



THE COMPLIANCE WATCH

QUALITY | WILL TO WIN | BUILDING & LEVERAGING RELATIONSHIPS

NEWSLETTER EDITION | FEBRUARY 2026

THIS ISSUE AT A GLANCE

UCS POV | ANALYSIS OF "CORE LABOUR" AND CLASSIFICATION OF CONTRACT LABOUR UNDER THE OSHWC CODE, 2020

LABOUR CODE ROLLOUT LOOMS LARGE OVER MARGINS OF IT FIRMS

DEFINITION OF WAGES UNDER THE NEW LABOUR CODE, ITS IMPACT

EPFO COVERAGE ALERT: 6-MONTH SPECIAL WINDOW FOR EMPLOYERS TO ENROL LEFT-OUT EMPLOYEES

ESIC BENEFITS WIDEN UNDER NEW LABOUR CODE 2025— WHO GAINS NOW

LABOUR CODES: INDIA INC WORKING ON STRATEGIES TO COMPLY WITH NEW EMPLOYEE BENEFITS NORMS

LABOUR CODE: COMPANIES' Q3 NUMBERS TO REFLECT HIGHER GRATUITY

GIG WORKERS' ACT: KARNATAKA TO IMPOSE 1 TO 1.5% WELFARE FEE ON AGGREGATORS?

NEW LABOUR CODES TARGET JOB GROWTH, BUT SKILL GAP MAY LIMIT IMPACT

EPF ATM, UPI WITHDRAWAL RULES: EMPLOYEES CAN SOON WITHDRAW 75% PF THROUGH ATM, SAYS MINISTER

EPF WITHDRAWALS VIA UPI BY APRIL; LIKELY INITIAL CAP AT RS 25,000 PER TRANSACTION



UCS POV | ANALYSIS OF “CORE LABOUR” AND CLASSIFICATION OF CONTRACT LABOUR UNDER THE OSHWC CODE, 2020

- BALA HARISH
VICE PRESIDENT

The OSHWC Code, 2020 establishes a framework to distinguish between simple labour supply and genuine service delivery. This distinction does not rest merely on terminology; it depends on the nature of the activity, the structure of the engagement, and where supervision and control actually sit.

Section 57 prohibits the use of contract labour in the "core activities" of an establishment. However, the Code recognises that an absolute prohibition is impractical and therefore provides three statutory exceptions:

1. Non-continuous Requirement: The work does not require full-time staff for most of the time.
2. Intermittent Activity: The task is inherently intermittent.
3. Surge Capacity: There are sudden, time-bound spikes in workload.



Under Section 2(m) of the OSHWC Code, “contract labour” refers to a worker hired by or through a contractor in connection with the work of an establishment, and includes inter-State migrant workers. However, the definition expressly excludes any worker (other than a part-time worker) who:

- is regularly employed by the contractor for the contractor's own establishment;
- is governed by mutually accepted employment standards, including permanent engagement; and
- receives periodic increments, social security coverage, and other statutory welfare benefits.

This exclusion operates as a statutory firewall only where the contractor is an independent establishment carrying on its own business activity and retains substantive supervisory, disciplinary, and operational control over its workforce. In such cases, the personnel remain the regular employees of the contractor and are not, merely because they are deployed at a client site, treated as “contract labour” of the principal employer for the purposes of Section 57.

However, this exclusion cannot be triggered by documentation alone. The mere issuance of appointment letters, payment of wages, or extension of statutory benefits will not remove an arrangement from the scope of “contract labour” if, in practice, the personnel are integrated into the principal employer's organisation and work under its day-to-day direction and control. Courts and enforcement authorities will examine the real nature of supervision, work allocation, performance management, and economic integration, rather than relying on the contractual form.

Actionable Advice for Clients

To sustain a compliant service model, the engagement must be structured correctly:

- Deliverables: Shift from manpower supply to outcome-based service delivery.
- Supervision: Operational supervision and performance control must remain with the contractor.
- Mobility: Employment agreements should expressly document the contractor's exclusive right to transfer or redeploy staff.

Bottom Line

The OSHWC Code aims to curb disguised manpower supply. Companies that blur the distinction through weak documentation or direct management of third-party staff face heightened compliance risks. Those that maintain a clear “master-servant” relationship between the contractor and its employees will remain within the Code's statutory safe harbour.



LABOUR CODE ROLLOUT LOOMS LARGE OVER MARGINS OF IT FIRMS

Software services firms are feeling the pinch of India's new labour codes on their margins as they start making provisions for the new accounting system.

