



The Sparrow RMS Strategic Guidebook:

Navigating India's New Labour
Codes





A Blueprint for Industrial Leadership, Operational Excellence, & Compliance Transformation

Prepared by: Sparrow Risk Management (Sparrow RMS)
Date: November 2025

Executive Preface: The Dawn of a New Industrial Era

On November 21, 2025, the industrial governance architecture of India underwent a seismic shift, arguably the most profound legislative transformation since the enactment of the Factories Act in 1948. The notification and operationalization of the four New Labour 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 (OSH) Code, 2020—signify the end of a fragmented, colonial-era regulatory regime and the beginning of a consolidated, future-ready framework designed for the digital age.

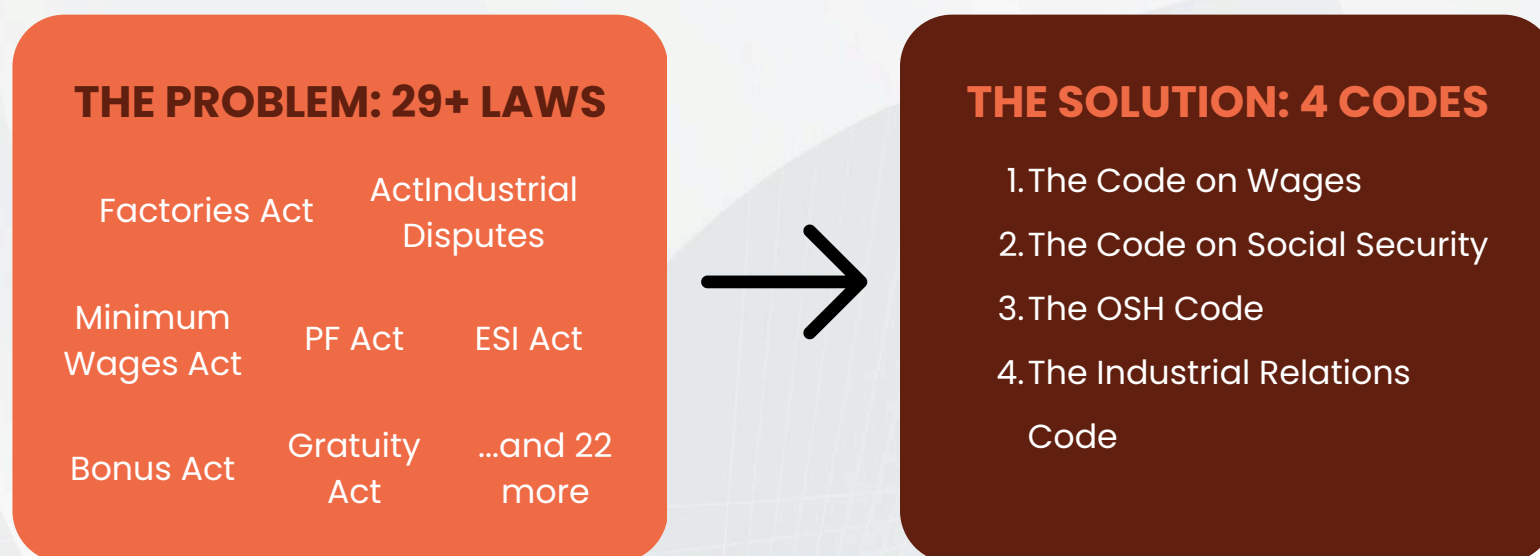




India's New Labour Codes

From a complex web of **29+ laws** to **4 simple codes**. A new era for industry and workers.

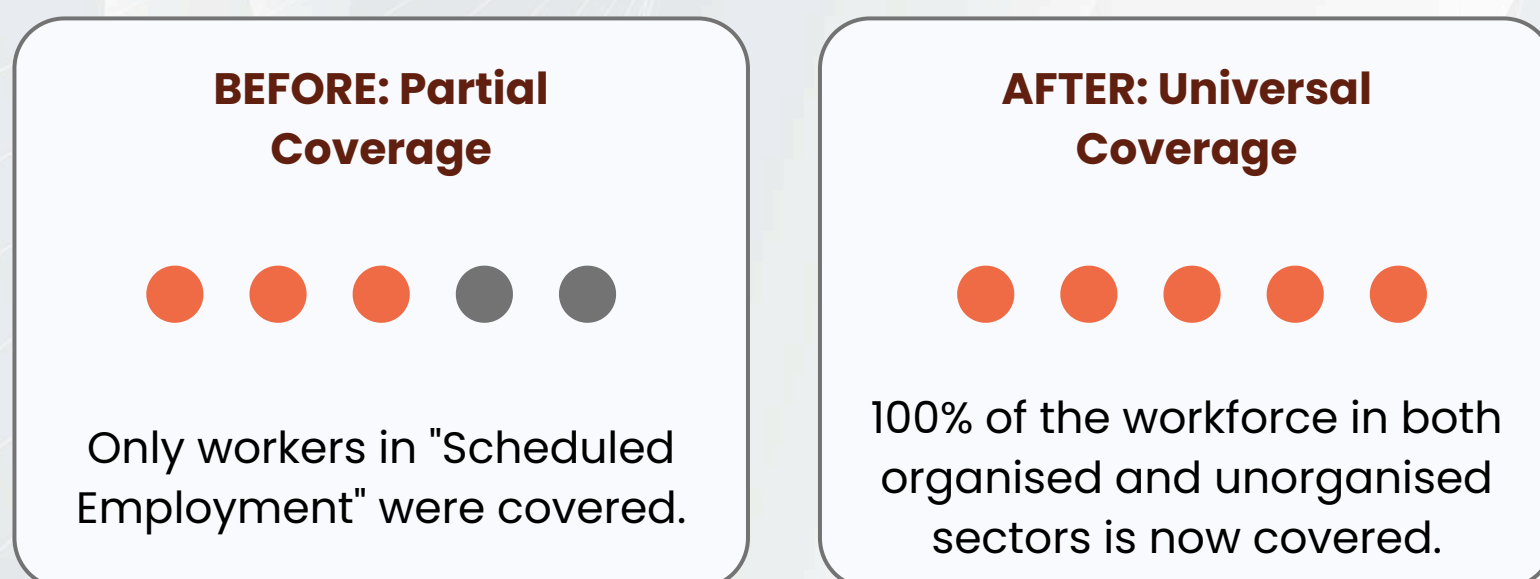
For decades, Indian industry navigated a complex, overlapping web of legislation, increasing compliance burdens and "red-tapism." The new reform consolidates this complexity into a streamlined, modern framework.



