

The background of the slide is a photograph of a modern office building's interior. In the foreground, a man in a grey suit and a woman in a dark blazer and light trousers are shaking hands. The man is holding a tablet, and the woman is holding a folder. In the background, another man in a suit is shaking hands with a woman, but they are out of focus. The architecture features large white columns and a high ceiling with exposed beams.

NEW LABOUR CODES

A LANDMARK LABOUR REFORM IN INDIA

BDO INDIA
2025

A NEW ERA IN LABOUR REGULATION

The Government of India has notified four Labour Codes, effective 21 November 2025, to ensure social equity, social security and ease of doing business for all. These new labour codes have replaced 29 central government labour laws, currently in force. Some of the policy objectives driving these reforms are the empowerment of workers, balancing of employer duties and employee rights, and effective enforcement through digitisation of compliance.

Irrespective of the sector, the new labour codes will impact all organisations, necessitating change management for employers. With the launch of the new codes, employers must immediately analyse the impact and upgrade their internal policies, processes and compliance management structures to align them with various requirements prescribed under the codes.

The following are the provisions in the labour codes that may impact the overall cost for employers, if not complied with in a timely manner:

- ▶ Classification of employees/workers
- ▶ New definition of wages for computation of all statutory dues
- ▶ Gratuity payment for fixed-term employees and its retrospective impact
- ▶ Overtime provisions
- ▶ Enhanced obligations in case of the principal employer of third-party staff

The final rules under the Labour Codes are already notified by some State Governments; however, the Central and majority of State Governments' rules are still to be notified and are expected to follow shortly. During transition, the relevant provisions of the existing labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force.



OVERVIEW OF THE NEW LAW

The Code on Wages, 2019

Legislations Subsumed	Key Provisions
<ul style="list-style-type: none">▶ The Minimum Wage Act, 1948▶ The Payment of Wages Act, 1936▶ The Payment of Bonus Act, 1965▶ The Equal Remuneration Act, 1976	<ul style="list-style-type: none">▶ Unified definition of “wages”▶ Minimum 50% of remuneration bifurcation for deemed wages▶ Uniform pay day as the 7th of the succeeding month for all employees▶ Full & Final Settlement to be made within 2 days▶ Regime of fines for non-compliance established with Inspector-cum-Facilitator and inspection eco-system▶ Bonus eligibility and computation limits not yet set by the appropriate governments▶ Recognition of contractor as employer▶ Maintenance of employee registers in the prescribed form electronically/ otherwise▶ Revamped provisions for offences and penalties▶ Over Time set at twice of normal wage; Rules around working hours/rest day▶ National Floor rate to be prescribed for Minimum wages▶ Time limit to raise a claim against unpaid wages - a time period of 3 years▶ Equal remuneration for all genders



THE OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE, 2020

Legislations Subsumed	Key Provisions
<ul style="list-style-type: none">▶ The Factories Act, 1948▶ The Dock Workers (Safety, Health and Welfare) Act, 1986▶ The Mines Act, 1952▶ The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996▶ The Plantations Labour Act, 1951▶ The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979▶ The Contract Labour (Regulation and Abolition) Act, 1970▶ The Working Journalist (Fixation of Rates of Wages) Act, 1958▶ The Working Journalists and other Newspaper Employees (Conditions of Service and Miscellaneous Provisions) Act, 1955▶ The Motor Transport Workers Act, 1961▶ The Sales Promotion Employees (Condition of Service) Act, 1976▶ Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981▶ The Beedi and Cigar Workers (Conditions of Employment) Act, 1966	<ul style="list-style-type: none">▶ Applies to all establishments having 10 or more workers▶ Single window registration for employers with more than ten employees across the country for all labour regulations▶ Annual leave encashment for workers▶ 8 working hours: with a spread of 48 hours in a week▶ Issuance of appointment letter to employees/workers is mandatory▶ Mandatory medical health check-up (annual) based on the age of the employee for class of establishments▶ Definition of Interstate migrant worker widened; now includes voluntary migrants, but wage capped at up to INR 18,000 per month▶ Flexibility in employment of women in all types of establishments and to work in night shift (with consent)▶ Core activity of an establishment classified▶ Revamped provisions for offences and penalties



