Issue 5/20, July 10, 2026

HR & Labour Laws

Insights

NEW LABOUR CODES

Made easy..

WHAT EVERY BOSS AND EMPLOYEE MUST KNOW

ISSUE HIGHLIGHTS

- Can Companies Operate with a Small permanent workforce?
- Building future Ready Workforce
- Wage Restructuring
- The Future of Employment: Permanent, Contract or Fixed term?

CODES
MADE
SIMPLE
PRACTICAL
POWERFUL

Upcoming Book
"Decoding New Labour Codes"

DSB LAW GROUP

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CAN COMPANIES OPERATE WITH A SMALL PERMANENT WORKFORCE AS PER NEW LABOUR CODE?

Yes. The new Labour Codes give companies the flexibility to design their workforce their way.

Businesses can operate with a small permanent workforce and engage contract, fixed-term or gig workers for the rest—while staying fully compliant.

It's about the right mix, not the size of permanent headcount.

WHAT THE NEW LABOUR CODES ENABLE

MULTIPLE FORMS OF EMPLOYMENT

Allows engagement of permanent, fixed-term, contract and gig workers based on business needs.

FIXED-TERM EMPLOYMENT

Allows hiring for a specific period, task or project with clear terms and conditions.

CONTRACT LABOUR REGULATION

Provides a clear framework for engaging contract workers through registered contractors with defined responsibilities.

GIG & PLATFORM WORKERS

Recognises gig workers and ensures social security and welfare benefits through platform aggregators.

WHY A SMALL PERMANENT WORKFORCE WORKS FOR COMPANIES

01 STRONG CORE, CLEAR DIRECTION

Keep a small core team for critical, strategic and core business functions.

02 FLEXIBILITY TO SCALE

Use contract, fixed-term or gig workers to scale up or down quickly as per demand.

03 COST EFFICIENT

Optimise costs by aligning workforce with business needs without creating long-term liabilities.

04 FOCUS ON PRODUCTIVITY

Right mix of talent improves agility, innovation and overall business performance.

05 COMPLIANCE MADE EASY

Clear contracts, defined responsibilities and proper records keep you fully compliant.

DO'S AND DON'TS

DO'S

- Plan your workforce mix based on business strategy
- Use fixed-term, contract and gig workers appropriately
- Draft clear job roles, terms and conditions
- Ensure timely payment of wages and benefits
- Stay updated with rules and notifications
- Maintain accurate records and documentation

DON'TS

- Don't misuse contract labour to replace permanent jobs
- Don't engage unlicensed or unregistered contractors
- Don't avoid social security or statutory obligations
- Don't classify workers incorrectly
- Don't ignore record-keeping and compliance requirements

THE ROAD AHEAD:
BUILDING A FUTURE-READY WORKFORCE

As India's labour landscape transforms under the New Labour Codes, organizations must build agile, inclusive and skilled workforces that are **compliant today and future-ready tomorrow.**

THE PILLARS OF A FUTURE-READY WORKFORCE

PEOPLE FIRST
Put employee well-being, fair treatment and inclusion at the core of every decision.

CONTINUOUS SKILLING
Invest in reskilling and upskilling to build future capabilities and stay competitive.

ADAPTABILITY & AGILITY
Build flexible systems and empower teams to adapt quickly to change.

COMPLIANCE BY DESIGN
Embed legal compliance, transparency and ethics into every HR and business process.

TECHNOLOGY ENABLEMENT
Leverage digital tools, automation and AI to enhance productivity and decision-making.

KEY ENABLERS FOR THE FUTURE

FUTURE-FOCUSED LEADERSHIP
Leaders who inspire, coach and empower the workforce.

STRONG EMPLOYER BRAND
Build trust, purpose and belonging to attract and retain top talent.

DIVERSITY & INCLUSION
Create equal opportunities and a respectful, inclusive work environment.

EMPLOYEE EXPERIENCE
Design meaningful experiences across the employee lifecycle.

