

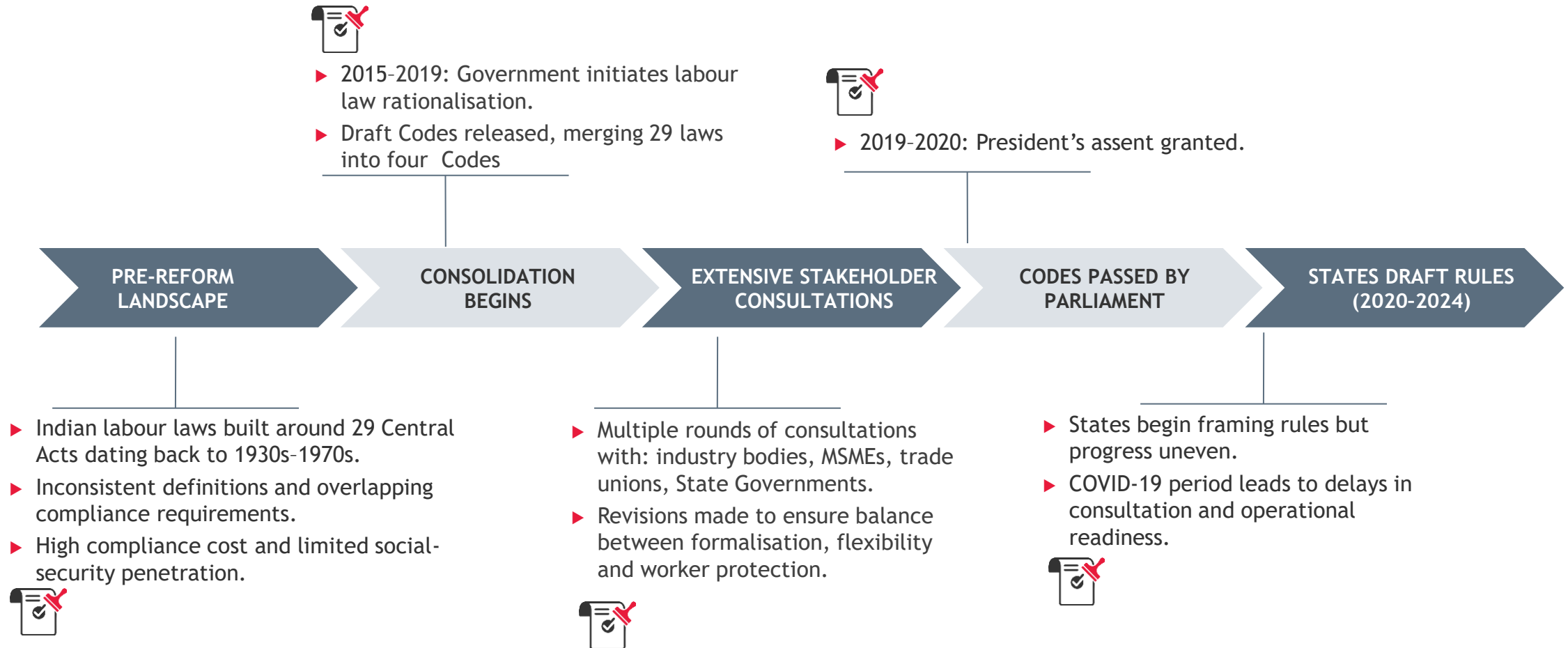
LABOUR CODES

NEW CENTRAL LABOUR LAWS RELATING TO COMPENSATION, SOCIAL SECURITY,
HEALTH & SAFETY AND INDUSTRIAL RELATIONS

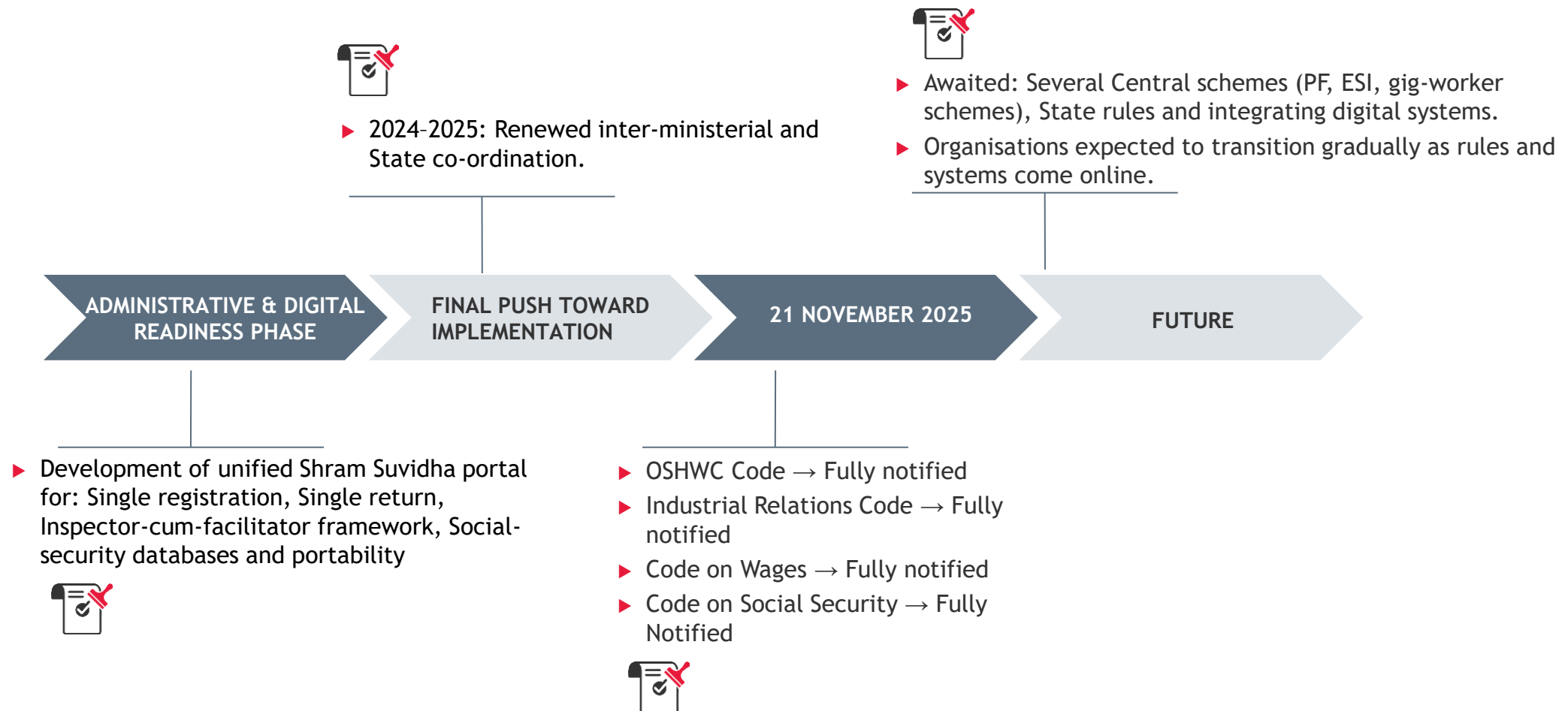
DECEMBER 2025

JOURNEY SO FAR

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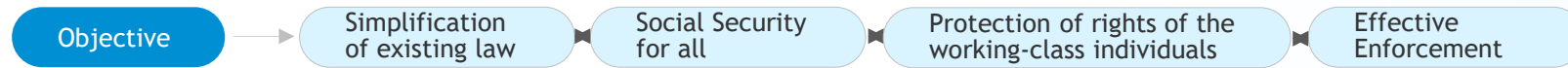
JOURNEY SO FAR



OVERVIEW

OVERVIEW OF LABOUR CODES

The Government has consolidated 29 labour laws into four comprehensive Labour Codes.



All 4 labour codes are notified in the official gazette.
 Date of entry into force notified as 21 November 2025. All Codes Notified
 All 4 central rules and multiple states rules are issued for public comments. Some states have also issued final rules.

