

NDA Update on New Labour Codes

Highlights of significant provisions / changes in new Labour Codes

- **29** existing central labour laws replaced with 4 Labour Codes
- Notified on 21st November, 2025 and made effective from that date
- **Rules are yet to be notified**
- Uniform definition of certain terms under these codes which were different in earlier labour laws
- Wages will include basic wages, dearness allowance and retaining allowance, if any. All other allowances will not be considered as wages for the purpose of calculation of various statutory entitlements and benefits.
- All other allowances, referred to in preceding paragraph, exceeding 50% of total remuneration will be considered as wages for the purpose of calculation of various statutory entitlements and benefits.
- New concept on “National Floor Wages” introduced which will be notified by the Central Government.
- Prohibition of difference in wages on the basis of gender
- Night working of women allowed across all industries
- Minimum & maximum rate of bonus remains same as 8.33% & 20% respectively. Threshold limit for entitlement of bonus yet to be notified.
- Normal working hours prescribed as 8 hours in a day. In erstwhile Factories Act, it was 9 hours in day.
- No worker shall be allowed to work for more than 6 days in a week. Earlier in was 48 hours in a week.
- Overtime payments – to be paid at twice the rate of wages which was also there in erstwhile law. New requirement of consent of worker in writing has been added.
- New classification of workers added in the definitions of SS Code like Gig worker, Platform workers, Fixed term employees. Such workers will get social security benefits.
- Fixed term employees are entitled for gratuity after one year of continuous service. For all other employees, the period of continuous service is still “five years”.
- Core activity of an establishment has been defined for the first time.
- Employment of contract labour in core activities is prohibited with certain exception.

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- Issuance of letter of appointment made mandatory. For existing employees not having such letter, appointment letter should be issued within 3 months of 21st November, 2025.
- Free annual health check up for employees of such age or class as may be prescribed. As per press release by the ministry, the age prescribed is 40 or more.
- Constitution of safety committee with representation of both employers and employee
- Mandatory appointment of safety officers in establishment having certain number of employees. The limit was more than 1000 employees in erstwhile law which has been reduced to 500 under the code. For hazardous or construction industry, the limit prescribed in 250.
- The prescribed timeline for payment of wages within 2 working days, which was applicable only to cases of termination on employment in the erstwhile laws, has been extended to cases of resignation as well.
- Penalty for non-compliance of the codes has been increased.
- Compounding of offences is introduced in these codes. Subject to certain compliances, compounding is permitted for the first offence only.
- Erstwhile Factories Act allowed leave only after 240 days of work in a year, while the New OSH Code reduces the eligibility to 180 days
- The threshold limit of applicability of provisions of the OSH Code relating to engagement of contract labours in any establishment has been revised from employment of at least 20 contract labourers to at least 50 contract labourers in the preceding 12 months.

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BACKGROUND

The Ministry of Labour & Employment, Government of India has issued various notifications bringing into effect provisions of the following Codes under India's new labour law framework, effective from 21st November 2025:

- The Code on Wages, 2019 (Wage Code)
- The Code on Social Security, 2020 (SS Code)
- The Industrial Relations Code, 2020 (IR Code)
- The Occupational Safety, Health & Working Conditions Code, 2020 (OSH Code)

Although the Labour Codes have been enacted and published in the official Gazette of India (Wage Code: on October 08, 2019; SS Code, OSH Code and IR Code: on September 29, 2020) after they received assent from the President of India. However, provisions of these Labour Codes have been made effective after notifying the same in the official gazette on 21st November, 2025.

This marks the most significant legislative changes in India's labour law framework, replacing 29 Central Labour Acts with four Labour Codes. **The Codes have been notified but the Rules under these Labour Codes by the Central and State Governments are still to be notified.**

These new 4 labour codes, replacing the 29 existing central labour laws, have introduced a uniform definition of various terms used in these codes. In the earlier laws there was no concept of uniform definition. The definitions of important terms like employee, employer, wages etc were different under various central labour laws.

In view of uniform definition, there will be no need to refer different definitions under different laws resulting in ease of compliance.

