



India's Labour Reforms: Simplification, Security, and Sustainable Growth

Four Codes (Wages ; Industrial Relations ; Social Security; Occupational Safety, Health & Working Conditions) driving employment growth, lower unemployment, and higher female participation



Why India Codified 29 Labour Laws into Four Codes

Streamline compliance, modernize protections and support employment growth



Consolidation of 29 laws into four Labour Codes to remove overlap and simplify regulation



Simpler compliance by reducing multiple authorities and procedural complexity



Modernization to align laws with current economic realities and technology



Ease of doing business to facilitate investment and employment growth



Enhanced worker protections for health, safety, wages, and social security



Contemporary framework aligned with India's industrial landscape and social needs

Formulation & Legislative Path of India's Four Labour Codes

From Second National Commission recommendations to enactment; simplified compliance to boost employment



Recommendation

Second National Commission on Labour proposed functional grouping of laws into codes



Codification Initiation (2015–2019)

Ministry of Labour & Employment led codification via tripartite consultations with government, employers, trade unions



Code on Wages Enacted (2019)

Code on Wages enacted in 2019



Remaining Codes Enacted (2020)

Industrial Relations, Social Security, and Occupational Safety codes enacted in 2020



Unified Compliance Mechanism

Single registration, licence and return system to reduce compliance burden and foster employment growth

The 4 Labour Codes

Overview of each Code's scope, objectives, and worker protections

The Code on Wages, 2019

Aims to ensure equal remuneration, timely payment of wages, and uniform bonus provisions across industries and sectors.

The Occupational Safety, Health & Working Conditions Code, 2020

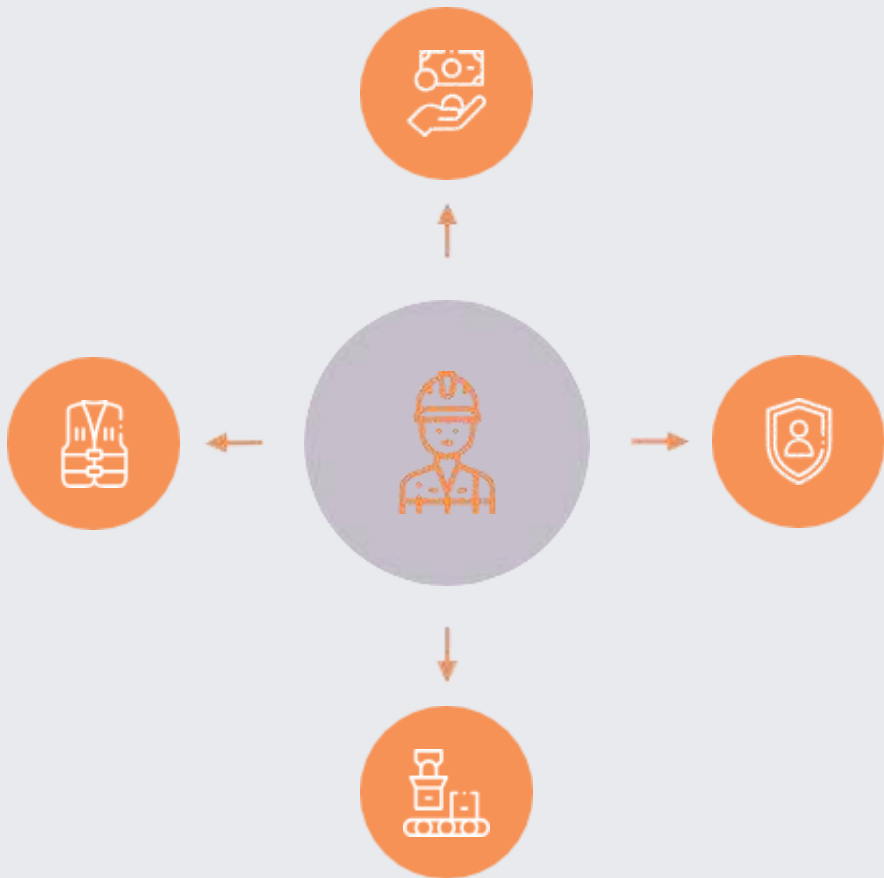
Designed to ensure workplace safety, health standards, and improved working conditions.

