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Labour Codes Before and After: What Has Really Changed for Employers and Employees

By Express Labour Law | 19 October 2026 | Reading time: about 6 minutes

Twenty-nine central labour laws are now four Codes. Instead of a policy discussion, this guide compares the old position with the new one, topic by topic, and notes where the rules stand as of October 2026.

The four Codes at a glance

- Code on Wages, 2019: pay, minimum wages, bonus and deductions.
- Industrial Relations Code, 2020: unions, standing orders, disputes, strikes, layoffs and closures.
- Code on Social Security, 2020: PF, ESI, gratuity, maternity benefit and cover for gig and platform workers.
- Occupational Safety, Health and Working Conditions Code, 2020: safety, working hours, contract labour and night work.

All four came into force on 21 November 2025. The central rules were notified on 8 and 9 May 2026. State rules are still arriving, with the Centre expecting every state and Union Territory to finish by 31 October 2026.

Before and after, topic by topic

Topic	Before	After the Codes
Definition of wages	Different definitions in the PF, gratuity and bonus laws, which allowed a low basic with large allowances.	One definition across the Codes. Excluded components are capped at 50% of total remuneration; the excess counts as wages.
Minimum wages	Applied only to notified scheduled employments.	Applies to all employees. The Centre can notify a floor wage, and no state may set a rate below it.
Working hours	Spread across several laws with varying limits.	Eight hours a day and 48 hours a week as the standard, with overtime at twice the normal rate beyond the limits.

Topic	Before	After the Codes
Fixed-term staff	Not clearly recognised; gratuity needed five years.	Recognised in law, with comparable wages and benefits. Directly engaged fixed-term employees get pro-rata gratuity after one year.
Gig and platform workers	Largely outside statutory social security.	Defined in law. Aggregators register workers and fund a social security fund; schemes are notified by the Government.
Women and night work	Restricted in many establishments.	Permitted with consent, safety measures, transport and security arrangements.
Layoff and closure permission	Government approval needed above a lower worker threshold.	Threshold raised to 300 workers, subject to state variations.
Compliance	Many registers, returns and licences under separate laws.	Consolidated, with digital registers and common licensing for contract labour.

The wage definition: what it does and does not do

Under the earlier laws, a company could keep basic pay low and still pay a competitive package, because PF, gratuity and bonus were linked to basic. The 50 percent cap closes that route. If excluded components such as HRA, conveyance, bonus and overtime exceed half of total remuneration, the excess is added to wages.

Some points are often misunderstood:

- PF contribution rates do not change; the base on which they are computed can.
- The Code does not require employers to raise or cut total CTC, and agreed wages should not simply be reduced to fit the rule.
- Employees with allowance-heavy pay may see higher deductions and take-home pay may fall, but retirement savings and gratuity rise.

What changed in provident fund and ESI in 2026

Two developments since the Codes took effect matter in practice. First, the Government raised the EPF wage ceiling from Rs 15,000 to Rs 25,000 a month, effective 17 September 2026 (S.O. 5109(E)). Employees with PF wages up to Rs 25,000 now fall within mandatory EPF, EPS and EDLI coverage, and an amendment to the Employees' Pension Scheme, 2026 brings existing EPF members in that band into pension coverage. Second, the new EPF, EPS and EDLI Schemes, 2026, notified on 29 June 2026, replaced the 1952, 1971, 1995 and 1976 schemes.

The ESI wage ceiling has not moved. It remains Rs 21,000 a month (Rs 25,000 for persons with disabilities), although the Code's wage definition now applies, which can bring more employees within ESI when their basic is low.

	Ceiling before 17 Sept 2026	Ceiling now
EPF/EPS/EDLI coverage	Rs 15,000	Rs 25,000

	Ceiling before 17 Sept 2026	Ceiling now
ESI coverage	Rs 21,000	Rs 21,000 (no change notified)

Gig and platform workers

The Social Security (Central) Rules, 2026 require aggregators to register gig and platform workers in real time and report their exit. A worker qualifies for scheme benefits after 90 days with one aggregator or 120 days across several in the previous financial year. Aggregators contribute 1 to 2 percent of annual turnover, capped at 5 percent of what they pay to such workers. Recognition does not by itself extend PF or ESI to these workers; benefits flow through schemes the Government notifies.

Contract labour and industrial relations

The contract labour rules apply where 50 or more contract workers are engaged, and contract labour is restricted in core activities, with exceptions. The principal employer cannot hand off every obligation by contract. On industrial relations, the Code recognises negotiating unions and councils, streamlines dispute resolution and regulates strikes and lockouts. Unions and some commentators argue these changes weaken workers' bargaining position, while the Government describes them as modernisation. Employers should expect continued debate and keep consultation documented.

What employers should do now

- Re-run salary structures against the 50 percent rule and model PF, gratuity, bonus and overtime impact.
- Update payroll for the Rs 25,000 PF ceiling and enrol newly covered employees.
- Revise appointment letters, standing orders and policies, including fixed-term and night-shift terms.
- Review contractor and gig engagement models, and keep a documented core and non-core assessment.
- Maintain a state-by-state tracker, since procedures differ until every state's rules are final.

Bottom line: the Codes reduce definitional confusion but raise the premium on disciplined payroll design and documentation. Treat them as a compensation redesign project, not a paperwork update.

This article is general information based on public material available as of 19 October 2026 and is not legal advice. Rules and notifications change; confirm against the official Gazette or the Ministry of Labour and Employment, EPFO and ESIC before acting.