The New Labour Codes And Their Impact On Global Capability Centres

As is widely known, 29 separate central labour statutes, each with its own definitions, thresholds and procedures have now been repealed and consolidated into 4 Codes: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Occupational Safety, Health and Working Conditions Code, 2020; and the Code on Social Security, 2020 (together, the "**Codes**"), which came into force on 21 November 2025.

Central rules under all 4 Codes were subsequently notified on 8 and 9 May 2026, operationalising the Codes at the central level. However, several states, including some with large global capability centre ("**GCC**") clusters, are yet to notify their own state-specific rules, and therefore several of the erstwhile positions continue to apply.

This note sets out (I) how the new regime differs from the old one and its impact on the GCCs, and (II) how compliance risk needs to be factored in across the different models of GCCs.

I. Comparison Between The Old And The New Regime And Its Impact On GCCs

1. Restructuring of Wages

Under the old regime, "wages" was defined separately and inconsistently across several statutes. Under the new regime, wages are defined only under the Code on Wages, 2019, as basic pay, dearness allowance and retaining allowance, plus other components (including house rent allowance and conveyance allowance) where and to the extent these exceed 50% of total remuneration. For GCCs, this means compensation structures where basic pay has been kept low relative to allowances will need to be reviewed. Provident fund and gratuity liabilities will rise wherever the 50% threshold brings allowances into wages, increasing statutory provident fund and gratuity contributions. Total cost-to-company will typically rise as a result, unless fixed and variable pay components are restructured to offset the change.

2. Full and Final Settlement

Previously, the 2 working day payment deadline applied only where the exit was employer initiated (discharge, dismissal, retrenchment) or the establishment closed; no equivalent statutory deadline applied to a resignation. Under the new regime, all wages must be paid within 2 working days of the last working day regardless of whether the exit is a resignation, termination or retrenchment. This deadline applies to wages as newly defined and gratuity, provident fund and other dues continue to follow their own separate statutory timelines. GCCs must now ensure they process exit payments within 2 working days even for voluntary resignations.

3. Worker/Workman Classification and Retrenchment Risk

"Workman" under the Industrial Disputes Act, 1947 excluded managerial/administrative staff and supervisors earning above INR 10,000/month. The Industrial Relations Code, 2020 ("**IR Code**") replaces this with "worker" raising the supervisory threshold to INR 18,000/month, with retrenchment now governed under Chapter IX/X of the IR Code. The bigger shift for GCCs is procedural: prior government permission for retrenchment, lay-off or closure now kicks in at 300 workers (up from 100), giving smaller GCCs more flexibility, though they must apply retrenchment procedure to a wider band of technical/supervisory staff and notice and compensation obligations remain unchanged.

4. Gratuity for Fixed Term Employment

Previously, gratuity followed the ordinary 5 year rule under the Payment of Gratuity Act, 1972, with no parity requirement for fixed term staff. Section 2(o) of the IR Code now entitles fixed term employees to the same wages, hours and benefits as comparable permanent staff, and Section 53 of the Code on Social Security, 2020 ("**Social Security Code**") waives the 5 year rule for them, with gratuity paid pro-rata after 1 year. GCCs relying on fixed term specialists should budget for gratuity after year 1 and can no longer use back-to-back contracts to avoid it. This is a particular cost driver where such hiring runs through a Service Provider, since the added cost is typically passed through under the Service Agreement.

5. Night Work for Women

Section 66(1)(b) of the Factories Act, 1948 generally barred women from working between 7 p.m. and 6 a.m., subject to varying state-specific exemptions. Section 43 of the Occupational Safety, Health and Working Conditions Code, 2020 ("**OSH Code**") now permits women to work these hours nationally, with their consent and subject to prescribed safety conditions. GCCs running round-the-clock shifts get a single national standard instead of tracking state-level exemptions, though the earlier state-specific position may still apply where a state hasn't yet notified its OSH Code rules.