The Social Security Code, 2020

Seeks to extend social protection and benefits to employees and workers across organized, unorganized, and other sectors.

The Industrial Relations Code, 2020

Provides a framework to protect workers' rights and streamline dispute resolution.
Aims to reduce industrial disputes and improve employer-worker relations.



Code on Wages, 2019 — Key worker protections & simplified compliance



Unifies four prior laws into the Code on Wages, 2019



Establishes a universal right to minimum wages with a statutory floor and regional flexibility



Wage fixation based on skill levels and job conditions for fair pay



Mandates timely wage payment and bans unauthorized deductions



Guarantees equal pay regardless of gender identity



Overtime paid at twice the normal rate



Inspector role redefined as a facilitator to boost compliance



Many offences decriminalized to focus on adherence over punishment

Key Changes

Particulars	Before	After
Applicability	Only to Organized Sector	Organized and Unorganized Sectors. Earlier only 30% of the workforce was covered.
Definition of Employee and Employer	Narrow	Wider – Employee covers managers and supervisors as well. Contractor is covered in employer.
Wage definition	Different acts had different definition of wages.	The definition given in Wage Code will be applicable to all the Codes. As per the Code, 50% of the Wages will comprise of only basic salary, dearness and retaining allowance.
Limitation to claim dues	6 months to 2 years	3 years
Remuneration in Kind	Did not become part of the wages	Up to 15% of such remuneration in kind will be deemed to form part of the wages.
Settlement of dues	No time period earlier	Needs to be done within 2 working days.



Critical Aspects: The Code on Wages, 2019

1

Procedural Timing

Procedural compliance requirements will apply once Rules are notified; however, many salary-structuring provisions are already effective.

2

Salary & HR Assessment

Immediate need to assess salary structures and HR policies to ensure alignment with new requirements. Overtime, basic wages, wage hours, etc., will need a overhaul.

3

Overtime and working hours

Overtime wages have been fixed at twice the normal wage, along with updated regulations governing working hours and weekly rest periods.

4

Digital adoption

Need to update and maintain employee and payroll data electronically. Encourage payment of wages electronically or by cheque.

5

Statutory Bonus Calculation

Bonus computation will depend on wage ceilings that may be notified by Government, impacting liability.

Code on Social Security, 2020 – Expanded Coverage & Digitalization



Consolidation of nine Acts into a unified Code to extend comprehensive social security to all workers, including unorganized, gig, and platform workers.



Expanded schemes covering life, health, maternity and provident fund with clearer definitions for gig/platform contributions.



Pan-India ESI coverage with voluntary opt-in for small establishments by mutual consent.



