



**KRESTON
SNR**

New Labour Codes – Key Updates



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Introduction

The Government of India, vide notifications dated 21 November 2025, brought into effect the long-awaited Four Labour Codes, consolidating 29 existing central labour laws. The objective is to streamline compliance, modernize labour governance, and enhance worker welfare.

These codes standardize definitions, reduce multiplicity of laws, introduce digital compliance, and significantly impact employers across sectors.

The four enacted Labour Codes are:

- Code on Wages, 2019
- Industrial Relations Code, 2020
- Code on Social Security, 2020
- Occupational Safety, Health and Working Conditions (OSHC) Code, 2020



Comparative Summary

CODE	FOCUS AREA	KEY IMPACT
Code on Wages	Wages, bonus, equality	Uniform wage definition, national floor wages
Industrial Relations Code	Unions, strikes, disputes	Flexibility in hiring, union structure
Social Security Code	EPF, ESI, gratuity, gig workers	Universal social protection
OSHWC Code	Safety, welfare, working conditions	Standardized safety norms & licensing





Summary of Key Changes: Effective 21st November 2025



Point	Details
Definition of Wages	“Wages” = Basic Pay + DA must be at least 50% of total remuneration. Allowances capped at 50%, increasing the statutory wage base.
Gratuity Impact	Gratuity will rise due to a higher wage component. Fixed-term employees eligible after 1 year ; permanent employees continue to need 5 years of service..
PF Contribution	PF rules remain largely unchanged as the wage ceiling is still ₹15,000. Only employees earning below this limit may experience higher PF deductions.
Take-Home Salary	Existing employees’ take-home remains mostly unaffected. PF and gratuity rules do not reduce monthly salary. New hires may see restructured CTCs to meet the 50% wage rule.
Medical Bonus	Women employees receive a ₹3,500 medical bonus if pre-natal/post-natal care is not provided by the employer. Amount may be revised by government notifications.
Health, Safety & Welfare	Mandatory annual health check-ups for employees aged 40+ and stricter safety norms for digital and audio-visual workplaces
Social Security Expansion	ESIC, PF, and other benefits extended to fixed-term, gig, and platform workers
Appointment Letters	Appointment letters are mandatory with all prescribed employment details under the new labour codes.
Gender Equality & Night Work	Women can work night shifts with consent and required safety measures, along with equal pay and representation.

Four Labour Codes

Code on Wages, 2019

Applicability: Applicable to all employees across all establishments

New Definition of Wages (50% Rule): Wages = Basic + DA + Retaining Allowance

If allowances exceed 50% of total compensation, the excess must be added back to wages to make it 50%.

Impact: Increases PF, gratuity, overtime, and bonus base for many employees.

Impact on Employers

- Standardized definition of wages.
- Uniformity in compliance across establishments.
- Restructuring CTCs due to wage definition.
- Higher PF/Gratuity base in some cases

ACTS SUBSUMED	KEY OBJECTIVES	KEY PROVISIONS
<ul style="list-style-type: none">• Payment of Wages Act, 1936• Minimum Wages Act, 1948• Payment of Bonus Act, 1965• Equal Remuneration Act, 1976	<ul style="list-style-type: none">• Streamline wage definitions• Ensure gender-neutral wage equality• Universal minimum wages	<ol style="list-style-type: none">1. Minimum Wages & Floor Wage<ul style="list-style-type: none">• Central Government will fix a National Floor Wage.• States cannot fix wages below the floor wage.• Minimum wage revision every 5 years.2. Payment of Wages<ul style="list-style-type: none">• Salary to be paid by 7th/10th of the following month.• Deductions capped at 50% of total wages.3. Overtime<ul style="list-style-type: none">• Paid at 2x normal rate.• OverTime records to be maintained.4. Bonus<ul style="list-style-type: none">• Mandatory for eligible employees.• Payable within 8 months from year-end.

