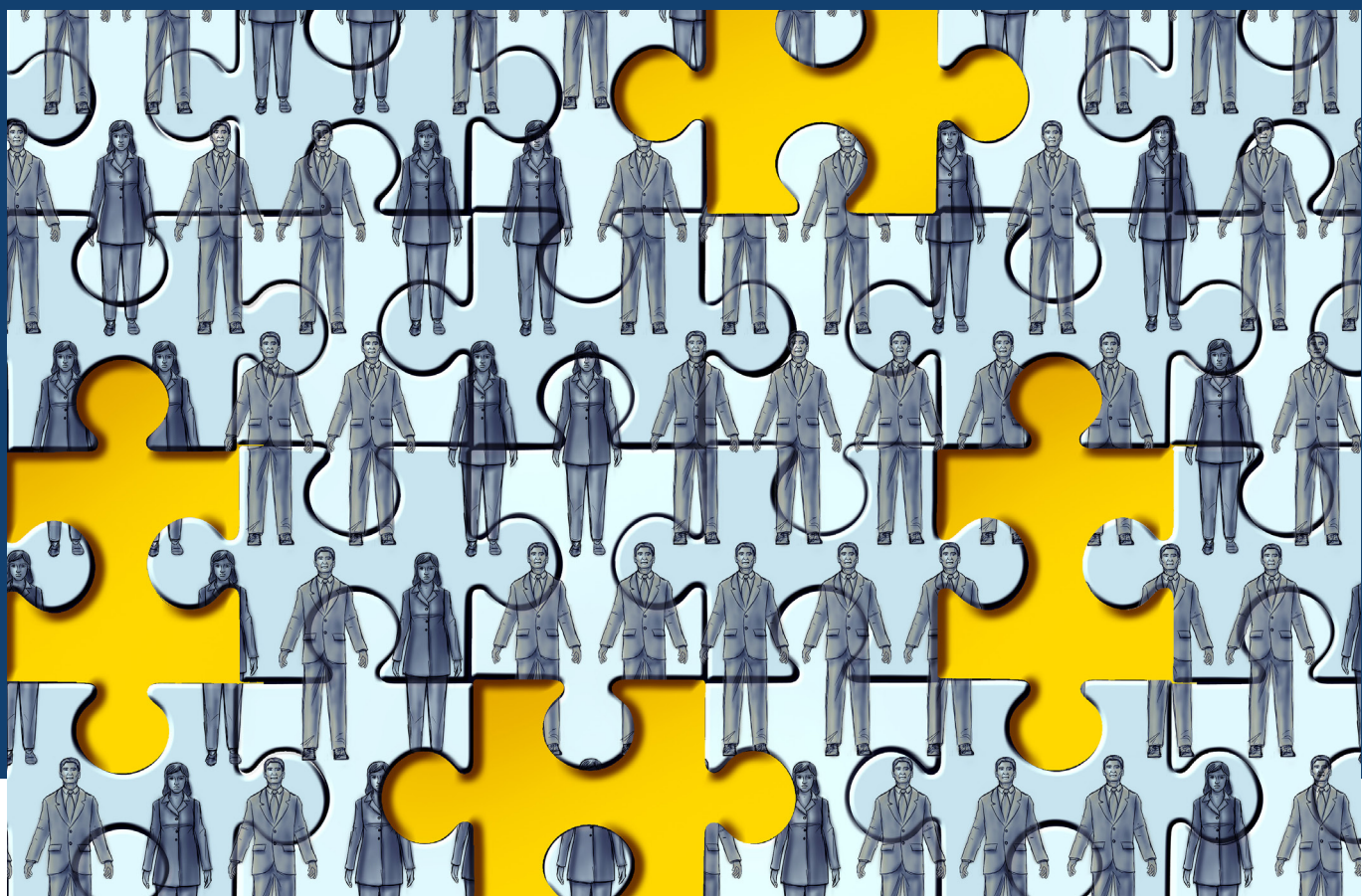


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REIMAGINING WORK IN INDIA

DECODING THE NEW LABOUR CODES

EDITION **09**

Dec, 2025

Executive Summary

India's New Labour Codes mark a structural shift in the country's employment and workforce governance framework. By consolidating a complex web of legacy legislation into a unified, principle-based architecture, the reforms are designed to balance workforce protection with business flexibility and long-term economic competitiveness.

From an organisational lens, the codes materially alter how enterprises approach wage structuring, social security provisioning, industrial relations, and workplace governance. The reforms have direct implications on payroll economics, compliance models, workforce deployment strategies, and enterprise risk management. For leadership teams, this is not merely a regulatory change, but a strategic inflection point that requires deliberate redesign of policies, processes, and operating models.