6. Contract Labour Licensing

The Contract Labour (Regulation and Abolition) Act, 1970 set a licensing threshold of 20 workers (50 in a few states). The OSH Code raises this to 50 workers nationally, with a single licence valid across multiple states. GCCs and vendors deploying contract staff for facilities, security or support functions benefit from the higher threshold and reduced multi-state licensing burden, though the earlier state-specific position may still apply where OSH Code rules haven't been notified.

7. Gig and Platform Workers

Gig and platform workers previously had no statutory recognition and their welfare arrangements were voluntary or purely contractual. The Social Security Code recognises them for the first time. Section 113 requires their registration and Section 114 requires aggregators to contribute 1–2% of annual turnover (capped at 5% of amounts paid to such workers) to a social security fund. GCCs engaging freelance or platform talent must now factor in registration and check whether the GCC or an intermediary vendor qualifies as an "aggregator".

8. Appointment Letters

Previously there was no central requirement for appointment letters and many employers relied on offer letters or emails. Section 6(1)(f) of the OSH Code makes a written appointment letter mandatory for every employee, with existing employees to be issued one within 3 months of the OSH Code's commencement. GCCs relying on offer letters or emails must now issue formal appointment letters across their workforce, including retrospectively. This is an immediate HR documentation exercise.

II. New Regime - Compliance Responsibility By GCC Models

In our earlier discussion on the various models of GCCs [available here], we examined the structural choices available to multinational group companies setting up GCCs in India, ranging from captive centers to managed services, with hybrid models offering a middle path. The "**Multinational Group**" denotes the foreign multinational for whose benefit the GCC operates. The "**Service Provider**" refers to an Indian independent entity engaged to establish, operate or support the GCC under the relevant model. Depending on the model adopted, a service agreement would be required to govern the relationship between the Multinational Group and the Service Provider, particularly in the Managed Services, Build-Operate-Transfer, Hybrid and Shared Services Models ("**Service Agreement**"). The analysis below sets out how the compliance is distributed across different models of GCC under the new labour regime.

1. Captive Centre, Centre of Excellence and Shared Services Models

In each of these models, the Indian entity is the direct employer of record for its workforce. It therefore bears direct compliance responsibility across all 8 areas identified above, i.e., wage restructuring, full and final settlement, worker classification and retrenchment risk, gratuity for fixed term staff, night work for women, contract labour licensing, gig/platform worker engagement and appointment letters with no third-party or Service Provider dependence.

2. Managed Services Model

The Service Provider is the direct employer and bears front-line compliance responsibility across all eight areas, but the cost and risk of that compliance flow to the Multinational Group only indirectly, through the Service Agreement. GCCs on this model should ensure that the Service Agreement (i) requires the Service Provider to certify and be contractually liable for compliance wherever applicable, (ii) specifies who verifies the Service Provider's contract labour licence, and (iii) makes compliance mandatory for any freelance or platform talent the Service Provider or Multinational Group engages for the GCC.

3. Build-Operate-Transfer (BOT) Model

Compliance responsibility splits at the transfer date. Pre-transfer, the Service Provider bears the risk and cost including retrenchment risk and gratuity cost on its project-based hiring. Post-transfer, the Indian entity takes over directly, including in respect of transferred employees, making the transfer date itself the key compliance milestone to document and diligence.

4. Hybrid Model

Compliance runs on two tracks within the same GCC: the Indian entity is directly responsible for its core staff, while the Service Provider (under the Service Agreement) is responsible for non-core staff and functions. GCCs on this model should ensure the Service Agreement clearly delineates "core" from "non-core" roles, since that boundary determines which party bears each of the 8 compliance areas.

Conclusion

This note sets out how the 4 Codes differ from the 29 statutes they replace, and how compliance responsibility under the new regime is distributed across the 6 models of GCCs, which fall into 4 distinct compliance patterns depending on who employs the workforce and whether that responsibility shifts over time. While the substantive obligations remain the same regardless of the model adopted, the party responsible for compliance, and the point at which that responsibility shifts, varies significantly. GCCs should accordingly assess their compliance posture against the specific model they operate under and carry out the required obligations.

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