Operating margins have compressed by 70–210 basis points at Tata Consultancy Services (TCS), Infosys, and HCLTech after the companies took combined one-time provisions of Rs 4,373 crore in the recent quarter to account for past service costs. However, this is likely to result in recurring inflation of wage bills by 3–5%, potentially impacting the upcoming increment cycle, experts said.

To be sure, although the four labour codes have been passed, key rules, especially those on wage definition, accounting treatment of past service costs, provident fund, gratuity, leave encashment, and overtime are still under public consultation, with several states yet to notify their own rules. Since labour is a subject under the Concurrent List, companies are waiting for clarity from both the Centre and states before restructuring salaries.

Companies are also yet to begin informing staff on new salary structures since the rules under the new labour codes are still under public consultation. Industry bodies, including the Confederation of Indian Industry (CII), have sought multiple clarifications, particularly on the accounting treatment of wage restructuring and employee benefit liabilities.

According to estimates by brokerage firm Jefferies, a 2% rise in employee costs could shave off 2–4% from future fiscal-year earnings for IT companies.

"The annual wage bill is likely to increase by approximately 3–5% on a recurring basis once the new structures are fully embedded," said Deepti Thakkar, lead – employment and HR laws practice at law firm Nishith Desai Associates. "Given the calculation based on the revised definition of wages, the wage base is likely to double for many employees, with analysts estimating an approximately 25–50% jump in gratuity reserves for companies," she said.

The basic component is likely to double for many employees, also causing an increase in payouts for provident funds (PF). This means take-home salaries could also see a sharp dip, especially at senior levels, and could be between Rs 15,000–35,000 per month due to higher taxes and PF cuts, depending on allowances and structuring, she explained. "However, this outcome is not universal and will depend on how PF is applied (e.g., actual basic vs. capped at Rs 15,000) and on the existing compensation structure of the employer," she said.

Kamal Karanth, co-founder of specialist staffing firm Xpheno, said IT firms have started making provisions for the higher costs and will have to change their salary structures for implementing the new labour codes.



"Once implemented, employees are likely to see an appropriate drop in take-home pay, which companies may need to partially offset through higher increments in the next appraisal cycle," he said. "However, given the intense pricing pressure in the industry, it is unlikely that IT firms will be able to pass on the higher wage costs to clients."

The government consolidated 29 labour laws into four labour codes, once effective, changing how wages and employee benefits are calculated. Under the new rules, 'wages', which include basic pay and dearness allowance, must account for at least 50% of total compensation. For IT firms, this has two key impacts—the one-time effect of restructuring salaries, and recurring costs related to gratuity and leave encashments.

Provident fund (PF), gratuity, and leave encashment will now be calculated on a higher wage base, which will increase these contributions by 27–70% at IT companies, Jefferies estimates.

For employees, the immediate effect is likely to be felt in lower monthly take-home pay, especially at senior levels. As the basic salary component rises to meet the 50% requirement, PF and gratuity deductions increase. Jefferies estimates that in-hand pay could fall by 4–6% if companies continue to contribute PF at 12% of wages.

To soften the impact, IT firms are expected to moderate future salary hikes, particularly for senior employees, effectively using increments to offset the higher statutory deductions rather than deliver real pay increases. Some companies may also explore contributing PF only up to the statutory ceiling of Rs 15,000 a month, subject to legal clarity.

The new labour codes also involve additional costs by requiring companies to allow annual encashment of unused leave beyond 30 days and extending gratuity eligibility to fixed-term employees, further raising long-term benefit obligations. Fixed-term employees (subcontractors) will now be eligible for gratuity after one year.



“In the professional IT staffing and GCC sectors, we are seeing a strategic realignment of salary stacks as the definition standardizes wages across various labour laws,” said Kapil Joshi, CEO at Qness IT Staffing.

“The IT staffing industry has already moved toward high-efficiency models. Any marginal increase in statutory costs is being offset by operational efficiencies, digital transformation of HR processes, and the ‘Ease of Doing Business’ that these consolidated codes provide,” he said.

Source - *The Economic Times*



DEFINITION OF WAGES UNDER THE NEW LABOUR CODE, ITS IMPACT

The new Labour Code, which was notified recently, has for the first time introduced a single, universal definition of wages. The long-awaited clarification is expected to significantly impact salary structuring, social security contributions, and compliance obligations for both employers and employees. The new definition is designed to harmonise decades of inconsistencies in how wages were interpreted under various labour laws, ranging from provident fund and gratuity to bonus and maternity benefits. Under the revised definition, wages include basic pay, dearness allowance, and retaining allowance—forming the core compensation payable in monetary terms for work performed. However, the code also lists several components that will not be considered part of wages, including bonus (not part of employment terms), employer PF or pension contributions, HRA, conveyance allowance, overtime, commission, gratuity, retrenchment compensation, and the value of certain amenities like housing, water, light, or medical attendance.

