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INTEGRITY TRUST INGENIOUS CONFIDENTIALITY

New Labour Code

India's Most Significant Workforce Reform





Overview of the New Labour Codes

The Government of India has implemented the four Labour Codes — Code on Wages, 2019, Code on Social Security, 2020, Industrial Relations Code, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 — replacing 29 fragmented central labour laws. These Codes represent India's most significant labour reform in decades, aimed at simplifying regulations, enhancing worker welfare, and improving ease of doing business.

Why the Labour Codes Were Introduced?

- Earlier labour laws were spread across multiple statutes from the 1930s–1950s, creating interpretational challenges and heavy compliance burden.
- The new Codes bring uniformity, digitization, and standardized definitions, enabling businesses to operate with greater clarity and transparency.
- The reform integrates India's labour legislation with global benchmarks and supports the country's transition to a more formalized, productive and future-ready workforce.

What the New Labour Codes Aim to Achieve?

- **Simplification:** Consolidation of 29 laws into four comprehensive Codes for easier interpretation.
- **Uniformity:** Harmonized definitions of wages, employee, and worker across all Codes.
- **Inclusivity:** Coverage expanded to gig workers, platform workers, fixed-term employee and migrant worker.
- **Digital Governance:** Single registration, single licence and single return to reduce administrative burden.
- **Enhanced Worker Welfare:** Higher standards of safety, social security, timely payment of wages, and equal treatment across sectors.

- **Flexibility for Employers:** Revised thresholds for retrenchment, dispute resolution reforms and recognition of modern employment models.

Key Themes of the Reform

- **Wages & Compensation:** A unified definition that directly impacts PF, gratuity, ESIC, bonus and leave encashment calculations.
- **Social Security Expansion:** ESIC and PF coverage extended nationwide; new contribution norms for aggregators supporting gig and platform workers.
- **Employment Conditions:** Standard working hours, mandatory appointment letters, free annual health check-ups, and stricter norms for workplace safety.
- **Women Empowerment:** Equal pay, gender-neutral opportunities, and permission to work in all roles — including night shifts and hazardous activities — with required safety measures.
- **Industry Modernization:** Sector-specific improvements across IT/ITES, MSMEs, manufacturing, mining, plantations, logistics and the gig economy.

What This Means for Employers

Organizations must undertake a **holistic review** of compensation structures, workforce classification, HR policies, contract labour usage, social security contributions and compliance systems.

Successful adoption will require **cross-functional coordination** across Finance, HR, Legal, Payroll, Compliance and Operations.

The New Labour Regime, consolidates the 29 Central labour laws into 4 labour laws as follows:

New Labour Code	Acts Repealed/Merged
Industrial Relations Code, 2020	<p>The Code repealed the following 3 legislations:</p> <ul style="list-style-type: none"> (a) The Industrial Disputes Act, 1946 (b) The Trade Unions Act, 1926 (c) The Industrial Employment (Standing Orders) Act, 1946
Occupational Safety, Health and Working Conditions Code, 2020	<p>The Code consolidates 13 existing Labour Laws including:</p> <ul style="list-style-type: none"> (a) Factories Act, 1948 (b) Mines Act, 1952 (c) Contract Labour (Regulation and Abolition) Act, 1970 (d) The Plantations Labour Act, 1951 (e) Motor Transport Workers Act, 1961 (f) The Sales Promotion Employees (Conditions of Service) Act, 1976
Code on Social Security, 2020	<p>Consolidates 9 labour laws:</p> <ul style="list-style-type: none"> (a) The Employee's Compensation Act, 1923 (b) The Employees' State Insurance Act, 1948 (c) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (d) The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 (e) The Maternity Benefit Act, 1961 (f) The Payment of Gratuity Act, 1972 (g) The Cine-Workers Welfare Fund Act, 1981 (h) The Building and Other Construction Workers' Welfare Cess Act, 1996 (i) The Unorganized Workers' Social Security Act, 2008
Code on Wages, 2019	<p>The Code repealed the following 3 legislations:</p> <ul style="list-style-type: none"> (a) The Payment of Wages Act, 1936 (b) The Minimum Wages Act, 1948 (c) The Payment of Bonus Act, 1965 (d) The Equal Remuneration Act, 1976

Major Transformations Brought by the New Labour Codes

1. Core Structural Changes

Area	Earlier	Now
Number of Laws	29 Central Labour Acts	Consolidated into 4 Labour Codes
Regulatory Design	Fragmented, overlapping provisions	Unified, standardized and digitized compliance framework
Applicability	Varied across Acts	Broader and more uniform coverage