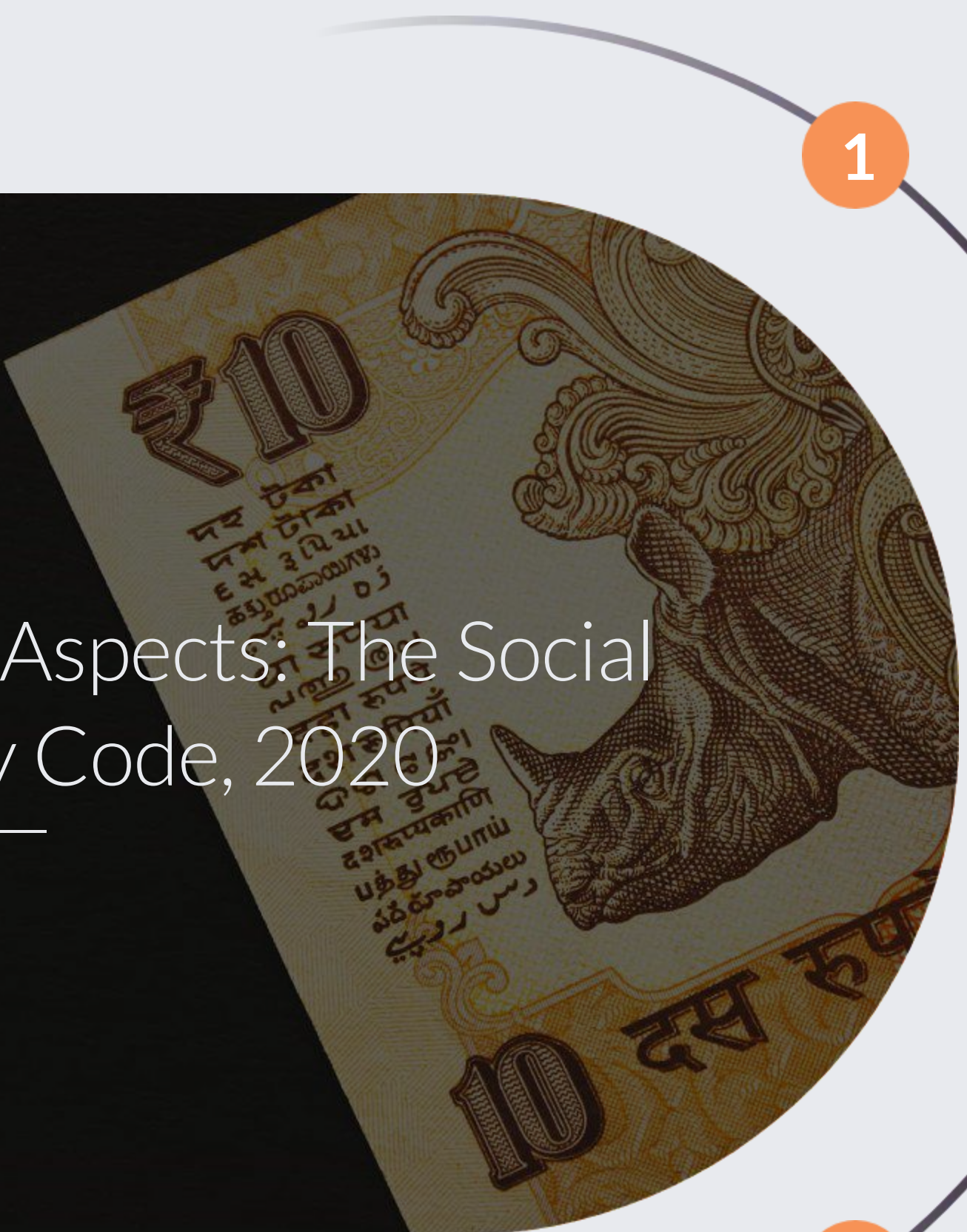
Digital compliance mandate to improve efficiency via portals and e-filing.



Procedural reforms: Compounding of offences, inspector-cum-facilitator introduction, reduced timelines and limited inquiry to lower hurdles.

Key Changes

Particulars	Before	After
Applicability	Only to Organized Sector	Organized and Unorganized Sectors
Voluntary Coverage for PF & ESI for employers	No provisions were there	It is allowed when regular coverage is not applicable
Payment of Gratuity	Fixed term employees were not paid gratuity	Fixed-term employees to be paid on a pro-rata basis
Set up of Career Centers	Not there in previous legislations	Introduced with the aim to provide career counseling & vocational or self employment guidance
Provisions for gig workers	Not there	Cost of social security will be minimum 1% to maximum 2% of annual turnover
Social Security Funds for unorganized, gig and platform workers	Not covered	This fund will be set up by the Government and will make provisions for registration of all three categories of workers
Change in PF rates	12% employer and employee contribution subject to powers of the Central Government to provide otherwise	10% employer and employee contribution subject to powers of the Central Government to provide otherwise



Critical Aspects: The Social Security Code, 2020

1

Social Security uncertainties

The new wage definition is expected to increase uncertainties regarding the costs and contribution requirements for gratuity and leave-encashment schemes.

