



WORLD TRADE CENTER®
MUMBAI



Connecting Business Globally!
Prosperity through Trade and Business.



All India Association of Industries

INDIA'S NEW LABOUR CODES

Impact on Industry & Employees



**“Breaking the Paradox: How India's Labour
Codes Balance Worker Protection with
Manufacturing Competitiveness”**

Shramev Jayate!

Today, our Government has given effect to the Four Labour Codes. It is one of the most comprehensive and progressive labour-oriented reforms since Independence. It greatly empowers our workers. It also significantly simplifies compliance and promotes 'Ease of Doing Business.' These Codes will serve as a strong foundation for universal social security, minimum and timely payment of wages, safe workplaces and remunerative opportunities for our people, especially Nari Shakti and Yuva Shakti.

It will build a future-ready ecosystem that protects the rights of workers and strengthens India's economic growth. These reforms will boost job creation, drive productivity and accelerate our journey towards a Viksit Bharat.

Hon'ble Narendra Modi
Prime Minister of India

FOREWORD

India stands today at a defining juncture in its economic and social journey. The implementation of the four landmark Labour Codes in November 2025 marks one of the most consequential reforms in independent India's labour governance framework. By consolidating 29 complex and often fragmented labour laws into four comprehensive codes, the Government of India has taken a bold step toward creating a modern, transparent, and future-ready employment ecosystem.

For decades, India has grappled with a paradox: labour laws designed to protect workers often ended up discouraging formal employment and large-scale manufacturing, pushing millions into informality without adequate social security. The new labour codes seek to resolve this contradiction by striking a delicate but necessary balance—enhancing worker protection while enabling enterprises to grow, compete, and generate employment at scale. This balance is not merely an economic necessity; it is a social imperative as India seeks to absorb over a crore new entrant into the workforce every year on its path toward becoming a 30 trillion dollar economy by 2047.

The architecture of the reforms reflects a unified vision. The Code on Wages establishes transparency, equity, and dignity by introducing a statutory floor wage and a uniform definition of wages. The Code on Social Security significantly expands the safety net by extending coverage to gig workers, platform workers, unorganised labour, and migrant workers—segments that form the backbone of India's workforce but have historically remained outside formal protection. The Industrial Relations Code modernises dispute resolution and collective bargaining, providing predictability for businesses while retaining safeguards for workers. The Occupational Safety, Health and Working Conditions Code reinforces the fundamental principle that economic growth must not come at the cost of worker health, safety, or dignity.

From a business and trade perspective, these reforms are particularly significant. Simplified compliance, higher operational thresholds, single registrations, and decriminalisation of minor offences improve ease of doing business and encourage formalisation—an essential requirement for enhancing India's manufacturing competitiveness and attracting global investment. At the same time, expanded social security, gender-inclusive provisions, and stronger safety norms align India's labour framework with global ESG expectations, strengthening the country's credibility among responsible international investors and supply chains.

At World Trade Center Mumbai, we view these reforms as a critical enabler of inclusive and sustainable growth. As an institution committed to facilitating trade, investment, and enterprise development, especially for MSMEs, we recognise that successful implementation will be as important as legislative intent.

As India moves forward on its journey toward *Viksit Bharat 2047*, I am confident that these labour reforms, implemented in both letter and spirit, will play a pivotal role in shaping a future where economic growth and social justice advance together.



Dr. Vijay Kalantri

Chairman, World Trade Center Mumbai &
President, All India Association of Industries

EMINENT SPEAKERS

Mr. Suhas Basakhetre is the Founder and Managing Director of Prompt Personnel, one of India's most trusted HR Solutions companies. With over 35 years of expertise in Labour Law and Industrial Relations, he has been at the forefront of shaping compliant, people-centric workforce practices across industries.

Under his leadership, Prompt Personnel has grown into a PAN-India HR partner, managing end-to-end labour law compliance across 28 States and 5 Union Territories, supporting 25,000+ contractual employees and 1200+ leading organizations. His contribution to the industry has been recognised with the ERA Award for Fastest Growing Staffing Agency, and in 2021, he was felicitated by the Ministry of Labour and Employment for his role in promoting formal employment. In response to India's evolving regulatory framework, Prompt Personnel has recently launched comply360°, its dedicated Labour Law Compliance brand, designed to help organisations navigate the new Labour Codes by translating complex legislation into practical, audit-ready compliance frameworks.

A founding member of EPILPA and ex-Board Member of the Indian Staffing Federation, Mr. Basakhetre also serves as Head – Super Elites at Saturday Club Global Trust. He continues to guide organisations through complex compliance and industrial relations challenges, making him one of the most respected voices in India's HR ecosystem.

Mr. Sudipta Marjit is the Group CHRO, Head of Business Excellence & Office of Strategic Management, Chief Ethics Counsellor, and Corporate Communications Head at Tata AutoComp Systems. A senior member of the Tata Group leadership, he oversees Human Resources, TQM/Business Excellence, CSR, Ethics, Strategy, and Communications across 18 business units and joint ventures globally, spanning 55 manufacturing locations, 21,000+ employees, and ₹20,020 crore in revenue across India, China, Europe, the Americas, and Asia.

He currently serves as Chairman of the Board for four Tata Group joint ventures and is a board member of five others, including partnerships with US, Canadian, and Spanish firms. He has led Tata AutoComp's successful journeys toward the JRDQV Award and the Deming Prize, and brings prior leadership experience from Tata Motors, Tata Technologies, and Tata Capital.

