

# India's New Labour Codes

## A Plain-Language Guide for Employers

*Four codes effective 21 November 2025  
Replacing 29 central Labour Acts*

### 4 Acts

Code on Wages, 2019

### 3 Acts

Industrial Relations Code, 2020

### 9 Acts

Code on Social Security, 2020

### 13 Acts

OSH Code, 2020

# Why Were the Codes Introduced?

## Why Were the Labour Codes Introduced?

*Consolidating 29 fragmented laws into 4 comprehensive codes*

India's labour legislation had grown into a complex web of 29 separate central laws — many dating from the 1930s–1950s. Employers faced multiple definitions, multiple authorities, and overlapping compliance obligations. The four Labour Codes rationalise all of this into a single, unified framework.

### BEFORE — 29 Fragmented Laws

- Payment of Wages Act, 1936
- Minimum Wages Act, 1948
- Payment of Bonus Act, 1965
- Equal Remuneration Act, 1976
- Industrial Disputes Act, 1947
- Trade Unions Act, 1926
- Factories Act, 1948
- EPF & MP Act, 1952
- ESI Act, 1948
- Payment of Gratuity Act, 1972
- Maternity Benefit Act, 1961
- Contract Labour Act, 1970
- ... + 17 more central Acts



### AFTER — 4 Comprehensive Codes

**Code on Wages, 2019**

**Industrial Relations Code, 2020**

**Code on Social Security, 2020**

**OSH Code, 2020**

Effective: 21st November 2025 | Replaces 29 Central Labour Laws | State-specific rules: pending notification in most states (existing notifications saved under Sec 69)

**4 Acts**

consolidated  
Code on  
Wages 2019

**3 Acts**

consolidated  
Industrial  
Relations 2020

**9 Acts**

consolidated  
Social  
Security 2020

**13 Acts**

consolidated  
OSH Code  
2020

## Commencement Notification.

- ▶ The foot note to the Code On Wages 2019, Chapter I clearly states the section applicable from 21st of November 2025. These have been applicable via S.O 5322E.

**21<sup>st</sup> day of November, 2025**—Ss. 1 to 41, sub-sections (4) to (9) of section 42, ss. 43 to 66, sub-section (1) and clauses (a) to (r) and (u) to (zc) of sub-section (2) and sub-sections (3) to (5) of section 67, section 68, section 69, except the provisions of the Code mentioned at serial number 3 of S.O. 4604 (E), dated the 18th December, 2020, *vide* notification no. S.O. 5322 (E), dated 21st November, 2025, see Gazette of India, Extraordinary, Part II, s. 3(ii).

## Code on Wages — Definition of 'Wages' [Sec 2(y)]

**WAGES = All remuneration, whether by way of salaries, allowances or otherwise which includes Basic Pay + Dearness Allowance + Retaining Allowance**

- ▶ Section 2(y) of the Code on Wages defines wages by showing the list of inclusions and exclusions.

### Excluded from Wages [Sec 2(y)(a)–(k)]

- (a) Bonus not part of remuneration terms
- (b) House accommodation / medical amenity
- (c) Employer's PF / pension contribution
- (d) Conveyance / travel allowance
- (e) Special expenses of employment
- (f) House Rent Allowance (HRA)
- (g) Court award / settlement remuneration
- (h) Overtime allowance
- (i) Commission
- (j) **Gratuity on termination**  
← **OUTSIDE 50% proviso**
- (k) **Retrenchment / ex-gratia**  
← **OUTSIDE 50% proviso**

### The 50% Proviso — Sec 2(y)

If the total of EXCLUDED allowances [clauses (a) to (i)] exceeds 50% of ALL remuneration, the EXCESS is pulled back into wages and included in PF/ESI base.

Important: Clauses (j) Gratuity and (k) Retrenchment/Ex-Gratia are OUTSIDE the proviso, they can NEVER be added back regardless of amount.

Note: Same definition applies under Sec 2(88) of Code on Social Security 2020 for PF/ESI/Gratuity/Maternity calculations.

**The exact wordings of the act is stated as "Provided that, for calculating the wages under this clause, if payments made by the employer to the employee under clauses (a) to (i) exceeds one-half, or such other per cent. as may be notified by the Central Government"**

# Salary Component Classification

How common pay components are treated across the four codes

Salary Component	Code on Wages Sec 2(y)	ESI / Gratuity Sec 2(88)	PF Base Sec 2(b)	50% Proviso
<b>CORE — Always Included</b>				
Basic Salary / Basic Pay	✓ IN	✓ IN	✓ IN	N/A
Dearness Allowance (DA)	✓ IN	✓ IN	✓ IN	N/A
<b>AUTO-INCLUDED — Not in exclusions (a)–(k)</b>				
City Compensatory Allowance (CCA)	✓ IN	✓ IN	X OUT	N/A
Special Allowance	✓ IN	✓ IN	X OUT	N/A
<b>EXCLUDED — Count toward 50% Proviso</b>				
House Rent Allowance (HRA)	X OUT	X OUT	X OUT	✓ Yes
Travel / Car / Conveyance Allowance	X OUT	X OUT	X OUT	✓ Yes
Medical Allowance (flat cash payment)	X OUT	X OUT	X OUT	✓ Yes
Uniform Allowance	X OUT	X OUT	X OUT	✓ Yes
Overtime Allowance	X OUT	X OUT	X OUT	✓ Yes
<b>FULLY EXCLUDED — Outside wages &amp; outside 50% Proviso</b>				
Employer PF (12%) / NPS / Superannuation	X OUT	X OUT	X OUT	X No
Medical Insurance / EDLI Premium	X OUT	X OUT	X OUT	X No
Gratuity Payout / Retrenchment / Ex-Gratia	X OUT	X OUT	X OUT	X No