OVERVIEW OF LABOUR CODES

Simplification, Consolidation and protection of employees' rights

New definition of 'wages' and impact on employee's compensation and benefits

Definition of 'employee' vs. 'worker'

New workforce models recognised (platform / gig workers)

Increased accountability for Contract Workers

National floor wages as minimum wage standard to be maintained by States

Greater enforcement - Prosecution proceedings for second non-compliance

Empowering women in workforce. Introduction of non discriminatory provisions

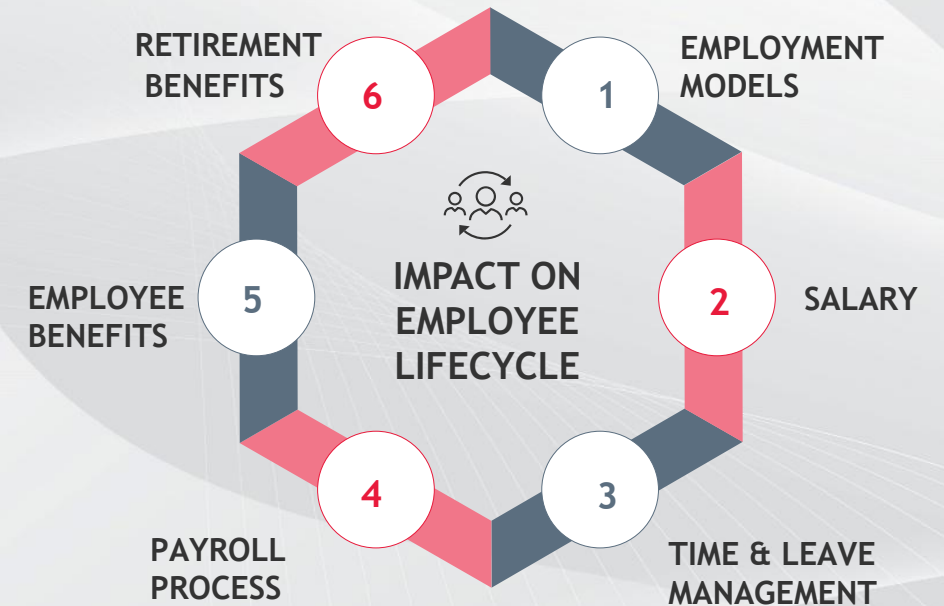
Issues to be addressed

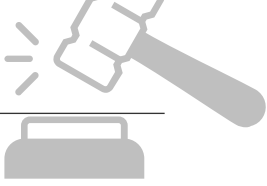
Employee Cost

Hit on P&L

Risk of non-compliance

Employee Communication





DEFINITION OF WAGES

COVERED

Covers all salary components expressed in terms of money or capable of being so expressed and includes:

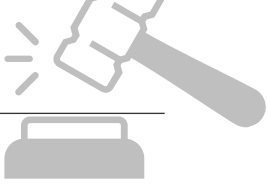
- Basic pay
- Dearness allowance
- Retaining allowance

EXCLUDED

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Bonus payable under any law ▪ Conveyance allowance ▪ House rent allowance ▪ Overtime allowance ▪ Commission | <ul style="list-style-type: none"> ▪ House-accommodation ▪ Light, water, medical attendance ▪ Value of travel concession ▪ Amenity / service excluded by general or special order of Appropriate Government ▪ Sum paid to defray special expenses |
| <ul style="list-style-type: none"> ▪ Provident fund / pension contribution ▪ Remuneration payable under any award or settlement ▪ Gratuity ▪ Retrenchment compensation | |

Limit on exclusions: 50% of total remuneration (except gratuity and retrenchment compensation)

Remuneration in kind to the extent it does not exceed 15% of total wages shall be included in wages



EMPLOYEE VS WORKER

EMPLOYEE

Covers all irrespective of role/ level/ nature of duties/ salary

WORKER

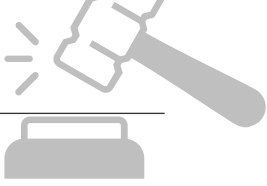
Excludes a person with:

- Managerial or administrative capacity
- Supervisory capacity with wages exceeding prescribed ceiling

- Labour codes are applicable to all employers and all employees
- Exceptions - following provisions are applicable only to workers:
 - Overtime and leave encashment under the Occupational Safety, Health and Working Conditions Code, 2020
 - The Industrial Relations Code, 2020

