

India's new labour codes: From reform to readiness

Ten months of implementation, emerging industry experience and the road ahead

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Foreword

The implementation of India's labour codes is a landmark step in modernising the country's labour and employment framework. It lays the foundation for a more agile, inclusive and globally competitive economy.

These reforms seek to simplify labour laws, ease compliance, strengthen social protection and support a modern workforce. Together, they significantly improve employment management in India.

Over the past ten months, organisations across sectors have made substantial progress in understanding, assessing and implementing the new framework. What began as a compliance and regulatory exercise has turned into a broader business and workforce transformation agenda, influencing decisions on workforce structures, people policies, compensation frameworks, social security, governance processes, and technology systems.

This report reflects our observations from this transition journey. It draws on regulatory developments, industry interactions, board and management engagements, and our experience supporting organisations in implementing the new labour code framework. Throughout this period, we have seen industry stakeholders demonstrate a strong commitment to the objectives of the reforms and develop practical, sustainable implementation models for the future.

Equally, the journey has highlighted the importance of continued dialogue among policymakers, employers, industry institutions, and professionals to support consistent interpretation, effective implementation, and broader adoption. As the transition matures, such collaboration will remain critical in translating legislative intent into meaningful workplace outcomes.

We hope this report contributes to that dialogue by highlighting key developments, sharing practical perspectives from the implementation journey, and identifying opportunities that can support organisations in strengthening workforce governance and compliance readiness. More importantly, we hope it reinforces the collective opportunity before us to build a labour ecosystem that is modern, inclusive, competitive, and future-ready.



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02

Labour reform
architecture

India's labour law transformation: Rationale and architecture

India's labour law framework evolved over several decades through multiple legislations governing wages, industrial relations, social security, occupational safety and working conditions.

While these laws established important worker protections, their gradual evolution also resulted in differing definitions, overlapping provisions and fragmented compliance requirements.

Economic growth, workforce mobility, technological advances and new forms of employment created the need for a modern framework that strengthens worker welfare while supporting an increasingly formalised economy.

The four labour codes address this by consolidating 29 central laws.

The labour code reform is anchored around five broad objectives:



Obligations under laws beyond the labour codes

While the four labour codes consolidate India's labour law framework, compliance extends beyond the codes themselves. Several important laws remain applicable, including the POSH Act, 2013; the Apprentices Act, 1961; State-specific Shops and Establishments laws; Professional Tax enactments; and Labour Welfare Fund legislation.

Therefore, the labour codes should not be viewed as a replacement of the entire labour law ecosystem, but rather as one component of a broader regulatory framework. For employers, this highlights the importance of ensuring that code implementation initiatives align with obligations under these parallel statutes.

Four codes, one integrated framework

To operationalise these objectives, 29 Central labour laws were consolidated into four integrated labour codes, each addressing a critical dimension of India's labour and employment framework.

The four codes came into force together on **21 November 2025**, seeking to create a more integrated labour governance framework that supports worker welfare, regulatory clarity and long-term economic growth.

1

Code on Wages, 2019

Intended policy outcome: Promoting consistency in wage regulation, wage protection and remuneration practices



2

Industrial Relations Code, 2020

Intended policy outcome: Supporting productive employer-employee relationships and a contemporary industrial relations framework



3

Code on Social Security, 2020

Intended policy outcome: Strengthening and expanding social protection across workforce categories



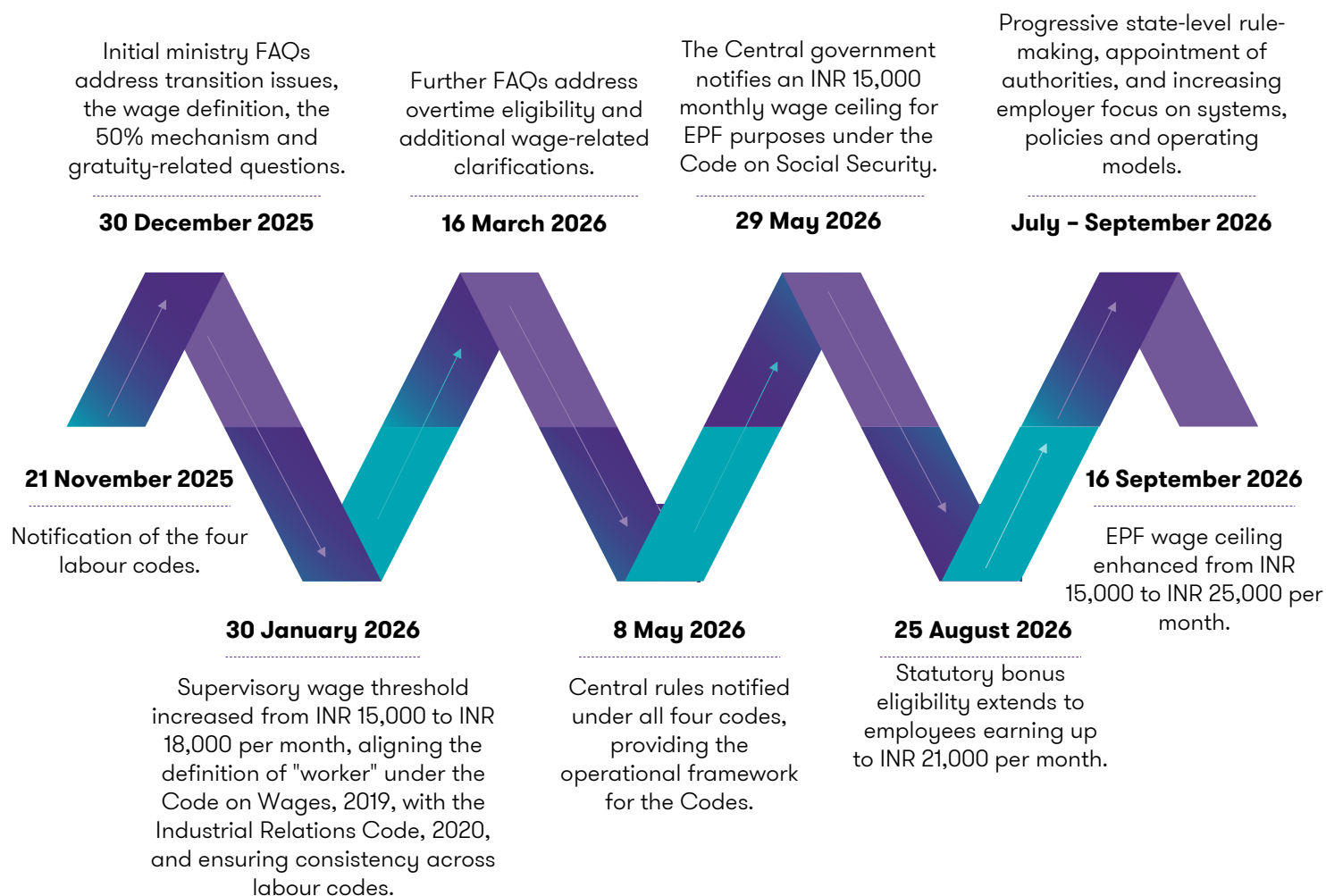
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Occupational Safety, Health and Working Conditions Code, 2020

