

Labour Codes - What HR Can & Can't Do?

Labour Codes won't allow the kind of delay. They merge 29 different labour laws into four Codes and redefine how companies will handle wages, working hours, hiring, documentation and compliance in 2026.

This isn't another policy update; it's a structural shift and for HR leaders, it's the moment to revisit long-standing practices, fix outdated processes and prepare teams before the rules go live.

This breaks down what's changing and what your organization must get ready for—without the jargon or scattered interpretations.

What Changed: The Four Codes that Replace 29 Laws

India consolidated 29 labour laws into four codes between 2019-2020:

1. Code on Wages (2019) - replaces 4 laws
2. Code on Industrial Relations Code (2020) - replaces 3 laws
3. Code on Social Security (2020) - replaces 9 laws
4. Code on Occupational Safety, Health & Working Conditions (2020) - replaces 13 laws

Each code introduces specific requirements that affect your daily HR operations. Here's what you need to know.

1. Wages Code - What You Can & Cannot Do?

What You MUST Do Now?

Universal Minimum Wages Apply to Everyone

- Pay minimum wages to ALL employees: permanent, fixed-term, part-time, contract workers, gig workers
- Previously, only 30% of scheduled employments were covered; now, 100% coverage
- Review wages every 5 years, minimum
- Pay directly to bank accounts (no cash payments)

Floor Wage Compliance

- Cannot pay below the statutory floor wage set by the Central Government
- States can set higher minimums, but not lower
- Floor wage will be based on minimum living standards
- Wages must account for skill level (unskilled, semi-skilled, skilled, highly skilled), geographic area, and working conditions (temperature, humidity, hazardous environments)

Gender Equality in Wages

- CANNOT discriminate based on gender (including transgender) in recruitment, wages, or employment conditions for similar work
- MUST provide equal remuneration for equal work regardless of gender

Overtime Payment

- MUST pay at least 2x the normal rate for work beyond regular hours
- Applies to all employees, not just those below the ₹24,000/month wage ceiling

Timely Wage Payment

- MUST ensure timely payment without unauthorized deductions
- Applies to all employees regardless of wage level (previous ₹24,000 limit removed)
- Employers—including companies, firms, and associations—are directly liable for unpaid wages

What You CANNOT Do Anymore?

- Pay below the floor wage (once states finalize it)
- Pay women less than men for the same work
- Make arbitrary wage deductions
- Delay wage payments
- Classify workers as "non-scheduled employment" to avoid minimum wage requirements
- Pay overtime at normal rates

Action Item:

Audit all current wages against minimum wage requirements by worker category. Flag anyone below the threshold before state enforcement begins.

2. Industrial Relations Code - What You Can and Can't Do?

What You MUST Do Now?

Fixed-Term Employment (FTE) Changes Everything

- MUST provide fixed-term employees the SAME wages and benefits as permanent employees
- CANNOT maintain two-tier benefit systems anymore
- Fixed-term employees get gratuity after just ONE YEAR (not five years)
- Gratuity payment is pro-rata based on contract duration

Re-skilling Fund for Retrenched Workers

- MUST contribute 15 days' wages to the worker's account within 45 days of retrenchment
- This is IN ADDITION to retrenchment compensation
- The worker receives funds directly for re-skilling programs

Higher Thresholds for Retrenchment Approval

- Establishments with UP TO 300 workers can now retrench without government approval (previously 100)
- States can increase this threshold further
- Provides more flexibility in workforce management

Trade Union Recognition Rules

- Union with 51% membership gets automatic recognition as the sole Negotiating Union
- If no union reaches 51%, form a Negotiating Council with unions having 20%+ membership
- MUST recognize and negotiate with these entities

Standing Orders

- MUST maintain standing orders if you have 300+ employees (previously 100)
- Eases compliance burden for mid-sized companies

Work-From-Home Provisions

- CAN now offer work-from-home in service sectors with mutual consent
- MUST document mutual agreement

Strike/Lockout Notice Requirements

- Workers MUST give a 14-day notice before strikes in ALL establishments
- Employers MUST give 14-day notice before lockouts
- "Mass casual leave" now counts as a strike—you can take action

Industrial Tribunal Changes

- Disputes MUST be resolved within ONE YEAR by two-member tribunals
- Parties can approach the tribunal directly after a failed conciliation within 90 days
- Update your dispute resolution timelines

Women's Representation

- MUST ensure proportional representation of women in grievance committees
- Non-negotiable for gender-sensitive redressal

What You CANNOT Do Anymore?

- Give fixed-term employees fewer benefits than permanent employees
- Use fixed-term contracts to avoid providing full statutory benefits
- Treat "mass casual leave" as legitimate leave (it's now classified as a strike)
- Drag labour disputes indefinitely (one-year resolution mandate)
- Form grievance committees without proportional women's representation
- Refuse work-from-home requests without documented reasoning in service sectors

Worker Definition Expanded:

The code now covers sales promotion staff, journalists, and supervisory employees earning up to ₹18,000/month. If you classified these as "non-workers" before, that classification is now invalid.