- No clarity in the labour codes / draft rules on the following terms used in the definition of 'worker':
 - Skilled* / technical work
 - Managerial capacity
 - Administrative capacity
 - Supervisory capacity

* Definition of skilled occupation provided under the draft central rules issued under the Code on Wages, 2019



CONTRACTOR AND CONTRACT LABOUR

CONTRACTOR

- Definition of contractor under the labour codes means a person who:
 - undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture to such establishment, through contract labour; or
 - supplies contract labour for any work of the establishment as mere human resource and includes a sub-contractor

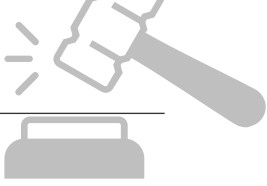
CONTRACT LABOUR

- Definition of contract labour under the labour codes means a 'worker' who shall be deemed to be employed in or in connection with the work of an establishment when he is hired in or in connection with such work by or through a contractor, with or without the knowledge of the principal employer and includes inter-State migrant worker but does not include a worker (other than part-time employee) who:
 - is regularly employed by the contractor for any activity of his establishment and his employment is governed by mutually accepted standards of the conditions of employment (including engagement on permanent basis), and
 - gets periodical increment in the pay, social security coverage and other welfare benefits in accordance with the law for the time being in force in such employment.

Prohibition on hiring Contract Labour: Under the OSHWC Code, 2020, employment of contract labour is prohibited in 'core activities' of the establishment. Exception provided in the following situations:

- normal functioning is ordinarily done through contractor
- activities do not require full time workers for the major portion of the working hours in a day
- sudden increase in volume of work which is time bound

KEY CHANGES

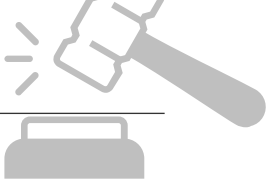


KEY CHANGES - THE CODE OF WAGES, 2019

The Code aims to strengthen workers' rights while promoting simplicity and uniformity in wage-related compliance for employers.

Major Highlights

Applicability	<ul style="list-style-type: none"> ▪ Applicable to all employees irrespective of salary level or sector / industry of employment.
Universal Minimum wages	<ul style="list-style-type: none"> ▪ Statutory right to minimum wages for all employees across both organized and unorganized sectors.
Introduction of floor wage	<ul style="list-style-type: none"> ▪ A statutory floor wage shall be set by the Government based on minimum living standards, with scope for regional variation. ▪ No state can fix minimum wages below this level, ensuring uniformity and adequacy nationwide.
Gender Equality in Employment	<ul style="list-style-type: none"> ▪ Employers shall not discriminate on the basis of gender, including transgender identity, in recruitment, wages, and employment conditions for similar work
Salary disbursement protocols	<ul style="list-style-type: none"> ▪ Provisions ensuring timely payment and preventing un-authorized deductions will apply to all employees. ▪ Authorised deductions should not exceed 50% of employee wage
Statutory Bonus	<ul style="list-style-type: none"> ▪ Payable to the employees whose 'Wages' do not exceed the limit prescribed by the state Government.
Overtime Compensation	<ul style="list-style-type: none"> ▪ Employers must pay all employees overtime wages at least twice the normal rate for any work done beyond the regular working hours.
Records, registers and returns	<ul style="list-style-type: none"> ▪ Prescribed format of employee records, salary slip and registers to be maintained by employer
Compounding of Offences	<ul style="list-style-type: none"> ▪ First-time, non-imprisonable offences can be compounded by paying a penalty. ▪ Repeat offences within five years, however, cannot be compounded
Decriminalization of Offences	<ul style="list-style-type: none"> ▪ The Code replaces imprisonment for certain first-time offences with monetary fines (up to 50% of the maximum fine), making the framework less punitive and more compliance-oriented.

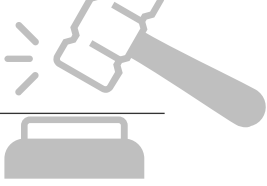


KEY CHANGES - THE CODE ON SOCIAL SECURITY, 2020

The Code extends social security to all workers- including unorganized, gig, and platform workers covering life, health, maternity, and provident fund benefits, while introducing digital systems and facilitator-based compliance for greater efficiency.