Intended policy outcome: Advancing workplace safety, welfare and working conditions across sectors



Timeline of key developments



Relevant Gazette notifications, Ministry of Labour and Employment notifications, FAQs and scheme notifications issued up to 23 September 2026

Building the implementation architecture

Since the labour codes came into force, significant progress has been made in translating the legislative provisions into an operational compliance framework. The notification of Central rules, social security schemes, clarifications and supporting guidance has provided greater certainty to employers, workers and enforcement authorities. The Central government has also appointed inspector-cum-facilitators, chief inspector-cum-facilitators, appellate authorities, certifying officers, registering officers and other designated authorities under the Industrial Relations Code, the Occupational Safety,

Health and Working Conditions Code and the Code on Social Security, primarily through notifications issued in May 2026.

These appointments have established the institutional and enforcement architecture required to implement the Codes in establishments under the Central sphere.

Similar appointments for establishments under the state and union territories' jurisdiction remain subject to notifications by the respective governments.

Translating policy intent into a simpler compliance architecture

A key part of the reform is simplifying labour law compliance. In addition to consolidating the laws, it aims to reduce the number of registrations, licences, returns, registers and forms, while increasing.

A leaner compliance framework

The rules consolidate a fragmented compliance architecture into a substantially smaller set of instruments.

Compliance element	Under repealed laws	Under the codes
Rules	1,436	351
Returns	31	Single consolidated return
Forms	181	73
Registers	84	8
Registrations	8*	Single registration
Licences	4	Single licence
Compounding of offences	Not available	Introduced for the first time
Improvement notices	Not available	Introduced for the first time

*Factories, BOCW, Contract Labour, Plantation, Motor Transport, Inter-State Migrant Workmen, ESI and EPF.

Source: Ministry of Labour & Employment.

Progress across states/Union Territories

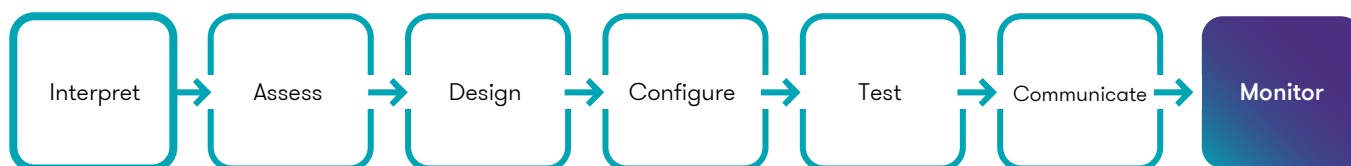
Key labour and employment matters fall within the Concurrent List under the Constitution, giving both the Central and state governments/ union territories legislative competence within their respective jurisdictions. State-level rule-making is therefore integral to the implementation of the labour codes.

Andhra Pradesh, Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Gujarat, Lakshadweep and Puducherry have implemented final rules under all four codes. Uttar Pradesh, Rajasthan, Andaman and Nicobar Islands and Punjab have finalised the rules under one or more codes.

From regulatory readiness to organisational readiness

As Central and state governments continued to develop the regulatory framework, organisations also took steps to prepare for implementation. Employers across sectors reviewed their workforce structures, compensation practices, policies, contracts, systems and governance processes to align them with the new requirements.

While the approaches differed by industry, size and workforce profile, most organisations followed a broadly similar path towards readiness.



The first ten months have laid the foundations for the next phase of the labour codes journey.

Having progressed through awareness, interpretation and regulatory build-out, the focus is increasingly shifting towards implementation, operationalisation and sustained compliance.

It is within this context that a number of practical themes have emerged across organisations as they navigate the transition from reform to readiness.

The labour codes represent far more than a consolidation of labour laws. They reflect India's aspiration to build a modern labour and employment framework that balances worker welfare, social protection and economic competitiveness. The first ten months have demonstrated the scale of effort undertaken by government, regulators and industry to translate legislative intent into practical implementation.

As we move into the next phase of institutionalisation and sustained adoption, the focus must shift towards building trust, consistency and capability across the labour ecosystem. Effective implementation has the potential to create meaningful value for all stakeholders, providing greater certainty for employers, stronger protection for workers and a more formal, inclusive and resilient labour market for India.



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03

Implementation
in practice

Lessons from the first ten months of implementation

While the first ten months have been marked by significant regulatory progress and implementation readiness, organisations continue to face practical questions as they translate legislative provisions into day-to-day business processes.