Action Item:

Audit all fixed-term contracts immediately. Calculate benefit parity gaps. Budget for the difference.

3. Social Security Code - What You Can and Can't Do?

What You MUST Do Now?

ESIC Expansion

- ESIC now applies PAN-INDIA, not just "notified areas"
- MUST provide ESIC if you have EVEN ONE employee in a hazardous occupation (previously 10+ employees)
- Plantation workers MUST now be covered
- Establishments with fewer than 10 employees CAN voluntarily opt in

EPF Changes

- EPF inquiries limited to 5 years lookback, must complete within 2 years (extendable by 1)
- Appeal deposit reduced from 40-70% to just 25% of the assessed amount
- Suo-moto reopening of cases abolished

Gig & Platform Worker Coverage

- Platform aggregators MUST contribute 1-2% of annual turnover (capped at 5% of payments to gig workers)
- CAN offer voluntary social security coverage to gig workers
- MUST register platform workers if operating as an aggregator

Construction Cess Self-Assessment

- CAN now self-assess the construction cess (previously assessed by the government authority)
- Reduces procedural delays

Gratuity for Fixed-Term Employees

- MUST pay gratuity to fixed-term employees after ONE YEAR of continuous service (previously five years)

Uniform Wage Definition for Calculations

- Wages = basic pay + dearness allowance + retaining allowance
- 50% of the total remuneration (or notified percentage) must be added back to compute wages
- This affects gratuity, pension, and social security benefit calculations
- MUST recalculate all benefits using this definition

Commuting Accidents Now Covered

- Accidents during travel between home and workplace are now "employment-related"
- MUST process compensation claims for commuting accidents

Expanded Dependent Definition

- Coverage now includes maternal grandparents
- For female employees: includes dependent parents-in-law
- Update your dependent benefit documentation

Inspector-cum-Facilitator System

- Inspections are now web-based, randomized, and algorithm-driven
- Inspectors act as facilitators, not just enforcers
- You'll receive 30 days' notice before legal action for compliance violations

Vacancy Reporting

- MUST report vacancies to the specified career centres BEFORE recruitment
- Promotes employment transparency

Digital Compliance

- MUST maintain records, registers, and returns electronically
- Paper-based systems are no longer acceptable

What You CANNOT Do Anymore?

- Limit ESIC coverage to notified areas (it's now pan-India)
- Exclude hazardous occupation workers from ESIC if you have even one such worker
- Make fixed-term employees wait 5 years for gratuity (one year is the new threshold)
- Deny compensation for commuting accidents
- Maintain paper-only records
- Skip vacancy reporting to career centres before hiring
- Ignore dependent benefit claims from maternal grandparents or female employee parents-in-law
- Continue EPF disputes beyond the new time limits

Action Item:

If you operate in hazardous sectors (manufacturing, chemical, construction) with ANY employees, register for ESIC immediately. Map all gig/platform worker arrangements—you may have aggregator obligations.

4. Occupational Safety, Health & Working Conditions Code - What You Can & Can't Do

What You MUST Do Now?

Unified Registration Threshold

- MUST register electronically if you have 10+ employees (uniform across all sectors)
- ONE registration replaces SIX previous registrations
- ONE license replaces multiple licenses
- ONE return filing replaces multiple returns

Hazardous Work Coverage

- Government CAN extend code provisions to ANY establishment with even ONE employee in hazardous work
- Be prepared for expanded coverage in manufacturing, chemical processing, and construction

Migrant Worker Protections (Critical for Multi-State Operations)

- MUST provide a lump-sum annual travel allowance to inter-state migrant workers for their native place once per year
- MUST give appointment letters specifying job details, wages, and social security
- MUST provide free annual health check-ups
- MUST register migrant workers on the national database
- MUST declare the number of inter-state migrant workers employed
- MUST ensure portability of public distribution system benefits across states
- MUST provide access to toll-free helpline

New Definition of Migrant Workers:

Now covers workers employed directly, through contractors, OR who migrate on their own. You can't avoid obligations by claiming "they came on their own."