2

Take-Home Pay Impact

Potential decrease in take-home salary as certain benefits may be subsumed into wage calculations.

3

Fixed-term employment implications

Employers should evaluate the number of fixed-term employees they engage to assess compliance impact.

4

Inclusion of gig and platform workers

Employers and aggregators will have to: 1) register gig/platform workers 2) contribute to the new social security fund 3) classify workers to determine liabilities & compliance.

5

Procedural timimng

Since Rules are yet to be notified, procedural compliance requirements are still awaited.

Industrial Relations Code, 2020 – Simplification & Flexibility



Employment: Fixed-term contracts, reskilling, thresholds

- Introduces **Fixed Term Employment** with wage parity and gratuity
- Reskilling fund for **retrenched employees**
- Raised thresholds for **layoffs** and standing orders



Inclusion & collective voice: unions and representation

- Strengthens collective bargaining via union recognition
- Expands definitions of **worker** and industry
- Mandates **women's representation** in grievance redressal



Dispute resolution: faster, digital, two-member tribunals

- Modernizes tribunals with two-member panels
- Encourages **digital processes** for filings and hearings
- Mandatory notice periods to manage strikes



Procedural modernization: flexible work and compliance ease

- Facilitates **work-from-home** arrangements
- Simplifies compliance via higher thresholds
- Digital-first approach for filings and records

Key Changes

Particulars	Before	After
Applicability of Standing Orders	Establishment having 100 or more workers and only applied to factories, mines, etc.	Establishments having 300 or more workers
Establishments covered	Establishment having 100 or more workers and only applied to factories, mines, etc.	All establishments having 300 or more workers
Sole Negotiating Union	Trade union having more than 75% of the workers as members would be recognized as the sole negotiating union	Now the threshold is lowered to 51% of workers
Negotiation Council	Negotiating council will be formed consisting of representatives of unions that have at least 10% of the workers as members	The threshold is raised to 20% of the workers



Critical Aspects: Industrial Relations Code, 2020

1

Dispute Resolution Mechanisms

Set up new or revamp mechanisms for resolution of industrial disputes; ensure Grievance Redressal Committees are properly formed and functioning.

2

Strike & Lockout Provisions

Review and revise operational plans to address how the Code's new rules on strikes and lockouts could affect business continuity and workforce relations.

3

Reskilling & Retraining Fund

Plan contributions and processes for the reskilling fund to support retrenched workers and facilitate reintegration into the workforce.

4

Wider Applicability of Standing Orders

Align policies and standing orders to comply with broader applicability across a larger number of establishments.

5

Enhanced Penalties for Noncompliance

Prepare for stricter penalties by strengthening compliance frameworks, documentation, and audit readiness.

The Occupational Safety, Health & Working Conditions Code, 2020



Unified framework: Consolidates thirteen Central Acts into one Code for occupational safety, health and working conditions



Migrant worker support: Expanded definition for social security portability, travel allowances and helpline support



Centralised e-registration: Single electronic registration threshold at 10 employees and central database replacing multiple registrations



Hazard coverage: Safety provisions apply to hazardous workplaces regardless of size



Simplified compliance: Single registration, license and return framework to reduce redundancy



Women empowerment: Women now can work night shifts with their consent and by providing appropriate protection and security



Worker health & formality: Mandatory free annual health check-ups and required appointment letters to promote formal employment



Key Changes

Particulars	Before	After
Definition of worker	Not clearly defined	Only those persons who are earning maximum of Rs. 18,000/- per month or such higher amount as may be notified by Central Government
Definition of Factory	10 or more workers – With aid of power 20 or more workers – Without aid or power 20 or more workers – Without aid or power	20 or more workers – With aid of power 40 or more workers – Without aid of power 40 or more workers – Without aid of power
Social Security Fund	Not provided for unorganized workers	Now provided to unorganized workers as well
Night shift for women	Lack of provisions regarding working of women in the night	Women employees can be employed for working hours beyond 7 PM till 6 AM only with their written consent and subject to prescribed conditions
Daily work hour limit	Appropriate Government had the powers to notify	Now notified in Code itself – 8 hours per day.



