

Implementation of Labour Code

Introduction

Government of India in his historic decision has implemented the New Labour Code with effect from 21.11.2025

- The New Labour Code consolidates the various 29 labour laws into 4 labour codes as i) Code on Social Security, 2020, ii) Industrial Relations Code, 2020, iii) Code on Wages, 2019 and iv) Occupational Safety, Health and Working Conditions Code, 2020.
- The New Labour code comprises 4 laws in the Code on wages, 2019, 9 laws in the Code on Social Security, 2020, 13 laws in The Occupational Safety, Health and Working Conditions Code, 2020 and 3 laws in the Industrial Relations Code, 2020.
- The code was framed as a result of The Second National Commission of Labour submitting its report in 2002 stating that there was multiplicity of Labour Laws in India and therefore, recommended that at the Central level multiple Labour Laws should be codified into 4 or 5 Labour Codes and in addition there were no Labour Reforms that took place since 1991.
- The New Labour Code aims in regulating the conditions of employment of various workers and employees. The code extends its applicability to both organised and unorganised sectors of the society which also enhances the ease of doing business in the country.
- The definition of 'employers' includes any person who directly or indirectly employs one or more persons at an establishment whereas the code has adopted uniform definition of employee and worker.
- The Central Government reserves the power to make wage-related decisions for employment in railways, mines, and oil fields. On the other hand, State Government is empowered to make decisions for all other employments except that the Central Government has power to make decisions.

Code on Wages, 2019:

The Code on Wages seeks to regulate the wage and bonus payments for all employees regardless of industry, business or trade. This allows minimum wages to be applicable to all workers in organized and unorganized sectors

The code replaces the following laws:

- Minimum Wages Act, 1948.
- Payment of Wages Act, 1936.
- Payment of Bonus Act, 1965.
- Equal Remuneration Act, 1976.

The Central Government determines wages industries such as mining, railway, oil fields etc. Whereas the State Government can determine minimum wage in other industries.

An overview of the important provisions in the code are as follows:

Floor Wage:

As per the code, the wages will include salary, allowance and any other monetary component. Bonus and travelling allowance will not be included. The code empowers the central government to fix the floor wage based on the living conditions of the workers. This floor wage may vary based on geographical location and the living expenses required for that location.

The minimum wages decided by the government for a particular industry should be above the floor wages. In case the existing minimum wage is already higher than the floor wage, it cannot be further reduced upon the release of the floor wage limit. The Government is also mandated to take into account the difficulty and skill level of the work.

Working Hours:

The central and state government may fix the working hours. In case of overtime, the worker is entitled to compensation which would be atleast twice the normal wages.

Gender discrimination:

The code prohibits gender discrimination in wages and recruitment of people for the same work and work of similar nature. Work of similar nature would constitute work for which same skill, effort, experience and responsibility required are the same.

Advisory Board:

An Advisory board is to be set up to advise the government on minimum wage fixing and increasing employment opportunities. These boards may be set up both at the central and state level. The code specifies that there must be equal number of employers and employees, State Government and independent persons. It is also mandated for 1/3rd of the board to be women.

Industrial Relations Code, 2020:

The industrial relations code consolidates the laws related to conditions of employment in industries, regulations related to trade unions and settlement of industrial disputes.

The Code replaces the following laws:

- Trade Unions Act, 1926.
- Industrial Disputes Act, 1947.
- Industrial Employment Act, 1946.
- The major amendments made in the code are as follows:

The important amendments made in the Code are explained in the following sections.

Standing Orders:

The previous Industrial Employment Act, 1946 had placed regulations to mandate industrial establishments with 100 or more workers to define the conditions of employment via standing orders. These had to be clearly informed to the workers.

Under the new code, the minimum number of workers employed for an establishment to publish standing orders has been raised to 300. The increased threshold would encourage

companies to easily hire and fire individuals. The move was taken by the government with the view to increase employment.