PERFORMANCE WITH PURPOSE
Align individual goals with organizational purpose and impact.

ROADMAP TO A FUTURE-READY WORKFORCE

1. **ASSESS** — Evaluate current workforce skills, compliance status and future needs.
2. **ALIGN** — Align HR strategy with business goals and legal requirements.
3. **TRANSFORM** — Invest in people, process, technology and a culture of continuous learning.
4. **ENGAGE** — Communicate clearly, involve employees and build trust at every step.
5. **SUSTAIN** — Monitor, measure and improve for long-term growth and resilience.

> "The future of work is not about replacing people with technology, but empowering people with possibilities."

THE IMPACT

HIGHER PRODUCTIVITY
Efficient, skilled and motivated workforce.

STRONGER COMPLIANCE & REDUCED RISK
Better adherence to laws and standards.

ENGAGED & LOYAL WORKFORCE
Stronger commitment and retention.

INNOVATION & AGILITY
Faster adaptation and continuous improvement.

SUSTAINABLE BUSINESS GROWTH
Future-ready organization with lasting impact.

WHY INVESTORS ARE INCREASINGLY REVIEWING LABOUR COMPLIANCE

Labour compliance is no longer viewed as merely a legal obligation. Investors now consider it a key indicator of governance quality, operational stability, and long-term sustainability.

With growing emphasis on ESG principles, responsible business conduct and regulatory transparency, labour compliance has become a critical factor in investment evaluations, fundraising, mergers, acquisitions and IPO preparations.

WHAT INVESTORS ARE LOOKING FOR

REGULATORY COMPLIANCE

Adherence to labour laws, statutory obligations and maintenance of accurate employment records.

ESG & GOVERNANCE STANDARDS

Employee welfare, workplace fairness, diversity, non-discrimination and ethical employment practices.

RISK & OPERATIONAL STABILITY

Identification of labour disputes, penalties, compliance gaps and their impact on business continuity.

KEY AREAS INVESTORS REVIEW

- **Employment Practices** – contracts, wages, working hours, over time, benefits
- **Statutory Compliance** – EPF, ESI, Gratuity, Bonus, PT, Labour Welfare Fund, etc.
- **Workplace Safety** – health, safety measures, POSH compliance and risk assessments
- **Employee Relations** – grievance redressal, disciplinary procedures, union management
- **Record Keeping & Documentation** – statutory registers, returns, notices and policy documentation
- **Third-Party & Supply Chain Compliance** – ensuring labour standards across vendors and contractors

WHY IT MATTERS TO INVESTORS

- Minimizes legal and financial risks
- Strengthens corporate governance and accountability
- Enhances reputation and brand value
- Supports ESG scores and sustainable investment goals
- Ensures business continuity and operational resilience

IMPACT ON BUSINESS VALUE

- Improved investor confidence & trust
- Smoother regulatory approvals and inspections
- Better access to capital and strategic partnerships
- Higher valuation in mergers, acquisitions and IPOs
- Stronger foundation for sustainable long-term growth

OCCUPATIONAL MENTAL HEALTH
UNDER THE OSHWC CODE, 2020

Exploring the recognition, scope and effectiveness of mental health protections for workers under the Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020.

OVERVIEW

Mental health is integral to occupational safety and well-being. The OSHWC Code, 2020 marks a progressive shift by recognizing the importance of a safe and healthy working environment that includes psychological well-being. This section examines how the Code acknowledges mental health, the scope of its provisions, implementation challenges and the effectiveness of current mechanisms.

WHAT INVESTORS ARE LOOKING FOR

REGULATORY COMPLIANCE

- Adherence to labour laws, statutory obligations and international commitments.
- Maintenance of accurate employment records and reporting.
- Readiness for inspections and avoidance of penalties.

