



INDO-JAPAN CHAMBER OF COMMERCE & INDUSTRY

Decoding New Labour Codes: Moving from awareness to action



by
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PREFACE

Dear Readers,

We are pleased to present the Resource Paper titled “New Labour Codes and Their Impact on Japanese Business.” The Government of India’s notification in December 2025, which introduced the implementation of new Labour Codes consolidating 29 existing labour laws into a unified framework covering wages, social security, industrial relations, and workplace conditions, marks a significant milestone for both regulators and businesses alike.

On 28th April 2026, a webinar on this important theme was jointly organized by IJCCI and Grant Thornton Bharat, co-hosted by the Consulate General of India for Osaka-Kobe, the Ministry of Economy, Trade and Industry (METI) Kansai Bureau, the Indian Chamber of Commerce Japan, and supported by the Osaka Chamber of Commerce and Industry. The event saw an overwhelming response from the business community, reflecting the keen interest and need for clarity regarding these new regulations. We are confident that the comprehensive presentation delivered during the webinar - and now shared in this Resource Paper - will serve as a valuable reference tool for our stakeholders.

We would like to express our sincere appreciation to Dr. Chandru Appar, Consul-General for Osaka-Kobe, the Consulate-General of India; Mr. Mokoto Maehara, Director-General of International Affairs, Kansai Bureau of Economy, Trade and Industry (METI); and Dr. Chaitanya Bhandare, Honorary Secretary of The Indian Chamber of Commerce Japan (ICCJ) for their active participation and support.

Our deep thanks also go to our Knowledge Partner, Grant Thornton Bharat, for providing an excellent platform for knowledge sharing. Special thanks to Mr. Katsuhei Shirasuna, Director of the Japan Services Group in India; Mr. Akhil Chandna, Partner; and Mr. Sarthak Prashar, Director of Global People Solutions at GT Bharat, for their valuable contributions to a vibrant and insightful technical session.

To reach a wider international business audience, we are delighted to present the Resource Paper in both English and Japanese. We invite you to access the document and additional resources by visiting our website at www.ijcci.com

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Suguna Ramamoorthy
Secretary General IJCCI

Backdrop

The Central Government's notification dated 21 November 2025 regarding the implementation of the Labour Codes signifies a pivotal advancement in India's labour reform agenda. This reform, introduced nearly five years ago, now materializes as a transformative restructuring of India's labour law architecture, aimed at fostering efficiency, compliance, and ease of doing business.



The Code on Wages, 2019

The Wages Code of 2019 consolidates the stipulations of four labor statutes pertaining to wage and bonus disbursements, thereby standardizing the provisions concerning minimum wage entitlements and prompt remuneration for all laborers within the jurisdiction of India.



The Code on Social Security, 2020

The objective of the Code is to revise and consolidate the statutes concerning social security, with the aim of extending social security coverage to individuals employed across organised, unorganised, and any other sectors.



Industrial Relations Code 2020

The IR Code consolidates and amends the legislation concerning trade unions, terms of employment within industrial establishments, the investigation resolution of industrial disputes, and all other matters incidental or related to these areas.



Occupational Safety, Health & Working Conditions Code, 2020

This Code is primarily concentrated on consolidating and amending the laws governing occupational safety, health, and working conditions for individuals employed within an establishment, along with addressing all other matters incidental or related to these areas.

Subsumed legislations

By consolidating following twenty-nine existing central labour legislations into four comprehensive Codes, this initiative seeks to streamline regulatory frameworks, enhance clarity, and ensure uniformity in labour governance.

The Code on Wages, 2019

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

Industrial Relations Code, 2020

- The Trade Unions Act, 1926
- The Industrial Employment (Standing Orders) Act, 1946
- The Industrial Disputes Act, 1947
- The Minimum Wages Act, 1948

The Code on Social Security, 2020

- The Employee's 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
- The Unorganised Workers' Social Security Act, 2008

Occupational Safety, Health & Working Conditions Code, 2020

- The Factories Act, 1948
- The Plantations Labour Act, 1951
- The Mines Act, 1952
- The Working Journalists and other Newspaper Employees (COS) & MP Act, 1955
- The Contract Labour (R&A) Act, 1970
- The Motor Transport Workers Act, 1961
- The Inter-State Migrant Workmen, Act 1979
- The Working Journalist Act, 1958
- The Beedi and Cigar Workers Act, 1966
- The Sales Promotion Employees Act, 1976
- The Cine Workers and Cinema Theatre Workers Act, 1981
- The Dock Workers Act, 1986
- The BOCW Act, 1996

Labour codes - implementation and rationalization

The uncertainty surrounding the enforcement of the Labour Codes has now been resolved. Consequently, the substantive phase begins - encompassing transition, interpretation, formulation of rules, development of schemes and standards, and their effective implementation at the ground level.



