

Impact of New Labour Codes in HR Practices

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Abstract

The consolidation of India's fragmented labour law framework into four comprehensive labour codes the Code on Wages (2019), Industrial Relations Code (2020), Occupational Safety, Health, and Working Conditions Code (2020), and the Code on Social Security (2020) marks a significant transformation in employment regulations. These reforms simplify compliance, expand social security, and enhance transparency while balancing employee rights and employer flexibility. This report examines the implications of the new labour codes for human resource practices across key functions such as recruitment, compensation, employee relations, performance management, training, workplace safety, and exit processes. Using Tata Group as a case example, the study highlights organizational responses, including

payroll restructuring, workforce integration, safety enhancements, and digitization of compliance systems. It also identifies challenges HR managers face in areas like compensation restructuring, union relations, gig worker inclusion, and cost management. The findings suggest that while implementation poses operational and financial hurdles, the labour codes provide an opportunity for HR to move beyond compliance, foster trust, and drive strategic workforce transformation.

Keywords: Labour codes, human resource practices, employee relations, workplace safety, gig workers, industrial relations.

I.INTRODUCTION

Labour laws form the backbone of industrial relation, employee welfare, and organizational compliance for the whole world. In India prior to 2019, the labour law framework was highly complex, with over 40 central laws and more than 100 state laws governing wages, working conditions, industrial relations, and social security. This system often creates confusion, increased compliance costs, and limited the scope of ease business. At the same time, it failed to address the needs of a rapidly changing workforce that included contract workers, women employees, and the gig economy participants.

To bring clarity and modernization, the Government of India merged 29 existing central labour laws into four unified labour codes.

- 1. Code On Wages, 2019**
- 2. Industrial Relations Code, 2020**
- 3. Occupational Safety, Health and Working Conditions Code (OSH), 2020**
- 4. Code On Social Security, 2020**

These codes aim to create a balance between protecting the rights of the workers and providing greater flexibility to employers. They seek to harmonize labour regulations, ensure transparency, promote digitization in compliance, and extend social security benefits to previously uncovered categories of workers such as gig and platform employees.

For a human resource professional, the introduction of new labour codes is not just a matter of legal compliance but a transformative shift in the way it organizes and manages their workforce. Concepts such as compensation management, employee relations, safety, and welfare programs, and workforce planning are directly influenced by the new labour codes. These new codes demand that HR practices evolve from a purely administrative role to a more strategic one, integrating compliance, employee engagement, and organizational efficiency.

The New Labour Codes

Code On Wages, 2019

This code brings together and replaces four earlier legislations the Payment of Wages Act, the Minimum Wages Act, the Payment of Bonus Act, and the Equal Remuneration Act.

The key provisions of code on wages includes:

- **Uniform definition of wages:** At least 50% of an employee's total salary must be treated as basic wages, which significantly impacts CTC structuring.
- **Minimum wages for all employees:** The minimum wage requirement now applies universally, regardless of sector or pay ceiling.
- **Equal pay provisions:** Ensures gender neutral pay, requiring equal remuneration for the same work or work of a similar nature.
- **Timely wage payment:** For firms with fewer than 1,000 workers, wages must be paid within 7 days; for larger firms, within 10 days.
- **Overtime and deductions:** Clear rules have been laid down regarding overtime compensation and permissible salary deductions.

Industrial Relations Code, 2020

This code consolidates the Trade Unions Act, the Industrial Employment Act, and the Industrial Disputes Act into a single framework.

The key provisions of industrial relations code include:

- **Strikes and Lockouts:** All the workers must give a notice before 60 days of the strike, the employer also must follow due procedure before lockouts.
- **Standing Order:** A standing order is mandatory for all the organisations with 300 workers or more. It should cover service rules, termination, misconduct, etc.
- **Fixed Term Employment:** Employees can be hired on a fixed term contract with same pay as permanent employees, expect retrenchment benefits.
- **Grievance Committee:** The presence of grievance redressal committee is must for organisations having 20 or more workers.
- **Trade Unions Recognition:** Provides a framework for identifying negotiating unions or councils.