Across sectors, employers have been evaluating the implications of the labour codes on compensation structures, workforce models, industrial relations, social security, workplace governance and compliance frameworks.

Although implementation challenges vary by industry, workforce composition and operating model, several common priorities have emerged from industry interactions, implementation engagements and stakeholder discussions.

These reflect areas where companies are actively interpreting the regulatory framework, redesigning processes and seeking greater operational clarity.

The following sections examine some of the most significant implementation issues observed during the first ten months of the labour codes journey.

For each area, we discuss the regulatory position, key clarifications and developments, emerging industry experience and the path forward.



One of the most important lessons from the first ten months is that effective implementation of the labour codes requires organisations to connect legal interpretation with operational execution. While a clear understanding of the legislative framework is fundamental, organisations have also recognised that its impact extends across payroll, workforce structures, social security, contractor governance, human resources technology, industrial relations and workplace policies. The implementation themes discussed in this report illustrate that the task is not only to interpret the law correctly, but also to translate its requirements into day-to-day business processes that are practical, scalable and sustainable.

The next phase of the labour codes journey will be shaped by how effectively organisations embed these requirements within their governance frameworks, systems and workplace practices. Continued stakeholder engagement, timely regulatory guidance and practical implementation support will be important in promoting consistency and helping organisations realise the wider objectives of the reform.



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A unified definition of wages

Among the various reforms introduced under the labour codes, the common definition of wages has arguably attracted the greatest attention from employers. While the concept seeks to bring consistency across labour legislations and reduce interpretational differences, its implications extend well beyond payroll administration.

The definition influences Provident Fund contributions, gratuity, statutory bonus, overtime payments, leave encashment and several other employment-related obligations, making it one of the foundational aspects of labour code implementation.

What the law seeks to achieve

Historically, different labour laws adopted different approaches to wage determination, often leading to divergent calculations for various statutory benefits and compliances. The labour codes seek to address this by introducing a common definition of wages across all four Codes, thereby creating greater consistency, transparency and predictability for employers and employees alike.

Understanding the definition of wages

- 1 Inclusive definition**
Includes all remuneration payable under the terms of employment
- 2 Specified exclusions**
The codes identify 11 specified exclusions from wages
- 3 50% threshold**
Total of specified exclusions cannot exceed 50% of total remuneration
- 4 Deemed wages**
Any amount above the 50% threshold is added back to wages
- 5 Remuneration in kind**
Remuneration in kind may be treated as part of wages, subject to the statutory limit and applicable conditions

Clarifications issued so far

The Ministry of Labour and Employment has supplemented the statutory provisions through a series of frequently asked questions (FAQs) issued during the implementation period. Collectively, these clarifications have reiterated the broad structure of the wage definition, confirmed the operation of the 50% threshold mechanism and provided guidance on specific components relevant for statutory calculations.

Industry and implementation experience

As organisations moved from impact assessment to implementation, they broadened their focus beyond compensation structures.

Employers began reviewing the treatment of allowances, reimbursements, benefits in kind and payroll design, while assessing the impact on provident fund contributions, gratuity, bonuses and other statutory obligations. Many organisations also upgraded their payroll systems, documentation standards and compliance monitoring processes.

Emerging good practices

Organisations that have progressed further in their implementation journeys are increasingly adopting structured frameworks for wage determination.

Common practices include mapping of compensation component against definition of wages, documenting positions on reimbursements and benefits, validation of compensation structures against statutory thresholds and system-based automation of wage calculations to improve consistency and reduce compliance risk.

Areas where further guidance may support consistent implementation

The Ministry of Labour and Employment has issued important clarifications through the FAQs released during the implementation phase, significantly improving interpretational certainty around the wage framework.

However, several practical questions continue to arise regarding the application of the wage definition across different business scenarios.

Additional guidance in these areas could support greater consistency of approach across industries and enhance confidence in implementation.

Area	Illustrative implementation considerations
Valuation of remuneration in kind	While the codes recognise remuneration in kind, specific valuation principles have not been prescribed. Questions can arise regarding employer-provided benefits such as leased vehicles, accommodation, telephone facilities, books and periodicals, and similar benefits, where determining the value attributable for wage purposes may require a consistent framework.
Scope of 'sum paid to defray special expenses'	Organisations continue to interpret this exclusion differently depending on the nature and purpose of payments. Greater guidance on the intended coverage of this exclusion could support more consistent industry practices and reduce interpretational variations.
Interaction between wage definition and related statutory provisions	Certain components, such as employer contributions to the provident fund and overtime calculations, create practical interdependencies with the wage definition. Clarification on how these provisions interact with the calculation mechanism would help organisations implement the framework with greater certainty and consistency.
Use of the term 'wages' across different provisions	In certain contexts, the term wages may be open to different interpretations. For example, Section 17(2) of the Code on Wages requires wages to be paid within two working days of removal, dismissal, retrenchment or resignation. A literal reading could suggest that only statutory wages must be paid within this timeframe, rather than all separation-related dues. Similar interpretational issues may arise elsewhere where the term is used in different contexts.
Application of definition of wages to leave encashment, overtime, notice pay, etc.	Does the 50% threshold under the Code on Wages, 2019 affect the basis on which leave encashment, notice pay, overtime and other employment-related payments are calculated, or may employers continue to apply a different contractual or statutory basis, where permissible?

Grant Thornton Bharat perspective

The introduction of a common definition of wages is one of the most consequential reforms under the labour codes. It serves as the foundation for multiple compliance obligations across the four Codes. While the legislative framework and subsequent clarifications have significantly improved certainty, continued stakeholder engagement and practical guidance in identified areas can further support consistent implementation.