The new Code on Wages revolutionizes how minimum pay is handled, moving from a fragmented system to a universal right for every worker in India.

Right to Minimum Wages for ALL

Previously, minimum wages only applied to 'Scheduled Employment,' leaving millions in the unorganised sector without this basic right. The new code makes this a universal right for all 50 crore workers.

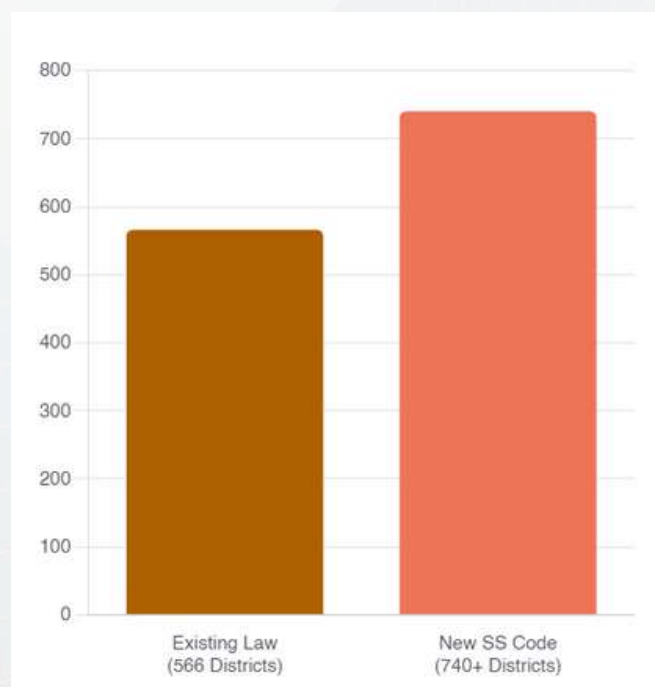


The Social Security Code creates a safety net for **all** workers, including—for the first time—gig and platform workers, while expanding existing schemes like ESI nationwide.



ESI Coverage Expands Nationwide

The Employee's State Insurance (ESI) scheme, which provides crucial healthcare benefits, is being extended from 566 notified districts to cover all 740+ districts in India.



A New Safety Net

For the first time, Social Security schemes will be framed for:

Gig & Platform Workers

Aggregators (like food delivery and ride-sharing apps) will now be required to contribute to a social security fund for their partners.

Beyond worker welfare, the codes are a cornerstone of the '**Ease of Doing Business**' initiative, simplifying compliance and empowering enterprises.

Empowering Enterprises



One Registration

Replaces the need for multiple registrations under several different labour acts.



One License

Introduces provisions for a single all-India license for contractors, valid for 5 years.



End of 'Inspector Raj'

Shifts to a web-based, randomized, and transparent inspection system with a facilitator-led approach.



For over seven decades, Indian industry leaders have navigated a labyrinthine compliance landscape comprising 29 central labour laws and over 100 state-specific legislations. This archaic system was characterized by overlapping definitions, multiple authorities, redundant record-keeping, and an enforcement mentality often described as "Inspector Raj," which prioritized procedural adherence over genuine workforce welfare or operational safety. The reforms initiated in 2019 and culminating in the November 2025 notification are not merely legal updates; they represent a structural reimagining of the employer-employee relationship, designed to enhance the "Ease of Doing Business" while simultaneously expanding the social security net to the unorganized and gig workforce.

At Sparrow RMS, we view this transition through the lens of Operational Excellence, Risk Management, and DeepTech Integration. We believe that compliance in this new era should not be viewed as a burdensome checklist but as a strategic byproduct of a safe, efficient, and sustainable operating culture. As India's leading safety and sustainability consultancy, leveraging platforms like IndustryOS™, we recognize that the New Labour Codes offer a unique opportunity for industry leaders to modernize their workforce management strategies, digitize their compliance architectures, and foster a culture of "Shramev Jayate" (Dignity of Labour).

This comprehensive guidebook is meticulously designed for C-Suite executives, Plant Heads, HR Leaders, and Legal Counsels. It transcends the statutory text to provide strategic insights, actionable implementation checklists, and a nuanced understanding of how these codes will reshape the factory floor, the boardroom, and the bottom line. It serves as a roadmap for navigating the transition from a fragmented past to a unified future.

www.sparrowrms.in





Section 1: The Strategic Landscape – From Complexity to Codification

The Historical Context and Rationale for Reform

The genesis of these reforms can be traced back to the recommendations of the Second National Commission on Labour (2002), which identified the multiplicity of labour laws as a primary bottleneck for industrial growth and workforce formalization. The pre-2025 regime was characterized by systemic inefficiencies that hindered both economic fluidity and worker protection.

The previous legal framework was defined by fragmentation. Definitions of fundamental terms such as "worker," "wages," "establishment," and "industry" varied significantly across different Acts. For instance, the components constituting "wages" under the Provident Fund Act differed from those under the ESI Act or the Payment of Wages Act, leading to ceaseless litigation, interpretive ambiguity, and compliance errors.

Furthermore, the laws suffered from obsolescence. Many statutes, such as the Factories Act of 1948, were framed in a pre-digital industrial era. They failed to account for modern realities like remote work, the gig economy, advanced automation, and the service sector's dominance. The rigidities in hiring and retrenchment under the Industrial Disputes Act, 1947, were often cited as deterrents to scaling up manufacturing operations.

The compliance burden was equally stifling. Establishments were required to maintain dozens of registers—often duplicating the same data—and file multiple returns with different authorities on different timelines. This created an environment where "compliance" became synonymous with paperwork rather than actual adherence to safety or welfare standards





The New Labour Codes aim to rectify these systemic issues by amalgamating 29 Central Labour Laws into four logical clusters. The government's objective is tripartite and transformative:

- **To Simplify Compliance:** By reducing the number of forms, registers, and returns, the codes aim to promote "Ease of Doing Business," allowing enterprises to focus on productivity rather than bureaucracy.
- **To Universalize Benefits:** The reforms ensure minimum wage and social security for all 50 crore workers in India, including the 90% in the unorganized sector who were previously excluded from the safety net.
- **To Modernize Relations:** The codes recognize new forms of employment, such as Gig and Platform work, and leverage technology for transparency, replacing the arbitrary discretion of inspectors with algorithm-based accountability.