Occupational Safety, Health and Working Conditions Code (Osh), 2020.

This code integrates 13 different legislations, such as the Factories Act, the Mines Act, the Contract Labour Act, the Inter-State Migrant Workmen Act, and the Plantations Labour Act, among others.

The key provisions of the code include:

- **Working Hours:** Standard working hours are fixed at 8 per day, with a maximum of 48 hours per week.
- **Women in All Jobs:** Women can now work in all categories of jobs, including night shifts, subject to consent and adequate safety measures
- **Health and Welfare:** Mandatory free annual health checkups, canteens, first aid, creches for all the organisations have 50 plus employees.
- **Licensing:** One Nation One License for contractors and organisations operating in multiple states.

Code on Social Security, 2020

This code brings together nine earlier legislations, such as the Employees' Provident Fund Act, the Employees' State Insurance Act, the Payment of Gratuity Act, the Maternity Benefit Act, the Employees' Compensation Act, the Unorganized Workers' Social Security Act, and others including the Cine Workers Welfare Fund Act.

The key provisions of the code include:

- **Coverage Expansion:** To extends social security scheme to gig workers, platform workers, and unorganized workers.
- **Provident Fund:** The benefits such as Provident funds, ESI, Gratuity expanded to wide base of employees by lowering the eligibility thresholds.
- **Gratuity of Long-Term Employees:** Entitled to gratuity on a pro rata basis, without completing minimum 5 years
- **Maternity and government schemes:** Maternity benefits are protected and strengthened. and Aggregator platforms like Uber and Swiggy is required to contribute for their workers welfare funds.

Impact on HR Practices

Recruitment and Hiring

- **Wage Code:** During the hiring stage, HR must design salary packages where the basic component is at least 50% of the overall CTC. This removes earlier practices of inflating allowances to lower PF or gratuity outflows, leading to more transparent offers.
- **Social Security Code:** HR now needs to include gig workers, contract staff, and fixed-term employees in their planning. For instance, gratuity is payable even to fixed-term employees, so HR must budget for these costs from the beginning.
- **Industrial Relations Code:** With standing orders extended to establishments with 300 plus employees, HR must create precise

employment contracts, particularly for fixed-term staff, and clearly outline job responsibilities.

- **OSH Code:** For roles in factories and hazardous sectors, HR must ensure medical fitness tests, age verification, and adherence to working condition norms at the recruitment stage.

Compensation and Benefits

- **Wage Code:** Payroll must now be restructured to follow rules on minimum wages, equal pay, and overtime. This also impacts bonuses, leave encashment, and statutory deductions.
- **Social Security Code:** Benefits such as PF, ESI, gratuity, and maternity leave are now extended to a wider pool of employees. HR must calculate gratuity even for fixed-term staff, regardless of whether they complete five years of service.
- **Industrial Relations Code:** Compensation during layoffs, retrenchment, or strikes must strictly follow statutory guidelines, removing the scope for arbitrary wage changes.
- **OSH Code:** Employers are obliged to provide welfare facilities like canteens, creches, restrooms, and periodic health check-ups, which all fall under HR's benefits management role.

Employee Relations and Union Management

- **Wage Code:** Standardized and transparent salary structures reduce disputes over pay, creating a healthier employer employee relationship.
- **Social Security Code:** Extending welfare benefits to gig and contractual workers improves trust and loyalty among these categories of employees.
- **Industrial Relations Code:** This has the biggest influence unions now require a 60 days strike notice, and grievance redressal committees are mandatory. HR must take an active role in negotiations, communication, and conflict resolution.
- **OSH Code:** By ensuring better safety and health measures, HR can improve employee morale and reduce conflicts linked to unsafe conditions.

Performance Management

- **Wage Code:** Performance incentives need to be structured separately from statutory wages, since at least half of the CTC must count as basic pay.
- **Social Security Code:** With gig and contract workers covered under social security, HR must track and evaluate performance for these non-traditional workers as well.
- **Industrial Relations Code:** Transparent appraisal systems are essential to avoid grievances or disputes in unionized workplaces.

- **OSH Code:** Safety-related practices are now part of employee KPIs, such as compliance with health checks, use of PPE, and safe working behaviour.

