



LABOUR

LAW REFORMS

A closer look at India's new labour codes
Notified and effective as of November 21, 2025



Labour Law Transformation

Current State

- ▶ 29 separate Central Labour Laws - fragmented, overlapping, and complex
- ▶ Different definitions across acts - interpretation challenges
- ▶ High compliance and paperwork for employers
- ▶ Over 100+ state-level labour laws operate independently
- ▶ Varied rules across states - complex & inconsistent

What is Changing

- ✓ 29 Central Labour Laws merged into 4 simplified Labour Codes
- ✓ Simplified framework with laws consolidation related to wages, social security, working conditions, and industrial relations
- ✓ Only Central Labour Laws subsumed; state laws are not merged
- ✓ States are now aligning their rules with the new Codes for uniform implementation
- ✓ Unified, digital-first compliance framework
- ✓ Broader protection including gig, platform, contract, and unorganized workers



The Four Labour Codes

Code on Social Security:

The 2020 Code on Social Security unifies laws to expand comprehensive protection for all workers.



Occupational Safety, Health and Working Conditions Code 2020:

The 2020 OSH&WC Code unifies labour laws to strengthen safety, health, regulation, and workers protection.



Code on Wages, 2019:

The 2019 Wage Code unifies four laws ensuring universal wages, timely payment and simplified compliance.



Industrial Relations Code 2020:

The 2020 IR Code unifies laws to simplify disputes and promote fair, harmonious employer-worker relations.



Impact of New Labour Codes 2019 on Statutory Employee Benefits



Gratuity



- Gratuity now based on revised Wages ($\geq 50\%$)
- Higher gratuity base - higher cost & DBO
- FTE/contract employees now covered
- Gratuity payable after 1 year for FTEs

Provident Fund



- PF wages now based on Wages ($\geq 50\%$ of pay)
- ₹15,000 cap for EPS continues (unless on higher pension)
- Higher employer contribution
- Better retirement savings

Increase in ESI Coverage



- Mandatory coverage for ESI/Statutory Bonus workers
- Higher employer outflow
- Wider workforce coverage

Leave Encashment



- Leave encashment will use new Wages definition
- If current valuation is on Basic only - higher liability & expense

How EDME can support you!

Financial Impact & Funding Support



- Liability assessment under the new wage definition
- Optimize trust set up with proper funding for long-term stability

Policy & Compliance Alignment

- Advise on payroll updates, HR policies, and CTC restructuring
- Ensure Compliance: Provide end-to-end support for statutory compliance and documentation
- Support uniform implementation across company locations



Employee Communication



- Deliver clear and transparent communication to employees
- Conduct manager briefing & HR training

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