Women's Employment Rights

- Women CAN work in ALL types of establishments
- Women CAN work night hours (before 6 AM, beyond 7 PM) with their consent and safety measures
- MUST provide safety measures if women work night shifts
- CANNOT prohibit women from any role or shift without their explicit refusal

Contract Labour Reforms

- The threshold was raised from 20 to 50 contract workers for applicability
- All-India license valid for 5 years (not work-order based anymore)
- Common license for contract labour, beedi/cigar manufacturing, and factory
- Provision for a deemed license after the prescribed period
- Auto-generated licenses
- Contract labour board abolished; replaced by a designated authority to advise on core vs. non-core activities

Principal Employer Obligations for Contract Workers

- MUST provide welfare facilities (health, safety measures) to contract workers
- If the contractor fails to pay wages, the principal employer MUST pay the unpaid wages to the contract labourer
- You're the backup for contractor failures

Safety Committees

- MUST form safety committees if you have 500+ workers
- MUST have employer-worker representation
- Shared accountability for workplace safety

Working Hours & Overtime

- Maximum 8 hours/day and 48 hours/week
- Overtime ONLY with worker consent
- Overtime MUST be paid at 2x the regular rate

Victim Compensation

- Courts can direct a minimum of 50% of fines to be paid as compensation to victims or legal heirs in injury/death cases
- Budget for this liability

Factory Threshold Changes

- Factories with power: threshold raised from 10 to 20 workers
- Factories without power: threshold raised from 20 to 40 workers
- Smaller units have reduced compliance burden

What You CANNOT Do Anymore?

- Maintain 6 separate registrations (now just ONE)
- Exclude migrant workers who "came on their own" from protections
- Prohibit women from working night shifts without their consent
- Avoid contract labour obligations if your principal employer and contractor fail
- Operate with paper-based record systems
- Make employees work overtime without consent
- Pay overtime at normal rates (must be 2x)
- Avoid safety committee formation if you have 500+ workers
- Classify "electronic media workers" or "audio-visual production workers" as non-journalists (they're covered now)

Action Item:

If you employ interstate migrant workers, audit NOW. Do they have: appointment letters, annual health checkups, travel allowance, and PDS portability? If not, you're out of compliance.

Why Annual Health Checkups Matter Beyond Compliance

The codes mandate annual health checkups for all employees above 40 years of age, but smart HR teams see this as an opportunity, not just a checkbox. Preventive health assessments catch chronic conditions early—diabetes, hypertension, high cholesterol—when intervention is still simple and inexpensive. Left undetected, these conditions drive expensive hospitalizations and extended leaves that cost far more than prevention. Health assessments go beyond basic checkups.

They include:

- Comprehensive health risk analysis
- Personalized health action plans
- Early detection of metabolic and lifestyle conditions
- Preventive care recommendations

The financial case is clear: companies that invest in preventive health see reduced claims, lower insurance premiums, and fewer productivity losses from avoidable illnesses. Compliance gives you the mandate. Prevention gives you the ROI.

Frequently Asked Questions about Labour Codes

When will the Labour Codes be implemented?

The codes were enacted in 2019-2020, but full enforcement depends on state rules. However, courts can enforce provisions even if state rules are pending. Don't wait for state notification; begin compliance immediately.

Do fixed-term and permanent employees get the same benefits?

Yes. Fixed-term employees must receive identical wages and benefits as permanent employees: same EPF, ESI, medical insurance, and leave. Fixed-term employees also get gratuity after one year (not five).

What is the floor wage?

The floor wage is a minimum set by the Central Government based on living standards. States can set higher wages but not lower. It accounts for skill level and geography, eliminating regional disparities.

Who qualifies as an inter-state migrant worker?

Anyone who relocates from one state to another for employment, whether hired directly, through contractors, or migrating independently. They're entitled to appointment letters, health checkups, travel allowance, and PDS portability. If you employ inter-state workers, start with appointment letters and health checkups immediately. Health assessments help you meet this compliance requirement while catching preventable conditions early.

What is ESIC and who needs it?

ESIC (Employees' State Insurance) provides medical and cash benefits. Required if: (1) you have 10+ employees, or (2) even ONE employee in hazardous work (manufacturing, construction, chemicals). Now applies pan-India, not just notified areas.

Do gig workers get Social Security?

Yes. Platform aggregators must contribute 1-2% of turnover (capped at 5% of gig worker payments) toward social security. Gig and platform workers can access voluntary ESI and EPF coverage.

Can women work night shifts?

Yes, in all establishments and during night hours (before 6 AM, beyond 7 PM) with their consent and documented safety measures: secure transport, lighting, security personnel, and emergency protocols.

What happens if I don't comply?

Monetary penalties. First-time offences are compoundable at 50% (fine-only) or 75% (fine/imprisonment) of the maximum fine. Repeat offences within five years cannot be compounded. You get 30 days' notice before legal action.

How much does gratuity increase?

Two ways:

- (1) ceiling doubled from ₹10 lakh to ₹20 lakh, and
 - (2) fixed-term employees eligible after one year (not five).
- A uniform wage definition increases the calculation base.

Can I still use contract labour?

Yes. The threshold increased from 20 to 50 workers. You get an all-India 5-year license. But as the principal employer, if the contractor fails to pay wages, you must pay them directly. You own contractor failures.

What is the Inspector-cum-Facilitator system?