50% cap

A key reform is the introduction of a 50% cap on excluded allowances. If allowances such as HRA, overtime, and commission together exceed 50% of an employee’s total remuneration, the excess amount will automatically be added back to wages. This is expected to curb the long-standing practice of companies keeping the basic pay low and allocating a larger portion of salaries under allowances to reduce statutory liabilities like provident fund contributions.



Pooja Ramchandani, Partner at Shardul Amarchand Mangaldas & Co., said the change would be far-reaching, especially for senior employees. “The key implication of the revised definition of wages will be in relation to the manner in which the salaries of employees, especially higher-level employees, are structured. It is market practice to keep the basic pay of employees low, with a larger portion of the salary being categorised as other remuneration... With the advent of the Code, one will need to ensure that allowances forming part of the exclusions do not exceed 50%,” she said. She added that companies will need to reassess current salary structures. “Employers should review their current wage structures to examine whether there is a need to revise the components to minimise financial outlay in calculation of benefits,” she said.

Boost to gender pay equity

The code also embeds a progressive provision to strengthen gender pay parity. For determining equal wages to all genders, allowances such as HRA, conveyance allowance, overtime allowance, and remuneration arising from legal settlements must be counted as part of wages. This expands the scope of what can be considered when assessing whether men, women, and transgender employees are being paid equally for equal work.

Uniformity across PF, gratuity, overtime and leave

Another major shift is that this new wage definition will now apply uniformly across all labour codes and associated regulations, increasing clarity and reducing compliance disputes for companies. Sudhakar Sethuraman, Partner at Deloitte India, noted that the change would lead to higher social security benefits for workers. “Under the new labour codes, one of the most significant changes is the uniform definition across all regulations—be it for PF, leave salary, overtime, and gratuity.” He pointed out that this would likely increase long-term benefits for employees. “This means the wage considered for various compliances is now uniform and will have increased financial impact vis-à-vis the old regulations. In a way, the new wage definition brings out higher retirement contributions and stronger social security benefits, thereby ensuring financial security for the sunset years of the employees.” With the government’s notification setting the stage for implementation, companies are now expected to undertake a detailed review of payroll structures to ensure compliance. While the shift may increase immediate financial outflows for employers, it is widely seen as a step toward improved transparency, stronger worker protection, and a more stable long-term social security framework.

Source : *The New Indian Express*





EPFO COVERAGE ALERT: 6-MONTH SPECIAL WINDOW FOR EMPLOYERS TO ENROL LEFT-OUT EMPLOYEES

The Employees' Provident Fund Organisation (Employees' Provident Fund Organisation) has urged employers to make use of a special one-time enrolment scheme that opens a six-month compliance window to voluntarily bring eligible employees under EPF coverage for past periods of non-compliance.

According to an official statement issued recently, the move is aimed at expanding social security coverage and easing the regularisation of employees who were left out between July 1, 2017 and October 31, 2025.

One-time enrolment window under EES-2025

EPFO has rolled out the Employees' Enrolment Scheme (EES)-2025 as a facilitation-focused initiative designed to simplify compliance for employers. The scheme provides a six-month window beginning later this year, allowing establishments to voluntarily enrol eligible employees who were previously excluded from EPF coverage. The statement said establishments that were not covered under the EPF Act earlier can apply for coverage during this period and subsequently declare and enrol eligible employees. The initiative also enables employers to regularise past lapses without facing prolonged litigation or complex proceedings.

Limited liability for past defaults

Under EES-2025, employers will get significant relief in cases where employee contributions were not deducted earlier. In such situations, employers will be required to deposit only the employer's share of contributions along with interest under Section 7Q, applicable administrative charges, and penal damages capped at a lump sum of Rs 100. This payment will be treated as full compliance across all three EPFO schemes.



The scheme also extends eligibility to establishments facing assessment inquiries. In addition, benefits under the Pradhan Mantri Viksit Bharat Rojgar Yojana can be availed, subject to the terms and conditions under that scheme.

Calling it a time-bound opportunity, EPFO has urged employers to participate and contribute to the national vision of "Social Security for All". To ensure wider participation, the organisation will reach out to identified defaulting employers through SMS and email, encouraging them to regularise pending compliances under EES-2025.

A nationwide awareness campaign has also been launched to familiarise employers with the provisions and advantages of the scheme. Simultaneously, EPFO has taken up the matter with various government authorities to push for the enrolment of contractual and casual workers under the EPF framework, the statement added.