For companies with more than 300 employees, publishing of standing orders and service rules is mandatory. Further, prior government permission is required before closure, layoff or retrenchment of the employees.

Conditions for legal strike:

The Industrial Relations Code 2020 has amended the definition of “strike” to “mass casual leave”. An act may only constitute a strike when over 50% of the employees have taken casual leave.

The code also introduces new conditions for conducting legal strikes. The main conditions set by the Code are as follows:

- Employees must provide a 60-day notice for any organized strike. Any strike without notice is prohibited.
- Employees are prohibited from going on strike during the pendency of proceedings before a Tribunal.
- Employees are also prohibited from going on strike within 60 days of a completion of tribunal proceedings.

Re-Skilling Fund:

The code proposes a re-skilling fund to be set up by employers. This fund may be used to provide training for workers in retrenchment. The amount spent for an employee must be equal to 15 days last salary last drawn by the worker.

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This was set up as a welfare scheme by the Central Government. The scheme acts as a protection fund for employees in the organized sector who lose their job. This type of unemployment allowance is covered under ESI scheme and admissible to all workers.

Code on Social Security, 2020:

Social Security refers to the measures taken to protect workers in contingencies such as old age, maternity and accidents. In such cases protection in relation to healthcare and income security are required. The Code on Social Security, 2020 consolidated the provisions related to social security of employees in organized and unorganized sectors.

The Code combines 9 central labour regulations related to social security. They are as follows:

- The Employees Compensation Act, 1923.
- The Employees' State Insurance Act, 1948
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- The Maternity Benefit Act, 1961
- The Payment of Gratuity Act, 1972
- The Cine Workers Welfare Fund Act, 1981

- The Building and Other Construction Workers Welfare Cess Act, 1996
- Unorganised Workers' Social Security Act 2008.

The Social Security Code, 2020 has also made significant amendments to the existing provisions. The main changes made are as follows:

Definition on employee

The Code has widened the definition of employees to include inter-state migrant workers, construction workers, film industry workers and platform workers. The scope of registration has also been widened to include unorganized workers, gig workers and platform workers.

The recognition of these employees has widened the scope of coverage to include these employees. Hence, these workers are now brought into the ambit on social security schemes such as life insurance, disability insurance, provident fund, health benefits and maternity benefits.

Fixed Term Employees

The code has been expanded to cover fixed-term employees within the social security schemes. This change was made by including "expiration of fixed term employment" as a prerequisite to be eligible for gratuity. Hence, apart from permanent employees, contract workers will also be eligible for gratuity. Contract workers will be eligible to gratuity in case of superannuation. Retirement, resignation, death, disease or termination of contract.

Uniform Definitions

The Code has formulated a uniform method to determine wages for the purpose of social security benefits. This has been instrumental in removing the ambiguity in determining wage based on the current regulations. This has provided a wide definition for wage. Specific exclusions with ceilings have been provided for discouraging inappropriate structuring of salaries to minimise social security benefits.

Digitization

The Code has taken a move to promote digitization of all data. The code now mandates all records and returns to be maintained electronically. Digitization of data will aid in easier information exchange. Hence, there is better communication among various stakeholders set up by the government. This ensures greater compliance and easier governance.

Penal Provisions

The code has set up penal provisions in case of failure to pay gratuity to employees and a failure to pay contributions. An employer who fails to pay an employee's contribution can face a minimum of one year in prison and a fine of one lakh rupees. The Code also specifies enhanced punishment for every subsequent offence.

Code on Occupational Safety, Health and Working Conditions, 2020:

The OSH Code, 2020 has consolidated the legislations related to health, safety and working conditions of employees in India. The code has replaced 13 central legislations into one code. The legislations replaced are as follows:

- The Factories Act, 1948
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- The Plantations Labour Act, 1951
- The Mines Act, 1952
- The Working Journalists and other Newspaper Employees (Conditions of Service) & Misc. Provisions Act, 1955
- The Working Journalists (Fixation of Rates of Wages) Act, 1958
- The Motor Transport Workers Act, 1961
- The Beedi and Cigar Workers (Conditions of Employment) Act, 1966
- The Sales Promotion Employees (Conditions of Service) Act, 1976
- The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
- The Dock Workers (Safety, Health and Welfare) Act, 1986
- The Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act.

