

The new Indian Labour codes are reshaping HR in 2025

A practical breakdown of what actually changes for HR, payroll and workforce planning.

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Wage Code: The biggest ripple effect

50% Cap on Allowances

Basic pay + DA + Retaining Allowance must make up **at least 50% of total remuneration (CTC)**

Rising Calculations

PF, Gratuity, and Bonus calculations will increase significantly across the board.


Higher Payouts

Statutory payouts rise for long-tenure employees under new definitions.

Wage Code: Working hours shift



Standard work week set at 48 hours with new flexibility options.



Organizations can implement 4-day work weeks if daily hours increase proportionally.



Overtime compensation doubles to twice the normal wage rate.



Attendance and shift scheduling systems must be updated immediately.



Social Security Code: Who gets covered



Gig & Platform Workers

App-based workers now covered under social security provisions.



Fixed-Term Employees

Full gratuity without the **5-year minimum**. Someone completing **1 year** becomes eligible.



Contract Labour

Contract and unorganised workforce included in coverage.



Social security code: payroll impact

- Contribute to PF/ESI for expanded worker categories
- Register all employees on unified social security portal
- Maintain digital records for audits

This fundamentally changes cost planning and vendor contracts.

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Industrial relations code: Hiring & Exit Rules



Standing Orders Mandatory

Required for units with 300+ workers, increased from previous threshold.



Faster Approvals

Streamlined process for layoffs, retrenchments, and closures gives employers flexibility.



14-Day Strike Notice

Strikes require advance notice. Disputes resolved within fixed timelines.

Occupation Safety, Health & Working Conditions

1

Annual Health Checks

Mandatory free annual health examinations for employees above age 40

2

Single Multi-State License

Huge ease for companies with distributed teams across India.

3

Night Shift Flexibility

Women can work night shifts with consent and safety measures.

4

Stricter Contractor Management

Digital registers and enhanced compliance for contractor workforce.

What organisations MUST do in the next 45 days



A full audit is no longer optional.

Every organisation must complete a Labour Code readiness check within the next 45 days.

01

Review and rewrite **compensation structures** to comply with 50% allowance cap.

02

Modify payroll, attendance, and HR management systems for new requirements.

03

Enroll all eligible workers on unified social security portal.

04

Update vendor and contractor agreements to reflect new obligations.

The bottom line

The Codes aim for:

- Uniformity across states
- Transparency in operations
- Predictability in compliance
- Reduced litigation
- Better worker protection

But also bring:

Significant cost, compliance, and communication changes for every organisation.

With **TalentCo as your HR partner**, the transition becomes **structured, compliant and budget-friendly**

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