\* 50% Proviso: if excluded components (a)–(i) together exceed 50% of gross remuneration, the excess is added back into wages for ESI, Gratuity and Minimum Wage calculations.

# How does the saving provisions work?

## Section 164(2) CoSS 2020 and Section 69 CoW 2019 — Saving Provisions.

- ▶ The saving provisions of the new Labour Codes keep the old Acts alive during the transition period. They operate through a precise three-condition test — and end only when the appropriate government issues fresh notifications under the new Code.

### Code on Social Security 2020

Operative from 21st November 2025

### Code on Wages 2019

Operative from 21st November 2025

### Section 164(2)(a) and (b)

Old Acts are repealed. Subordinate legislation, rules, schemes, notifications, made under them continues in force until the appropriate government issues fresh subordinate legislation under the new Code."

### Section 69

All notifications, orders, rules under repealed Acts continue in force until superseded by fresh notifications.

### Three conditions — ALL must be satisfied for old provision to continue

① Was it done under a repealed Act?	<b>YES</b> → passes to next condition
② Is it contrary to the new Code?	<b>NO</b> → passes to next condition
③ Has the govt. repealed it under new Code?	<b>NO</b> → old provision <b>CONTINUES</b>

### Old provision continues in full force until the appropriate government issues fresh notification under new Code

#### Saved — Not contrary to new Code

- Gratuity payment obligation — 15 days wages per year of service Sec 53
- Gratuity eligibility — 5 years continuous service (1 year for FTEs) Sec 54
- Gratuity ceiling ₹20 lakhs continues until revised Sec 53
- Compulsory gratuity insurance — Sec 57 (date pending) Sec 57
- Gratuity forfeiture provisions — misconduct, damage Sec 53
- Nomination in Form F — old format continues Sec 55
- Payment within 30 days of becoming due Sec 56

#### Not saved — Contrary to new Code

#### Gratuity wage definition

*Basic + DA only — Payment of Gratuity Act 1972*  
Superseded by Section 2(88) CoSS 2020  
Gratuity Act repealed — Item 6, S.O. 5319(E)

#### CCA and Special Allowance NOW in gratuity wage base

Old Gratuity Act wage definition superseded.  
New Sec 2(88) applies from 21 Nov 2025

### Section 164(2)(b) CoSS 2020 / Section 69 CoW 2019:

All saved provisions continue UNTIL the appropriate government (Central or State) issues fresh rules, notifications or schemes specifically under the new Code. Until then — old Acts effectively continue.

## 7th

Day of month — wage payment deadline

## 2

Working days — F&F on resignation / dismissal

## 50%

Proviso — max excluded components of gross pay

### Minimum Wages [Sec 2(y)]

- Applies to ALL employees — no sectoral or salary ceiling
- National Floor Wage set by Central Govt; no state may go below it
- States revise rates every 6 months via Consumer Price Index (CPI/VDA)
- CCA and Special Allowance now inside the wage base for this purpose

### Payment of Wages [Sec 17]

- Pay by the 7th of succeeding month
- Full & final settlement within 2 working days of exit (all exit types)
- Payment via bank / digital mode — mandatory for all employees
- Wages = Basic + DA + CCA + Special Allowance (not just Basic + DA)

### Payment of Bonus [Sec 26]

- Minimum: 8.33% of wages or ₹100 — whichever is higher
- Maximum: 20% of wages
- Payable within 8 months of close of accounting year
- Eligibility ceiling: ₹21,000/month (old Act saved under Sec 69 until fresh notification)
- Calculation ceiling: ₹7,000/month or minimum wage — whichever is higher

### Equal Remuneration [Sec 3]

- No discrimination in wages for same or similar work across genders
- Covers recruitment, promotion, transfer and wage fixation
- HRA, travel allowance and overtime also counted for equal-pay comparison
- Employer cannot reduce any employee's pay to achieve gender parity

### Records, Notices & Wage Slips [Sec 50]

- Wage registers at all offices — component-wise breakup per Sec 2(y)
- Wage slips issued to every employee every pay period
- Notice board at each location: wage rates, wage period, Inspector-cum-Facilitator
- Digital wage slips are permissible under the Code