The key provisions and amendments of the OSH code, 2020 are explained in the following sections.

Expanded Definition

The Code expands the definition of a factory as a premise where at least 20 workers work for a process with power and 40 workers for a process without power.

The code has defined interstate migrant workers as someone who has come on his/her own from one state and received employment in another state and earns up to Rs.18000 per month

Work Timing

The code has fixed the daily working limit to a maximum of 8 hours. Establishments that employ workers for longer shifts are to receive permission from government authorities.

In an aim to increase women employment, the code has removed any bar on night shift for women. Women are now allowed to be employed in all establishments for night shift provided that safety measures are in place.

Limit on Hazardous Working Conditions

The Code removes the manpower limit on hazardous working conditions and makes the application of the Code obligatory for contractors recruiting 50 or more workers. Hence any establishment recruiting more than 50 workers has to comply with the regulations of the Code.

Right of Employees

The OSH Code has legal provisions regarding the Right against exploitation of any employees. As per the provisions, employees have the right to ask the employer information related to the protection measures in the workplace. In case of any threat or apprehension of injury or danger to life, the employee may bring it to the notice of the employer and the inspection-cum-facilitator.

The employer is required to immediately raise a complaint upon a notification. In case the employer is not satisfied that the employees may be in danger, the matter shall be referred to the inspector-cum-facilitator who shall make the final decision.

Required Working conditions

The central government has listed down the requirements to be followed by any workplace in order to ensure safety of the employees. The important measures to be followed are as listed below:

- Separate washrooms for men and women
- First aid facilities
- Cleanliness and hygiene at the workplace
- Adequate space to avoid overcrowding
- Adequate lighting and work facilities
- Sitting arrangement for employees who work standing most of the time.
- Males, Females and Transgenders must be allocated separate bathing places and locker rooms
- Portable drinking water must be available at the workplace

Technology Integration in the Updated Labour Reform Code

The Ministry of Labour and Employment has taken a number of initiatives to bring transparency and accountability in the enforcement of labour laws. A unified Shram Suvidha Portal was launched in 2014 to facilitate transparent risk based inspections, their timely reporting, submission of returns etc. The unifies portal has been envisaged as a single point of contact between employer, employees and enforcement agencies. This would aid in maintaining transparency in day-to-day transactions also avoid e duplicity of information being collected by multiple agencies for enforcement of Labour Laws.

The new Codes mandate digitization of these registers and other related documents. The records are to be uploaded in the portal in order to make all information available in real time.

UAN

Under the new Labour Code in India, a significant reform aims to extend the benefits of the Employees' Provident Fund and social security schemes to a larger section of the workforce, particularly those in the unorganised sector. Traditionally, the Universal Account Number has been a tool for organised sector employees to manage their Provident Fund accounts. However, with the introduction of the new Labour Code, the government has made provisions for the unorganised workforce to also benefit from these social security schemes by providing them with a UAN.

The inclusion of unorganised workers under this framework means that workers in sectors like construction, agriculture, and domestic work will now be eligible for PF benefits, improving their access to social security. As part of the reform, the linking of UAN with Aadhaar has been made mandatory. This linkage will facilitate easy authentication of workers' identity and ensure accurate tracking of contributions, making the system more transparent and efficient.

With Aadhaar-based UAN, workers can directly access their EPF accounts, transfer balances, and even withdraw their contributions without the need for complex documentation. This

ensures better financial inclusion and a more robust social security net. Additionally, this system helps in preventing fraud, as Aadhaar's biometric data ensures that the identity of the worker is genuine.