

## **Does the notification of the Labour Codes call for immediate action on the part of the employers?**

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After around five years of having been kept in the cold storage, the four Labour Codes were notified by the Central Government on 21.11.2025. Despite such notification, crucial laws such as the Industrial Disputes Act, 1947 have still not been repealed. While the rules under the Codes had already been framed by the Central Government, they were not notified along with the Codes themselves. On 31<sup>st</sup> December, 2025, the Central Government again pre-published its draft rules for all the four codes. The Government has invited suggestions and objections on the rules from all stakeholders within 45 days, except in the case of the Industrial Relations (Central) Rules, 2025, for which a timeline of 30 days has been provided.

With the Codes having been implemented and the Rules having not been finalised yet, the question which looms writ large in the minds of the employers is to what extent are the provisions of the Codes to be complied with and whether such compliance needs to be immediate.

### **Compliance with the substantive provisions is to be carried out forthwith**

The Codes, having been notified with effect from 21.11.2025, are in force and do not really require any support of subordinate legislation (such as rules, schemes, regulation etc.), unless otherwise specified. Unlike contemporary laws, such as the Digital Personal Data Protection Act, 2023, the Codes do not provide any timeline for compliance. Examples of a few provisions which need to be acted upon immediately are as follows:

- Payment of wages within two days of resignation or cessation from employment.
- Display of an abstract of the Wage Code, category-wise wage rates of employees, wage period, day or date and time of payment of wages.
- Gratuity is to not be paid only on Basic + DA, but on the new definition of “wages”. Further, gratuity is to be paid to fixed-term employees (FTEs) after one year of service.
- Benefits, commensurate to those provided to the permanent employees, are to be offered to the FTEs.
- Leaves and their encashment (yearly and at the time of cessation of employment) are to be granted as per the Codes.

In the FAQs released by the Government on 30<sup>th</sup> December, 2025, it has been stated that gratuity will be applicable w.e.f. 21st Nov, 2025 i.e. date of enforcement of the Code on Social Security, 2020. It is crucial to note that the apprehensions of stakeholders have been dealt with by the Central Government by treating performance incentives as exclusions and

removing Employees' Stock Option Plans (ESOPs) and telephone reimbursements from the definition of "wages" for the purposes of calculating gratuity.

#### **Status Quo is to be maintained for certain aspects**

All the four Codes contain a saving clause whereby the rules, notifications, schemes etc. made under the repealed labour laws will continue to operate, insofar as they are not inconsistent with the Codes, till such time they are replaced. This sentiment was also echoed in a Press Release of the Ministry of Labour and Employment wherein it was stated that, "During transition, the relevant provisions of the existing labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force."

Therefore, crucial aspects which do not find explicit mention under the Codes, like wage eligibility for payment of bonus (Rs.21,000/- pm), statutory ceiling on ESI (Rs.21,000/- pm) and PF (Rs.15,000/- pm), and the maximum statutory gratuity liability (Rs.20,00,000/-) will remain as they are.

#### **Rules are awaited for all other aspects**

Actual statutory compliance, including obtaining registrations/licenses and maintenance/submission of registers, forms and returns, cannot be carried out till the Rules are notified. Other mandatory requirements, such as certification of standing orders for establishments and constituting the Grievance Redressal Committees, also directly depend upon the Rules.

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