This white paper provides a concise, decision-focused overview of the most significant changes under India's New

Labour Codes and their practical implications for organisations. It outlines how the new framework impacts wage structures, social security coverage, workforce flexibility, and governance models.

For business leaders, it highlights strategic implications for cost, risk, and workforce design; for HR and compliance teams, it offers clarity on revised definitions and implementation considerations; and for employees, it explains how the codes aim to improve wage transparency and access to social security benefits.

However, the effectiveness of these reforms will be defined by execution at the state level and the readiness of organisations to translate regulatory intent into operational practice.

Enterprises that adopt a proactive, structured transition approach will be better positioned to mitigate compliance risk, optimise cost exposure, and create more resilient workforce architectures in a rapidly evolving regulatory environment.

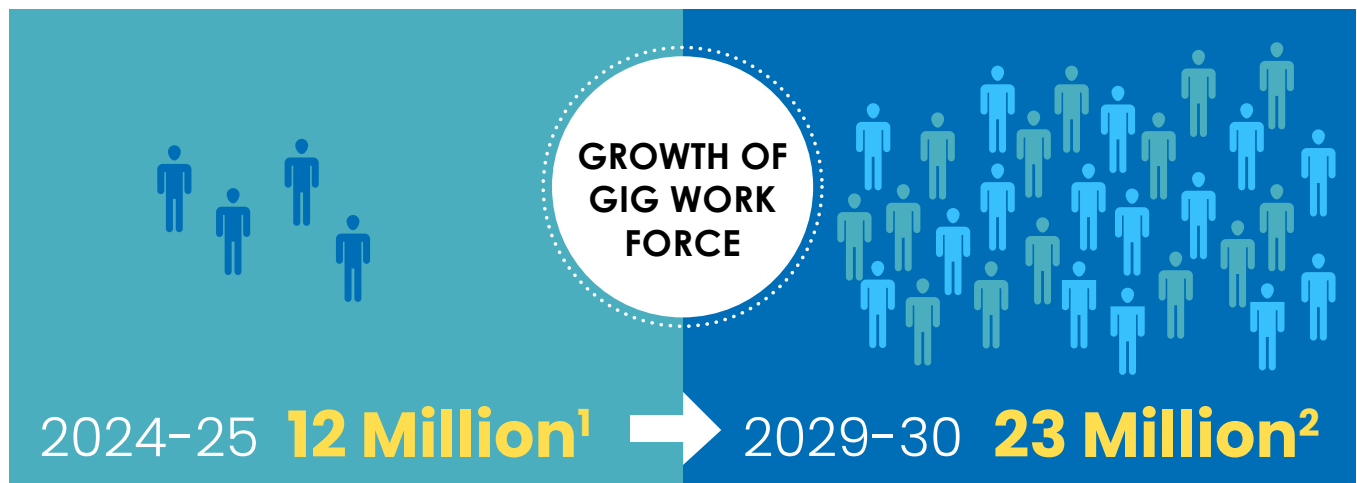


Regulatory Reset: Context and Purpose

India's labour law framework evolved over decades through multiple standalone legislations, resulting in a fragmented and complex regulatory environment marked by overlapping provisions, manual compliance, and inconsistent interpretations, while large segments of the informal and gig workforce remained outside formal protection. Addressing these challenges and adapting to changing economic and employment models, the New Labour Codes consolidate 29 labour laws into

four comprehensive codes covering Wages, Industrial Relations, Social Security, and Occupational Safety, Health & Working Conditions.