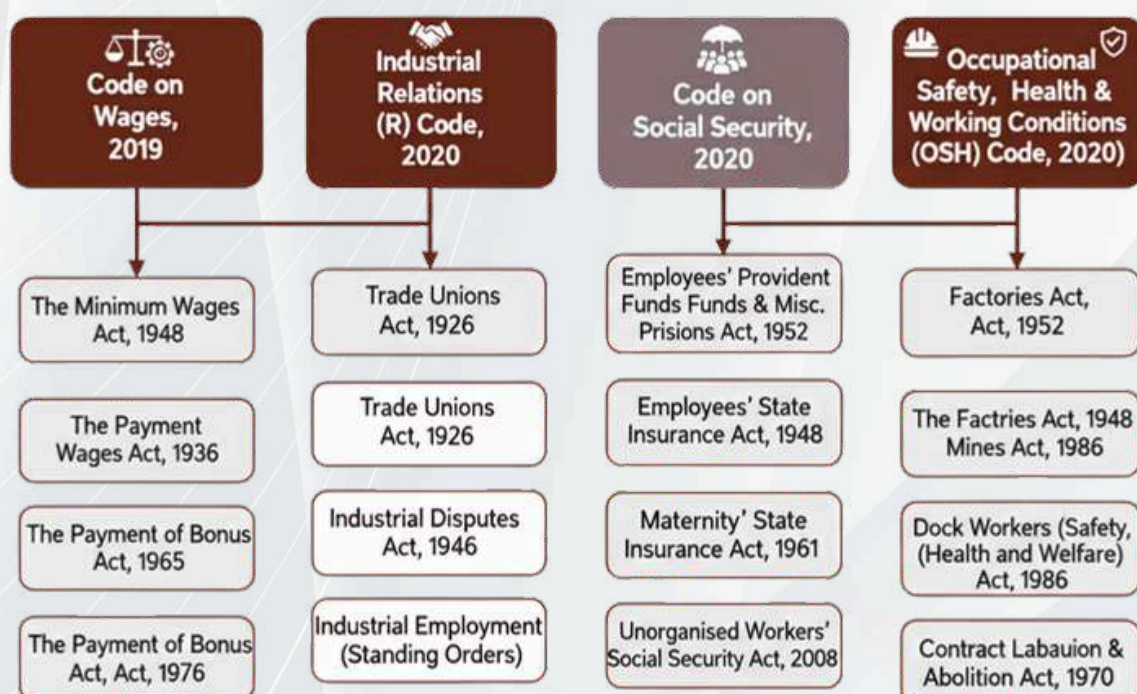


The Architecture of the Four Codes

The consolidation has been executed through a structured rationalization process, grouping laws by their functional objectives:

- The Code on Wages, 2019:** This Code subsumes four critical acts: The Payment of Wages Act, 1936; The Minimum Wages Act, 1948; The Payment of Bonus Act, 1965; and The Equal Remuneration Act, 1976. Its primary focus is on wage security, ensuring a universal minimum wage, preventing gender discrimination in pay, and ensuring timely disbursement of salaries. It introduces the concept of a "Floor Wage" that sets a national baseline below which no state can legislate.
- The Industrial Relations (IR) Code, 2020:** This Code consolidates three acts: The Trade Unions Act, 1926; The Industrial Employment (Standing Orders) Act, 1946; and The Industrial Disputes Act, 1947. It focuses on fostering industrial peace, streamlining dispute resolution mechanisms, and introducing flexibility in hiring through Fixed-Term Employment (FTE). It creates a balanced framework where businesses can adapt to market fluctuations while workers are protected against arbitrary dismissal.
- The Code on Social Security, 2020:** This massive Code subsumes nine acts, including The Employees' Provident Funds and Miscellaneous Provisions Act, 1952; The Employees' State Insurance Act, 1948; The Maternity Benefit Act, 1961; The Payment of Gratuity Act, 1972; and The Unorganised Workers' Social Security Act, 2008. Its strategic intent is to extend the social safety net to the entire workforce, including gig workers, platform workers, and unorganized labourers, regulating contributions and benefits comprehensively.
- The Occupational Safety, Health and Working Conditions (OSH) Code, 2020:** This Code subsumes 13 diverse acts, including The Factories Act, 1948; The Contract Labour (Regulation and Abolition) Act, 1970; The Mines Act, 1952; and The Building and Other Construction Workers Act, 1996. It focuses on regulating workplace safety standards, health conditions, and welfare amenities. It introduces a single licensing mechanism for contractors and aims to create a safer working environment across all sectors.

THE ARCHITECTURE OF INDIA'S NEW LABOUR CODES:
CONSOLIDATION OF 29 CENTRAL LAWS





The Sparrow Perspective: Safety as Strategy

At Sparrow RMS, we emphasize that regulatory compliance is merely the baseline of operational integrity, not the ceiling. The new OSH Code, for instance, mandates safety committees and risk assessments, but leading organizations must transcend mandatory checklists to build a culture of safety.

The transition from the "Inspector Raj" of the past to the new "Inspector-cum-Facilitator" model signals a paradigm shift towards self-regulation and corporate accountability. In this new regime, the onus is squarely on top leadership to demonstrate a "Duty of Care." Integrating DeepTech solutions like IndustryOS™ allows companies to monitor safety parameters in real-time, ensuring that compliance is a dynamic, data-driven process rather than a static annual filing.

The operationalization of these codes on November 21, 2025, presents a unique opportunity to re-engineer organizational culture. It encourages companies to move away from ad-hoc contract labour management to structured Fixed-Term Employment, and from reactive accident reporting to proactive Hazard Identification and Risk Assessment (HIRA). For industry leaders, this is the moment to align compliance strategy with business strategy, ensuring that workforce safety and well-being become drivers of productivity and brand reputation.





Section 2: Deep Dive – The Code on Wages, 2019

The Code on Wages, 2019, was the first of the four codes to be passed by Parliament and is arguably the most financially impactful for employers. It standardizes the definition of "wages" across all labour laws, which has profound implications for payroll processing, statutory liabilities, and the cost structures of organizations.

