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## India's Labour Law & Employment Regulations

### Overview

India is the world's most populous democracy and the 5<sup>th</sup> largest economy by nominal GDP ([World Bank, 2026](#)). With a young, skilled, and English-speaking workforce, India has become a global hub for technology, services, manufacturing, and innovation. The country recorded a GDP growth rate of 6.5% ([IMF, 2026](#)).

Today, India is home to over 1.48 billion people ([IMF, 2026](#)), representing a vast diversity of cultures, languages, and religions. The country has a rapidly modernising healthcare and social security system, with initiatives like Ayushman Bharat and the Employees' State Insurance (ESI) scheme.

India is aggressively expanding its international trade footprint through new Comprehensive Economic Partnership Agreements (CEPAs) and Free Trade Agreements (FTAs) to boost exports and investment. Recent major deals include the historic 2026 India-EU FTA, the 2024 India-EFTA TEPA, and pacts with Australia (ECTA) and the UAE.

### Basic Country Facts



**Capital**  
New Delhi



**Population**  
1.48 billion  
[IMF](#)



**Currency**  
Indian Rupee (INR, ₹)



**GDP per Capita**  
USD 2,810 (as of 2026)  
[IMF](#)

# Labour Law & Employment Regulations

## Workplace Law

India has recently implemented a major overhaul of its employment framework, consolidating 29 central labour laws into four comprehensive Labour Codes as of 21 November 2025. This reform aims to simplify compliance, modernise pre-Independence regulations, and extend social security to the modern workforce.

## The Four New Labour Codes

Code	Key Laws Subsumed	Major Highlights
<b>Code on Wages, 2019</b>	Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act, Equal Remuneration Act	Establishes a National Floor Wage; mandates equal pay for equal work across all genders; ensures universal minimum wages for all sectors.
<b>Industrial Relations Code, 2020</b>	Industrial Disputes Act, Trade Unions Act, Industrial Employment (Standing Orders) Act	Raises the threshold for layoffs without government approval to 300 workers; formalises Fixed-Term Employment (FTE) with benefit parity.
<b>Code on Social Security, 2020</b>	EPF Act, ESI Act, Maternity Benefit Act, Gratuity Act, Unorganised Workers' Social Security Act	Extends social security to gig and platform workers; reduces gratuity eligibility for FTEs to one year (down from five); introduces Aadhaar-linked universal accounts.
<b>Occupational Safety, Health and Working Conditions Code, 2020</b>	Factories Act, Contract Labour Act, Mines Act, Plantation Labour Act	Caps work shifts at 8–12 hours (max 48 hours/week); mandates appointment letters for all; requires free annual health checkups for workers over 40 years of age.

## Criminalising Wage Underpayments and Other Issues

Under the Code on Wages, 2019, payment of less than the minimum wage or delayed wages can result in:

- Fines of up to ₹50,000 for first offence.
- Imprisonment of up to 3 months or fine up to ₹1 lakh or both for subsequent offences.
- Prosecution of employers for wilful non-compliance.

## Social Security Contributions

Employer contributions (as a percentage of basic + dearness allowance, subject to wage ceilings):

Scheme	Contribution (% of wages)	Wage Ceiling (monthly)
<b>Employee's Provident Fund (EPF) A/C 1</b>	3.67% + 12% (depending on scheme)	₹15,000
<b>Employee's Pension Scheme (EPS) A/C 10</b>	8.33%	₹15,000
<b>Employees' Deposit Linked Insurance (EDLI)</b>	0.5%	₹15,000
<b>Employees' State Insurance (ESI)</b>	3.25%	₹21,000

## Employee Contributions

- EPF: 12% of wages (or 10% for certain establishments)
- ESI: 0.75% of wages

## Payment Deadlines

- EPF & ESI contributions must be deposited by the 15th of the following month.
- Late payment attracts interest (12% p.a. for EPF) and penalties.

## New 'Payday' Compliance

Starting FY 2026–27, the government is piloting real-time reporting of wages and social security contributions through the e-SHRAM and Aadhaar-linked payment gateways.

## Employee Entitlements and Protections

Employees in India are covered by a combination of:

Labour Codes / Laws	Standing Orders (State-level)	Establishment-specific Policies	Employment Contracts
Set minimum wages and working conditions	Model standing orders apply to industrial establishments	Company handbooks and HR policies	Provide additional benefits
Include statutory social security	Cover work hours, leave, discipline, termination	Negotiated through employee consultations	Cannot reduce minimum statutory benefits

## The National Minimum Wage

As of April 2026, the national floor level minimum wage is **₹375 per day (approx. ₹9,750 per month)**. States may fix higher minimum wages based on scheduled employments.