The uniform definition of "wages" across all Codes is prescribed to calculate various statutory entitlements, such as minimum wages, overtime, gratuity, leave encashment, ESI, PF, bonus and other payment of wage related provisions. As per the definition, 'Wages' means all remuneration whether by way of salary, allowances or otherwise, which would be payable to a person employed in respect of his employment and includes, (i) basic pay; (ii) dearness allowance; and (iii) retaining allowance, if any. As per the definition, wages **do not include** bonus, house rent allowance, gratuity, overtime allowance, conveyance allowance, PF contribution, commission, retrenchment commission etc.

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- **Allowances exceeding prescribed limits will be treated as part of Wages**

A new provision has been added in the definition of wages which provides that if the amount of various allowances (which do not form part of wages) exceeds 50% (or such other percentage as may be notified) of the total remuneration, the excess amount will be deemed to be wages. If such amount of excluded Allowance exceeds 50% of basic pay plus DA, it will be considered as basic pay, only for the purpose of calculating benefits. There will not be any disallowance or reduction of allowances.

The employers may be required to revamp salary structures to align it with new definition and ensure compliance. It may also increase the cost to the employers and may reduce the immediate take home amount of the employees due to higher statutory deduction which is illustrated below.

Particulars	Under old laws	Under new codes
Basic Salary	4,00,000	4,00,000
HRA, Bonus, PF etc	8,00,000	8,00,000
Total Remuneration	12,00,000	12,00,000
Remuneration for PF	4,00,000	6,00,000
PF – Employer’s contribution	48,000	72,000
PF – Employee’s contribution	48,000	72,000
Additional cost to employer	0	24,000
Reduction in take home for employee	0	24,000

- **New concept of National Floor Wages**

A new concept of national floor wage has been introduced. Central Government shall fix floor wage taking into account minimum living standards of a worker in such manner as may be prescribed. The minimum rates of wages fixed by the appropriate State Government shall not be less than the floor wage and if the minimum rates of wages fixed by the appropriate State Government earlier is more than the floor wage, then, the appropriate Government shall not reduce such minimum rates of wages fixed by it earlier.

- **Prohibition of discrimination in wages on ground of gender**

Employer will have to ensure that there shall be no discrimination in an establishment or any unit thereof among employees on the ground of gender in matters relating to wages by the same employer, in respect of the same work or work of a similar nature done by any employee.

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No employer shall make any discrimination on the ground of sex while recruiting any employee for the same work or work of similar nature and in the conditions of employment, except where the employment of women in such work is prohibited or restricted by or under any law for the time being in force.

- **Daily & weekly working hours**

Normal working hours has been prescribed as 8 hours in a day as against 9 hours in erstwhile Factories Act. No worker shall be allowed to work for more than 6 days in a week. Earlier in was 48 hours in a week.

- **Appointment letter for employment**

Issuance of letter of appointment to every employee in prescribed format has been made mandatory. For existing employees not having such letter, appointment letter should be issued within 3 months of commencement of code i.e. within 3 months of 21st November, 2025.

- **Payment of wages by electronic mode**

For the first time, payment of wages by electronic mode has been **statutorily** recognised in labour laws besides other modes of payment.

- **Time limit for payment of wages**

The employer shall pay wages to the employees as under:

- Employed on daily basis - at the end of the shift;
- Employed on weekly basis - on the last working day of the week
- Employed on fortnightly basis - before the end of the second day after the end of the fortnight
- Employed on monthly basis - before the expiry of the seventh day of the succeeding month.

In the erstwhile Payment of Wages Act, time limit was prescribed for employment on monthly basis as within 7th or 10th day of the month end depending on number of employees.

- Erstwhile Payment of Wages Act, 1936 was applicable to employees getting monthly wages up to Rs. 24,000. No such threshold has been fixed in the Wage Code so far. Thus, provisions relating to fixation of wage period, time limit for payment of wages, deductions from wages etc will apply to all employees irrespective of wages earned.

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- **Night shift working allowed for women across all industries**

Under erstwhile Factories Act, 1948, there was complete restriction of night working by women employees between 10 p.m. and 5 a.m. Under the OSH Code, the women workers may, with her consent, be employed in an establishment before 6 a.m. and beyond 7 p.m. subject to such conditions relating to safety, holidays and working hours or any other condition as may be prescribed.

This will help the industries which predominantly employ women workers like textile, garments, food processing etc. Such industries can employ women workers during night shift.