Given the centrality of the wage definition to payroll structures, social security contributions, gratuity, bonus and separation-related payments, greater interpretational clarity would benefit both employers and employees while advancing the broader objectives of harmonisation and simplification envisioned by the labour codes.

Workforce classification: Reassessing the process and the workforce

The labour codes have renewed focus on workforce classification, requiring employers to proactively assess and document whether individuals qualify as employees or workers. This has emerged as a key governance and implementation priority during the first ten months.

What the law seeks to achieve

The codes distinguish between the broader category of employee and the narrower category of worker, determined primarily by the duties performed and other factors. This distinction is important because protections relating to working hours, overtime, leave and industrial relations apply to workers.

Individuals in managerial or administrative roles, and supervisors earning above the prescribed monthly threshold of INR 18,000, are excluded from the worker category, reflecting their distinct responsibilities.

What has been clarified

The codes do not define managerial, administrative or supervisory roles, and the Ministry of Labour and Employment has not issued a classification framework.

Organisations, therefore, continue to rely on principles established under the Industrial Disputes Act, 1947.

Workforce classification is fact-specific and should be based primarily on actual and predominant duties, applicable law and judicial principles—not designation, grade or remuneration alone.

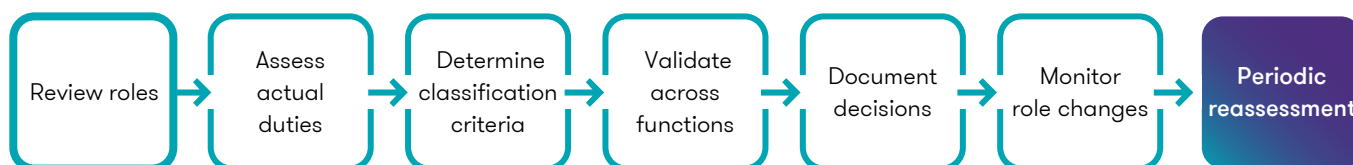
Typically relevant considerations	Not determinative on a standalone basis
✓ Actual and predominant duties performed	✗ Designation
✓ Decision-making authority	✗ Grade
✓ Supervisory responsibility and control	✗ Job title
✓ Responsibility for hiring, appraisal, disciplinary action or termination	✗ Salary
✓ Budgetary, policy-making or operational authority	✗ Skill
✓ Exercise of independent judgement on significant matters	



Industry response and emerging practices

Organisations now consider workforce classification as one of the most significant implementation priorities under the labour codes. Across sectors, they are moving beyond traditional reliance on designations and grades and conducting more structured reviews of workforce roles, responsibilities and governance frameworks. Employers increasingly treat classification as an ongoing organisational exercise rather than a one-time compliance activity, with greater emphasis on documentation, consistency and defensible outcomes.

Industry response to workforce classification



Areas where further guidance may support adoption

Area	Illustrative implementation considerations
Managerial, administrative and supervisory capacity	The labour codes do not currently define these concepts in detail or provide illustrative criteria. Additional guidance could help organisations classify roles more consistently across industries.
Treatment of role changes	Employees' responsibilities may evolve during the year. Clarifying how organisations should treat such changes could help them establish more consistent governance processes for workforce classification.
Large-scale organisational classification exercises	Historically, courts determined worker classification in the context of specific industrial disputes. Under the labour codes, organisations must now proactively and at scale classify their workforces. Additional FAQs, illustrations and implementation guidance could help employers undertake this exercise with greater confidence and consistency.

Grant Thornton Bharat perspective

Workforce classification is at the intersection of compliance, governance and workforce strategy. While the underlying legal principles are well established, organisations must now apply them at an unprecedented scale, significantly expanding their implementation responsibilities.

As employers strengthen their classification frameworks and governance processes, further practical guidance and stakeholder engagement could promote greater consistency and advance the labour codes' broader objectives of clarity and harmonisation.

Hours of work, overtime, weekly rest and leave: Balancing workforce protection with operational realities

Provisions relating to working hours, overtime, weekly rest, and leave are at the intersection of the Code on Wages, 2019 and the Occupational Safety, Health, and Working Conditions Code, 2020 (OSHWC code), and state-level shops and establishments laws. The shift from regulatory readiness to implementation has prompted closer reviews of attendance systems, leave administration, payroll processes and workforce governance frameworks.

Core framework under the labour codes

Area	Key provisions
Working hours	Working hours are subject to the limits prescribed under the applicable code and rules, including the prescribed daily working-hour framework.
Overtime	Payable at twice the rate of wages where a worker works more than the prescribed hours in: - a day; or - a week
Overtime calculation	On a daily or weekly basis, whichever is more beneficial to the worker.
Maximum overtime	The appropriate government may prescribe the total number of overtime hours .
Worker consent	Overtime requires worker consent and is subject to other prescribed conditions.
Weekly rest	Maximum six working days in a week, the worker must receive a weekly holiday after working for up to six days.
Applicability of leave-related provisions	Leave-related provisions apply to: - workers under the OSHWC code; - sales promotion employees; and - working journalists, since the definition of “worker” includes them
Leave accrual	One day leave for every 20 days worked.
Leave carry-forward	Up to 30 days, with specific treatment for refused leave.
Leave encashment	Applicable in specified situations, including separation from service.
Compensatory holiday and overtime	Entitlement for both compensatory time off and overtime if requested to work on a rest day.

Ministry clarifications: Key takeaways



Overtime under the code on wages may apply to employees whose minimum rates of wages are fixed under the code



Leave provisions extend to eligible supervisors earning up to INR 18,000 per month



Overtime under the OSHWC code specifically applies to workers



Leave related provisions should be read in conjunction with applicable state laws



Compensatory holidays must be provided within prescribed timelines

Industry response and emerging practices

Attendance and time management

- Strengthening attendance capture and approval mechanisms.
- Reviewing workforce categories requiring time tracking.