President's assent on Wage Code was received in August 2019 and on SS, OSH & IR Codes in September 2020



Draft Rules for Wage Code, SS, OSH & IR Codes published by Central Govt. Central Govt. to re-publish the Draft Rules for stakeholder inputs, post which Central Rules to be notified.



Most of the State Govts / Uts have also released draft rules, which includes operational mechanism pursuant to returns, registers, forms etc.



Technology framework being set up for implementing new laws as many activities, including licensing and return filing will happen digitally under the codes.



Few provisions under the codes had been notified before 21 Nov. 2025 vide previous notifications.

Rationalisation of compliance framework under Labour Codes

	Repealed	Codes
Rules	1436	351
Returns	31	Single
Forms	181	73
Registers	84	8
Registrations	8*	Single
License	4	Single
Compounding	-	First time
Improvement notice	-	First time

* Factories, BoCW, Contract labour, Plantation, Motor Transport, ISMW, ESI & EPF

Source : Ministry of Labour & Employment

New definition of wages

Meaning and inclusions



Covers all remuneration payable by way of salaries, allowances or otherwise; expressed or capable of being so expressed in terms of money and includes :

- Basic pay
- Dearness allowance
- Retaining allowance

Specified exclusions



- i. Bonus payable under any Law but not forming part of remuneration.
- ii. Value of house accommodation and utilities (light, water, medical attendance, etc.)
- iii. Employer contribution to provident fund / pension together with accretions.
- iv. Conveyance allowance or value of travelling concession.
- v. Sum paid to defray special expenses due to nature of work.
- vi. house rent allowance.
- vii. Remuneration payable under any award settlement.
- viii. Any overtime allowance.
- ix. Any commission payable.
- x. Any gratuity payable on termination.
- xi. Any retrenchment comp / benefit.

*Specified exclusions capped at 50% of total remuneration (except gratuity and retrenchment compensation)
Remuneration in kind to the extent it does not exceed 15% of total wages shall be included in wages.*

Some practical considerations

- Whether variable pay, performance bonus / bonus forming part of employment contract are wages?
- How to value benefit in kind such as ESOPs, car, etc.?
- Impact: calculation of wages for gratuity, maternity benefits, leave encashment, ESIC, etc.?
- Whether wage determination will be done on monthly or annual basis?

Wages – Illustrations*

Scenario 1

Total remuneration

Component	Amount (INR)
Basic	8,000
HRA	4,000
Special allowance	6,000
Conveyance	2,000
Overtime	3,000
Commission	2,000
Total	25,000

Specified exclusions

Component	Amount (INR)
HRA	4,000
Conveyance	2,000
Overtime	3,000
Commission	2,000
Total	13,000

Calculation of wages

Component	Amount (INR)
Basic	8,000
Special Allowance	6000
Conditional inclusion (if specified exclusions exceeds - 50% of total remuneration. i.e., INR 12,500)	

Wages - INR 25,000 - INR 11,000 = INR 14,000
{i.e., total remuneration (-) exclusions}

Scenario 2

Total remuneration

Component	Amount (INR)
Basic	8,000
HRA	4,000
Special allowance	4,000
Conveyance	4,000
Overtime	3,000
Commission	2,000
Total	25,000

Specified exclusions

Component	Amount (INR)
HRA	4,000
Conveyance	2,000
Overtime	3,000
Commission	2,000
Total	13,000

Calculation of wages

Component	Amount (INR)
Basic	8,000
Special Allowance	4000
Deemed wages (if specified exclusions exceeds 50% of total remuneration. i.e., INR 12,500)	

Wages - INR 25,000 - INR 13,000 + INR 500 = INR 12,500
{i.e., total remuneration (-) exclusions (+) deemed wages}

* Scenarios given above is for illustrative purpose only.