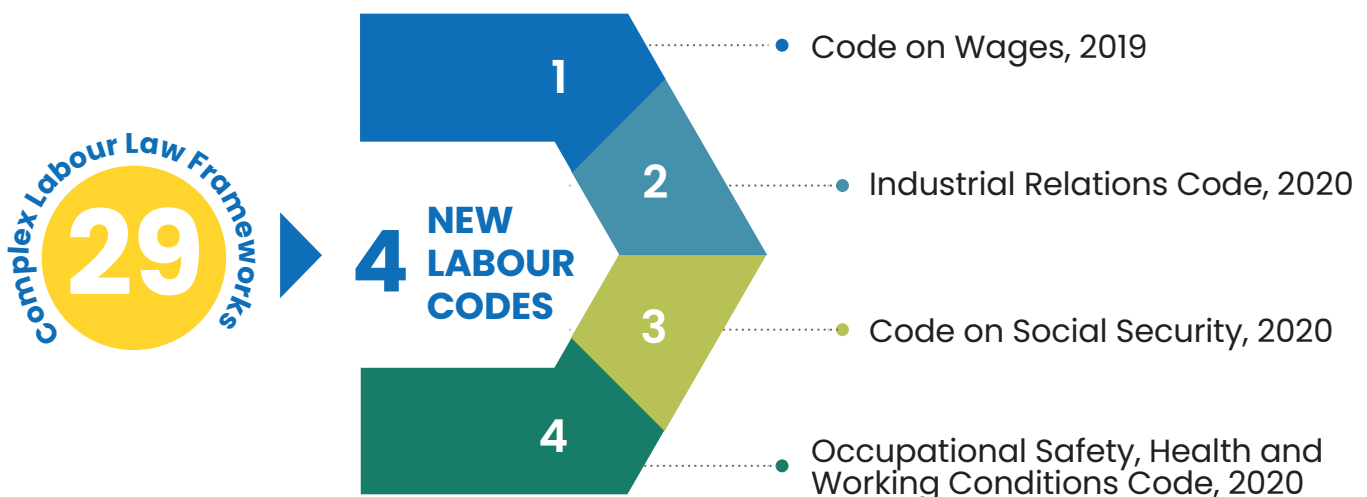
Demand has been particularly fuelled by the rapid expansion of "quick commerce" and delivery-based services: this model depends heavily on gig workers — both for dark-store operations (pickers, packers) and last-mile deliveries.






Against this backdrop, the reforms aim to **simplify and rationalise compliance requirements** by reducing regulatory complexity, while **striking a careful balance between worker protection and business flexibility**. A key focus is on **expanding social security coverage to gig, platform, and informal workers**, who have traditionally remained outside the formal safety net, and on **updating labour regulations to align with evolving employment**

models, technological advancements, and changing economic conditions.




Collectively, these measures seek to establish a **transparent, equitable, and future-ready labour governance framework** that safeguards workforce dignity, promotes fairness and security, and simultaneously supports business growth and scalability.



The Four Labour Codes – At a Glance

| | What changed? | Why the change? | Impact |
|---------------------------------|---|---|---|
| Code on Wages, 2019 | <ul style="list-style-type: none"> Introduced a uniform definition of “wages” across all legislations Mandated a national floor wage as a benchmark for minimum wages Expanded wage coverage to all categories of workers, including contractual and gig-linked roles | <ul style="list-style-type: none"> Earlier, wage governance operated across 1,700+ scheduled employments, creating fragmented and inconsistent wage computation practices Nearly 80–90%³ of India’s workforce operates in the informal sector, limiting coverage under formal wage protection frameworks | <p>This code re-wires the economics of employment. Organisations must redesign salary structures, recalibrate PF and gratuity bases, and proactively manage higher long-term statutory liabilities, directly impacting workforce costs and margin planning</p> |
| Industrial Relations Code, 2020 | <ul style="list-style-type: none"> Increased the threshold for government approval for layoffs, retrenchment and closure from 100 to 300 workers Introduced fixed-term employment as a formal employment category Strengthened trade union recognition and dispute resolution mechanisms  | <p>Legacy industrial relation laws were rigid, slowing business decisions. With over 90% of establishments employing fewer than 300 workers, regulations often exceeded their operational scale</p>  | <p>This code unlocks structural flexibility, enabling faster workforce restructuring, reduced regulatory bottlenecks, and more scalable employment models</p>  |

The Four Labour Codes – **At a Glance**

| | What changed? | Why the change? | Impact |
|---|--|--|---|
| Code on Social Security, 2020 | <ul style="list-style-type: none"> Extended social security coverage to gig and platform workers Enabled portable benefits across employers and state boundaries Strengthened digital registration for workers and establishments | India's gig workforce is set to nearly double from 12 million to 23.5 million in the next five years, driven largely by platform models and quick-commerce demand. Previously, this workforce operated outside formal protection structures | This code institutionalises workforce cost responsibility, introducing new statutory funding expectations and embedding social security economics into platform and enterprise business models |
| Occupational Safety, Health and Working Conditions Code, 2020 | <ul style="list-style-type: none"> Consolidated 13 existing labour laws into a single framework Mandated unified safety standards, working hours, and leave norms Strengthened obligations on employers for health, hygiene, and working conditions  | Fragmented, sector-specific safety laws resulted in inconsistent enforcement and uneven standards across workplaces. This increased compliance complexity for employers, encouraged checklist-driven practices, and heightened workplace risk and organisational liability, especially for multi-location and workforce-intensive operations  | This code elevates safety from compliance to strategy, increasing organisational liability, strengthening governance expectations, and making workplace risk management a board-level responsibility  |

