

India's labour reforms for a future-ready workforce

Introduction

The Central Government has recently announced that the four comprehensive Labour Codes, viz.

- Code on Wages, 2019
- Industrial Relations Code, 2020
- Code on Social Security, 2020
- Occupational Safety, Health and Working Conditions Code, 2020

will become effective from 21 November 2025, rationalising the hitherto 29 labour laws. The reform streamlines compliance and creates a simplified, efficient framework that promotes ease of doing business while safeguarding workers' rights and welfare.

Significant highlights of the consolidated codes

1. Equal pay and social security benefits

- a. All the workers (including gig and platform workers) will be entitled to social security coverage, i.e. PF, ESIC, insurance and other social security benefits.
- b. Fixed-term employees ('FTE's) will receive benefits equal to permanent workers, including leave, medical, and social security.
- c. FTEs will be eligible for gratuity, which will apply after 1 year of continuous service.
- d. In case of contractual workers, the principal employer will provide health benefits and social security benefits.
- e. Every worker who has worked at least 180 days in a calendar year is entitled to paid leave at the rate of one day for every 20 days worked. Adolescent workers and those working in underground mines are entitled to one day of leave for every 15 days worked.
- f. Wages include 'basic pay', 'dearness allowance' and 'retaining allowance', but the allowances cannot be structured in a way that the three (basic pay, dearness allowance and retaining allowance) fall below 50% of the total salary.

2. National floor wage: Workers will receive wages as per the floor wage determined by the Central Government.

3. Healthcare and safety

- a. The National Occupational Safety Health and Working Conditions ('OSH') Board to set the harmonised safety and health standards across sectors.
- b. The labour code requires a free annual medical check-up across sectors.
- c. Mandatory safety committees in establishments with 500+ workers.
- d. Higher factory applicability limits, easing regulatory burden for small units while retaining full safeguards for workers.
- e. Mandatory appointment letters to all workers. Written proof will ensure transparency, job security, and fixed employment.

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- a. Standard working hours, which shall be capped at 8 hours per day and 48 hours per week.
- b. Overtime wages would be allowed only with worker's consent and to be paid at twice the regular rate.

5. ESIC coverage: ESIC coverage was earlier limited to notified areas and specific industries. Establishments with fewer than 10 employees were generally excluded, and hazardous-process units did not have uniform mandatory ESIC coverage across India.

Pan-India coverage under the new code: ESIC coverage is now voluntary for establishments with fewer than 10 employees, and mandatory for establishments with even one employee engaged in hazardous processes. Social protection coverage will be expanded to all workers.

6. Aadhar-linked Universal Account Number: Aadhaar-linked Universal Account Number will make welfare benefits easy to access, fully portable, and available across states, regardless of migration.**7. Simplified processes and reduction in compliance**

- a. Single registration, pan-India single license and single return across safety and working-conditions requirements will replace multiple overlapping filings.
- b. Use of technology in the administration of labour laws through digital registration, licensing and inspections is targeted to improve efficiency and transparency.

8. Benefits to the women workers

- a. No gender discrimination and equal pay for equal work ensured.
- b. Women are permitted to work night shifts and in all types of work (including underground mining and heavy machinery), subject to their consent and mandatory safety measures.
- c. Proportional representation of women in grievance committees for gender-sensitive redressal.

All the above reforms are intended to simplify compliance, promote safety, and ensure fairness in wages. Moreover, they lay the foundation for a more equitable, transparent, and growth-oriented economy.

Weblink

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Therefore

India has achieved a globally recognised milestone by dramatically increasing social security coverage from 19% of the workforce in 2015 to over 64% in 2025. The implementation of the four new labour codes is the next major step, aimed at further widening the social-security net, strengthening worker protections, and, critically, embedding nationwide portability of benefits across all sectors. The focus on varied strata of the workforce, e.g. women, youth, unorganised and migrant workers, is aimed at strong governance and creating a future-ready workforce.