Training and Development

- **Wage Code:** Employees must be trained to understand new wage structures, payroll transparency, and their rights under the code.
- **Social Security Code:** Training is needed for gig and contract workers so they know how to access benefits, file claims, and use welfare schemes.
- **Industrial Relations Code:** Managers require training in handling disputes, negotiations, and effective communication with unions.
- **OSH Code:** Safety and health-related training such as fire drills, first aid, emergency response, and use of protective gear has become mandatory, especially in industries with higher risks and for night-shift workers.

Workplace Safety and Welfare

- **Wage Code:** Overtime must be compensated properly, and HR must monitor excessive work hours as part of employee welfare.
- **Social Security Code:** Expands maternity, gratuity, and insurance benefits, requiring HR to build stronger wellness and insurance programs.
- **Industrial Relations Code:** Any concerns around unsafe workplaces now fall under grievance mechanisms, which HR must oversee and resolve.
- **OSH Code:** Directly governs safety HR must ensure compliance with working hours, women's safety during night shifts, medical examinations, contractor safety, and welfare amenities like restrooms and childcare.

Employee Exit and Retrenchment

- **Wage Code:** At separation, HR must ensure prompt settlement of wages, unpaid bonuses, and other dues.
- **Social Security Code:** Final settlements must include gratuity and provident fund, even for fixed-term employees or those with shorter service periods.
- **Industrial Relations Code:** Retrenchment now requires government approval only if the workforce exceeds 300 employees, but HR must still follow due process with layoffs, closures, and severance.
- **OSH Code:** Exit procedures in hazardous industries require medical checks, and HR must maintain proper compliance records for inspections.

Impact of New Labour Codes on HR Practices at Tata Group

Introduction

The Tata Group, one of India's largest conglomerates, operates across industries including steel, automobiles, IT services, consumer goods, retail, airlines, and e-commerce. With over 900,000 employees worldwide, its human resource policies must address diverse workforce requirements. The introduction of the four New Labour Codes - Code on Wages, Industrial Relations Code, Social Security Code, and the Occupational Safety, Health, and Working Conditions Code brought significant changes to HR management in the country. Being a diversified employer, Tata Group provides an ideal example of how organizations are adapting their HR practices to comply with the new labour laws.

Compensation and Payroll Restructuring

The Wage Code introduced a uniform definition of wages, where basic pay must be at least 50% of total compensation. For Tata Consultancy Services (TCS) and other IT divisions, this required a restructuring of salary structures. Earlier, many allowances were used to make compensation flexible, but under the new rule, allowances cannot exceed 50% of total pay.

HR Response at Tata Group:

- Restructured compensation policies across subsidiaries to comply with the uniform wage definition.
- Shifted focus toward long-term benefits like Provident Fund and gratuity even though this reduced short-term take-home salaries.
- Deployed centralized payroll software for standardized salary compliance across diverse industries.

Workforce Flexibility and Industrial Relations

The Industrial Relations Code increased the threshold for prior government approval in retrenchment and closure from 100 workers to 300. For labour-intensive companies such as Tata Steel and Tata Motors, this allows greater operational flexibility during restructuring or automation initiatives.

HR Response at Tata Group:

- Updated retrenchment and severance policies in line with the new code.
- Established joint worker councils and communication forums to proactively address employee concerns and reduce the risk of disputes.
- Trained HR managers to manage union relations in a more collaborative way, since strikes now require a 60-day notice period.

Inclusion of Gig and Platform Workers

The Social Security Code expands the safety net to include gig and platform workers. For Tata's digital businesses such as Big Basket, Tata Neu, and Tata 1mg, thousands of delivery personnel and contractual workers now fall under mandatory social security schemes.

HR Response at Tata Group:

- Created digital databases of gig and contract workers for registration under social security provisions.
- Extended benefits like insurance, provident fund contributions, and welfare fund access to delivery workers.
- Enhanced HR's role in managing non-traditional workforces, ensuring compliance while improving worker loyalty and retention.