Universalization of Minimum Wages

Under the previous regime, minimum wage laws applied only to "scheduled employments"—specific industries listed by the government. This restrictive categorization left nearly 30-40% of the workforce without statutory wage protection, particularly in newer service sectors.

Key Strategic Change: The Code on Wages extends the right to minimum wages to all employees across all sectors, organized and unorganized. This effectively universalizes wage protection.

The Floor Wage Mechanism:

A critical innovation is the introduction of the "National Floor Wage." The Central Government will fix a floor wage based on minimum living standards, taking into account the geographical area. Crucially, no State Government can fix a minimum wage below this floor wage. If the existing minimum wages in a state are higher than the floor wage, they cannot be reduced. This creates a non-negotiable baseline for compensation across the country.

Implication for Leadership:

Multi-state employers must conduct a comprehensive audit of their compensation structures. They must ensure that their lowest pay bands in every state meet the new criteria. While variation in minimum wages across different zones and skill levels (unskilled, semi-skilled, skilled, highly skilled) remains, the "Floor Wage" acts as a hard stop against wage depression. Companies operating in states with historically lower wages may see an upward revision in their labour costs.



The New Definition of "Wages" (The 50% Rule)

This is perhaps the most critical technical change in the Code, necessitating immediate attention from CFOs and HR Heads. Historically, employers in India have structured compensation (Cost to Company or CTC) with a low "Basic Salary" and a high proportion of "Allowances" (HRA, Conveyance, Special Allowance, etc.). This structure was designed to minimize the burden of Provident Fund (PF) and Gratuity contributions, which are calculated on Basic Pay.

The New Provision:

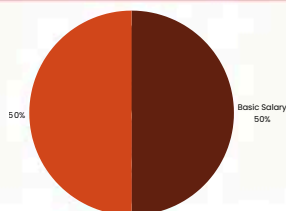
The Code introduces a uniform definition of "Wages" applicable across all four codes. It defines wages to include three core components: (1) Basic Pay, (2) Dearness Allowance (DA), and (3) Retaining Allowance. Crucially, it specifies a list of exclusions that are not considered part of wages, such as HRA, overtime allowance, conveyance allowance, bonus, and commission.

The Proviso (The 50% Rule):

The Code mandates that if the sum of these "exclusions" exceeds 50% of the total remuneration, the excess amount shall be deemed as "Wages" and added back to the Basic Pay for the purpose of calculating social security contributions.

India's New Wage Definition Explained

50 Percent Rule



Basic Salary must be $\geq 50\%$ of total salary

Retaining Allowance



Paid during temporary closures ($\geq 50\%$ of wages)

Basic DA



Includes basic pay + dearness allowance

Allowances

- ☒ Excluded from 50% (e.g., HRA, transport, overtime)

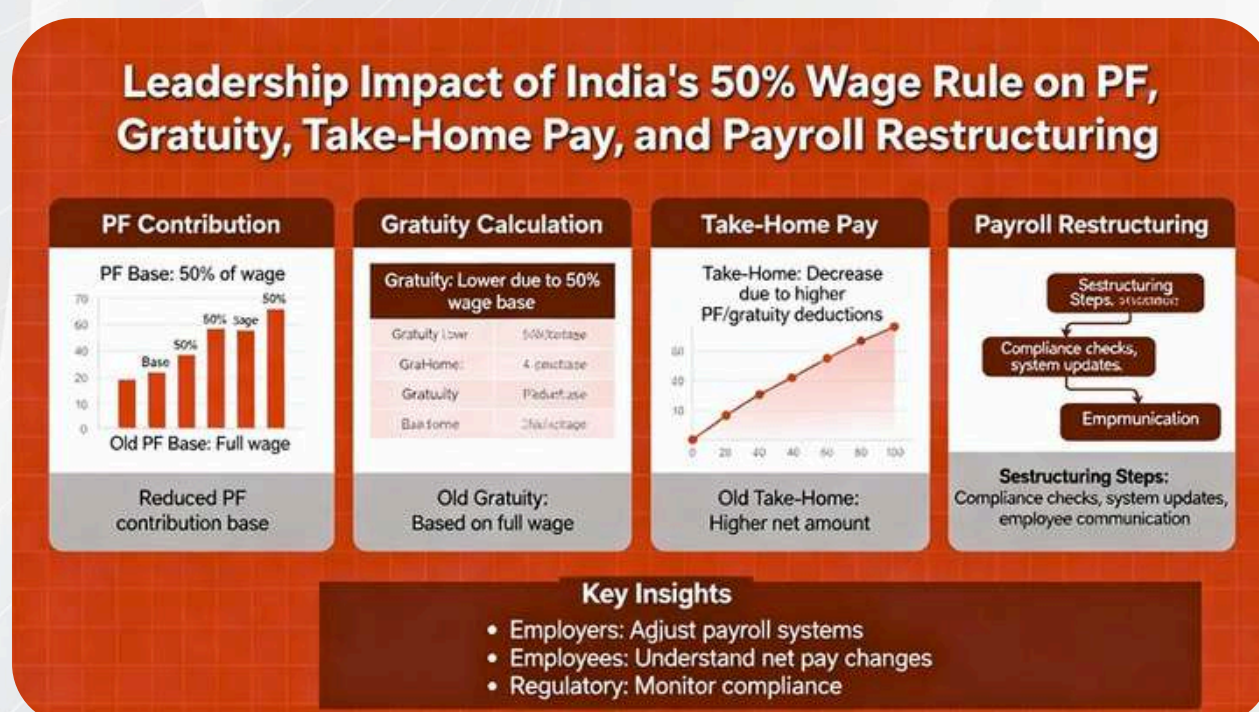


Consider a scenario where an employee has a monthly CTC of ₹50,000.

- **Old Structure:** The employer might set the Basic Pay at ₹15,000 (30% of CTC) and Allowances at ₹35,000 (70%). Under the old rules, PF contribution (12%) was calculated on ₹15,000.
- **New Structure:** Under the Code, the exclusions (₹35,000) exceed 50% of the total remuneration (which is ₹25,000). The excess amount of ₹10,000 (₹35,000 - ₹25,000) is "deemed" as wages.
- **Result:** The "Wage" base for PF and Gratuity calculation becomes ₹15,000 (Basic) + ₹10,000 (Deemed) = ₹25,000.

