



# NEW LABOUR CODES

## THE BIGGEST LABOUR REFORM IN INDIA

BDO IN INDIA  
2022

The Government of India has enacted 4 Labour Codes to ensure social equity, social security and ease of doing business for all. Once notified, these new labour codes will replace 29 central government labour laws, currently in force. Some of the policy objectives which are driving these reforms are empowerment of workers, balancing of employer duties and employee rights and effective enforcement through digitisation of compliance.

Irrespective of the sector, the new labour codes will impact all organisations, necessitating change management for employers. With the launch of the new codes, employers will need to analyse the impact and upgrade their internal policies, processes and compliance management structures to align it with various requirements prescribed under the codes.



The following are provisions in the labour codes that may impact the overall cost for employers, if not attended timely:

- ▶ Classification of employees/workers
- ▶ New definition of wages for computation of all statutory dues and minimum wages
- ▶ Gratuity payment for fixed term employees and its retrospective impact
- ▶ Overtime provisions
- ▶ Enhanced obligations in case of principal employer of third-party staff

The Central Government and most of the States have rolled out draft rules for industry comments. The date of enforcement is expected to be notified soon.

## OVERVIEW OF THE NEW LAW

### The Code on Wages, 2019

The Code on Wages consolidates the provisions of four labour laws concerning wages, bonus, recoveries, settlement, records and payroll processing.

### The Code on Social Security, 2020

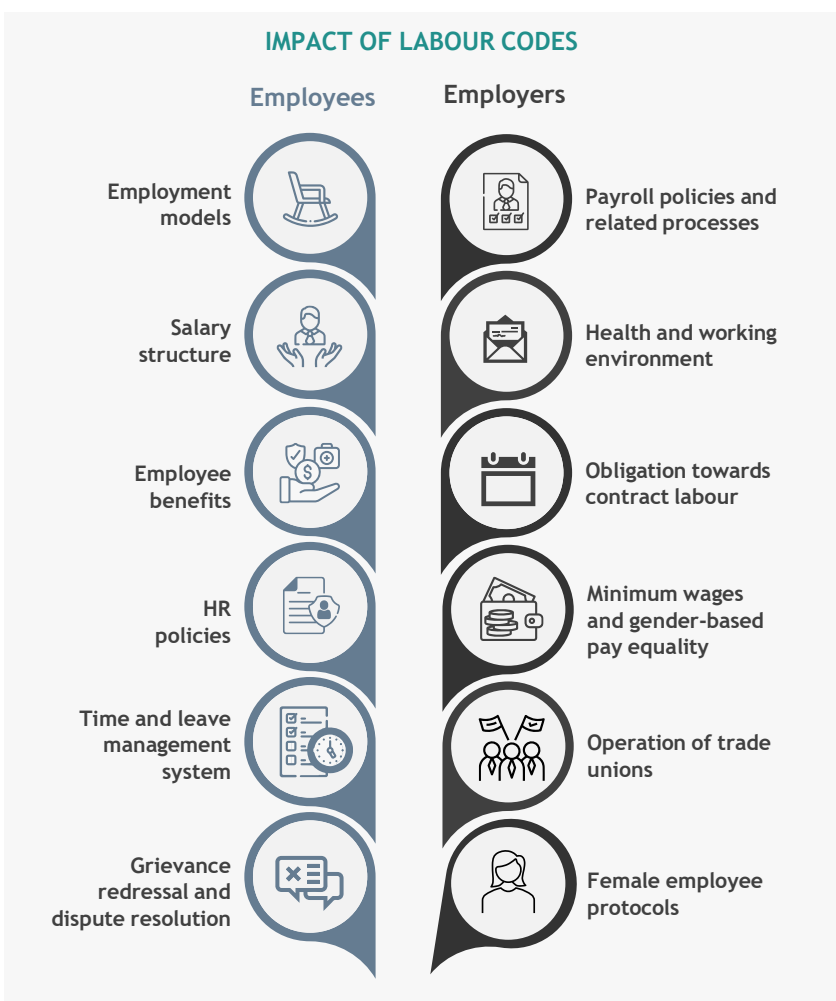
The Social Security Code subsumes 9 Acts including EPF Act, ESI Act, Gratuity Act, Maternity Benefit Act, Employees Compensation Act and the regulations governing building, construction and unorganised sector workers and applies to all establishments, employees and employers.