2. Definitions & Classification

Area	Earlier	Now
Definition of “Worker”	Narrow definition under Industrial Disputes Act; mostly blue-collar	Expanded definition includes technical, operational, clerical, supervisory roles, includes some white-collar workers.
Definition of “Employee”	Defined differently under each Act	Harmonised definition across Codes
Fixed-Term Employee	Not formally recognised; unclear benefits	Fully recognised; parity with permanent staff; gratuity after 1 year
Contract Labour	Allowed use of contract labour other than core activities in many cases	Restricted for core activities, exceptions exist

3. Wages & Compensation

Area	Earlier	Now
Definition of Wages	10+ different definitions across PF, Bonus, ESI, Gratuity	One uniform definition across Codes —
Allowance Cap	No consistent cap	Allowances capped at 50% of Basic + DA ; anything above is added back to basic
Bonus Calculation	Different criteria	Based on uniform wage definition
Overtime Rate	Varies by State/Act	Minimum 2x of normal wages

4. Working Hours, Leave & Employment Conditions

Area	Earlier	Now
Working Hours	Governed by Shops & Establishments; varied widely	Standardised: 8–12 hours/day, 48 hours/week —
Weekly Rest	Not uniform	Mandatory rest day
Leave Entitlement	Varied under different laws	Common annual leave and encashment rules for “workers”
Appointment Letter	Not mandatory in many sectors	Mandatory for all employees
Night Work for Women	Restricted in many States	Allowed with safety measures & consent
Health Check-Up	Not mandated	Free annual health check-up for workers 40+

5. Social Security (PF, ESI, Gig Workers, Welfare)

Area	Earlier	Now
ESIC Coverage	Limited to notified areas	Pan-India, mandatory even for one hazardous worker —
Gig & Platform Workers	No coverage; no legal recognition	Legally recognised; aggregator contribution 1–2% of turnover, capped —
Universal Account Number	Not available for gig workers	Aadhaar-linked UAN for portability —
Gratuity	5-year continuous service	1 year for fixed-term employees —
Maternity Benefits	Under separate Act	Consolidated under Social Security Code

6. Industrial Relations (IR), Retrenchment & Dispute Resolution

Area	Earlier	Now
Retrenchment Threshold	>100 workers required govt. approval	Threshold raised to 300 workers —
Reskilling Fund	Not applicable	Employer pays 15 days' wages to retrenched worker fund —
Trade Union Recognition	No uniform rules	Rules consolidated under IR Code
Standing Orders	Applicable to establishments with 100+ workers	Applicable to 300+ workers
Dispute Resolution	Long, multi-layered	Two-member tribunal; faster resolution —
Direct Access to Tribunal	Not allowed	Employee may approach tribunal after conciliation

7. Compliance, Documentation & Governance

Area	Earlier	Now
Registrations	Multiple	One registration for all Codes —
Returns	Multiple, periodic returns	Single return —
Licenses	Industry-specific	Single all-India license (for contractors) —
Inspection	Inspector model (punitive)	Inspector-cum-Facilitator (advisory) —
Record Maintenance	Paper-based logs and registers	Digitised record-keeping
Compliance Burden	High	Significantly reduced

8. Safety, Health & Workplace Conditions

Area	Earlier	Now
OSH Standards	Different Acts for factories, mines, plantations	One unified OSH Code —
Mandatory Safety Committees	Limited sectors	Required for establishments with 500+ workers —
Hazardous Work by Women	Restricted	Allowed with safety measures —
Free Safety Equipment	Not uniformly mandated	Mandatory across hazardous sectors
Safety Training	Sector-specific	Centrally defined safety standards now apply across all industries

9. Sector-Specific Changes (PIB Insights)

Area	Earlier	Now
IT/ITES	Limited regulation; night shift restrictions	Mandatory salary release by 7th; women allowed night shifts; fast wage dispute resolution —
MSMEs	Social security limited	Full coverage under Social Security Code
Gig Economy	No welfare provisions	Aggregator contribution + portable benefits
Manufacturing/Hazardous Industry	Varied safety norms	National OSH Board standards + mandatory committees
Mining	Sector-specific law	Part of OSH Code; commute related accidents included in employment —
Plantations	Governed by separate Acts	Covered under OSHWC + Social Security Code
Export Sector	Varied policies	Leave after 180 days; double OT; women night shifts
Textiles	Inconsistent benefits	Equal pay, double OT, PDS portability —
Dock Workers	No uniform PF/ESI coverage	Mandatory PF/ESI + medical + formal recognition

10. Gender, Diversity & Inclusion

Area	Earlier	Now
Equal Pay	Required but often weakly implemented	Stronger enforcement; gender-neutral rules
Transgender Inclusion	Not explicitly protected	Explicit non-discrimination
Night Work for Women	Restricted	Allowed with consent + safety protocol
Family Definition	Limited	Includes parents-in-law for female employee

11. Documentation & HR Processes

Earlier	Now
Appointment letters not mandatory	Mandatory for all workers
Digitised registers optional	Digitised compliance mandatory



Key Action Areas for Smooth Transition Under the New Labour Code

Policy & Contract Realignment

- Review and update all HR, employment, and operational policies to align with new definitions and standards.
- Modify employment contracts, offer letters, consultant agreements, and contractor terms to meet compliance requirements under the Codes.