Major Highlights

Uniform Definition of Wages:	<ul style="list-style-type: none"> “Wages” now include basic pay, dearness allowance, and retaining allowance; 50% of the total remuneration (or such percentage as may be notified) shall be added back to compute wages, ensuring consistency in calculating gratuity, pension, and social security benefits.
Expanded ESIC (Employees' State Insurance) Coverage:	<ul style="list-style-type: none"> ESIC now applies pan-India, eliminating “notified areas.” Establishments with fewer than 10 employees may voluntarily opt in with mutual consent of employers and employees. Coverage would be mandated for hazardous occupation and extended to plantation workers.
Time-bound EPF (Employees' Provident Fund) Inquiries:	<ul style="list-style-type: none"> A five-year limit for initiating EPF inquiries and recovery proceedings to be completed within two years (extendable by one). Suo-moto reopening of cases has been abolished, ensuring timely resolution.
Inclusion of Gig and Platform Workers:	<ul style="list-style-type: none"> New definitions are included- “aggregator,” “gig worker,” and “platform worker” to enable social security coverage. Aggregators to contribute 1- 2% of annual turnover (capped at 5% of payments to such workers).
Social Security Fund:	<ul style="list-style-type: none"> A dedicated fund to finance schemes for unorganised, gig, and platform workers, covering life, disability, health, and old-age benefits has been proposed. The amount collected through the compounding of offences will be credited to this Fund and used by the Government
Expanded Definition of Dependents	<ul style="list-style-type: none"> Coverage extended to maternal grandparents and in case of female employees it also includes dependent parents-in-law, broadening family benefit access.
Gratuity for Fixed-Term Employees:	<ul style="list-style-type: none"> Fixed-term employees become eligible for gratuity after one year of continuous service (earlier five years).
Compounding of Offences:	<ul style="list-style-type: none"> First-time offences punishable with fines are compoundable- for fine-only: 50% of maximum fine and for fine/imprisonment cases: 75% of maximum fine- reducing litigation and improving ease of doing business
Digitization of Compliance	<ul style="list-style-type: none"> Mandates electronic maintenance of records, registers, and returns, cutting costs and improving efficiency.

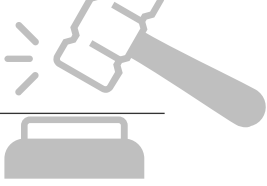


KEY CHANGES - THE OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE 2020 (1/2)

The Code balances the twin objectives of safeguarding worker rights and safe working conditions, and creating a business-friendly regulatory environment. This will spur economic growth and employment thereby, making India's labour market more efficient, fair, and future ready.

Major Highlights

Unified Registration:	<ul style="list-style-type: none"> A uniform threshold of 10 employees is set for electronic registration. One registration for an establishment has been envisaged in place of 6 registrations in the Acts. This will create a centralised database and promote ease of doing business.
Extension to Hazardous Work:	<ul style="list-style-type: none"> The Government can extend the Code's provisions to any establishment, even with one employee, engaged in hazardous or life-threatening occupations.
Wider Definition of Migrant Workers:	<ul style="list-style-type: none"> The definition of inter-state migrant workers (ISMW) now covers workers employed directly, through contractors, or migrate on their own. Plan is to also have a National Database of migrant workers.
Health and Formalization:	<ul style="list-style-type: none"> Free annual health check-ups for employees
Contract Labour Reform:	<ul style="list-style-type: none"> Provisions applicability threshold has been raised from 20 to 50 contract workers. All India license valid for 5 years against work-order based license to be provided to the contractor. Principal employers to provide welfare facilities like health and safety measures to contract workers. If the contractor fails to pay wages, the principal employer has to pay unpaid wages to the contract labour.
Revised Factory Thresholds:	<ul style="list-style-type: none"> Applicability increased from 10 to 20 workers (with power) and 20 to 40 workers (without power), reducing compliance burden for small units.