Critical Aspects: The Occupational Safety, Health & Working Conditions Code, 2020

1

Contract Labour & Core Activities

Establishments heavily relying on contract labour for core activities will face challenges.

2

Worker vs Employee Anomaly

Not all provisions apply uniformly to all workers; distinctions between 'worker' and 'employee' create compliance complexity.

3

Overtime Consent & Payment

Employers must obtain consent from employees for overtime. Overtime wages are payable at twice the normal rate.

4

Mandatory Appointment Letters

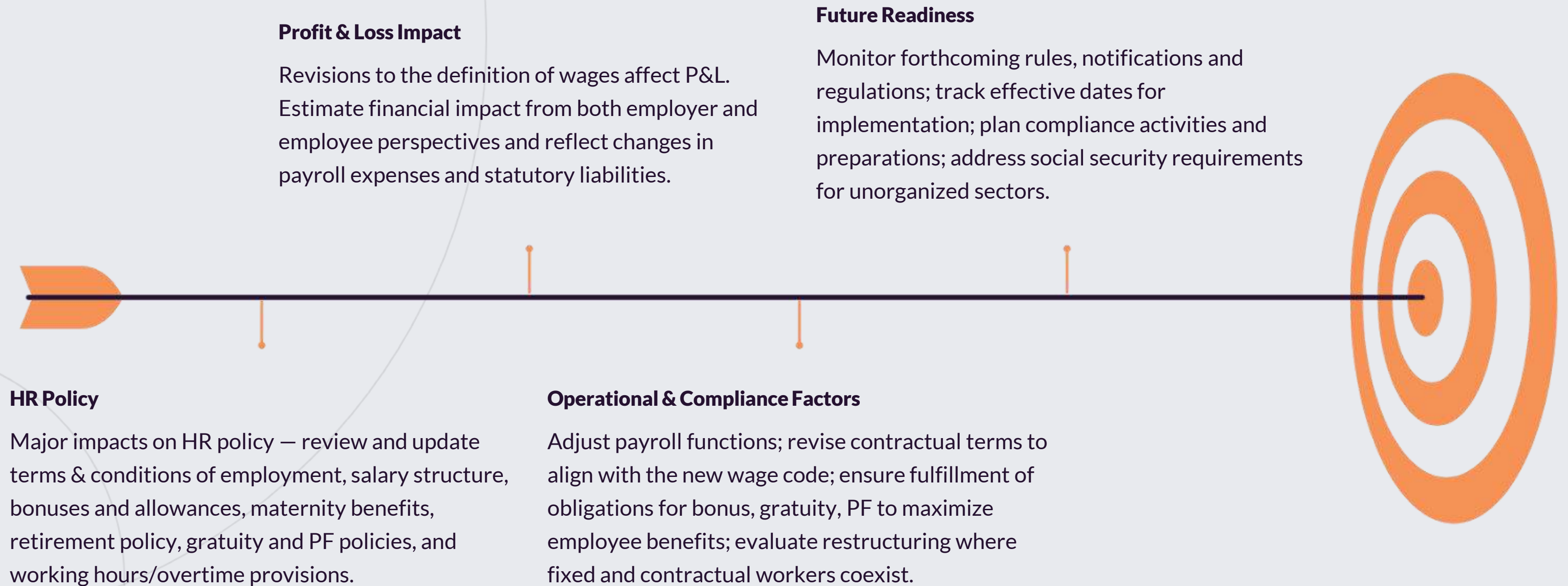
Issuance of appointment letters with minimum prescribed information is now mandatory, strengthening documentation and transparency.