Industrial Relations Code, 2020

Impact on Employers

- Flexibility in hiring & disengagement
- Strengthened union negotiations
- Reskilling fund contributions

ACTS REPLACED:	KEY OBJECTIVES	KEY PROVISIONS
<ul style="list-style-type: none"> • Industrial Disputes Act, 1947 • Trade Unions Act, 1926 • Industrial Employment (Standing Orders) Act, 1946 	<ul style="list-style-type: none"> • Promote industrial harmony • Encourage investment & ease of business • Define timely dispute resolution mechanisms 	<p>1. Standing Orders Applicable to establishments with 300+ workers.</p> <ul style="list-style-type: none"> • Classification of employees • Misconduct & disciplinary rules • Leave, Attendance, shift rules • Termination procedures <p>2. Trade Union Rules</p> <ul style="list-style-type: none"> • Provision of negotiating council or sole negotiating union. • Sole negotiating union if it has 51%+ membership. • Otherwise, a negotiating council (representative). <p>3. Grievance Redressal Committee Mandatory for 20+ employees. Includes:</p> <ul style="list-style-type: none"> • Minimum 1 woman member • Equal representation for workers & employer • Monthly meetings <p>4. Layoff, Retrenchment & Closure</p> <ul style="list-style-type: none"> • Prior government permission required for 300+ employees. <p>5. Strikes & Lockouts</p> <ul style="list-style-type: none"> • Mandatory 14-day notice.

Code on Social Security, 2020

ACTS SUBSUMED	KEY OBJECTIVES	KEY PROVISIONS
<ul style="list-style-type: none"> • EPF Act, 1952 • ESI Act, 1948 • Maternity Benefit Act, 1961 • Payment of Gratuity Act, 1972 • Employees' Compensation Act, 1923 • Unorganised Workers' Social Security Act, 2008 • Cine Workers Welfare Fund Acts • Building & Construction Workers Acts 	<ul style="list-style-type: none"> • Universal social security • Coverage of gig and platform workers • Consolidated PF/ESI/Gratuity/ Maternity norms 	<ol style="list-style-type: none"> 1. Permanent Employees <ul style="list-style-type: none"> • Must complete 5 years of continuous service. (Exception: If employee dies or becomes disabled, 5 years not required) 2. Fixed-Term Employees <ul style="list-style-type: none"> • Eligible on a pro-rata basis • Only 1 year of service is needed (in most interpretations under the new labour rules). (If someone works on a fixed-term contract for 1 year, 2 years, or 3 years, they get gratuity for that duration) 3. Gig & Platform Workers <ul style="list-style-type: none"> • First-time inclusion in any labour law. • Eligibility for government-framed social security schemes. • Registration & welfare contributions required (where applicable).

Impact on Employers

- Wider ESI/EPF coverage.
- Additional compliance for gig and platform workers.
- Cost impact due to expanded definitions.



Occupational Safety, Health & Working Conditions (OSHWC) Code, 2020

ACTS SUBSUMED	KEY OBJECTIVES	KEY PROVISIONS
<ul style="list-style-type: none"> • Factories Act, 1948 • Mines Act, 1952 • Dock Workers Act, 1986 • Inter-State Migrant Workmen Act, 1979 • Contract Labour Act, 1970 • Building & Construction Workers Act, 1996 • Working Journalists Act, 1955 • Motor Transport Workers Act, 1961 • And several others 	<p>To ensure safe working conditions, health standards, and welfare measures for workers.</p>	<ol style="list-style-type: none"> 1. Working Hours <ul style="list-style-type: none"> • Maximum 8 hours per day • 48 hours per week • Overtime must be voluntary and compensated at 2x the normal rate 2. Leaves <ul style="list-style-type: none"> • Earned leave for employees completing 180 days instead of 240 days in a calendar year. 3. Welfare Facilities <ul style="list-style-type: none"> • Canteen – 100+ employees • Crèche – 50+ employees • First-aid, washrooms, drinking water (all units) 4. Safety Requirements <ul style="list-style-type: none"> • Mandatory safety training for hazardous operations. • Safety Officer mandatory where threshold is met. 5. Single Registration <p>One licence for multiple activities (factory, contract labour, etc.).</p>

Impact on Employers

- Simplified licensing reduced paperwork.
- Higher accountability for worker safety.
- Compliance requirements for contractors doing outsourced work.

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