) Act, 1970;</li> </ul>

## UPDATES

Labour Code	Subsumed Legislations
	<ul style="list-style-type: none"> <li>▪ The Sales Promotion Employees (Conditions of Service) Act, 1976;</li> <li>▪ The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979;</li> <li>▪ The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981;</li> <li>▪ The Dock Workers (Safety, Health and Welfare) Act, 1986; and</li> <li>▪ The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.</li> </ul>

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