## Summary of Key Statutory Entitlements (per Labour Codes)

Entitlement	All Employees (except certain exempt categories)	Gig/Platform Workers (in select states)
<b>Annual Leave</b>	✓ 1 day per 20 days worked (approx. 15–18 days/year) (varies by state).	✗ Not yet mandated nationally; Rajasthan and Karnataka have proposed bills.
<b>Sick Leave</b>	✓ 6–12 days paid leave each year (varies by state).	✗ Not mandated.
<b>Casual Leave</b>	✓ 6–12 days paid leave each year (varies by state).	✗ Not mandated.
<b>Maternity Leave</b>	✓ 26 weeks for first two children; 12 weeks for third; 180 days mandatory for entitlement.	✗ Not covered under national law.
<b>Paternity Leave</b>	✓ 15 days (central government); private sector optional.	✗ Not mandated.
<b>Parental Leave</b>	✓ Not mandated under national law; may be provided at employer discretion.	✗ Not applicable.

Entitlement	All Employees (except certain exempt categories)	Gig/Platform Workers (in select states)
<b>Maximum Working Hours</b>	✓ 9 hours per day / 48 hours per week. Overtime at double rate.	✓ Varies by state; no overtime mandate.
<b>Public Holidays</b>	✓ 3 national + up to 8 state-declared holidays (paid).	✓ Unpaid unless specified.
<b>Notice of Termination</b>	✓ 1 month (monthly-rated workmen) or as per contract for non-workmen.	✓ No statutory notice period.
<b>Retrenchment Compensation</b>	✓ 15 days wages per completed year of service (workmen in establishments with 100+ workers).	✗ Not applicable.
<b>Gratuity</b>	✓ 15 days wages per year of service (after 5 continuous years) and for fixed-term employees after 1 year.	✗ Not applicable.
<b>Fixed-term Employment</b>	✓ All statutory benefits same as permanent workers.	✗ Not applicable.
<b>Probation Period</b>	✓ 3 months, extendable by another 3 months.	✗ Not applicable.

## Employment Contract

An employment contract in India can be written or oral, but written contracts are mandatory under the Industrial Relations Code for establishments with 100+ workers.

- Permanent: Regular, continuous employment with all statutory benefits.
- Fixed-term: Contract for a specified period; entitled to the same benefits as permanent (including gratuity after 1 year if extended).
- Casual/Temporary: Hired for short-term requirements; generally no paid leave or gratuity.
- Contract labour: Engaged through a contractor; principal employer has certain compliance obligations under the Contract Labour (R&A) Act.

Note: Probation period (commonly 3–6 months) is allowed but not defined in central codes; state rules apply.

## Statutory Contributions

### 1. From Employer

- EPF: 3.67%
- EPS: 8.33%
- EDLIF: 0.5%
- Admin charges: 0.5%
- Gratuity fund: actuarial provision, paid upon exit
- Professional Tax: ₹200–2,500/month (state-dependent)
- Labour Welfare Fund: nominal amount (state-dependent)

### 2. From Employee

- EPF: 12% of wages (or 10% for certain establishments)
- ESI: 0.75% of wages
- Income Tax (TDS): deducted as per IT slabs (no tax on income up to ₹3 lakh; progressive rates up to 30%)
- Professional Tax: as applicable

## Work Health and Safety

The Occupational Safety, Health and Working Conditions Code, 2020 (OSH Code) applies to establishments with 10+ workers (or lower for hazardous industries).

Key obligations:

- Duty of employer: Provide a safe workplace, free from hazards, with adequate ventilation, sanitation, and drinking water.
- Factory license: Required for manufacturing units.
- Safety committees: Mandatory for establishments with 250+ workers.
- Annual health check-ups: For certain hazardous industries.

Workers' compensation is covered under the Employees' Compensation Act, 1923 (soon to be subsumed under the Social Security Code). Compensation is payable for:

- Death: 50% of monthly wages × relevant factor (min. ₹1.2 lakh).
- Permanent total disablement: 60% of monthly wages × factor.
- Medical expenses fully reimbursed.

### Worker Duties

Employees must take reasonable care of their own safety and that of others, use provided safety equipment and not wilfully cause damage to safety devices.

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