Source - Financial Express



ESIC BENEFITS WIDEN UNDER NEW LABOUR CODE 2025— WHO GAINS NOW

The Employees' State Insurance Corporation (ESIC) has announced that more employees can now access ESI benefits following the notification of the Labour Code 2025 (Code on Social Security, 2020) effective from November 21, 2025.

The Labour Code 2025 consolidates and amends social security laws for employees in various sectors, ensuring they receive medical and financial security benefits as envisaged in the Code on Social Security, 2020. In a circular (no. 35/BEC/MISC-FILE/23-24/CoSS2020) dated December 10, 2025, ESI said that it is mandatory for all establishments, that meet the prescribed criteria under the Code, to register themselves with Employees' State Insurance Corporation (ESIC).

ESIC said in the circular: "The wage terminology has been redefined in the CoSS 2020. As per the section 2 (88) of CoSS 2020 new definition of wage, coverage of employees under ESI Scheme is expected to extend to many excluded employees also."

ESIC advised that employers:

- Register all eligible employees working at their premises (as per the eligibility criteria set out under the Code on Social Security, 2020).
- Ensure timely payment of the contributions so that their workforce receives the necessary benefits under the Code on Social Security, 2020.



More employees are now eligible for ESIC benefits under the new Labour Code 2025

While the wage ceiling limit to be eligible for ESIC benefits remains the same, but the definition of wages has changed under the new labour code. So by this way more employees are now eligible for ESIC benefits.

Arjun Paleri, Partner at BTG Advaya, said to ET Wealth Online: Under the Employees' State Insurance Act, 1948, employees are covered only if their wages (as defined under the ESI Act) are within the prescribed wage ceiling (presently Rs 21,000 per month, or Rs 25,000 for persons with disabilities).

Paleri says: "Therefore, new employees could be those who were previously excluded from ESI coverage but may now fall within the eligibility bracket due to the revised definition of "Wages" under Section 2(88) of CoSS 2020."

However, employees who will be covered under ESI can only be ascertained once the rules and regulations are notified.

Paritosh Chauhan, Partner at Lakshmikumaran & Sridharan attorneys, said to ET Wealth Online that the definition of 'wages' under the Code on Social Security, 2020 ("Code") (which has been standardised across all four labour codes), has been updated.

Chauhan says that this update states that if certain variable components in an employee's salary, like bonus, house-rent allowance and overtime pay are excluded from the definition of 'wages', and constitute more than 50% of an employee's total pay, then that extra amount will be treated as 'wages' and added back to the wage component for calculating employer contributions.

Chauhan says: "This change may impact the thresholds and process for calculation and payment of social security contributions, including contribution to the Employee's State Insurance fund ("ESI Fund")."

According to Chauhan, the Labour Code also defines and recognises 'gig workers' and 'platform workers', bringing them within the ambit of social security protections.

Chauhan says: "While this does not automatically entitle them to ESI benefits; appropriate governments will roll out specific schemes to extend benefits such as ESI, gratuity, etc., to these new categories of employees as well."



What benefits ESI scheme provides

According to Paleri, the ESI scheme provides comprehensive social security coverage to employees and their families through both medical and cash benefits. Medical benefits include free healthcare services such as outpatient treatment, hospitalisation, medicines, and diagnostic tests at ESI facilities for the employee and their dependents.

Paleri says: "The scheme is contributory. Currently, employees contribute 0.75% of their wages, and employers contribute 3.25%, totalling 4%. These funds are deducted and remitted monthly by the employer to ESIC."

What should be done now by employers?

According to Chauhan, employers are expected to review their current policies and ensure that they are paying social security contributions, including ESIC, in the prescribed manner and to all eligible employees.

Chauhan says: "This has to be done carefully, keeping in mind the changes introduced by the labour codes – some of which may also have an indirect impact."

Under the Labour Code, employees will continue to receive benefits from the ESIC including sickness benefit, disablement benefit, medical benefit and maternity benefits, covering situations such as temporary or permanent physical disability.

Chauhan says: "Further, in case of the death of an employee, the person bearing the expenses for his funeral is entitled to receive a one-time lump sum payment."

According to Chauhan, if the death is caused due to an injury sustained in the course of their employment, then the employee's dependents (which now has been expanded to include maternal grandparents and, for male employees, dependent parents-in-law) are eligible to receive periodic payments from the ESIC.

In addition, Chauhan says that the Labour Code enhances the coverage for family members by including extended family members, such as mother-in-law and father-in-law, a minor unmarried brother or sister, within the definition of "family", increasing the coverage of family members eligible for ESIC benefits.