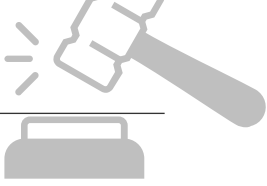


KEY CHANGES - THE OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE 2020 (2/2)

The Code balances the twin objectives of safeguarding worker rights and safe working conditions, and creating a business-friendly regulatory environment. This will spur economic growth and employment thereby, making India's labour market more efficient, fair, and future ready.

Major Highlights

Women's Employment:	<ul style="list-style-type: none"> Women can work in all types of establishments and during night hours (before 6AM, beyond 7PM) with consent and safety measures, fostering equality and inclusion.
Safety Committees:	<ul style="list-style-type: none"> Establishments with 500 or more workers will form safety committees with employer-worker representation, enhancing workplace safety and shared accountability.
National Occupational Safety & Health Advisory Board:	<ul style="list-style-type: none"> A single tripartite advisory board replaces six earlier boards to set national safety and health standards across sectors, ensuring uniformity and quality.
Decriminalisation & Compounding of Offences:	<ul style="list-style-type: none"> Criminal penalties (imprisonment) replaced by civil penalties like monetary fines, promoting compliance over punishment. Offences punishable by fine only to be compounded by paying 50% of the maximum fine; those involving imprisonment or fine or both by 75%.
Working Hours & Overtime:	<ul style="list-style-type: none"> Normal working hours capped at 8 hours/day and 48 hours/week. Overtime allowed only with worker consent and paid at twice the regular rate.
Inspector-cum-Facilitator System:	<ul style="list-style-type: none"> Inspectors will now act as facilitators with an objective to help employers comply with law, rules and regulations rather than merely policing them.



KEY CHANGES - THE INDUSTRIAL RELATIONS CODE, 2020

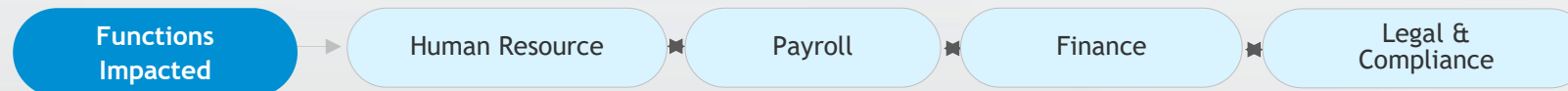
The Code acknowledges the fact that survival of worker depends upon survival of industry. In this backdrop, it simplifies laws related to trade unions, conditions of employment in industrial establishment or undertaking, investigation and settlement of industrial disputes

Major Highlights

Expanded Worker Definition:	▪ Covers sales promotion staff, journalists, and supervisory employees earning up to ₹18,000/month.
Higher Threshold for Lay-off/Retrenchment/Closure:	▪ Approval limit raised from 100 to 300 workers; States may enhance the limit further. The provision will simplify compliance and contribute to formalization.
Women's Representation	▪ Ensures proportional representation of women in grievance committees for gender-sensitive redressal.
Standing Orders Threshold	▪ Raised from 100 to 300 employees, easing compliance and enabling flexible workforce management
Work-from-Home provision:	▪ Permitted in service sectors by mutual consent, improving flexibility
Notice for Strikes / Lockouts:	▪ Mandatory 14-day notice for all establishments to promote dialogue and minimise disruptions
Expanded definition of strike:	▪ Includes “mass casual leave also within its ambit” to prevent flash strikes and ensure lawful action