Overtime governance

- Standardising overtime approval processes.
- Aligning overtime calculations with payroll systems.

Leave administration

- Reviewing leave carry-forward and encashment frameworks.
- Assessing interaction with State-specific leave laws.

Systems integration

- Connecting attendance, leave, payroll and approval workflows.
- Building audit trails and compliance reporting.

Areas where further guidance may support adoption

Overtime and leave policy: Illustrative implementation considerations

Area	Illustrative implementation considerations
Overtime coverage and calculation	Clarification on the interaction between the code on wages and the OSHWC code could support a consistent determination of overtime eligibility and calculation.
Time recording mechanisms	Many organisations do not maintain detailed time records for all employee categories, creating implementation challenges.
Interaction with state leave laws	Guidance on the relationship between state-specific leave provisions and the OSHWC code could support consistent application.
Wage-overtime interdependency	Overtime calculations and wage calculations influence one another, creating practical difficulties where overtime is processed separately from payroll or paid with a time lag. Additional guidance could assist organisations in applying these provisions consistently.

Grant Thornton Bharat perspective

Working hours, overtime and leave provisions affect day-to-day workforce administration, not only legal interpretation. Organisations must align policies, strengthen processes and integrate attendance, HR and payroll systems. Further regulatory and industry engagement can support consistent implementation.

Separation and full-and-final settlement: Meeting the two-day payment timeline

The code on wages prescribes a two-working-day timeline for payment of wages due in specified circumstances of separation, including resignation, dismissal, removal, and retrenchment.

Meeting this timeline requires organisations to coordinate HR, payroll, finance, technology and business processes within a significantly compressed timeframe.

Industry response and emerging practices

The two-day settlement requirement is prompting organisations to revisit separation workflows end-to-end. Rather than viewing full-and-final settlement as a payroll exercise, employers are increasingly approaching it as a coordinated process involving HR, payroll, finance, reporting managers and technology systems.

How organisations are responding

- **Workflow redesign:** Reviewing the separation process from resignation acceptance to final payment.
- **Clear accountability:** Defining responsibilities across HR, payroll, finance and business teams.
- **System and risk management:** Automating approvals and addressing dependencies such as attendance closure, asset recovery and banking timelines.

Areas where further guidance may support adoption

Area	Illustrative implementation considerations
Scope of the two-day requirement	Additional clarification would help determine whether the timeline applies only to the statutory 'wages' component or to the entire full-and-final settlement amount.
Operational dependencies	Guidance on attendance closure, asset recovery, approvals, banking timelines, deductions and settlement adjustments could support consistent implementation.
Treatment of deductions and adjustments	Clarification regarding the operation of wage-related deductions and settlement adjustments in separation scenarios could assist organisations in applying the framework consistently.

The two-day readiness test

Scope: Determine whether the requirement covers wages or the full-and-final settlement.

Process: Complete attendance closure, leave computation, deductions and payroll processing.

Dependencies: Manage asset recovery, approvals, banking cut-offs and technology requirements.

Controls: Define ownership, establish standard procedures and monitor settlement timelines.

Grant Thornton Bharat perspective

The two-day settlement requirement calls for more than legal compliance. Organisations must streamline workflows, clarify ownership and strengthen system integration to manage operational dependencies and ensure timely payment.

Contract labour governance: Reassessing workforce deployment

The labour codes require organisations to look beyond contractor compliance and reassess how contract labour is deployed and governed. This includes reviewing deployment across core and non-core activities, strengthening supply-chain oversight and managing principal-employer responsibilities.

What the law seeks to achieve

The framework regulates the deployment of contract labour, strengthens worker protection and reinforces accountability across the labour supply chain. It also restricts contract labour in core activities, subject to specified exceptions, and establishes registration, licensing and oversight requirements.

Contract labour governance framework



Key regulatory clarifications

Area	Key provisions
Core activity restrictions	Establishments engaging 50 or more contract labour must comply with the prohibition, subject to specified exceptions.
Core activity exceptions	Contract labour may be engaged in core activities where one or more statutory exceptions apply, including circumstances in which the activity is ordinarily carried out through contractors, subject to the facts and applicable conditions.
Principal employer liability	Principal employers may need to fulfil specified obligations when contractors fail to do so.
Wage and bonus obligations	Principal employers may be responsible for unpaid wages and the minimum bonus.

Industry response and emerging practices

Organisations are reassessing contract-worker deployment across core and non-core activities, and contractor-governance arrangements. Reviews increasingly cover workforce strategy, wage and social security compliance, working conditions, and potential principal-employer liabilities.

Organisations have taken cognisance that any exception towards deployment of contract workers in core areas is a fact-specific exercise and should be supported by appropriate documentation, business rationale, etc.

Strengthening contract labour governance



Areas where further guidance may support adoption

Area	Illustrative implementation considerations
Core activity exceptions	Guidance on core-activity exceptions and the evidence required to establish customary contractor deployment would support consistent implementation.
Workforce deployment decisions	Clarifying core-activity exemptions would support consistent interpretation and workforce deployment across sectors.
Establishments below the threshold	Clarifying whether core-activity restrictions apply below the statutory threshold would support consistent implementation.

New forms of employment and social protection: Expanding protection in a changing world of work

The labour codes recognise the rapidly evolving nature of work. Traditional employment relationships now coexist with fixed-term employment, platform and gig work, independent service arrangements and increasingly flexible workforce models. In response, the codes extend social protection to workers who have historically remained outside conventional labour law frameworks, while preserving the flexibility needed to support innovation, entrepreneurship and new business models. This approach makes the expansion of social protection one of the most future-focused aspects of the labour reforms.