A TEDx speaker, CII Maharashtra HR & IR Panel Chairperson, and Tata veteran, Mr. Marjit has been recognized as one of the "Most Influential HR Leaders of 2024", CHRO of the Year, and recipient of the Best Tata Group Team Leader Award. An economist by training, he is an INSEAD Advanced Management Program alumnus with extensive global experience across the US, Europe, China, and Southeast Asia.



Suhas Basakhetre
Managing Director
Prompt Personnel Pvt Ltd



Suhas Basakhetre
Group CHRO and
Head Business Excellence,
TATA Autocomp Systems Ltd.

LABOUR CODES

“Breaking the Paradox: How India's Labour Codes Balance Worker Protection with Manufacturing Competitiveness”

India has embarked on one of the most significant labour law reforms in its post-independence history. On November 21, 2025, the Government of India notified all four labour codes, officially consolidating twenty-nine obsolete labour laws into a unified, modern regulatory framework. This landmark reform represents a watershed moment in India's approach to employment governance, employment relations, and worker protection. The four codes—the Code on Wages (2019), the Industrial Relations Code (2020), the Code on Social Security (2020), and the Occupational Safety, Health and Working Conditions Code (2020)—collectively address decades-old challenges that have constrained India's economic growth while simultaneously failing to provide adequate protections to workers operating outside the formal sector.

The genesis of these reforms traces back to deliberations during the second National Commission on Labour, which recommended consolidating fragmented labour legislation into a cohesive framework. Between 2015 and 2019, the Ministry of Labour and Employment engaged in extensive tripartite consultations involving the government, employer representatives, and trade unions to draft these comprehensive codes. Although Parliament sanctioned these codes five years prior, their implementation has remained subject to political negotiations and state-level coordination. This delayed rollout, finally executed in November 2025, marks the conclusion of one of India's most contentious legislative journeys while simultaneously initiating a new chapter in the nation's labour ecosystem.

The significance of this reform extends far beyond administrative consolidation. India's existing labour

landscape has long been characterized by contradictions that have constrained its economic potential. Labour laws, originally conceived to protect workers, became so restrictive that they discouraged large-scale formal employment,

The introduction of a national floor wage establishes a minimum compensation level that no state can undercut, eliminating the fragmentation that previously allowed wide variations across states.

pushing millions into informal arrangements with minimal protection. Manufacturing, which remains critical to India's ambition to become a developed economy by 2047, has been hampered by rigid regulations that discouraged businesses from scaling operations and hiring workers officially. The new codes attempt to resolve this fundamental tension by creating a framework that simultaneously expands worker protections while enabling business flexibility and growth. For India to unlock the employment potential necessary to absorb the approximately 1.3 crore individuals entering the workforce annually, reforms that balance worker protection with business efficiency have become imperative rather than optional.

India Labour Codes Reform Timeline



The Architecture of Reform: Four Codes, One Vision

Each of the four labour codes addresses a distinct but interconnected dimension of employment governance. The Code on Wages 2019 establishes a unified definition of wages for the first time, introducing a national floor wage and standardizing wage structures across sectors and skill levels. This code consolidates earlier legislation relating to minimum wages, bonus payments, equal remuneration, and overtime provisions. By introducing a universal wage definition applicable to all workers—both organized and unorganized—the code eliminates decades of disputes regarding what constitutes wages for various statutory purposes such as provident fund calculations, gratuity computation, and bonus eligibility.

The historical trajectory of wage policy in India reveals the necessity of this reform. The Boothalingam Committee of 1978 examined the question of national wage uniformity, and while it ultimately favoured regionally-determined minimum wages, it acknowledged the persistent tension between subsistence wages and living wages that has defined India's wage debate. For decades, the National Floor Level Minimum Wage (NFLMW) introduced in 1996 lacked statutory force, and states frequently fixed wages below even this voluntary floor. The Anoop Satpathy Committee's 2019 findings confirmed that many states continued

setting minimum wages below the national floor, rendering the floor wage ineffective. The Code on Wages corrects this structural defect by making the floor wage statutorily binding—no state may henceforth set minimum wages below the central government's notified floor, eliminating the downward wage pressure that characterized earlier decades.

Minimum wages under the new code are now determined based on four skill levels and three geographic classifications: metropolitan, non-metropolitan, and rural areas. This simplified structure replaces the earlier system that considered industry-specific wages across numerous scheduled employments, thereby enhancing transparency and worker awareness while facilitating compliance. The code mandates wage revision at intervals not exceeding five years, ensuring that minimum wages remain responsive to inflation and cost-of-living changes. The statutory floor wage mechanism thus represents an institutional correction against decades of wage erosion, aligning compensation with nutrition, shelter, education, healthcare, and social dignity as envisioned in Article 43 of the Indian Constitution.

The Code on Social Security 2020 represents a fundamental expansion of India's social protection architecture. This code consolidates nine central labour enactments including the Employees' Compensation Act, Employees' State Insurance Act,

Maternity Benefit Act, and Payment of Gratuity Act, among others. For the first time in Indian labour history, the code extends mandatory social security coverage to gig workers, platform workers, fixed-term employees, inter-state migrant workers, and unorganised workers—categories that comprise the vast majority of India's workforce but have historically remained outside any legal protection. This expansion is particularly significant given that approximately 44 crore people work in India's unorganised sector, of which nearly 31 crore have been registered on the e-Shram portal. The code also establishes a National Social Security Board tasked with framing welfare policies and monitoring schemes for these diverse worker categories.