Impact on Leadership Strategy:

- **Increased Liability:** The employer's statutory liability for PF and Gratuity increases significantly as the base expands.
- **Reduced Take-Home Pay:** For employees, a higher PF deduction means a lower monthly take-home salary, although their retirement savings corpus (PF and Gratuity) will grow faster. This requires careful change management and communication to prevent employee dissatisfaction.
- **Payroll Restructuring:** Organizations must restructure salary breakups immediately. Ideally, the Basic Pay + DA component should be structured to be at least 50% of the CTC to avoid complex "deemed wage" calculations and sudden liability spikes during audits.
- **Gratuity Valuation:** Actuarial valuations for gratuity liability on the company's balance sheet will likely increase as the base salary for calculation rises. This represents a long-term financial obligation that must be provisioned for.





Inspector-cum-Facilitator: A Shift in Enforcement

The Code replaces the traditional, often feared designation of "Labour Inspector" with "Inspector-cum-Facilitator". This nomenclature change signals a profound shift in the philosophy of enforcement.

Key Features:

Advisory Role: The Inspector-cum-Facilitator's mandate includes advising employers and workers on compliance, rather than solely focusing on penalization.

Web-Based Inspection: To curb the arbitrariness of "Inspector Raj," the Code mandates a randomized, web-based inspection scheme. Inspections will be assigned algorithmically through a centralized portal, and reports must be uploaded electronically within a specified timeframe (typically 72 hours), reducing the scope for harassment and corruption.

Sparrow RMS Insight: While this move aims to reduce harassment, it paradoxically increases the need for digital readiness. With inspections becoming data-driven and remote, companies must have their digital registers, returns, and compliance data ready for upload at any time. The margin for manual error, "managing" local officials, or retrospective record creation is drastically reduced.



Section 3: Deep Dive – The Industrial Relations (IR) Code, 2020

The Industrial Relations Code, 2020, is pivotal for manufacturing units and large-scale employers, as it balances the need for industrial flexibility with the protection of worker rights. It introduces structural changes to how companies hire, fire, and manage disputes.

Fixed-Term Employment (FTE): Flexibility with Security

Under the previous regime, "Fixed Term Employment" was not clearly defined across all sectors. This legal vacuum led many employers to rely heavily on "Contract Labour" for core activities to avoid the long-term liabilities associated with permanent workmen.

Key Change: The IR Code formally recognizes Fixed-Term Employees (FTE) as a distinct category of workers.

- **Parity:** The Code mandates that FTEs are entitled to the same wages, hours of work, allowances, and social security benefits as permanent workers doing the same or similar work.
- **Gratuity Reform:** A major win for workforce flexibility is the change in gratuity eligibility. While permanent employees must complete five years of continuous service to be eligible for gratuity, FTEs are now eligible for gratuity if they render service for just one year.

Strategic Implication:

- **Direct Hiring:** Employers can now hire workers directly for project-based or seasonal work without the intermediary costs and compliance risks of a contractor.
- **Risk Mitigation:** It reduces the legal risk of "sham contracts" where contract workers claim permanent status due to the perennial nature of their work.
- **Sparrow RMS Recommendation:** We advise clients to evaluate their current contract labour workforce. For core, continuous roles, transitioning them to FTE might be more compliant and cost-effective in the long run. It fosters better loyalty, reduces churn, and ensures better adherence to safety cultures compared to a transient contract workforce.

The 300-Worker Threshold: Retrenchment & Closure

One of the most debated and significant reforms in the IR Code is the increase in the threshold for Standing Orders and mandatory government permission for Retrenchment.

- **Old Law:** Establishments with 100 or more workers were required to seek prior government permission for lay-off, retrenchment, or closure. They were also required to have certified Standing Orders.
- **New Code:** This threshold has been raised to 300 workers.

Impact:

- **Operational Flexibility:** This change provides greater flexibility to mid-sized companies (those with 100-299 workers) to adjust their workforce based on market demand without navigating the cumbersome bureaucratic process of government permissions.
- **Due Process Remains:** It is crucial to note that this does not imply a "hire and fire" regime. Employers must still follow due process, which includes providing valid reasons for retrenchment, issuing notice pay, and paying retrenchment compensation (15 days of wages for every completed year of service).
- **Reskilling Fund:** To support retrenched workers, the Code introduces a Worker Reskilling Fund. Employers must contribute an amount equal to 15 days of wages last drawn by the retrenched worker to this fund.³¹ This is a new financial liability that must be factored into severance calculations.





Trade Unions and Negotiating Councils

The IR Code streamlines the process of trade union recognition, a frequent source of industrial disputes.

- **Sole Negotiating Union:** If a trade union has the support of 51% or more of the workers on the muster roll, it will be recognized as the "Sole Negotiating Union". This simplifies collective bargaining by identifying a single representative body.
- **Negotiating Council:** In the absence of a union with 51% support, a "Negotiating Council" will be formed consisting of representatives from unions that have at least 20% membership support.

Sparrow RMS Insight: This structure encourages consolidation among fragmented unions and provides management with a clear counterparty for negotiations. HR leaders must maintain precise membership verification records to manage this process effectively.

Strikes and Lockouts: The 14-Day Notice Rule

To curb "flash strikes" that disrupt production and supply chains, the IR Code introduces stricter norms for legal strikes.

- **Mandatory Notice:** Employees in any industrial establishment (not just public utilities as before) must give a mandatory 14-day notice to the employer before going on strike. The notice is valid for a maximum of 60 days.
- **Prohibition:** Strikes are strictly prohibited during the pendency of conciliation proceedings before a conciliation officer and for seven days after the conclusion of such proceedings.
- **Mass Casual Leave:** The definition of "Strike" has been expanded to explicitly include concerted "casual leave" by 50% or more workers on a given day.

Sparrow RMS Insight: This provision is designed to promote dialogue over disruption. It gives management a guaranteed 14-day window to engage in conciliation and resolve grievances before production can legally be stopped. It underscores the importance of robust internal Grievance Redressal Committees (now mandatory for establishments with 20+ workers) to resolve issues before they escalate to a strike notice.

Section 4: Deep Dive – The Code on Social Security, 2020

The Code on Social Security is revolutionary in its scope, extending the social safety net beyond the traditional organized sector to cover the gig and platform economy.