### The Occupational Safety, Health and Working Conditions Code, 2020


The Code aims at replacing multiple registrations under various enactments to one common registration, one license and one return which will ultimately create a consolidated database centrally and will be helpful under ease of doing business.

### The Industrial Relations Code, 2020

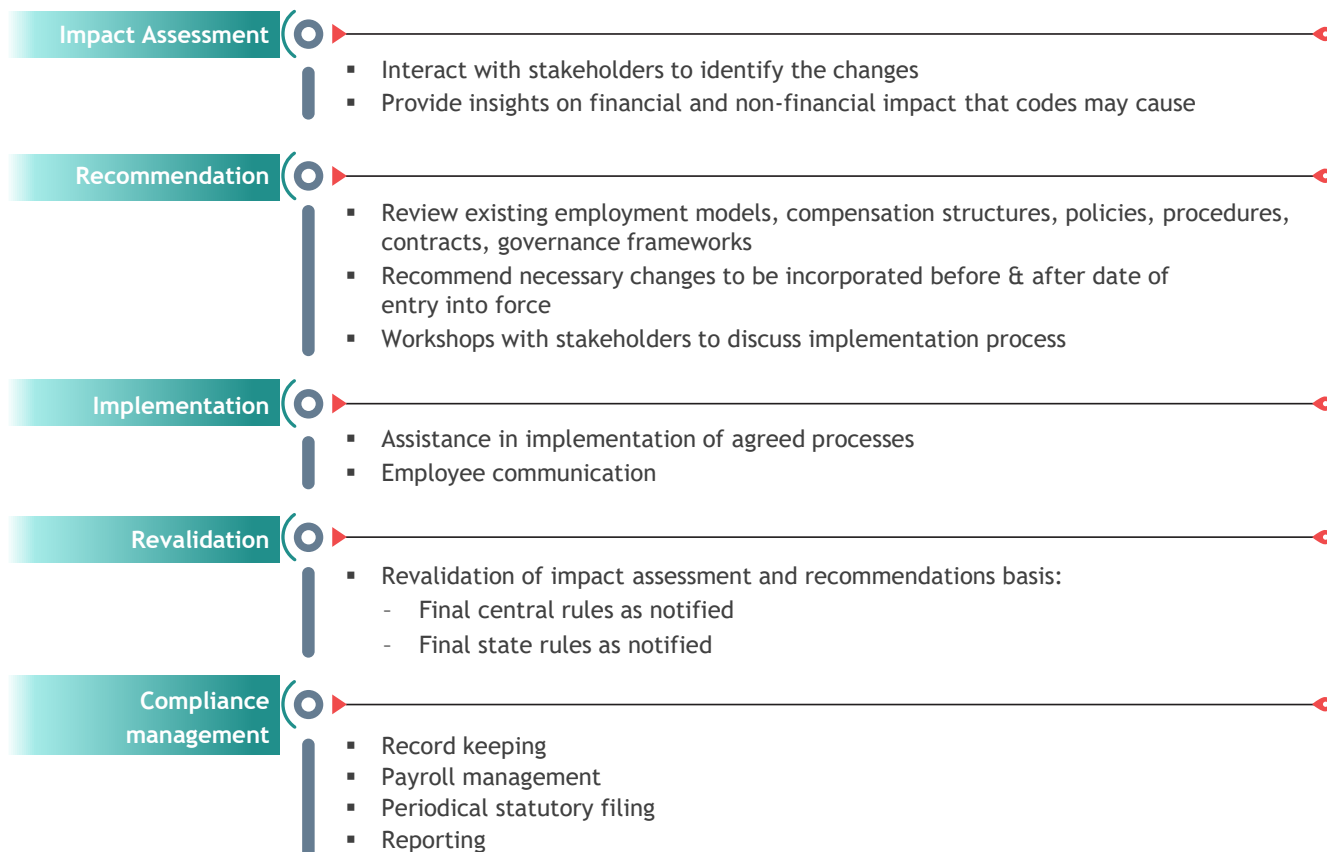
Industrial Relations Code consolidates and amends the laws relating to Trade Unions, conditions of employment in industrial establishment or undertaking, investigation & settlement of industrial disputes & for matters connected therewith or incidental thereto.