ESG & GOVERNANCE STANDARDS

- Strong focus on employee welfare and psychological well-being.
- Fair, inclusive and ethical employment practices.
- Alignment with ESG frameworks and global reporting standards (GRI, SASB, UN SDGs).

RISK & OPERATIONAL STABILITY

- Early identification of workplace stressors and mental health risks.
- Reduced absenteeism, attrition and presenteeism.
- Prevention of disputes, grievances and reputational damage.
- Continuity of operations through a healthier, more engaged workforce.

> “*A mentally healthy workplace is not just a legal responsibility, it is a strategic advantage that drives productivity, innovation and sustainable value creation.*”

KEY PROVISIONS UNDER THE OSHWC CODE, 2020

SAFE AND HEALTHY WORKING ENVIRONMENT (SEC. 3)

Employers must ensure, so far as is reasonably practicable, the safety, health and welfare of all employees. This includes protection of employees from physical as well as psychological harm.

WELFARE MEASURES (SEC. 4)

Provision of adequate welfare facilities which may include counselling services, stress management resources and support systems, depending on the nature of work and workforce.

INFORMATION, INSTRUCTION & TRAINING (SEC. 12)

Employers must provide necessary information, instruction and training on occupational safety and health, which includes awareness on mental health, stress management and available support measures.

RIGHT TO REFUSE DANGEROUS WORK (SEC. 13)

Employees can refuse work in case of an imminent danger to health, including situations that may cause serious psychological harm.

REPORTING OF ACCIDENTS & INCIDENTS (SEC. 21–22)

Occupational accidents include those arising out of work-related stress, overwork, bullying, harassement or other factors affecting mental health, when resulting in injury or illness.

HEALTH SURVEILLANCE (SEC. 46)

Emphasis on health monitoring which can extend to periodic assessments for exposure to psychosocial risks in high-stress or high-risk occupations.

LABOUR COMPLIANCE UNDER INDIA'S NEW LABOUR CODES

India's labour reforms consolidate 29 central labour laws into four Labour Codes. Although implementation is pending in several states, investors are already evaluating how prepared organizations are for compliance under the new framework.

Businesses that proactively align their policies, payroll systems, employee records, and governance practices with the Labour Codes are increasingly viewed as lower-risk and investment-ready.

KEY AREAS OF INVESTOR FOCUS

01 CODE ON WAGES, 2019

INVESTORS REVIEW:

- Minimum wage compliance
- Timely wage payments
- Overtime calculations
- Wage structure transparency
- Payroll record maintenance

WHY IT MATTERS:

Non-compliance can result in penalties, employee disputes, and financial liabilities.

02 INDUSTRIAL RELATIONS CODE, 2020

INVESTORS REVIEW:

- Employee relations framework
- Labour dispute history
- Grievance redressal mechanisms
- Retrenchment and termination compliance
- Trade union interactions

WHY IT MATTERS:

Workforce instability can affect productivity, operations, and business continuity.

03 OSH & WORKING CONDITIONS CODE, 2020

INVESTORS REVIEW:

- Workplace safety standards
- Employee health and welfare measures
- Accident and incident records
- Contractor and migrant worker compliance
- Safety training programs

WHY IT MATTERS:

Strong safety practices reduce legal exposure, operational disruptions, and reputational risk.

04 CODE ON SOCIAL SECURITY, 2020

INVESTORS REVIEW:

- Provident Fund (PF) compliance
- Employee State Insurance (ESI) contributions
- Gratuity obligations
- Employee benefit administration
- Social security record management

WHY IT MATTERS:

Unpaid statutory dues can create significant hidden liabilities during due diligence.

05 IMPLEMENTATION READINESS

INVESTORS REVIEW:

- Updated HR policies
- Revised employee handbooks
- Compliance monitoring systems
- Management awareness and training
- Internal audit mechanisms

WHY IT MATTERS:

Organizations that demonstrate readiness for Labour Code implementation are perceived as better governed and more resilient.