Expanding the social protection framework



Key developments during the implementation phase

-  Aggregators must register gig and platform workers and provide their details through prescribed mechanisms under the eShram portal.
-  The framework creates a structured process to identify and cover gig and platform workers.
-  Fixed-term employees qualify for gratuity after completing one year of service, instead of the conventional five-year requirement.
-  Working journalists become eligible for gratuity benefits upon completion of three years of service requirement.

Industry response and emerging practices

The growth of platform-based and flexible work arrangements offers organisations an opportunity to modernise workforce governance and extend social security coverage to a broader group of workers. As regulatory frameworks evolve, organisations are strengthening their engagement, registration and contribution processes to integrate gig, platform and other non-traditional workers into the formal social security system.

Employers are also mapping fixed-term, gig, platform and independent-contractor arrangements against statutory categories to identify coverage and compliance gaps before authorities finalise the relevant portal and registration mechanisms. They are incorporating gratuity and benefit-parity checks into fixed-term employment contracts and onboarding processes from the outset.

Area	Illustrative implementation considerations
Worker classification boundaries	Clearer guidance distinguishing individual contractors, consultants, fixed-term employees and other workforce categories would promote consistent implementation.
Gig and platform worker definitions	The broad definitions accommodate evolving business models. Further clarification on emerging digital and marketplace-based models would encourage consistent interpretation.
Aggregator obligations	Practical guidance on registration, worker identification and contribution administration would help aggregators implement the requirements more efficiently.
Interaction with state frameworks	Some states like Karnataka, Rajasthan have introduced or proposed separate frameworks for gig and platform workers. Clear guidance on how Central and state-level regimes interact would help organisations comply across multiple jurisdictions.
Notification of social security schemes	The legislative framework lays the foundation for extending social protection to gig and platform workers. Timely notification and implementation of the relevant schemes will ensure that these workers receive the intended benefits. Greater clarity on coverage, contributions, benefits and implementation timelines would help organisations prepare for adoption and advance the code's broader social protection objectives.

Workforce inclusion spectrum



Grant Thornton Bharat perspective

By recognising gig workers, platform workers, and other non-traditional workforce categories, India has taken an important step towards expanding its social protection framework. The reforms go beyond compliance by acknowledging the changing nature of work and creating a more inclusive labour ecosystem that supports emerging business models. As implementation progresses, policymakers, industry and workforce participants can work together to translate this vision into a practical and sustainable social protection framework.

Women-centric workforce provisions: building an inclusive framework

The labour codes recognise that workplace infrastructure, social support mechanisms and safety frameworks directly influence women's participation and retention in the workforce. Provisions on maternity protection, crèche support and safeguards for women working non-standard hours aim to increase workforce participation while preserving organisational flexibility. The codes, therefore, position these measures not only as welfare obligations but also as important enablers of inclusion, workforce sustainability and talent retention.

Key implementation developments

-  Crèche facilities are required for employees irrespective of gender.
-  Employment of women before 6:00 am or after 7:00 pm requires prior written consent.
-  In prescribed circumstances, a crèche allowance of at least INR 500 per child per month may be provided, subject to workforce agreement requirements.
-  Safety measures, including transport arrangements and related safeguards, are required for women working during such hours.
-  Additional operational requirements apply to crèche facilities.

Industry response and emerging practices

Organisations view these provisions as part of their broader workforce participation, inclusion and retention strategies. Although implementation requires changes to payroll, workforce administration, transport management and workplace infrastructure, many employers are using the transition to the labour codes to reassess employee support frameworks and strengthen workplace policies.

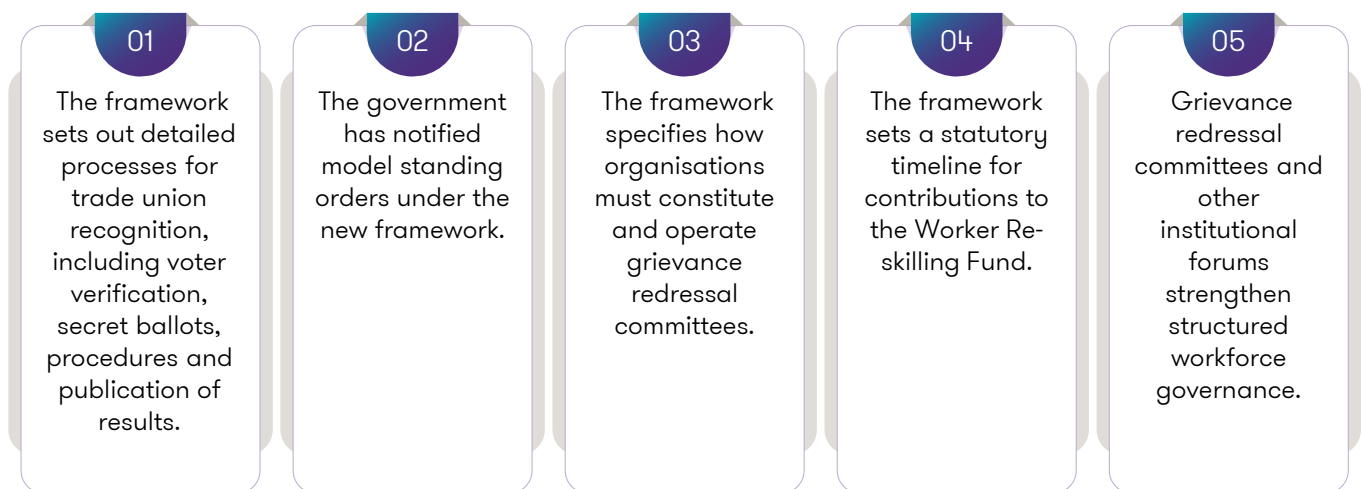
Areas where further guidance may support adoption

Area	Illustrative implementation considerations
Crèche allowance	Practical guidance on providing a crèche facility or allowance would help organisations support distributed, multi-location and hybrid workforces.
Multi-shift and field operations	Practical guidance would help organisations manage transport, safety and compliance requirements across diverse workforce arrangements.