Workplace Safety and Gender Inclusivity

The OSH Code emphasizes safety, health checks, and working conditions across establishments. For Tata Steel, Tata Chemicals, and Tata Power, which already had strong safety records, the code required greater digital monitoring of workplace accidents and compliance reporting. For service industries like TCS and Tata Starbucks, provisions relating to women working night shifts required enhanced safety protocols.

HR Response at Tata Group:

- Digitized health and safety records to comply with new reporting standards.
- Introduced enhanced transport facilities and security arrangements for women employees working late hours in IT and retail outlets.
- Strengthened wellness programs and periodic health check-ups in manufacturing plants.

Technology and Compliance Integration

The labour codes encourage digitization of compliance and employee records. For a conglomerate as vast as Tata Group, aligning reporting standards across subsidiaries is a complex HR task.

HR Response at Tata Group:

- Implemented centralized HRIS systems across group companies to standardize compliance monitoring.
- Trained HR staff in digital compliance, labour identification numbers (LIN), and real-time employee data management.
- Enhanced transparency in HR reporting to regulators, unions, and employees.

Challenges of HR Manager

Compensation Restructuring and Employee Reactions

- The Wage Code requires basic pay to be at least 50% of total wages.
- HR managers face challenges in redesigning salary structures across levels and business units.
- Many employees are concerned about reduced take-home pay due to higher PF and gratuity contributions.
- HR must balance compliance with employee satisfaction while communicating changes clearly

Managing Workforce Flexibility Vs. Job Security

- The Industrial Relations Code provides more flexibility in retrenchment (threshold raised to 300 workers).
- While this benefits employers, it may create job insecurity among employees.
- HR managers must develop trust-building initiatives and ensure transparent communication with unions and staff to prevent industrial unrest.

Integration of Gig and Contract Workers

- The Social Security Code extends benefits to gig and platform workers.
- HR departments must now track, register, and manage thousands of non-traditional workers such as delivery executives or seasonal staff.
- This creates challenges in terms of cost allocation, system upgrades, and equitable treatment between permanent and gig workers.

Compliance and Documentation Burden

- Although the codes aim to simplify, initial implementation requires overhauling HR processes, policies, and record-keeping.
- HR managers must digitize compliance systems, train staff, and ensure accuracy across multiple state jurisdictions.
- Small errors can lead to penalties, legal disputes, or reputational damage

Health, Safety, and Inclusivity Requirements

- The OSH Code requires regular health check-ups, accident reporting, and better workplace conditions.
- HR must invest in health & safety infrastructure, periodic audits, and wellness programs, which may raise costs.
- Special provisions for women in night shifts require logistical support (transport, security, facilities), adding new HR responsibilities.

Cost Implications and Budgeting

- Mandatory contributions to PF, gratuity, and social security funds increase the overall cost of employment.

- HR managers must justify these costs to management while ensuring that employee morale remains high.
- Budget realignment is especially challenging in sectors with thin profit margins (retail, logistics, startups).

Change Management and Communication

- Employees, unions, and management often perceive new codes differently.
- HR managers must act as change leaders, explaining the long-term benefits while addressing immediate concerns.
- Poor communication may result in resistance, mistrust, or industrial disputes.

II. CONCLUSION

The introduction of the New Labour Codes represents a landmark reform in India's employment framework, aimed at simplifying and modernizing existing labour laws. By consolidating multiple legislations into four codes, the government has created a more unified system that affects every stage of the employee lifecycle. For HR managers, this shift has transformed compliance into a more strategic and employee-centric responsibility.

Each code carries distinct implications: the Wage Code demands restructuring of compensation policies, the Industrial Relations Code offers employers greater flexibility while requiring stronger dispute management, the Social Security Code extends welfare to gig and platform workers, and the OSH Code reinforces workplace safety and inclusivity. These changes directly influence HR practices in recruitment, payroll, performance management, training, and industrial relations.

While organizations like Tata Group showcase how adapting to the codes can create fairer and more structured workplaces, HR managers also face challenges in cost management, compliance implementation, and employee communication. Overall, the new codes should be seen not only as a regulatory requirement but also as an opportunity for HR to modernize practices, build trust, and create resilient and future-ready organizations.

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