## WHAT NEEDS TO BE DONE FOR EFFECTIVE CHANGE MANAGEMENT

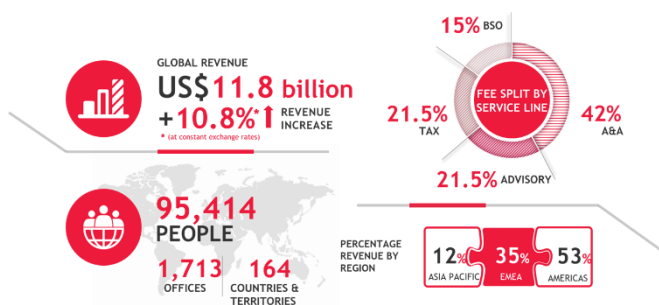
<b>Classification of employees</b>  <ul style="list-style-type: none"> <li>▪ New definition of ‘worker’ covers white collar employees as well</li> <li>▪ Identify employees who would be classified as ‘workers’ and understand additional compliance requirements</li> </ul>	<b>Employees’ compensation structure</b>  <ul style="list-style-type: none"> <li>▪ New definition of ‘wages’ may impact the employee cost and cash in hand of the employees</li> <li>▪ Alignment of salary structure with the new definition of ‘wages’ under the Labour Codes</li> </ul>
<b>Financial impact on employee cost</b>  <ul style="list-style-type: none"> <li>▪ Likely additional cost towards employee benefits - gratuity / leave encashment</li> <li>▪ Identify and quantify the impact on various employee social security and other benefits. Develop cost management strategy</li> </ul>	<b>Contracted / Third party employees</b>  <ul style="list-style-type: none"> <li>▪ Additional compliances for employees employed through contractor / third party</li> <li>▪ Identify impact of contractor related compliances and your obligations of principal employer. Develop compliance management strategy</li> </ul>
<b>HR &amp; payroll policies &amp; compliance</b>  <ul style="list-style-type: none"> <li>▪ Additional HR and Payroll related compliances for the employer</li> <li>▪ Understand the impact of provisions relating to normal working day, rest day and over-time pay. Realign policies and procedures with new codes</li> </ul>	<b>Governance framework</b>  <ul style="list-style-type: none"> <li>▪ Understand the provisions related to employment conditions for workers and women employees to create governance frameworks around the same</li> <li>▪ Support in implementing an effective compliance and governance framework for adherence to provisions of the labour codes</li> </ul>

## HOW BDO INDIA CAN HELP



## ABOUT BDO GLOBAL

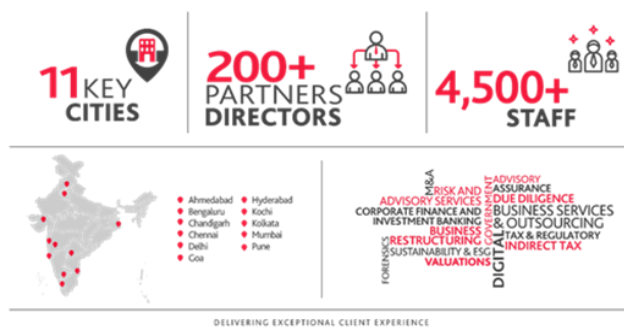
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Note: Financial results are as of 30 September 2021. Countries & territories, Offices and People have been updated as of 14 March 2022

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BDO in India offers Assurance, Tax, Advisory, Business Services & Outsourcing and Digital Services for both domestic and international clients across industries. The team at BDO in India consists of over 4,500 professionals led by more than 200 partners and directors operating out of 14 offices, across 11 key cities.



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