Industrial relations and employee voice: Strengthening workplace dialogue and organisational trust

Organisations often associate industrial relations readiness with unionised workforces and manufacturing establishments. However, several provisions of the Industrial Relations Code affect a much broader range of employers. Organisations increasingly recognise grievance redressal mechanisms, standing orders, employee communication processes and structured dispute-resolution frameworks as essential to workforce governance, employee trust and organisational resilience. Against this backdrop, the code strengthens institutional mechanisms for workplace dialogue, constructive engagement and orderly dispute resolution.

Key implementation developments



Industry response and emerging practices

Organisations increasingly view the Industrial Relations Code as a broader workforce governance framework rather than solely as a traditional industrial relations requirement.

How organisations are responding





Area	Illustrative implementation considerations
Worker re-skilling fund	Clearer guidance on fund contributions and administration would help organisations prepare during the transition to fully operational implementation mechanisms.
Grievance redressal committees	Guidance on aligning mature and effective existing grievance mechanisms with the statutory committee framework would support efficient implementation.
Standing orders threshold	Additional guidance would help organisations approaching the applicability threshold to plan effectively and strengthen workforce governance.
Workforce transition processes	Practical illustrations of retrenchment, lay-off and closure processes would promote consistent implementation across sectors.

Grant Thornton Bharat perspective

The Industrial Relations Code introduces significant changes to workplace governance and industrial relations processes. While trade unions and collective bargaining remain important, the code also emphasises employee voice, structured grievance resolution and effective workforce transition management. Organisations that integrate these requirements into their governance and workplace culture, rather than treating them solely as compliance obligations, can strengthen employee trust, improve workplace dialogue and build resilience in an evolving work environment.

Occupational safety, health and worker welfare: Strengthening workplace safety and operational resilience

The Occupational Safety, Health and Working Conditions Code, 2020, integrates workplace registration, licensing, health, safety and welfare requirements into a unified framework. Its significance extends beyond statutory compliance: effective occupational safety and health practices directly support worker well-being, operational continuity, enterprise risk management and leadership accountability.



Industry response and emerging practices

Organisations are linking OSHWC readiness to enterprise risk management, leadership accountability, supply chain governance, and ESG reporting, rather than treating it as a stand-alone HR compliance task. They are also using the appointment-letter refresh as an opportunity to clean up and digitise employee master data more broadly.

The applicability and composition of safety committees, health surveillance requirements and incident-reporting arrangements are being assessed with reference to the nature of the establishment, workforce thresholds and applicable Rules.

Industry adoption priorities

Multi-site safety governance

Establishing consistent safety committee structures, designated responsibilities and reporting arrangements across locations.

Leadership accountability:

Connecting occupational safety responsibilities with enterprise risk management and operational oversight.

Incident-management readiness:

Strengthening accident-reporting workflows, escalation protocols and supporting records.

Workforce documentation:

Using the appointment-letter exercise to review, standardise and digitise employee master data.

Supply-chain and sustainability alignment:

Linking worker health and safety with broader supply-chain governance and sustainability reporting.

Areas where further guidance is sought

Practical guidance and standard templates would help organisations issue appointment letters consistently across large, distributed workforces, including to existing employees. Many organisations already maintain internal health and safety frameworks. Guidance on aligning these frameworks with the code's requirements could prevent duplication while preserving statutory accountability.

Grant Thornton Bharat perspective

The OSHWC code gives organisations an opportunity to embed occupational safety, health and worker welfare more firmly within enterprise governance. While organisations must meet registration, documentation and committee requirements, they should also build dependable systems that protect workers, strengthen operational resilience and promote leadership accountability. Employers that integrate these requirements with enterprise risk management, location-level governance and reliable workforce data can translate regulatory compliance into sustainable workplace outcomes.



Provident Fund and Employees' State Insurance: Strengthening social security through an integrated framework

The Provident Fund and the Employees' State Insurance (ESI) form important pillars of India's social security framework and play an integral role in payroll administration. Employee coverage, wage determination and payroll processing directly influence contributions, with implications for both employers and employees.

The Code on Social Security, 2020, integrates these frameworks within a unified legislative architecture while preserving established social security protections. The government's notification of the Employees' Provident Fund Scheme, 2026; Employees' Pension Scheme, 2026; and Employees' Deposit Linked Insurance Scheme, 2026 marks an important step towards operationalising the revised framework. At the same time, the common definition of wages creates new considerations for calculating Provident Fund contributions and determining ESI coverage.

EPF, EPS and EDLI schemes: Key features of the 2026 scheme architecture and clarifications issued

Area	Key provisions
Continuity of membership	Existing provident fund members transition to the EPF Scheme, 2026, without enrolling again.
Contribution rate	Employers and employees continue to contribute 12% of wages, subject to the notified wage ceiling of INR 25,000.
Pension allocation	The framework allocates a prescribed portion of the employer's contribution—currently 8.33% of wages, subject to applicable limits to the pension fund.
Deposit-linked insurance	The Employees' Deposit Linked Insurance framework links contributions to the statutory definition of wages and applicable scheme conditions.
Voluntary participation above the ceiling	Employers and employees may jointly opt in to cover an employee who earns above the wage ceiling by exercising the prescribed option in writing.
Higher employee contribution	Employees may voluntarily contribute above the statutory level, subject to applicable conditions and the wages remaining after statutory deductions. Employers do not have to match the additional contribution.
Partial withdrawals	The framework permits members to withdraw up to 75% of their Provident Fund balance, including employee and employer contributions with interest, subject to prescribed conditions relating to membership, purpose and frequency.
Specified life events	Separate conditions govern withdrawals for illness, education, marriage, house purchase, construction and renovation.