The Employees' Provident Fund (EPF) now applies to all establishments employing twenty or more workers, extending retirement security to millions previously excluded from mandatory coverage. The Employees' State Insurance (ESIC) coverage expands nation-wide, eliminating the earlier criterion of "notified areas," thereby extending medical and cash-based benefits to workers in previously uncovered regions. Crucially, establishments engaged in hazardous occupations face mandatory ESIC coverage regardless of workforce size, recognizing that vulnerability to occupational injury transcends employer size thresholds. The five-year limitation on Employees' Provident Fund inquiries and recovery proceedings, coupled with the abolition of suo-moto case reopening, provides employers with temporal certainty regarding compliance liabilities while ensuring workers receive resolution of claims within defined periods.

The Industrial Relations Code 2020 modernizes India's framework for managing employer-employee relations and dispute resolution. This code streamlines procedures for union recognition, collective bargaining, and industrial disputes while introducing greater predictability for both workers and businesses. Unions now require ten percent membership or one hundred workers for registration, and the union representing seventy-five percent of workers in an establishment becomes the sole negotiating union, while other unions form a negotiating council. Significantly, the code raises the threshold for prior government approval of layoffs

and retrenchments from 100 workers to 300 workers, thereby granting larger operational flexibility to enterprises while concentrating worker protections in sectors most vulnerable to abrupt job losses. The code also formalizes fixed-term employment contracts, which now receive legal recognition with entitlements to gratuity and other benefits equivalent to permanent workers—a development that modernizes labour arrangements to reflect contemporary employment patterns.

Strike and lockout procedures have been significantly modified under the Industrial Relations Code to require advance notice of sixty days with actual strikes or lockouts permitted only after fourteen days of notice. Conciliation proceedings automatically commence upon notice and prohibit strikes or lockouts during conciliation and seven days thereafter, extending the prohibition to sixty days following tribunal proceedings. These provisions create a mandatory cooling-off period designed to facilitate negotiated settlements while reducing the disruption to industrial operations that characterized earlier labour relations frameworks. Critics argue these procedures impede worker action, while proponents contend they encourage negotiated resolution of disputes before industrial action commences.

The Occupational Safety, Health and Working Conditions Code 2020 consolidates thirteen earlier safety-related laws into a unified framework. This code extends health, safety, and welfare provisions to all sectors—a marked expansion from earlier regulations that applied primarily to seven specific sectors including factories, mines, plantation, beedi-cigar, dock workers, building and construction, and motor transport. The code mandates free annual health check-ups for all workers, strengthens safety committee requirements, and establishes a single National Occupational Safety and Health Advisory Board of tripartite composition to set binding national standards that all states must follow. Factory thresholds have been substantially increased, with power-using establishments now requiring licensing at twenty workers (previously ten) and non-power establishments at forty workers (previously twenty), thereby exempting smaller operations from factory legislation's stringent compliance requirements.

	29 Laws	4 Codes
Rules	1436	351
Returns	31	Single
Forms	181	73
Registers	84	8
Registrations	8	Single
License	4	Single
Compounding	-	Introduced First Time
Improvement Notice	-	Introduced First Time

Source- DGCIS, compiled by MVIRDC WTC Mumbai

Transforming the Wage Landscape and Worker Protections

The redefinition of "wages" under the new Code on Wages represents a paradigm shift in how compensation is computed for statutory benefits. Under the revised definition, wages now comprise basic pay, dearness allowance, and retaining allowance—the core compensation for work performed. Critically, the code excludes from the wage calculation various allowances and benefits including house rent allowance, conveyance allowance, overtime allowance, commission, bonus, employer contributions to provident fund or pension schemes, gratuity, and retrenchment compensation. However, the code introduces an important constraint: basic pay combined with dearness allowance must constitute at least fifty percent of total compensation.

This requirement has profound implications for salary structures, particularly among higher-level employees where market practice has historically involved keeping basic pay low (25-40 percent of cost-to-company) while allocating the remainder as various allowances. Organizations must now recalibrate their wage structures to comply with this fifty percent threshold while managing the corresponding increase in statutory liabilities. For provident fund contributions, gratuity calculations,

and other benefits linked to basic wages, this restructuring translates into substantially higher employer contributions. While employees earning less than Rs. 15,000 monthly may experience reduced take-home salary initially due to higher provident fund contributions, the long-term effect involves stronger retirement security and enhanced social safety nets.

The introduction of a national floor wage establishes a minimum compensation level that no state can undercut, eliminating the fragmentation that previously allowed wide variations across states. This provision is designed to harmonize wage standards while preventing a race to the bottom, particularly in states competing to attract manufacturing investment. The code also

mandates timely wage payment, with specific timelines for salary disbursal that vary by sector. For information technology and IT-enabled services workers, for instance, salaries must be released by the seventh of each month, establishing unprecedented clarity and discipline in payment practices. The universal application of wage payment provisions to all employees, irrespective of wage limits, marks a significant expansion from earlier legislation that restricted protections to employees earning below Rs. 24,000 monthly.

The code's emphasis on equal remuneration gains salience through its explicit prohibition of gender-based wage discrimination. Unlike earlier legislation that restricted such discrimination only in wage payments, the new code prohibits gender-based discrimination in recruitment, promotions, transfers, and working conditions. This progressive provision strengthens India's commitment to gender pay parity while ensuring that allowances such as house rent allowance and overtime are counted toward equal pay assessments—thereby tightening scrutiny of compensation schemes that might attempt to obscure discrimination. Central and State Advisory Boards responsible for wage fixation must now include at least one-third women members, ensuring that women's perspectives inform wage policy decisions that affect the entire workforce.