Compensation & Benefits Structuring

- Redesign salary structures to comply with the uniform definition of 'wages' and new allowance thresholds.
- Recalculate the financial impact on PF, ESI, gratuity, bonus, and leave encashment; prepare revised cost models and budgeting frameworks.

Workforce Classification & Role Mapping

- Conduct a detailed mapping of roles to identify who qualifies as 'employee' vs 'worker' under the Codes.
- Update HR systems, employee records, and documentation for compliance with classification requirements.

System & Process Integration

- Upgrade HRMS, payroll systems, and attendance/shift management tools to incorporate new rules on working hours, OT, leave, and compliance workflows.
- Implement unified, digital record-keeping for registrations, returns, and audit trails.

Contract Labour & Third-Party Vendor Governance

- Reassess the deployment of contract labour, especially in core activities, to meet new restrictions.
- Strengthen monitoring of contractor compliance and obligations of the principal employer under the Codes.

Employee Safety, Health & Welfare Preparedness

- Establish mandatory safety committees, training processes, and health/welfare provisions including annual health check-ups.
- Implement enhanced safety protocols for women working in night shifts or hazardous roles.

Legal Risk Mitigation & Dispute Management

- Review disciplinary processes, grievance redressal mechanisms, and retrenchment procedures in light of new thresholds and tribunal rules.
- Build compliance frameworks to handle inspections under the inspector-cum-facilitator model.

Organisation-Wide Change Management & Training

- Create structured communication plans to inform employees, managers, and contractors about new obligations and entitlements.
- Conduct training workshops for HR, finance, legal, and operations teams to ensure consistent implementation across locations.



How Intrico Sees This

- The New Labour Codes are a **transformational shift**, not just a compliance update, impacting cost structures, workforce models, and governance.
- Intrico views the reforms as a **cross-functional change** touching Finance, HR, Legal, Payroll, and Operations simultaneously.
- Uniform definition of wages and broader worker classification will be the **biggest disruptors**, driving major changes in compensation and compliance.
- Organizations will need structured planning across **policies, contracts, payroll systems, and workforce deployment**.
- Industry impact will differ, requiring **sector-specific strategies** for manufacturing, IT/ITES, MSMEs, gig platforms and services.
- Intrico sees this as an opportunity for companies to **strengthen compliance frameworks** and enhance workforce efficiency.
- With the right roadmap, the Codes can become a **strategic advantage** rather than a cost burden.





How Intrico Advisors Can Help

- Intrico provides a **360° impact assessment** covering wages, classification, workforce models, cost implications, and compliance gaps.
- We help organisations **redesign compensation structures**, contracts, and HR policies in line with the new definition of wages and worker classification.
- Our team supports **end-to-end implementation**, including payroll recalibration, assist in HRMS updates and digital compliance alignment.
- We assess contractor frameworks and help build a **robust principal-employer governance model** to meet new obligations.
- Intrico creates sector-specific transition plans for **IT/ITES, manufacturing, MSMEs, logistics, gig platforms, and services**.
- We develop and execute **change management and training programmes** to prepare HR, Finance, Legal, and Operations teams.
- With Intrico, organizations gain a **future-ready, audit-proof, and compliant workforce framework** under the new Labour Codes.

Intrico's 4-Step Implementation Framework *(For Transition to the New Labour Codes)*

- 1. Diagnostic & Impact Assessment:**
 - Assess applicability of the 4 Labour Codes across workforce categories, locations and business units.
 - Analyze wage structures, employee classifications, social security obligations and contractor dependencies.
 - Identify potential cost escalation, compliance gaps and high-risk exposure areas.
- 2. Design & Policy Realignment:**
 - Redesign compensation structures based on the new definition of wages.
 - Update HR policies, employment contracts, SOPs, contractor agreements and governance protocols.
 - Develop workforce classification matrices and operational guidelines aligned with the Codes.
- 3. System Integration & Compliance Enablement:**
 - Assist in reconfiguring payroll systems, HRMS modules and time & attendance tools to reflect new rules.
 - Assist in implementing digital documentation, single-return compliance workflows and inspection-ready governance controls.
 - Assist in creating dashboards for statutory tracking, audit trails and data consolidation.
- 4. Change Management, Training & Rollout Support:**
 - Conduct training for HR, Finance, Legal and Operations teams for consistent adoption.
 - Assist in communicating policy changes to employees, contractors, and third-party partners.
 - Support phased rollout, compliance monitoring, and ongoing advisory during stabilisation.



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We have a competent pool of professionals like Company Secretaries, IT Professionals Lawyers, Cost Accountants and many more to provide cutting edge solutions to our clients.