THE FUTURE OF EMPLOYMENT, Permanent, Fixed term or Contract?

THE FOUR MODES OF EMPLOYMENT

PERMANENT

Full-time employees on organisation's payroll with long-term association.

BEST FOR

Core-roles, critical capabilities, leadership, culture building and long-term value creation.

ADVANTAGES

- Strong loyalty and engagement
- Deep domain knowledge
- Better control and alignment
- Stronger employer brand

CHALLENGES

- Higher cost to company
- Lower flexibility
- Longer exit processes

CONTRACT

Hired for a specific period or project through fixed-term agreements.

BEST FOR

Specialized skills, project-based work, interim needs and scaling operations.

ADVANTAGES

- Cost-effective
- Flexible and scalable
- Quick onboarding
- Access to specialized talent

CHALLENGES

- Limited loyalty
- Knowledge continuity risk
- Compliance management

FIXED TERM

Employees hired for a defined period to meet specific business needs.

BEST FOR

Time-bound projects, seasonal work, policy-driven roles and capacity gaps.

ADVANTAGES

- Defined tenure
- Better control than gig
- Cost predictable
- Easier workforce planning

CHALLENGES

- Not ideal for long-term roles
- Renewal expectations
- Compliance with labour laws

WHAT WILL SHAPE THE FUTURE?

TECHNOLOGY

Automation and AI will change job roles and skill requirements.

WORKFORCE EXPECTATIONS

People seek flexibility, purpose, growth and better experiences.

BUSINESS AGILITY

Companies need lean, flexible and future-ready workforce models.

REGULATORY EVOLUTION

Labour laws are evolving to ensure fairness, security and compliance.

GLOBAL COMPETITION

Access to global talent and 24/7 productivity is becoming the new norm.

EMPLOYEE WELLBEING

Wellbeing, inclusion and meaningful work will drive engagement and retention.

THE WAY FORWARD

- Adopt a 'Right Mix, Right Fit, Right Time' approach.
- Design workforce strategies aligned to business goals.
- Ensure compliance, fairness and transparency.
- Invest in skills, leadership and culture.

> *"The future of employment is not about choosing one model. It's about building an agile, inclusive and compliant workforce ecosystem that drives growth and creates value for all."*

WAGE RESTRUCTURING

under

NEW LABOUR CODES

BUILDING A COMPLIANT, FAIR AND TRANSPARENT COMPENSATION STRUCTURE

THE FOUR LABOUR CODES

1. Code on Wages, 2019
2. Industrial Relations Code, 2020
3. Code on Social Security, 2020
4. Occupational Safety, Health & Working Conditions Code, 2020

1. WHY IT MATTERS

The Code on Wages, 2019 introduces a uniform definition of "wages" that directly affects how PF, gratuity, bonus and overtime are calculated. Employers now need to review existing salary structures to ensure full compliance.

2. DEFINITION OF "WAGES"

WAGES = Basic Pay + Dearness Allowance + Retaining Allowance

All other allowances (HRA, conveyance, bonus, overtime, etc.) must together stay within 50% of total remuneration — any excess is added back into "wages."

3. IMPACT ON EMPLOYEES

- Higher PF contribution and stronger retirement savings
- Increased gratuity and statutory benefits
- Greater transparency in salary components
- Possible short-term dip in take-home pay

4. IMPACT ON EMPLOYERS

- Redesigning salary structures for compliance
- Higher statutory liabilities (PF, gratuity, bonus)
- Payroll and HR system updates required
- Improved compliance and employee trust

5. KEY COMPLIANCE AREAS

1. Payment of minimum wages to all employees
2. Timely payment of wages (by the 7th of next month)
3. Uniform definition of wages across establishments
4. No unauthorized deductions from wages

6. CONCLUSION

Wage restructuring under the new labour codes is a strategic step toward fair, transparent compensation — not just a compliance exercise. With the right planning and communication, organisations can stay compliant while building long-term employee trust.

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