Sr. no.	Code	Statutes merged/amalgamated
1	The Code on Wages	The Payment of Wages Act, 1936; The Minimum Wages Act, 1948; The Payment of Bonus Act, 1965; and The Equal Remuneration Act, 1976.
2	The Industrial Relations Code (IR Code)	Trade Unions Act, 1926 the Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947
3	The Code on Social Security	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 and; The Unorganised Workers' Social Security Act, 2008
4	The Occupational Safety, Health and Working Conditions Code 2020	The Factories Act, 1948; The Plantations Labour Act, 1951; The Mines Act, 1952; The Working Journalists and other Newspaper Employees (Conditions of Service and Miscellaneous 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 Contract Labour (Regulation and Abolition) Act, 1970; The Sales Promotion Employees (Conditions of Service) Act, 1976; The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981; The Dock Workers (Safety, Health and Welfare) Act, 1986 and; The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

Overtime compensation has been standardized at twice the normal wage rate for all work exceeding the maximum thirty-nine-hour workweek or eight-hour workday, with clear prohibitions against forced overtime except with explicit worker consent. This provision prevents the wage erosion that historically occurred when employers could compel unlimited overtime at standard rates, effectively reducing hourly compensation. The provision for wage slips in prescribed formats enhances wage transparency and reduces opportunities for wage manipulation through informal adjustments. Piece-rate workers now receive guarantees of earning at least the minimum time rate even when piecework output falls short of wage thresholds, protecting vulnerable workers in sectors such as textiles, garment manufacturing, and construction from earning below minimum standards.

Social Security Expansion and Formalization of the Workforce

The expansion of social security coverage represents perhaps the most transformative aspect of these reforms. By extending mandatory social security protections to gig workers, platform workers, and unorganised workers, the Code on Social Security recognizes work forms that barely existed during earlier legislative eras but now constitute a rapidly growing share of India's workforce. Delivery workers, ride-share drivers, freelance professionals, and other digital platform workers (Gig Workers) now possess legal recognition and eligibility for social security benefits including life insurance, disability coverage, maternity benefits, provident fund, and skill development opportunities. This recognition of emerging work forms represents a critical shift toward inclusive protection even as labour markets evolve beyond traditional employer-

Provision prevents the wage erosion that historically occurred when employers could compel unlimited overtime at standard rates, effectively reducing hourly compensation.

employee relationships.

The implications of this expansion are substantial. The State Bank of India has projected that implementation of the labour codes could reduce unemployment by up to 1.3 percent, translating into additional employment generation of approximately 77 lakh jobs. The same analysis suggests that formalisation of the labour force could increase by at least 15 percent, pushing the share of formal workers from the current estimated 60.4 percent to 75.5 percent. This transition would result from simplified compliance procedures and reduced bureaucratic friction that make formal employment more attractive to both employers and workers. Furthermore, social security coverage is projected to reach 80-85 percent within 2-3 years, substantially extending the protective net across India's workforce. The report also stated that with a savings rate of 30 per cent, the reforms could result in a consumption rise. This would lead to an overall consumption boost of 75 thousand crore over the medium term, giving a major push to domestic spending and economic growth.

The reduction of thresholds for mandatory benefits represents a mechanism for this expansion. The code requires ESIC coverage for all establishments involved in hazardous processes, regardless of the number of employees—a departure from earlier regulations that applied only to larger establishments. Similarly, the code introduces free annual health check-ups for all workers, a provision formerly limited to specific sectors. These universal provisions ensure that even workers in micro-units and informal arrangements gain access to basic health protections that can significantly enhance their quality of life and productivity. The inclusion of dependent in-laws and siblings under ESIC benefits broadens the protective umbrella for worker families, reflecting changing family structures and dependency patterns.

The Code on Social Security also introduces

portability of benefits for inter-state migrant workers—a population estimated at millions, concentrated in sectors such as construction, manufacturing, and domestic work. These workers can now avail public distribution system benefits in either their native state or destination state, and construction workers gain portability of benefits funded through the building and construction cess. Inter-state migrant workers also receive annual to-and-fro journey allowances and access to a 24x7 toll-free grievance helpline, addressing chronic vulnerabilities that rendered these workers susceptible to exploitation and wage theft. This provision addresses a chronic vulnerability in India's labour market where workers migrating for employment often lose access to welfare benefits, thereby fragmenting their social security protections. The widened definition now includes directly employed inter-state migrant workers, contractor-employed workers, and self-migrated workers, encompassing the full spectrum of interstate labour mobility.

For plantation workers, previously excluded from comprehensive social security coverage, the codes represent a watershed moment. Plantation workers now gain access to ESIC benefits, occupational safety protections, health check-ups, and welfare facilities that were historically absent from plantation employment arrangements. These workers, concentrated in states such as Assam, Tamil Nadu, and Kerala, often labor in hazardous conditions with minimal oversight. The extension of mandatory safety provisions and health protections represents a significant advance in protecting this vulnerable workforce.

Fixed-term employment, increasingly prevalent in sectors such as construction, hospitality, and seasonal manufacturing, now receives formal legal recognition with comprehensive entitlements. Workers employed on fixed-term contracts gain eligibility for gratuity computed based on their service period, social security coverage equivalent to

permanent workers, and protective provisions regarding contract terms and conditions. This recognition modernizes labour law to reflect contemporary employment arrangements while ensuring workers in such arrangements do not face reduced protections relative to permanent workers performing identical work.