However, the appropriate government may put restriction on employment of women in night shift if it considers the employment of women is dangerous for their health and safety, in an establishment or class of establishments.

- **Payment of Bonus**

There is no change in the limit of minimum and maximum percentage of bonus, which remains at 8.33% and 20% respectively.

The government is yet to announce the salary threshold for eligibility of bonus under the Code.

Employee dismissed from services due to conviction for sexual harassment is newly added as a disqualification from receiving payment of statutory bonus besides other existing disqualifications.

- **Overtime payments**

Overtime is required to be paid at twice the rate of wages, which was also there in erstwhile labour laws.

Daily/ weekly working hour limits beyond which overtime payments will apply is yet to be notified.

A new requirement has been added which requires employer to take consent of the employee in writing for performing overtime work. This will lead to additional compliance burden. Employer will be required to design overtime requisition slip in such a manner that it is also signed by the employee (as a consent) besides usual signature of departmental head / HR personnel.

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- New classifications of workers added in SS Code like Gig workers, Platform workers, Fixed term employees. These are now formally recognised. Social Security framework is now legally extended to include Gig workers, platform workers, fixed-term workers etc. for the first time under SS Code. With a dedicated Social Security Fund, these workers get benefits including life insurance, disability cover, PF, health and maternity benefits.
- **‘Gig-worker’** is defined to be a ‘person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship’.
- **‘Platform worker’** undertakes any work arrangement outside of a traditional employer employee relationship in which organisations or individuals can use an online platform to access or provide specific services against payment.
- **‘Fixed-term employment’** means ‘engagement of an employee on the basis of a written contract of employment for a fixed period’. It also provides that hours of work, wages, allowances and other benefits of fixed-term employees should not be less than that of a permanent employee doing same work or work of a similar nature. Fixed term employees shall be eligible for all statutory benefits available to a permanent employee like EPF, ESI, Minimum Wages etc, irrespective of qualifying criteria prescribed under the applicable law. They will also get appointment letter from employer. Such employees are entitled for gratuity upon completion of one year of continuous service.
- Under the OSH Code, **“Core activity of an establishment”** has been defined for the first time. It means any activity for which the establishment is set up and includes any activity which is essential to such activity. Sanitation & cleaning, disposal of waste, watch & ward services, canteen & catering services, loading & unloading activities, courier services, running of hospital, civil & other construction work, transport services etc are not considered as core activity.
- **Employment of contract labour in core activities of an establishment is prohibited** with certain exceptions like carrying of normal functioning ordinarily through contractor or the activities do not require full time employees or sudden increase of volume of work for a specified period.

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- **Single Registration of establishment**

Every establishment to which these Codes apply, shall apply for registration, electronically or otherwise within such time and in such manner as may be prescribed by the Central Government. However, the establishment which is already registered under any other Central labour law for the time being in force shall not be required to obtain registration again under this Code and such registration shall be deemed to be registration for the purposes of this Code.

- **Safety Committee & Safety Officer**

State Government may prescribe requirement of constitution of safety committee in any establishment of class of establishments. The safety committee will be constituted with representation of both employers and employee.

Mandatory appointment of safety officers in establishment having 500 employees. The limit was more than 1000 employees in erstwhile law. For hazardous or construction industry, the limit prescribed in 250 employees.

- The period of limitation for filing of claims by a worker has been increased to 3 years from the date of unlawful deduction in the new code as against 12 months under erstwhile Payment of Wages Act, 1936.

- **Penalty & Compounding of offences**

Under these codes, penalty for non-compliances has been increased compared to subsumed laws.

Compounding of offences is permitted with certain conditions and compliances **for the first offence only**.

- **Contract labour related provisions**

The provisions of the OSH Code relating to engagement of contract labours will be applicable to establishments which employ at least 50 contract labourers in the preceding 12 months. Additionally, manpower supply contractors who employ at least 50 contract labour in the preceding 12 months will also be covered under relevant provisions. In the erstwhile Act, the limit was 20 contract labourers.

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- **Leave**

Employee who has worked for at least 180 days in a calendar year (Earlier limit was 240 days) shall be entitled for annual leave with wages @ 1 day for every 20 days of work. Un-availed leaves of a worker can be carried over to the succeeding calendar year up to 30 days.