Universal Coverage: Gig and Platform Workers

For the first time, Indian labour law formally recognizes "Gig Workers" (e.g., freelancers, independent contractors) and "Platform Workers" (e.g., delivery partners for apps like Zomato, Swiggy, Uber).

Key Strategic Provisions:

- **Aggregator Contribution:** The Code mandates that "Aggregators" (digital intermediaries) must contribute 1% to 2% of their annual turnover towards a designated Social Security Fund for these workers.
- **Liability Cap:** To protect the financial viability of platforms, this contribution is capped at 5% of the amount payable to the gig/platform workers.
- **Schemes:** The government will frame specific social security schemes for life and disability cover, health and maternity benefits, and old age protection using these funds.





Strategic Implication for Tech & Logistics:

- Companies operating on gig models must immediately factor this 1-2% turnover cost into their P&L and pricing models.
- Compliance will involve sharing granular data with the government for the registration of these workers, requiring robust data governance frameworks.

Gratuity Reforms for Fixed-Term Employees

As noted in the IR Code section, the Social Security Code formalizes the reduction in the gratuity eligibility period for Fixed-Term Employees (FTEs).

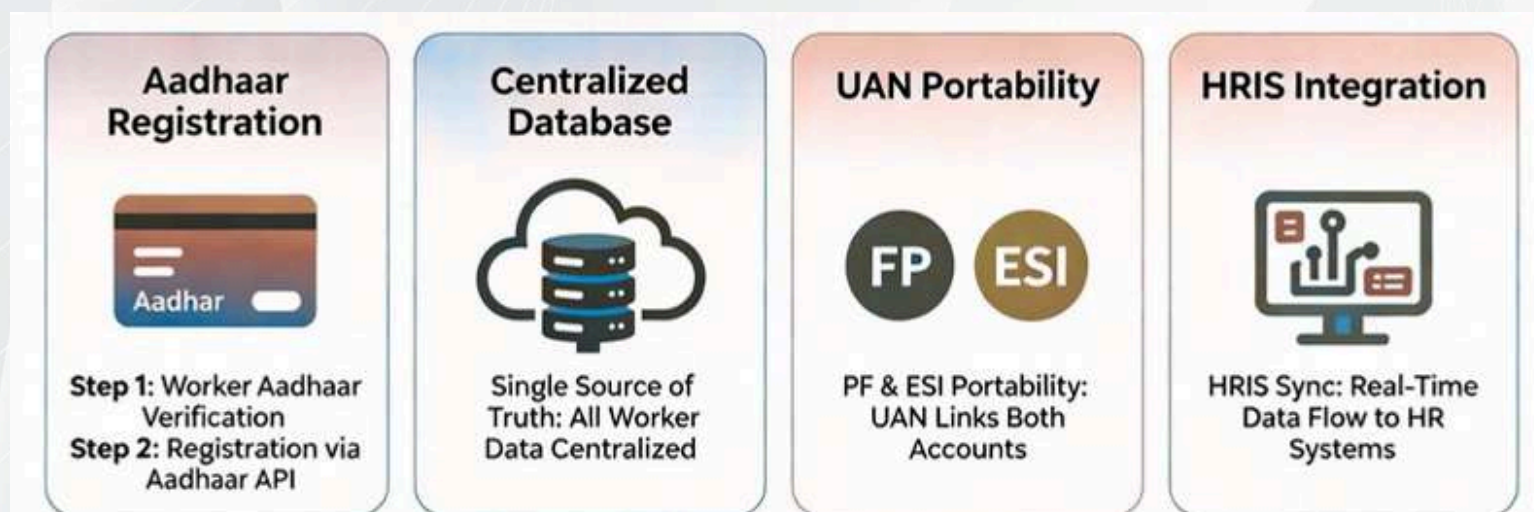
Change: FTEs are eligible for gratuity on a pro-rata basis if they render service for one year, removing the five-year continuous service barrier that applies to regular employees.

Calculation: The gratuity is calculated at the rate of 15 days' wages for every completed year of service.

Digitization and the Universal Account Number (UAN)

The Code mandates Aadhaar-based registration for all workers (organized and unorganized) to create a centralized national database.

- **Portability:** Benefits like PF and ESI become fully portable. A worker moving from one state to another or one job to another retains the same Universal Account Number (UAN), ensuring continuity of social security coverage.
- **Sparrow RMS Insight:** Employers must upgrade their HRIS (Human Resource Information Systems) to capture, validate, and link Aadhaar data seamlessly with UANs. This is a critical step in the digital compliance journey and ensures that companies are not liable for breaks in service records.





Section 5: Deep Dive – The Occupational Safety, Health and Working Conditions (OSH) Code, 2020

As experts in Environment, Health, and Safety (EHS), Sparrow RMS identifies the OSH Code as the cornerstone of operational risk management. It consolidates 13 diverse acts, including the Factories Act, 1948, the Mines Act, 1952, and the Contract Labour Act, 1970, into a single mandate for workplace safety.

Single Registration and Common License

- **Old Regime:** Establishments required separate registrations under the Factories Act, Contract Labour Act, BOCW Act, and Inter-State Migrant Workmen Act.
- **New Regime:** The OSH Code introduces a Single Electronic Registration for all establishments. Furthermore, staffing firms and contractors operating across multiple states can now obtain a Single Common License valid for 5 years, replacing the need for multiple state-specific licenses.
- **Benefit:** This represents a massive reduction in paperwork, administrative friction, and the cost of compliance management.





Women in Night Shifts: Empowerment with Safety

The Code empowers women to work in all establishments for all types of work, including night shifts (between 7 p.m. and 6 a.m.), subject to their consent.

Employer Obligation:

While enabling flexibility, the Code places strict liabilities on the employer to ensure safety. Based on state-specific draft rules (e.g., Haryana, Tamil Nadu), the requirements typically include:

- **Consent:** Written consent forms must be obtained from female employees.
- **Transportation:** Provision of safe, GPS-tracked transportation with security guards for pickup and drop-off.
- **Infrastructure:** Well-lit work areas, CCTV surveillance, and separate restroom facilities.
- **Grievance Redressal:** A functional Internal Complaints Committee (ICC) under the POSH Act must be in place.