Sectoral Impacts: Manufacturing and Labour-Intensive Industries

The labour codes carry distinct implications across India's diverse economic sectors. The manufacturing sector, critical to India's goals of achieving 25 percent gross domestic product share by 2030, stands to benefit substantially from the simplified compliance frameworks and increased operational flexibility. The threshold for prior government approval in layoff and retrenchment cases has been raised from 100 to 300 workers, providing manufacturers with greater flexibility to adjust workforce levels in response to cyclical fluctuations in demand. For firms employing fewer than 300 workers—which encompasses the vast majority of Indian manufacturing enterprises—this change eliminates a significant bureaucratic constraint on workforce adjustment.

The textile and apparel sector, which generated over \$14.5 billion in exports during 2024 and remains a cornerstone of India's labour-intensive manufacturing, faces complex implications from the new codes. Small garment manufacturing units, which dominate Indian textile production and employ predominantly female workforces, benefit from the removal of retrenchment approvals and stand to gain from the provision allowing women to work night shifts. Industry representatives have noted that the lifting of restrictions on women's night work, previously prohibited under Section 66 of the Factories Act 1948, enables the introduction of double-shift operations that can substantially enhance capacity utilization and productivity without proportional increases in infrastructure investment.

However, the restriction on deploying contract labour for "core activities" of establishments creates compliance complexity for textile units that traditionally relied on contract workers for spinning, weaving, stitching, checking, and finishing

operations. The definition of "core activity" encompasses any activity for which the establishment was set up and includes activities essential or necessary to such primary purpose. For garment manufacturers whose core function inherently involves stitching, checking, and finishing, this restriction substantially constrains their historical reliance on flexible contract labour arrangements. The non-core activities where contract labour may be deployed include sanitation, watch and ward, courier services, housekeeping, laundry, and transport—categories that do not represent the primary employment in textile manufacturing. Exceptions exist for temporary needs exceeding normal volumes, seasonal work, or activities not requiring permanent staff, but these exceptions involve detailed documentation and justify only limited contract deployment.

This would lead to an overall consumption boost of 75 thousand crore over the medium term, giving a major push to domestic spending and economic growth.

The impact on India's competitiveness in global textile markets merits careful consideration. Indian garment exporters face intense price competition from Vietnam and Bangladesh, both of which have simplified labour regulatory frameworks that facilitate rapid workforce adjustments and flexible employment arrangements. Restrictions on contract labour, combined with expanded social security obligations that increase per-worker costs, may compress profit margins in low-cost garment segments unless productivity improvements offset the increased compliance burden. Conversely, international buyers increasingly scrutinize environmental, social, and governance (ESG) compliance of suppliers, and the labour codes' comprehensive protections and transparency requirements potentially strengthen India's credibility with ESG-conscious multinationals, offsetting regulatory compliance costs through premium market positioning.

Construction and building sectors benefit substantially from simplified compliance mechanisms and expanded social security coverage for construction workers. The raising of factory thresholds (from 10 to 20 workers for power-using establishments and from 20 to 40 for non-power establishments) exempts many small construction sub-contractors from factory licensing requirements, reducing administrative burdens in a sector characterized by small contracting firms operating project-based employment models. The inter-state migrant worker provisions particularly benefit construction, where labour mobility across state boundaries remains endemic. Journey allowances and welfare benefit portability address long-standing vulnerabilities in construction labour markets where workers historically lost protection upon crossing state lines.

For micro and small enterprises—the backbone of India's employment generation and comprising 65 million establishments employing 280 million workers—the labour codes present mixed implications. Higher operational thresholds for factory licensing (doubled from 10 to 20 and 20 to 40 workers), contract labour regulation (raised from 20 to 50 workers), and standing orders (increased from 100 to 300 workers) substantially reduce compliance burdens for smaller firms. Approval timelines have been compressed from 90 days to 30 days, with deemed approval provisions if authorities fail to respond within prescribed periods, reducing administrative delays that historically constrained business expansion. Electronic registration systems and single license validity for five years further simplify compliance for multi-state operators.

However, the expanded social security

obligations—mandatory ESIC for hazardous work regardless of firm size, mandatory provident fund contributions for establishments with 20 or more workers, and compulsory health check-ups for all workers—increase per-worker labour costs substantially. Small textiles units in clusters such as Tiruppur, which traditionally competed on low-cost labour, face pressure to restructure operations to absorb increased social security liabilities. Some analysts project that MSMEs may need to restructure workforce composition, invest in digital HR systems and payroll management, establish medical check-up facilities or contracts, and implement new workplace safety standards—capital and operational investments that compress short-term profitability even as they enhance long-term productivity and compliance certainty.

Gender Advancement and Inclusive Work Arrangements

The labour codes introduce progressive provisions designed to advance women's economic participation and workplace safety. The most visible change permits women to work night shifts—before 6:00 am and after 7:00 pm—with employer obligations to provide adequate safety arrangements, facilities, and transportation. This provision, repealing Section 66 of the Factories Act 1948 which categorically prohibited women's night work, represents a fundamental shift toward equal work opportunity. For sectors such as textiles, where female workers constitute 60-70 percent of the workforce but were previously restricted from night shifts, this provision enables shift expansion without workforce composition changes.