WAY FORWARD FOR ORGANISATIONS

 CLASSIFICATION OF EMPLOYEES	 EMPLOYEES' COMPENSATION STRUCTURE	 FINANCIAL IMPACT ON EMPLOYEE BENEFITS	 CONTRACTED / THIRD PARTY EMPLOYEES	 HR & PAYROLL POLICIES & PROCESSES	 COMPLIANCE MANAGEMENT
<ul style="list-style-type: none"> ▶ Identify the employees who may be considered as 'workers' and understand the additional compliance requirements ▶ Relook at hiring models (FTE/Consultants / Gig workers) 	<ul style="list-style-type: none"> ▶ Requirement to calculate benefits such as minimum wages, gratuity, leave encashment, ESI on 'wages' ▶ Align comp structure with new definition of 'wages' and tax regulations 	<ul style="list-style-type: none"> ▶ Analyze the prospective and retrospective financial impact of changes on employee cost and books of accounts. 	<ul style="list-style-type: none"> ▶ Understand Impact of contractor related compliances and obligations of principal employer ▶ Evaluate vendor contracts and compliance status to understand the obligation towards contracted workers ▶ Evaluate restriction on hiring third party employees for Core Activities 	<ul style="list-style-type: none"> ▶ Understand impact on various HR and Payroll policies and processes relating to working hours, leave, OT, payment timelines, permissible deductions, F&F settlement, etc. ▶ Revamping of impacted policies and process 	<ul style="list-style-type: none"> ▶ Updating internal procedures, processes and systems leading to timely and effective compliances. ▶ Management of Ongoing compliances



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For any other comments or feedback, kindly write in to preetisharma@bdo.in

Ahmedabad

Westgate Business Bay, Floor 6
Block A, S.G. Highway Makarba
Ahmedabad 380051, INDIA

Bengaluru - Office 1

Prestige Nebula, Floor 3
Infantry Road
Bengaluru 560001, INDIA

Bengaluru - Office 2

SV Tower, No. 27, Floor 3 & 4
80 Feet Road, 6th Block, Koramangala
Bengaluru 560095, INDIA

Bhopal

11th Floor, Bansal One Building
Office No. EL-012 & EL-021
Rani Kamalapati Railway Station
Bhopal 462016, INDIA

Chandigarh

Plot no. 55, Floor 5
Industrial & Business Park, Phase 1
Chandigarh 160002, INDIA

Chennai

Olympia Cyberspace, Floor 10, Module 4
No: 4/22 Arulayiammanpet
SIDCO Industrial Estate, Guindy
Chennai 600032, INDIA

Coimbatore

Pacom Square, Floor 3, 104/1, Sakthi
Main Road, Bharathi Nagar, Ganapathy
Coimbatore 641006, INDIA

Delhi NCR - Office 1

Magnum Global Park, Floor 21, Archview
Drive, Sector 58, Golf Course Extn Road
Gurugram 122011, INDIA

Delhi NCR - Office 2

Windsor IT Park, Plot No: A-1
Floor 2, Tower B, Sector 125
Noida 201301, INDIA

Goa

BIZ - Nest, Floor 7
A Wing, Sunteck Corporate Park
Opp. Shram Shakti Bhavan, Patto
Panaji, Goa 403001, INDIA

Hyderabad

1101/B, Manjeera Trinity Corporate
JNTU-Hitech City Road, Kukatpally
Hyderabad 500072, INDIA

Kochi

XL/215 A, Krishna Kripa
Layam Road, Ernakulam
Kochi 682011, INDIA

Kolkata

Floor 4, Duckback House
41, Shakespeare Sarani
Kolkata 700017, INDIA

Mumbai - Office 1

The Ruby, Level 8 North West Wing,
Level 9, North West & South East Wings
Senapati Bapat Marg, Dadar (W)
Mumbai 400028, INDIA

Mumbai - Office 2

601, Floor 6, Raheja Titanium,
Western Express Highway,
Geetanjali Railway Colony, Ram Nagar
Goregaon (E), Mumbai 400063, INDIA

Mumbai - Office 3

Floor 20, 2001 & 2002 - A Wing, 2001 - F Wing
Lotus Corporate Park, Western Express Highway
Ram Mandir Fatak Road, Goregaon (E)
Mumbai 400063, INDIA

Mumbai - Office 4

2nd floor, Empire Complex
414, Senapati Bapat Marg
Lower Parel West,
Mumbai 400013, INDIA

Pune - Office 1

Floor 6, Building No. 1
Cerebrum IT Park, Kalyani Nagar
Pune 411014, INDIA

Pune - Office 2

Floor 2 & 4, Mantri Sterling, Deep Bungalow
Chowk, Model Colony, Shivaji Nagar
Pune 411016, INDIA

Vadodara

1008, Floor 10, "OCEAN",
Sarabhai Compound, Nr. Centre Square Mall
Dr. Vikram Sarabhai Marg
Vadodara 390023, INDIA

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