**PF CONTRIBUTIONS**

No immediate change — EPF Act 1952 still alive

**GRATUITY WAGE BASE**

Changed — Gratuity Act repealed 21 Nov 2025

**Provident Fund — Sec 2(b) EPF Act 1952 (EPF Act NOT Repealed)**

**What stays the same**

- PF base = Basic Pay + DA only (Sec 2(b) EPF Act)
- CCA and Special Allowance remain outside PF base
- Employees with Basic + DA above ₹15,000 at joining remain excluded members
- EPF Schemes 1952, EPS 1995, EDLI 1976 continue operating normally

**Future trigger — watch the Gazette**

- When EPF Act (Item 3) is eventually notified for repeal, Sec 164(2)(b) CoSS activates
- PF base then shifts to Sec 2(88) — the broader wage definition including CCA and Special Allowance
- A 1-year transition period follows before the new PF base takes effect
- Action: model the PF liability increase now; prepare payroll systems in advance

**Gratuity — Sec 2(88) CoSS 2020 | Gratuity Act 1972 REPEALED from 21 Nov 2025**

**New Wage Base**

- Sec 2(88) CoSS 2020 now governs
- CCA and Special Allowance are IN — not in exclusions (a)–(k)
- Basic + DA only is NO LONGER valid
- Recalculate provisions immediately

**Fixed-Term Employees**

**1 Year**

triggers gratuity entitlement

- 5-year rule waived for FTEs (Sec 53 CoSS 2020)
- Gratuity payable on completion of any fixed term
- Provision must be made from year 1 of contract

**What Continues**

- Formula: 15 days wages × years of service (Sec 53)
- Ceiling: ₹20 lakhs — until revised by Govt
- 5-year rule still applies to permanent employees
- Forfeiture only for wilful damage, fraud or moral turpitude — NOT poor performance
- Nomination in Form F continues under old format

## Works Committee

- Required at industrial establishments with 100 or more workers
- Constitution is DISCRETIONARY — triggered by government order
- Worker representatives must be at least equal to employer representatives in number
- Note: managerial and supervisory staff (drawing >₹18,000/month) fall outside the 'worker' definition

## Grievance Redressal Committee (GRC) — Mandatory

- MANDATORY at every establishment employing 20 or more workers
- Equal employer and worker representatives; maximum 10 members total
- Chairperson alternates between employer and worker side annually
- Women must be represented proportionate to their share of the workforce
- Must resolve grievances within 30 days of receipt

## Fixed-Term Employment

- All fixed-term employment contracts must be in writing
- Fixed-term employees entitled to same pay, conditions and benefits as comparable permanent staff
- Gratuity payable on completion of the fixed term regardless of duration — even a 1-year contract triggers entitlement
- Every termination must follow due process — show-cause notice, hearing, written order

## Notice of Change (Sec 40) & Dispute Resolution

- Employer must give prior written notice before changing wages, allowances, hours or leave policy
- Individual termination now constitutes an industrial dispute — same procedural safeguards apply
- Standing Orders must be certified and displayed; they govern service conditions, discipline and conduct
- Full & final settlement must be paid within 2 working days of exit — resignation, dismissal or retrenchment

# Occupational Safety, Health & Working Conditions Code 2020

Consolidates 13 Acts — effective 21 November 2025

## Appointment Letters (mandatory)

Every employer must issue a formal appointment letter to every employee containing prescribed information. Employees who have not been issued one before commencement of the Code must receive one within 3 months — deadline 21 February 2026 for existing staff. All new hires must receive one on joining.

## Workplace Safety

Employers must ensure the workplace is free from hazards likely to cause injury or occupational disease. A formal safety management system with documented risk assessments is expected. Employees must be trained on relevant safety protocols.

## Annual Health Check-Ups (at employer cost)

Employers must conduct annual health check-ups for employees at their own cost to support early identification of occupational health issues. Draft central rules prescribe an age threshold of 45 years. Health records must be maintained for all employees.

## Consent of Women Employees — Night Shifts

Women are now permitted to work in all establishments including night shifts (7 PM – 6 AM) provided written consent is obtained and appropriate safety measures are in place. Where previously prohibited, women may now work in establishments involved in hazardous activities.

## Canteen Facilities

The threshold for mandatory canteen provision has been reduced from 250 workers to 100 workers. Establishments crossing this threshold must arrange canteen services — either on-site or through a common facility shared with other establishments.

# Actions Every Employer Should Take Now

**1** Recalculate gratuity provision on the new Sec 2(88) base — CCA & Special Allowance are now included

**2** Recalculate ESI contributions using the updated wage definition

**3** Retest state minimum wage compliance using the broader Sec 2(y) definition

**4** Update wage registers and wage slips at all offices to show correct component breakup

**5** Issue appointment letters to all existing staff who lack one — deadline 21 Feb 2026

**6** Update fixed-term contracts — provision gratuity from year 1; ensure FTE terms match permanent staff

**7** Conduct location-wise headcount of qualifying 'workers' — constitute GRC wherever 20+ are found

**8** Display updated notice boards at every office (wage rates, wage period, Inspector-cum-Facilitator details)

**9** Monitor the Official Gazette for EPF Act repeal notification — when issued, PF base shifts to Sec 2(88)