Sparrow RMS Checklist for Night Shifts:

HR and Safety leaders must jointly audit their night shift protocols. Documentation of consent and transport logs will be the first point of check during inspections.

www.sparrowrms.in





Contract Labour Reforms: New Thresholds

- **Threshold Increase:** The OSH Code applies to establishments and contractors employing 50 or more contract workers (up from 20 in the old Contract Labour Act). Establishments with fewer than 50 contract workers are exempt from the specific provisions of contract labour regulation (though general safety rules still apply).
- **Responsibility:** The Principal Employer remains ultimately responsible for providing welfare facilities (canteens, restrooms, first aid) and ensuring wage payment if the contractor fails to do so.
- **Strategic Shift:** The increase in threshold encourages smaller contractors to scale up or exit, likely leading to a consolidation of the staffing market towards larger, more compliant players.

Sparrow's Approach to HIRA and Safety Audits

The OSH Code mandates that employers in hazardous factories and sectors must conduct regular health surveys and safety audits. It moves the focus from prescriptive "safety provisions" to a risk-based approach.

Safety Committee: A Safety Committee comprising employer and worker representatives is now mandatory for factories employing 500 or more workers, mines with 100 or more workers, and BOCW establishments with 250 or more workers.³⁴

Sparrow RMS Solution: We advocate moving beyond statutory "Safety Audits" to comprehensive Hazard Identification and Risk Assessment (HIRA) and Job Safety Analysis (JSA).²³ Compliance should be the outcome of a safe process, not the goal itself.

Annual Health Check-up: Employers must provide free annual health check-ups for employees above a certain age (typically 40 or 45, as per specific state rules).² This data must be maintained digitally.

HIRA (Hazard Identification & Risk Assessment)		Systematic hazard identification and risk mitigation planning
Safety Committee		Cross-departmental committee for safety policy review
Job Safety Analysis		Step-by-step safety evaluation for critical tasks
Annual Health Check-up		Comprehensive employee health assessment



Section 6: The Compliance Matrix – A Comparative Checklist (Old vs. New)

To assist leadership in the transition, Sparrow RMS has compiled a high-level comparison of key compliance parameters to highlight the simplification and modernization efforts.

Mapping the Repealed Laws

The consolidation is extensive. Here is a mapping of the major Acts that have been repealed and subsumed:

New Labour Code	Key Repealed Acts (Total 29)
Code on Wages, 2019	Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; Equal Remuneration Act, 1976. ¹⁵
IR Code, 2020	Trade Unions Act, 1926; Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947. ¹⁵
Social Security Code, 2020	EPF Act, 1952; ESI Act, 1948; Maternity Benefit Act, 1961; Gratuity Act, 1972; Employees' Compensation Act, 1923; Unorganized Workers Social Security Act, 2008; etc.. ¹⁸
OSH Code, 2020	Factories Act, 1948; Contract Labour Act, 1970; Mines Act, 1952; BOCW Act, 1996; Inter-State Migrant Workmen Act, 1979; Dock Workers Act, 1986; etc.. ²⁰



Registers, Returns, and Forms: The Simplification Analysis

The reforms drastically reduce the paperwork burden. The "Ease of Compliance to Maintain Registers under various Labour Laws Rules, 2017" paved the way, and the new Codes cement this.

Parameter	Old Regime (Pre-Nov 2025)	New Regime (Post-Nov 2025)	Sparrow RMS Action Point
Registers	Maintenance of 56+ distinct registers (Muster Roll, Wages, Fines, Overtime, etc.) under various central laws. ⁴¹	Drastic reduction to approx. 5-8 common registers (Form A, B, C, D, E) maintained electronically. ⁴⁰	Digitize all legacy records immediately. Adopt unified HRIS software to auto-populate Forms A-E.
Returns	Multiple returns with different timelines (Monthly, Quarterly, Annual) to different authorities. ²¹	Single Unified Annual Return for all codes. ⁴³	Align HRIS to generate the Unified Annual Return format. Ensure data accuracy throughout the year to avoid year-end reconciliation issues.
Wages Def.	Varied definitions across PF, ESI, Gratuity Acts.	Uniform Definition (Basic + DA + Retaining Allowance > 50% of CTC). ¹⁶	Audit salary structures. Ensure "Allowances" do not exceed 50% of total remuneration.
Gratuity	Payable after 5 years of continuous service.	1 Year for Fixed Term Employees; 5 Years for others. ²	Re-calculate actuarial liability for gratuity provision, specifically accounting for FTE contracts.
Inspection	Discretionary, manual, prone to corruption ("Inspector Raj").	Web-based, randomized, "Inspector-cum-Facilitator". ¹¹	Maintain "Inspection-Ready" digital archives 24/7. Expect remote data requests.
Contract Labour	Applicability threshold: 20 workers.	Applicability threshold: 50 workers. ³⁷	Review contractor applicability. Ensure contractors engaging >50 workers have the new unified license.
Health Checks	Variable/Sector specific.	Mandatory Annual Health Check-up for employees (age 40/45+). ¹⁴	Tie up with healthcare providers for annual camps. Digitize health records (Form V).
Appointment	Not mandatory for all sectors.	Mandatory Appointment Letter for every employee. ⁴	Standardize offer letter templates to include all statutory details mandated by the Code.



Penalties and Offences: Decriminalization vs. Deterrence

The new Codes reflect a shift in philosophy: Decriminalization of minor technical lapses paired with Enhanced Financial Deterrence for serious violations.

- **Decriminalization:** Imprisonment has been removed for many first-time offences involving procedural lapses (e.g., record-keeping errors).
- **Higher Fines:** The monetary penalties have been raised significantly. For example, fines that were previously in the range of ₹500 – ₹1,000 are now in the range of ₹50,000 to ₹1,00,000.
- **Compounding:** A major relief for employers is the provision for "Compounding of Offences." Employers can settle certain offences by paying 50-75% of the maximum fine, thereby avoiding long litigation and a criminal record.
- **Sparrow Insight:** While the fear of jail time for minor errors is reduced, the financial cost of non-compliance has skyrocketed. The focus has shifted from "fear of arrest" to "financial prudence." Non-compliance is now a direct hit to the P&L.



Section 7: State-Wise Implementation and Notification Status

Labour is a subject on the Concurrent List of the Constitution, meaning both the Centre and States can frame rules. While the Central Government notifies the Codes, states must frame their own rules for implementation to be effective on the ground.