5

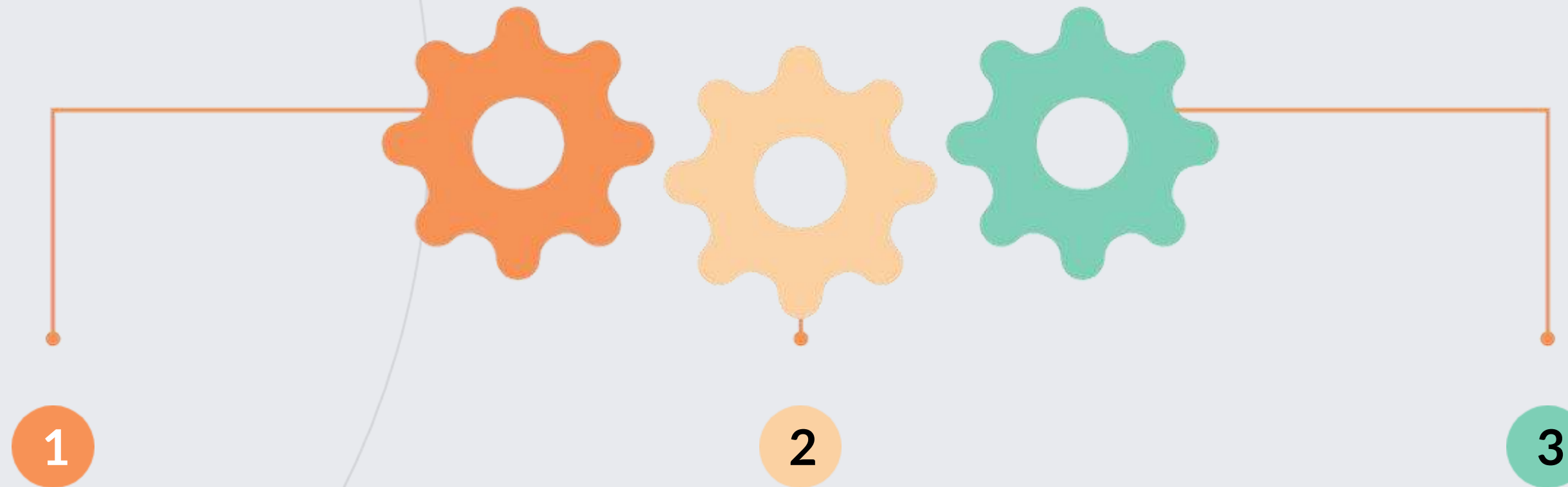
Health Check-up Costs

Certain establishments must provide annual health check-ups free for employees. Employers bear the full cost, increasing employee welfare expenditure.

Points for Consideration: HR, Finance & Compliance



Strategy for Organizations



Phase 1 – Diagnostic & Assessment

- Make comparisons of the old and the new
- Conduct a assessment of changes, review policies, organizational structures, contracts and employment agreements.
- Synthesize findings and present implications to management and stakeholders.

Phase 2 – Transition Planning

- Design a transition roadmap aligned with the new laws and organizational functions.
- Guidance required to revise employment policies, role structures and internal processes to ensure legal alignment and operational continuity.

Phase 3 – Implementation & Compliance

- Implementation of revised policies and practices.
- Compliance under the new codes, including interpretation of circulars, notifications and rules, and provide ongoing guidance to embed sustainable compliance.

MGB Support for New Labour Codes

Prepare a customized checklist
based on applicability



Updating HR policies to align with
New Labour Codes



Budget forecasting and impact
analysis for Finance and Tax teams



Salary restructuring for all
employees



Assistance in updating & existing
compliance tools, where applicable



Continuous updates on changes in
New Labour Codes



Training for HR, Finance & Legal
teams for the new codes

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Our Achievements

“values
that
add
value”



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