International Workers: Specific implementation considerations

The 2026 Scheme framework prescribes a distinct approach for International Workers (IWs). Unlike the general provident fund framework, it does not apply a wage ceiling when calculating contributions in eligible cases. The worker's country of origin, the existence of an applicable social security agreement and eligibility for detachment or certificate-of-coverage benefits also determine coverage and contribution outcomes.

Employers must electronically report the onboarding, transfer and cessation of employment of IWs within 15 days from the end of the relevant month. They must convert foreign-currency wages using the State Bank of India telegraphic transfer buying rate applicable on the last working day of the month. Employers should therefore align global compensation data, assignment structures and Indian payroll records to calculate contributions accurately.

ESI under the new framework

What the law seeks to achieve

The ESI framework provides healthcare and related social security protection to eligible employees. The Code on Social Security, 2020, integrates ESI into the broader social security architecture and uses the common statutory definition of wages to determine coverage.

The key coverage shift

Historically, organisations determined ESI coverage by comparing an employee's gross monthly salary with the applicable wage ceiling. The Ministry's clarification now requires organisations to assess coverage using the definition of wages under the code. Therefore, an employee whose total monthly remuneration exceeds INR 21,000 may still qualify for coverage if their wages, after applying the statutory definition and exclusions, remain within the prescribed ceiling.

Industry response and emerging practices

Organisations are reassessing Provident Fund and ESI coverage by considering the common definition of wages, revised scheme provisions and payroll administration requirements together. Effective implementation requires payroll, HR, finance, global mobility and technology teams to work closely together.

Areas where further guidance may support adoption

ESIC should communicate frequently and consistently throughout the transition. A detailed framework covering existing registrations, effective dates, contribution mechanisms and any transitional window would help employers comply with the revised requirements. Some regional ESI offices initially issued inconsistent or conflicting communications, which created uncertainty for employers.

The ESI regime remains in transition. The Code on Social Security, 2020, is now operative, while the statutory transitional provisions preserve the existing ESI rules, regulations and schemes to the extent that they remain consistent with the code. The ESI regulations remain in draft form, and their timely finalisation would give employers greater clarity and support smoother implementation.

Grant Thornton Bharat perspective

The revised provident fund and ESI frameworks strengthen the link between the common definition of wages, employee coverage and social security benefits. To implement these frameworks effectively, organisations must map wages accurately, assess coverage at the employee level and maintain robust payroll controls. Consistent regulatory guidance will also help ensure that eligible employees receive the intended protection.

The true impact of the labour codes will ultimately be measured by how effectively social security protections reach the workforce they are intended to serve. The new framework creates an opportunity to expand coverage, improve consistency and strengthen confidence in India's social security architecture, while supporting employers through a harmonised compliance environment. Equally significant is the recognition of gig workers, platform workers and other traditionally underserved segments of the workforce within the broader social security framework.

As the ecosystem evolves, timely operationalisation of the relevant social security schemes, supported by clear implementation guidance and digital infrastructure, will be critical to ensuring that the benefits envisaged under the codes reach the intended beneficiaries. Continued collaboration among regulators, employers and industry stakeholders can help translate this vision into a more inclusive and effective social security system for India's evolving labour market.



Ankur Agrawal

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04

The road ahead

The road ahead: Building a modern and trusted labour ecosystem

The labour codes journey has progressed through three phases over the first ten months: **awareness and interpretation; rules, clarifications and impact assessment; and implementation, testing and control assurance.** Together, these phases have laid a strong foundation for the next stage of reform.

The next phase: Institutionalisation and sustained adoption

The focus must now shift from implementing individual requirements to embedding the labour codes within workplace practices and governance frameworks. This will require:

- continued Central-state coordination and regulatory alignment
- timely clarification of emerging implementation issues
- stronger digital and institutional capabilities
- responsible employer action supported by effective governance, processes and controls
- greater worker awareness and access to social security benefits
- sustained dialogue among government, industry, workers and institutions

As organisations implement reforms of this scale, practical questions will continue to emerge.

Constructive engagement, responsive guidance and evidence-based review will help translate legislative intent into consistent workplace outcomes.

Effective implementation can create shared value across the labour ecosystem by strengthening worker protection, improving certainty and efficiency for employers, enabling more effective regulatory administration and building a more formal, inclusive and competitive labour market for India.

Grant Thornton Bharat remains committed to sharing practical insights and supporting constructive dialogue among policymakers and stakeholders as India advances towards Viksit Bharat and builds a modern, trusted and future-ready labour ecosystem.



Annexure 1

Code on Wages, 2019

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

Industrial Relations Code, 2020

- Trade Unions Act, 1926
- Industrial Employment (Standing Orders) Act, 1946
- Industrial Disputes Act, 1947

Code on Social Security, 2020

- Employees' Compensation Act, 1923; Employees' State Insurance Act, 1948
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- Maternity Benefit Act, 1961
- Payment of Gratuity Act, 1972
- Cine-Workers Welfare Fund Act, 1981
- Building and Other Construction Workers' Welfare Cess Act, 1996
- Unorganised Workers' Social Security Act, 2008

Occupational Safety, Health and Working Conditions Code, 2020

- Factories Act, 1948
- Plantations Labour Act, 1951
- Mines Act, 1952; Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955
- Working Journalists (Fixation of Rates of Wages) Act, 1958
- Contract Labour (Regulation & Abolition) Act, 1970; Sales Promotion Employees (Conditions of Service) Act, 1976
- Inter-State Migrant Workmen Act, 1979
- Cine Workers and Cinema Theatre Workers Act, 1981
- Beedi and Cigar Workers (Conditions of Employment) Act, 1966
- Dock Workers (Safety, Health and Welfare) Act, 1986
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
- Motor Transport Workers Act, 1961

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