As per EAC-PM Working paper in the month of

International buyers increasingly scrutinize environmental, social, and governance (ESG) compliance of suppliers, and the labour codes' comprehensive protections and transparency requirements potentially strengthen India's credibility with ESG-conscious multinationals, offsetting regulatory compliance costs through premium market positioning.

Sr. no.	Enhances Ease of Living	Increases costs and compliances
1	Higher operational thresholds for Factory Licensing (doubled from 10 to 20 and 20 to 40 workers).	Expanded Social Security obligations like mandatory ESIC for hazardous work regardless of firm size.
2	Higher operational thresholds for contract labour regulation (raised from 20 to 50 workers).	Compulsory health check-ups for all workers.
3	Higher operational thresholds for Standing Orders (increased from 100 to 300 workers).	Mandatory Provident Fund contributions for establishments with 20 or more workers.
4	Approval timelines have been compressed from 90 days to 30 days, with deemed approval provisions if authorities fail to respond within prescribed periods.	Restructure operations to absorb increased social security liabilities.
5	Electronic registration systems and single license validity for five years further simplify compliance.	Capital investments like health check-up infrastructure that compress short-term profitability.
6	Decriminalization of many provisions. First time offenders can compound incidences by paying financial penalties.	Depends heavily on training, resource allocation, and attitudinal reorientation among labour administrators.

January, Female LFPR over the period of six years have increased from 23.3% to 41.7%. However, this is still lower than global peers like China where Female LFPR is over 60%. The provision, however, remains subject to the qualification that safety measures must be adequate, a condition whose enforceability depends on regulatory vigilance and worker complaint mechanisms. Labour unions have raised concerns that the emphasis on "safety measures" may provide insufficient protection if enforcement laxity permits employers to declare safety measures in place while actual protections remain inadequate. The codes address this through requirements for transportation arrangements, safety committees with worker representation, and annual health check-ups, but the burden of ensuring employer compliance rests substantially on labour inspectorates already stretched across vast territories.

Crèche facilities, mandated for establishments with fifty or more workers, provide working mothers with on-site childcare enabling shorter absences from work while children remain nearby during

working hours. Mothers are entitled up to four visits daily to their children, including during rest intervals, facilitating breast-feeding and bonding without disrupting production schedules. The two daily nursing breaks extending until the child reaches fifteen months represent a substantive advancement from earlier provisions that provided less explicit protection for nursing mothers.

Representation in decision-making bodies has been strengthened through requirements that Grievance Redressal Committees and wage-setting advisory boards include proportionate female representation and at least one-third women members respectively. These representation provisions ensure that women's perspectives inform

workplace policies, safety protocols, and wage decisions that directly affect working women. The prohibition of gender discrimination in recruitment, employment, promotion, transfers, and wage-setting, coupled with the equal pay for equal work provision, establishes a comprehensive anti-discrimination framework that goes beyond earlier

provisions limited primarily to wage payments.

The codes recognise fixed-term employment and contract arrangements—work patterns increasingly prevalent in female-dominated sectors such as textiles, hospitality, and domestic work. By extending full benefit entitlements to fixed-term workers, the codes prevent the emergence of a secondary labour market where women disproportionately concentrate in contingent arrangements with minimal protections. This provision is particularly significant given the gender dimensions of contract labour, where women workers have historically been concentrated in the lowest-paid contract positions.

Implementation Challenges and Transitional Complexities

Despite the reformist vision embodied in the codes, significant challenges remain in translating legislation into effective implementation. The codes

approaches. Businesses must invest in compliance monitoring systems that account for state-specific variations while the uniform framework gradually emerges through state implementations. The transition period, likely spanning six to nine months until all major states complete rulemaking, creates legal uncertainty regarding enforcement timelines for various code provisions.

The "one licence, one registration, one return" framework represents a significant simplification compared to earlier multi-layered approval processes. However, digitalization of these single registration systems requires substantial investments in backend information technology infrastructure by state governments, and the quality of implementation varies significantly. Early experiences in states that have notified rules suggest technical glitches, portal accessibility problems, and inconsistent interpretation of code provisions by different registering officers. The digital divide affects small businesses without sophisticated IT

As per EAC-PM Working paper in the month of January, Female LFPR over the period of six years have increased from 23.3% to 41.7%. However, this is still lower than global peers like China where Female LFPR is over 60%.

establish a federal framework, but actual applicability hinges on state governments framing their specific rules and notifications. As of early December 2025, select states including Karnataka, Maharashtra, and Kerala have notified their rules, while others including Delhi have notified rules under some codes but not others. This staggered state implementation creates a period of uncertainty where employers must navigate dual compliance requirements—following both existing labour legislation and new code provisions—until all states complete their regulatory processes.

It has been indicated that central rules will be notified within 2.5 to 3 months, but state-level rulemaking involves more complex processes including stakeholder consultations that remain pending in many jurisdictions. This creates interim challenges, particularly for multinational companies and large enterprises operating across multiple states with varying regulatory timelines and

departments, who may struggle to navigate online registration systems that lack adequate customer support.

The issue of contract labour and core activity definitions has generated substantial dispute. The definition of "core activity" remains ambiguous in many sectors, enabling employers to misclassify core activities as non-core to circumvent the contract labour restrictions. The codes grant aggrieved parties the right to apply to government authorities for determining core activity definitions in disputed cases, but this dispute resolution mechanism may prove slow and access-constrained for workers lacking awareness of these procedural rights.