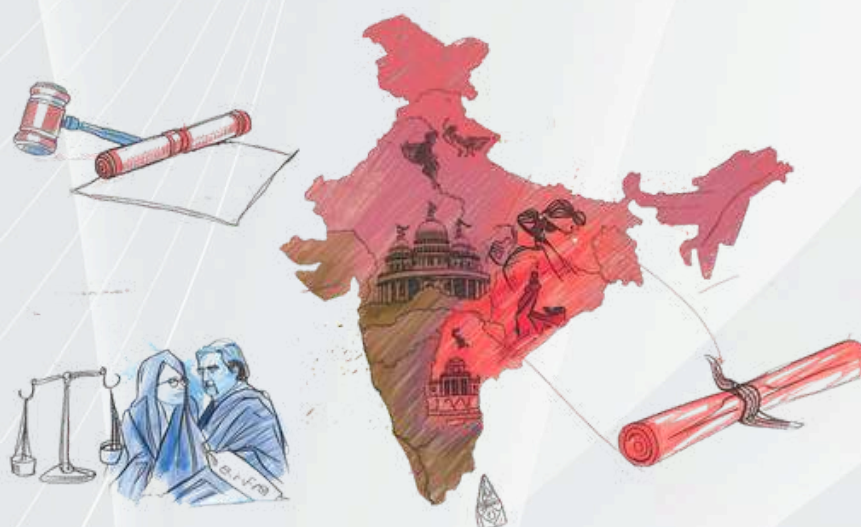
As of November 2025, the status is dynamic:

Draft Rules Published: A vast majority of states (approx. 29–30) have pre-published their draft rules for all four codes.

Key States:

- **Maharashtra:** Has been active in framing rules, particularly regarding the OSH Code and factories. Draft rules are available for public comment.
- **Karnataka:** Has taken a progressive lead, especially with the Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill, which aligns with the Social Security Code.
- **Haryana:** Has issued specific notifications regarding conditions for women working night shifts, setting a template for other states.
- **Tamil Nadu:** Has published draft rules for three codes but has faced delays and discussions regarding the Social Security Code rules due to its existing robust welfare board models.
- **West Bengal:** Remains one of the few states lagging in publishing draft rules across the codes.

Sparrow RMS Advice: Since most operational compliance (factories, shops & establishments) is state-driven, Plant Heads must track the State Gazette Notifications for the specific state where their facility is located. The Central Rules apply primarily to central sphere establishments (Railways, Mines, Ports, Banks, etc.), while State Rules apply to most private manufacturing and service units.





Section 8: Implementation Strategy for Industry Leadership

The transition to the new codes requires a cross-functional effort involving HR, Finance, Legal, and EHS departments. Sparrow RMS recommends a phased, strategic approach to ensure seamless adoption.

Immediate Priorities (The First 90 Days)

- **Salary Structure Simulation:** Conduct a detailed simulation of the "50% Wage Rule" on your current payroll. Identify employees whose "Allowances" exceed 50%. Calculate the cost impact on the employer's PF/Gratuity liability. Prepare a communication plan to explain potential changes in "Take Home" pay to employees to maintain morale.
- **Contractor Compliance Audit:** Map all third-party contractors. Verify if they meet the new 50-worker threshold. Ensure they are in the process of obtaining the new Pan-India Single License. Update service agreements to reflect the Principal Employer's liability clauses under the new OSH Code.
- **Policy Harmonization:** Review and update Standing Orders, Leave Policies, and Employment Contracts. Ensure "Fixed Term Employment" contracts are drafted carefully to differentiate them from regular permanent roles while strictly ensuring benefit parity.
- **Safety Baseline (HIRA):** Commission a baseline HIRA (Hazard Identification and Risk Assessment) study aligned with the OSH Code standards. Ensure the Safety Committee is legally constituted as per the new thresholds (500 for factories, 250 for construction).



Digital Transformation of Compliance

Manual compliance management is no longer feasible or safe in a regime of web-based inspections and unified returns.

Adopt Regulatory Technology (RegTech): Leverage platforms like **IndustryOS™** to automate the tracking of licences, return filings, and register maintenance. Automation reduces human error and ensures data integrity.

Centralize Data: Create a "Single Source of Truth" for employee data (UAN, Aadhaar, Skill category, Health records). This facilitates instant reporting and ensures that data filed in the Unified Annual Return matches the data in your internal registers.

Cultural Alignment: "Shramev Jayate"

Compliance is ultimately about culture.

Training: Train mid-level management, floor supervisors, and union representatives on the new codes. They need to understand that provisions like the "14-day strike notice" are tools for negotiation and stability, not weapons of conflict.

Inclusivity: Proactively implement safety and transport protocols to enable women to work in night shifts. This effectively doubles your potential talent pool and demonstrates progressive leadership.

Gig Integration: If your business model utilizes gig workers, ensure the financial mechanisms for the 1-2% turnover contribution are planned for in your budgeting cycles.





Conclusion: Building a Future-Ready Industrial Ecosystem

The implementation of the four Labour Codes on November 21, 2025, is not just a regulatory update; it is a competitive reset for Indian industry. It aligns India's labour market with global standards of flexibility, social security, and digitalization. It rewards compliant, safe, and efficient enterprises while penalizing negligence.

For industry leaders, the message is unequivocal: The era of complexity is ending; the era of accountability has begun. Those who embrace these codes not as a burden but as a framework for operational excellence will build organizations that are more resilient, productive, and sustainable.

At Sparrow RMS, we stand ready to partner with you in this transformation. From deep-dive safety audits (HIRA/Hazid) to comprehensive digital compliance roadmaps using **IndustryOS™**, our expertise is dedicated to ensuring your transition is smooth, compliant, and value-generating. Let us build a safer, fairer, and more prosperous industrial future together.

For deeper consultation on OSH Code implementation, Electrical Safety Audits, or Safety Culture transformation, please visit www.sparrowrms.in or contact our Operational Control Center in Gurugram.

Disclaimer: This guidebook is based on the provisions of the Labour Codes as notified effective November 21, 2025, and available draft rules. Interpretations may vary based on specific State Rules and subsequent notifications. Professional legal advice is recommended for specific organizational decisions.

www.sparrowrms.in



sparrow  **w**



www.sparrowrms.in