Key impact areas

Aspects to be considered for Labour Codes

Code on Wages 2019



Widened coverage

No **sector specific** or **wage specific thresholds** now for the applicability the Code.



Concept of Scheduled employment

The concept has been **eliminated** for determining minimum wages, resulting in a **universal minimum wage** framework that, now every worker is entitled to received minimum wages.



National floor wages and Minimum wages

To be notified basis **skill** and geographical area

[To be notified]



Statutory Bonus

Appropriate government to prescribe applicability threshold.

Sexual harassment is an additional ground for disqualification under Bonus chapter.

Key impact areas

Aspects to be considered for Labour Codes

Code on Wages 2019



Timeline of wages

Wages for an employee should be credited before the expiry of the **seventh day** of the succeeding month.

[Including contractor]



Timeline for wages within 2 days

The employer to pay the due wages **within 2 working days** from the last day of employment even in cases of employee including **resignation**.



Employee and Worker - wider ambit

Employee definition now includes supervisory, managerial and administrative employees.

[Redressal mechanism, deductions from wages etc.]



Equal treatment of genders

No discrimination on the basis of gender in matters related to wages, recruitment and conditions of work.

[To be notified]

Key impact areas

Aspects to be considered for Labour Codes

Code on Social Security, 2020



Continuity of existing EPF, ECS and EDLI schemes

New schemes to be framed by the Govt.
Existing schemes to continue till then.



Gratuity provisions for Fixed Term Employees

New provisions for payment of Gratuity introduced for FTEs.



5 year period of limitation

Five-year period of limitation introduced for Employee Provident Fund and Employee State Insurance.




Coverage for unorganized sector

Platform workers, gig workers and domestic workers brought under social security.
Schemes to be notified under coverage.

Key impact areas

Aspects to be considered for Labour Codes

Occupational Safety, Health and Working Conditions Code, 2020

- **Concept of Core and Non-core**
Employment of contract labour in core activities of any establishment is prohibited (with certain exceptions).
- **Special provisions for women**
Consent of female employees is required for working before 6 am and after 7 pm, along with other safety measures.
- **Leave encashment**
Eligibility for carry forward and encashment of un-availed privilege leaves.
- **Inspector cum Facilitator**
The concept of inspector cum facilitator was introduced within OSH Code.

Key impact areas

Aspects to be considered for Labour Codes

Industrial Relations Code, 2020



Concept of fixed-term employment

Introduced where benefits are not less than a permanent worker.



Applicability of Standing Orders to Service Sector

Service sector establishments with over 30 workers are required to have Standing Orders in place.



Retrenchment, lay-off and closure provisions'

Not to be applicable if workers are <300;
Lay-off related provisions will not be applicable if workers are >50.



Conditions for strikes and lockouts prescribed

No strikes and lockouts without giving proper notice in compliance with the norms laid down in the code.



Grievance redressal committee mandatory

To be set up where 20 or more workers are employed required proportionate women representation.

Key areas for consideration

Transition to new labour codes



Review of compensation and payroll policies



Review of HR function and policies



Financial impact in P&L for employers



New policies framework for newer concepts like gig and platform workers etc.



Manpower composition review

Implementation strategy

Roadmap for next 2-3 Qtr

- Governance and policy alignment
- Workforce classification
- Harmonization of leave policies with new statutory norms
- Formation or modification of grievance redressal mechanisms
- Review of union recognition thresholds and dispute resolution mechanisms
- Workplace risk assessment and OSH gap analysis
- Digitization of records as enables under the codes
- Trainins, Awareness & Communication
- Vendor & Contractor Compliance
- Monthly or quarterly compliance status reporting

Organisations divide their strategy into three phases to gauge preparedness and ensure a smooth transition.



Stage 1

Detailed assessment i.e., comparing existing with new provisions

- Staffing and process segmentation
- Review compensation structure and benefits
- Review existing HR processes and policies
- Review employment and other contracts



Stage 2

Transition with periodical assessments

- Revisiting compensation structure, policies, contracts, etc.
- Compliance and governance plan in place for the transition to new codes
- Assist in creating the process ownership structure and align internal departments, management and other stakeholders



Stage 3

Implementation and compliance

- Compliance implementation under new codes
- Implementation of any change in provisions, clarifications, notified after the effective date basis notifications etc.
- ERP system changes and Change management

More to come