Decriminalization, Compliance Orientation, and Enforcement Paradigm Shifts

A crucial but underappreciated aspect of the labour

codes involves the shift from punitive criminalization toward compliance-oriented enforcement with financial penalties. Whereas earlier labour laws criminalized numerous violations with imprisonment provisions, the new codes replace imprisonment for first-time, non-severe violations with monetary fines. Employers compounding offences—paying prescribed penalties to settle violations—escape prosecution, significantly reducing litigation and enabling speedier resolution of minor breaches. This approach recognizes that criminal prosecution creates adversarial relationships between employers and regulators, discouraging voluntary compliance by businesses fearing criminal exposure for technical violations.

The mandatory thirty-day compliance notice before legal action provides employers with explicit opportunities to correct violations, a grace period substantially more generous than procedures in many earlier labour laws. This provision particularly benefits smaller businesses that may inadvertently breach complex labour provisions and benefit from correction opportunities before facing legal consequences. For establishments making good-faith efforts to comply with new requirements, this grace period recognizes that complete compliance with unfamiliar regulatory frameworks may require time and learning.

The shift from traditional inspectorates to "inspector cum facilitators" represents an attempt to reframe labour administration as advisory and supportive rather than punitive and adversarial. These officials are tasked with providing guidance on compliance procedures, explaining regulatory requirements, and assisting establishments in understanding obligations—roles fundamentally different from traditional labour inspectors focused on identifying violations and initiating prosecutions. This facilitative approach assumes that most violations result from confusion or capacity constraints rather than wilful non-compliance, and that supportive guidance proves more effective than punishment in achieving sustainable compliance. However, the actual implementation of this paradigm shift depends heavily on training, resource allocation, and attitudinal reorientation among labour administrators, and early evidence regarding the extent to which this facilitative approach is

A crucial but underappreciated aspect of the labour codes involves the shift from punitive criminalization toward compliance-oriented enforcement with financial penalties.

genuinely implemented remains mixed.

The fifth-year limitation on Employees' Provident Fund inquiries and two-year completion timelines (extendable by one additional year) represent significant improvements for employers navigating complex EPF compliance issues. Previously, the EPF authority could conduct inquiries extending over decades, creating persistent uncertainty regarding historical compliance obligations. The abolition of suo-moto case reopening further enhances employer certainty by preventing regulators from unilaterally revisiting settled disputes. These provisions reflect a balance between employer certainty and worker protection—establishing clear temporal boundaries for dispute resolution while preventing indefinite exposure to claims.

Conclusion: Balancing Growth with Protection in a Transformed Labour Market

India's labour codes represent an ambitious attempt to resolve a longstanding tension in the nation's economic model: the necessity of labour market flexibility for manufacturing competitiveness and job creation, balanced against the imperative to protect workers from exploitation and ensure social security. By consolidating twenty-nine disparate laws into four comprehensive codes, the government has sought to eliminate archaic provisions, reduce bureaucratic friction, and create a modern labour ecosystem aligned with contemporary work patterns—including gig employment, platform work, inter-state migration, and fixed-term arrangements.

The codes introduce several transformative mechanisms that address specific failures in earlier labour frameworks. The statutory floor wage eliminates the decades-long reality where state governments set minimum wages below even voluntary floors, establishing binding constraints that prevent downward wage pressure. The expansion of social security to unorganized workers and gig workers extends protection to 40 crore workers previously operating without legal safeguards.

The recognition of fixed-term employment with full benefit entitlements prevents the emergence of secondary labour markets where vulnerable workers—particularly women and migrants—could be concentrated in precarious arrangements. The simplified compliance frameworks and threshold increases reduce administrative burdens that discouraged formalization, addressing the paradox that labour protections designed to benefit workers inadvertently pushed millions into unprotected informal employment.

The reform's potential impact on India's economic trajectory is substantial. Simultaneously, the expansion of social security protections to previously excluded worker categories represents a significant advancement in inclusive development. The simplified compliance framework and unified regulations should prove attractive to foreign investors assessing India's manufacturing potential against competing jurisdictions.

Yet successful implementation will depend upon sustained commitment from both central and state governments, capacity-building among employers for compliance, and genuine dialogue between government, business, and labour organizations to address legitimate concerns regarding worker protections.

The codes themselves establish a progressive legal framework; their true significance will emerge only through their implementation across India's diverse economic landscape. State governments must complete rulemaking expeditiously, ensuring that variations reflect justified regional circumstances rather than attempts to dilute protections. Employers must invest in training and systems to achieve genuine compliance rather than formal

adherence to rules. Labour inspectorates must implement the facilitative paradigm genuinely, providing guidance while maintaining accountability for serious violations. Workers and unions must engage constructively in the grievance procedures and dispute resolution mechanisms, utilizing available protections while avoiding blanket rejection of reforms that genuinely expand their entitlements.

As states complete their regulatory processes and employers adjust their operations over coming months, the labour codes will either catalyse the employment and formalisation surge that proponents envision, or encounter implementation challenges that limit their transformative potential.

The skilled administration of these codes during the 2025-2026 transition period will substantially determine whether they achieve their ambitious objectives or devolve into another layer of complex, fragmented regulation. The coming eighteen to twenty-four months will be critical in determining whether the labour codes become an engine for both economic growth and worker dignity—or fall short of their ambitious promise.

What remains certain is that November 21, 2025, marked a turning point in India's approach to labour governance. The consolidation of twenty-nine laws into four codes eliminates the fragmentation and contradictions that characterized earlier frameworks. The expansion of protections to gig workers, platform workers, and unorganized labourers, coupled with simplified compliance procedures, creates genuine potential for inclusive economic growth.