THE CODE ON SOCIAL SECURITY, 2020

Legislations Subsumed	Key Provisions
<ul style="list-style-type: none">▶ The Employees' Provident Fund and Miscellaneous Provisions Act, 1952▶ The Payment of Gratuity Act, 1972▶ The Employees' State Insurance Act, 1948▶ The Maternity Benefit Act, 1961▶ The Employee's Compensation Act, 1923▶ The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959▶ The Unorganised Workers' Social Security Act, 2008▶ The Cine-Workers Welfare Fund Act, 1981▶ The Building and Other Construction Workers' Welfare Cess Act, 1996	<ul style="list-style-type: none">▶ Existing EPF, EPS, and EDLI Schemes shall continue to be effective until notification of new schemes▶ Impact of the new wage definition is expected to increase uncertainties surrounding, costs of and contributions to gratuity and leave encashment schemes▶ Impact on certain segments of employees in case of PF (whose basic is close to or lesser than INR 15,000); this could impact take-home pay▶ Introduction of a new category of employees (Gig workers, platform workers, fixed-term employees and unorganised workers) - that will be brought under coverage of various social security schemes▶ Fixed-term employees after 1 year of completion to be paid gratuity without application of 5-year continuity of service▶ Limitation of liabilities for inquiry and assessment of past dues pegged at five years for Employees Provident Fund▶ Coverage - Employee State Insurance (ESI) PAN India▶ Creche facility in establishments having 50 or more women employees



THE INDUSTRIAL RELATIONS CODE, 2020

Legislations Subsumed	Key Provisions
<ul style="list-style-type: none">▶ The Trade Union Act, 1926▶ The Industrial Employment (Standing Orders) Act, 1946▶ The Industrial Disputes Act, 1947	<ul style="list-style-type: none">▶ Definition of Industry recast to cover all types of sectors and establishments▶ Employee/worker definition standardised▶ Fourteen days' notice to be given for strikes and lockouts▶ Number of workers required to effect retrenchment where the government's permission is obligated has been enhanced from 100 to 300▶ Norms established for recognition of Trade Union - 50% of workers enrolled in Union▶ Introduction of worker re-skilling fund during retrenchment▶ Negotiating Union and Negotiating Council classified▶ Standing orders to be available for all establishments having 300 or more workers▶ Different Model Standing orders for different sectors



KEY IMPACT AREAS

WAGES



- ▶ Compensation structure
- ▶ Leave encashment
- ▶ Over time payment

Social Security



- ▶ Additional Gratuity liability
- ▶ Additional liability due to coverage for gig and other unorganised workers

Service Conditions



- ▶ Registrations of establishment - Additional compliance
- ▶ Additional liabilities for Interstate Migrant Worker
- ▶ Health and safety facilities
- ▶ Women working in night shifts

Industrial Relations



- ▶ Financial burden for Reskilling Fund
- ▶ Possible increase in the cost of compliance pertaining to Standing orders
- ▶ Grievance redressal committee

WHAT NEEDS TO BE DONE FOR EFFECTIVE CHANGE MANAGEMENT

Classification of employees

- ▶ New definition of 'worker' covers white collar employees as well
- ▶ Identify employees who would be classified as 'workers' and understand additional compliance requirements

Employees' compensation structure

- ▶ New definition of 'wages' may impact the employee cost and cash in hand of the employees
- ▶ Alignment of salary structure with the new definition of 'wages' under the Labour Codes

Financial impact on employee cost

- ▶ Likely additional cost towards employee benefits - gratuity/ leave encashment
- ▶ Identify and quantify the impact on various employees' social security and other benefits
- ▶ Develop cost management strategy

Contracted/ Third-party employees

- ▶ Additional compliances for employees employed through contractor/ third party
- ▶ Identify the impact of contractor-related compliances and your obligations of principal employer. Develop a compliance management strategy

Governance framework

- ▶ Understand the provisions related to employment conditions for workers and women employees to create governance frameworks around the same
- ▶ Support in implementing an effective compliance and governance framework for adherence to provisions of the labour codes

HR & Payroll Policies and Compliance

- ▶ Additional HR and Payroll-related compliances for the employer
- ▶ Understand the impact of provisions relating to normal working day, rest day and over-time pay. Realign policies and procedures with new codes
- ▶ Develop a new compliance framework for ongoing compliances



HOW BDO INDIA CAN HELP

Impact Assessment

- ▶ Interact with stakeholders to identify the changes
- ▶ Provide insights on the financial and non-financial impact that codes may cause

Recommendation

- ▶ Review existing employment models, compensation structures, policies, procedures, contracts, and governance frameworks
- ▶ Recommend necessary changes to be incorporated before and after the date of entry into force
- ▶ Workshops with stakeholders to discuss the implementation process

Revalidation

- ▶ Revalidation of impact assessment and recommendations based on:
 - Final central rules as notified
 - Final state rules as notified

Compliance management

- ▶ Record keeping
- ▶ Payroll management
- ▶ Periodical statutory filing
- ▶ Reporting



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