Health, Well-being, Medical Access & Occupational Safety: **Then and Now**

| Theme | Old Framework | Labour Codes (OSHC + Social Security Codes) |
|---|--|---|
| Access to Medical Coverage | Primarily through ESIC for notified, organised-sector employees | Broader policy intent to expand health protection through ESIC and government-backed schemes; enables wider worker eligibility over time |
| Free Health Check-ups | Not a universal requirement; limited to factories and hazardous establishments | Mandatory periodic medical examinations for employees above 40 years |
| Occupational Health Surveillance | Limited, sector-specific medical audits | More structured occupational health monitoring for high-risk industries |
| Employer Responsibility for Worker Health | Fragmented across The Factories Act & state shop laws | Clearly defined duties on employers to ensure workplace health, hygiene, ventilation, lighting, and cleanliness |
| First Aid & Emergency Care | Required in factories and large establishments | Standardised requirement for new first-aid, emergency response and medical facilities across covered establishments |
| Creche Facilities | Applicable to factories with a specified number of women employees | Expanded and consolidated creche obligations under OSHWC Code for eligible establishments |
| Health & Safety Committees | Not mandatory across all sectors | Formalised Health & Safety Committees in specified establishments |
| Mental Health & Well-being | Not explicitly recognised in legacy laws | Recognised as part of overall workplace health and welfare responsibilities under modern interpretation of OSHWC obligations |
| Health Access for Gig & Platform Workers | No formal statutory health protection | Framework for social security schemes to include health and medical benefits for gig and platform workers (subject to scheme notifications) |

OSHC – Occupational Safety, Health and Working Conditions Code, 2020+ Social Security Codes

Strategic Action Agenda for Organisations

The new Labour Codes require structural change—not surface compliance. Organisations must take an enterprise-wide approach to protect margins, manage risk, and maintain workforce stability.

Refine wage and benefit economics



Review compensation structures and align statutory contributions with revised wage definitions to improve cost transparency and predictability.

Strengthen workforce flexibility



Implement structured workforce planning linked to regulatory thresholds to enable timely, data-driven capacity decisions.

Reassess gig and contracting models



Map contingent workforce arrangements and update commercial frameworks to align with emerging regulatory expectations.

Elevate health, safety, and welfare practices



Shift from checklist compliance to integrated health, safety, and well-being systems, especially across large or distributed operations.

How Can Prudent Help?

The New Labour Codes present a strategic opportunity for organisations to modernise workforce structures, optimise costs, and strengthen governance frameworks, moving beyond regulatory compliance, towards greater transparency, consistency, and sustainability in employee benefits. A critical enabler of this transformation is the development of robust statutory cost impact models across coverages and employee cohorts.

Prudent can support organisations on this journey by translating regulatory intent into practical policy design, conducting cohort-wise cost impact and scenario analysis, and enabling effective, state-aligned implementation. This includes optimising benefit structures, strengthening payroll and benefits governance, and ensuring smooth execution of required changes.

Outlined below are the key insurance-related implications where Prudent can partner and provide targeted support.

Key Implications for the Insurance Industry

Comprehensive Social Security Coverage:

The Code on Social Security, 2020 extends social security benefits, including ESIC and insurance, to all categories of workers such as gig, platform, and unorganised sector personnel, driving increased adoption of group term life, group personal accident, and group mediclaim policies.

Mandatory Protection for Non-Permanent Employees:

Principal employers are required to provide health and social security benefits, including group term life, personal accident, and mediclaim coverage, to contract and fixed-term employees, aligning their benefits with those of permanent staff. They are also required to conduct periodic health check-ups for employees aged 40 years and above, as part of preventive healthcare and risk management obligations.

Coverage for Commuting-Related Accidents:

Certain commuting accidents are recognised as employment-related under the Code, subject to specified conditions, enabling eligible claims under group personal accident insurance policies.

Expanded Eligibility and Contributions:

The broadened definition of “worker” includes gig, platform, and digital workers, making them eligible for group insurance and accident covers, while aggregators are mandated to contribute towards social security, supporting insurance programme sustainability.

Inclusive and Gender-Neutral Benefits:

The Codes mandate equal and non-discriminatory access to group term life, health, and personal accident insurance benefits for all workers, including women and transgender persons.



Sources:

1. India's gig economy in 2025: Growth, formalisation, and financial inclusion explained | Mint
2. https://www.niti.gov.in/sites/default/files/2023-06/Policy_Brief_India%27s_Booming_Gig_and_Platform_Economy_27062022.pdf
3. <https://forumias.com/blog/indias-informal-sector-explained-pointwise/>
4. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2192524®=3&lang=2>
5. https://labour.gov.in/sites/default/files/labour_code_eng.pdf



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PRUDENT INSURANCE BROKERS PVT. LTD. (Composite Broker)

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