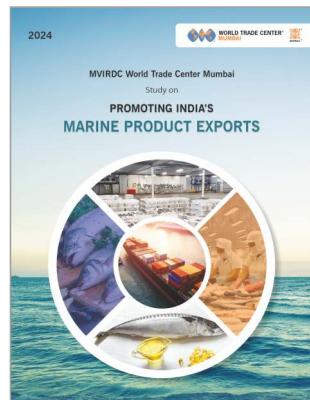
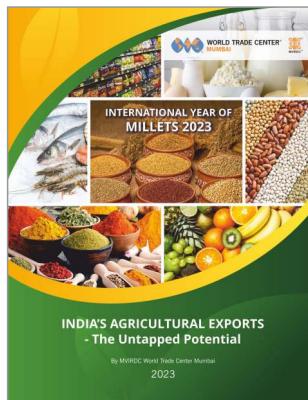
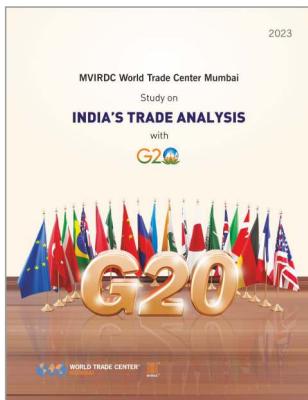
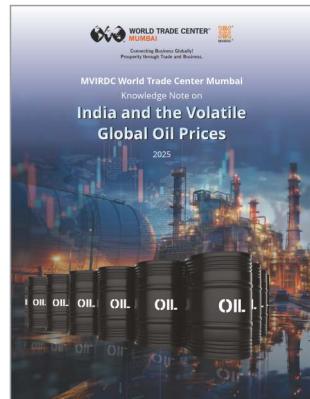
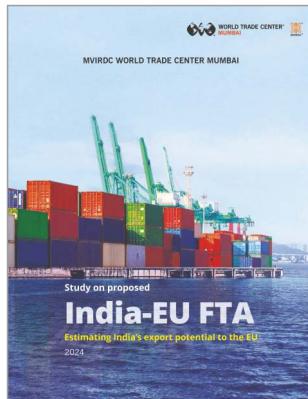
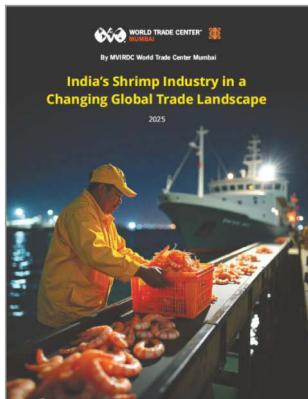
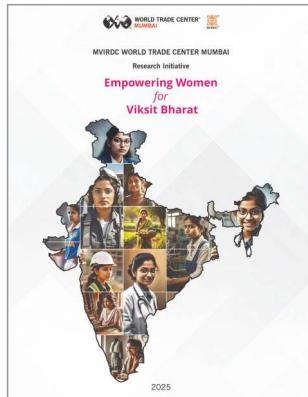
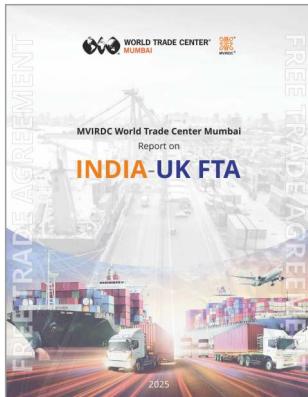
Whether this potential is realized will depend upon the collective actions of policymakers, employers, workers, and regulators over the critical implementation period ahead. The labour codes thus represent not a destination reached but a pathway opened—one whose ultimate significance will be determined by the dedication with which stakeholders navigate the journey ahead.

Notes

Notes

MVIRDC World Trade Center Mumbai

Research Publications



MVIRDC World Trade Center Mumbai

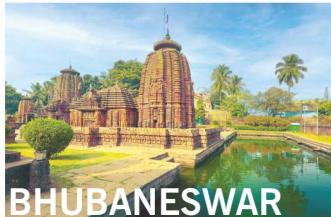
31st Floor, Center 1, World Trade Center Mumbai, Cuffe Parade, Mumbai - 400 005
T: 022 6638 7272 / 347 | E: research@wtcmumbai.org | W: www.wtcmumbai.org



MVIRDC WORLD TRADE CENTER® MUMBAI

31st Floor, Center 1, Cuffe Parade
Mumbai - 400005, Maharashtra, India

t: +91-22-6638 7272 | f: +91-22-2218 8385
e: events@wetrade.org



WORLD TRADE CENTER® BHUBANESWAR

3rd Floor, IDCO Tower, Extension Building
Janpath, Bhubaneswar - 751022
Odisha, India

t: +91 674 2541233

e: traderesearch@wtcbhubaneswar.org



WORLD TRADE CENTER® GOA

Office No.26, Block "C", EDC House
Dr. Atmaram Borkar Road, Panaji - 403001
Goa, India

t: +91 832 2431107 / 08

e: wtc@wtcgoa.org



WORLD TRADE CENTER® JAIPUR

307, 3rd Floor, OK Plus Spaces,
Plot No. F-45, Malviya Industrial Area
Jaipur - 302017, Rajasthan, India

m: +91 99877 77977

e: wtc@wtcjaipur.org