Replaces "inspector raj" with web-based, randomized, algorithm-driven inspections. Inspectors help employers comply rather than just penalize. You get 30 days to fix violations before legal action.

Do labour codes apply to small businesses?

Yes, with threshold variations. Universal minimum wage applies to all. ESIC: 10+ employees. EPF: 20+ workers. Standing orders: 300+ employees. Contract labour: 50+ workers. Core protections apply universally.

What records must be electronic?

All records: attendance, wages, leave, ESI/EPF documentation, appointment letters, contract registers, safety minutes, grievance records, compliance returns. Paper systems are noncompliant.

How does work-from-home become legal?

The Industrial Relations Code permits work-from-home in the service sectors with mutual consent. Document agreement, specify hours and deliverables, update contracts. Codifies what was previously legally ambiguous.

What This Means for Recruitment & Workforce Planning:

The codes fundamentally change the workforce cost structure:

Fixed-term employees are no longer cheaper:

With full benefit parity and one-year gratuity, the cost difference between fixed-term and permanent has narrowed significantly. Rethink your hiring strategy.

Contract labour thresholds changed:

The 50-worker threshold (up from 20) gives you more flexibility, but principal employer liability for unpaid wages means you own contractor failures. Choose contractors carefully.

Migrant workers come with obligations:

If your business depends on workers from other states, budget for appointment letters, health checkups, and travel allowances. These aren't optional.

Platform/gig models have new costs:

If you're an aggregator, you're contributing 1-2% of turnover. Model this before scaling gig arrangements.

Women can work night shifts:

This opens 24/7 operations possibilities, but you must provide consent documentation and safety measures. Opportunity and obligation together.

Work-from-home is now codified:

Service sector companies can formalize remote work with mutual consent. This should simplify remote work policies.

The Enforcement Reality: What Actually Happens Next

Here's the hard truth: the codes are enacted, but full enforcement depends on state-level rule-making. Many states haven't finalized their rules yet.

This doesn't mean you should wait:

The legal framework exists. Courts will enforce it even if state rules are pending. If an employee challenges benefit inequality between permanent and fixed-term workers, they'll win—the code is clear.

Inspector-cum-Facilitator System:

You'll get 30 days' notice before legal action. Inspections are algorithm-driven and randomized, reducing arbitrary harassment. Use this grace period.

Compounding of Offences:

First-time offences are compoundable with monetary penalties (50% of max fine for fine-only offences, 75% for fine/imprisonment offences). But repeat offences within five years cannot be compounded.

The strategy:

Get compliant before the first inspection. The codes favor compliance over punishment, but only if you act proactively.

The Opportunity Nobody's Talking About

While everyone focuses on compliance costs, there's a strategic opportunity:

The codes level the playing field

Competitors who were cutting costs through worker misclassification, benefit denials, and contractor loopholes can't do that anymore. If you build compliant infrastructure now, you have a recruitment advantage.

Good workers care about benefits

In a tight talent market, full EPF, ESI, gratuity after one year, and proper migrant worker treatment matter. The codes just made "doing the right thing" the legal minimum, which means you can attract better talent by simply being compliant.

Prevention beats claims

The codes mandate annual health checkups for workers. Use this. Catch diabetes, hypertension, and stress early. The ROI on prevention is clear: companies investing in wellness see 25% lower stress scores and reduced long-term health claims.

Efficiency gains are real

One registration, one license, one return filing—this actually does reduce administrative burden if you build the right systems. Electronic compliance, self-assessment for construction cess, digital record-keeping: these work better than paper if implemented properly.

The Bottom Line for HR Leaders

The four labour codes changed these fundamentals:

- **Universal minimum wage:**

Everyone gets it, no exceptions

- **Fixed-term = permanent benefits:**

No more two-tier systems

- **Gig workers recognized:**

Social security now extends beyond traditional employment

- **Migrant worker protections:**

If they relocate for work, you have obligations

- **Women can work — everywhere:**

Including night shifts with consent

- **One registration, one license, one return:**

Administrative simplification is real

- **Digital compliance mandatory:**

Paper systems are obsolete

- **Faster dispute resolution:**

One-year tribunal timelines force quick settlements

Your move depends on where you are now:

- **If you're fully compliant with old laws:**

Audit for the gaps (fixed-term benefit parity, migrant worker protections, electronic systems) and budget for expanded coverage.

- **If you've been minimizing benefits through classification games:**

Reclassify immediately or budget for full compliance costs. The loopholes closed.

- **If you're scaling fast:**

Build compliant infrastructure from day one. Don't inherit technical debt that becomes legal liability.

- **If you operate multi-state:**

Migrant worker compliance is your highest risk. Start there.

Because here's the thing about compliance: it's the floor, not the ceiling. And right now, that floor just moved—whether you're ready or not.