Source - The Economic Times





LABOUR CODES: INDIA INC WORKING ON STRATEGIES TO COMPLY WITH NEW EMPLOYEE BENEFITS NORMS

Even as several IT majors accounted for the impact of the Labour Codes recently, many other firms are still working on their salary restructuring plans and fine-tuning them with the appraisal cycle.

Almost all companies will face a one-time hit, which may be evident in the coming quarters, but several await the notification of the rules to make the changes.

IT majors including TCS, HCLTech and Infosys made a one-time provision for employee benefits due to the new Labour Codes in their recently declared results. Global brokerage firm Jefferies said in a note that the Codes could add margin pressure to IT companies, adding that these will not be one-time changes. It also warned that the changes could hit these companies' profits by as much as 10–20% during the period under review. Recurring employee expenses could increase by up to 5%.

At the heart of the changes in the wage bill are revised gratuity provisions, which kick in for fixed-term employees after they earn one month of salary, as well as a new definition of wage, which would account for 50% of the employee's total cost to company. It also includes enhanced benefits for leave.



Most other employers are understood to be awaiting clarity on the rules. While the Ministry of Labour and Employment has released FAQs on various provisions of the Labour Codes, rules for many provisions are still being finalised. It is likely that these could be notified from April 1, 2026, tying it up with the new financial year from when most companies give effect to salary revisions.

Sandeep Jhunjunwala, Partner at Nangia Global, noted that the results declared so far that explicitly factor in the financial implications of new labour codes have been largely confined to India's IT services companies, making them the first segment of corporate India to quantify this impact. "Overall, the evidence suggests that Labour Code impact is primarily an issue of accounting timing and earnings optics rather than a structural compression of operating margins, with other sectors likely to experience similar episodic effects as implementation progresses," he said.

Although the adjustment has been disclosed only in absolute terms and consistently characterised as an exceptional item, implied analysis indicates a relatively modest effect of approximately 0.3–3% on quarterly revenue, alongside a materially higher impact of about 7–20% on quarterly profits, varying by company size. The impact has been largely front-loaded through provisions for gratuity, leave encashment and employee benefit recalibration, temporarily distorting reported quarterly margins, while mitigating the risk of a sustained drag on profitability, he further said.

From an income tax perspective, the upfront recognition of such provisions has increased the current tax liability at the time of recognition, while simultaneously giving rise to a deferred tax asset, reflecting the timing difference between accounting recognition and income tax deductibility.

Arjun Paleri, Partner, BTG Advaya said there are three ways that companies are considering compliance with the Labour Codes, especially in recent months. The first approach is to wait and watch, as the state and central rules have not yet been brought into force. The second approach involves partial implementation of the Codes by restructuring wages and salary components, with the aim to implement these changes in the first quarter of FY27 when the next appraisal cycle comes into force and effect. "At a financial level, these companies are making provisions for the potential higher outlay or outflow of statutory benefits, but they are not implementing the changes yet," he said.

The third approach is where companies are complying immediately with the labour codes, except for the Employee Provident Fund requirements which have not been brought into force yet. There are many IT companies that are using the third approach and at a financial level, these companies are making provisions for the higher outlay or outflow of statutory benefits, he further explained.



LABOUR CODE: COMPANIES' Q3 NUMBERS TO REFLECT HIGHER GRATUITY

The first impact of the labour codes will be felt in the December quarterly results with companies making higher provision for gratuity. "Companies will need to update their gratuity liability provisions in line with Ind AS 19, recognising past service liabilities as the new labour codes came into effect recently. Many companies are in the process of obtaining actuarial valuations to true up their gratuity liability provisions, and the impact may be reflected in the current quarterly results. If such a true-up is not performed, companies may provide a disclosure explaining why it was omitted unless the impact is immaterial," said Kuldip Kumar, partner at Mainstay Tax Advisors, a consulting company.



Auditors told TOI that there may be some impact on the bottom lines of some of the companies, while some others may use the opportunity to update their provisions.

"Companies are evaluating the impact of the change in definition of wages and the impact on the provisions required in the quarterly accounts, in view of the labour codes, FAQs issued by the labour ministry and the Accounting Standards Board of the ICAI," added Amarpal Chadha, partner at consulting firm EY India. Under the new law, at least half the earnings of an employee will be treated as basic salary and dearness allowance and companies will have to provide gratuity based on that. "The extent of the impact will depend on the existing compensation structure, for example, where excluded allowances exceed 50% of salary or the number of fixed-term employees, who now become eligible for gratuity after one year of service," said Kumar.

Besides, he said, according to draft rules for the new labour codes for calculating gratuity, items such as performance bonuses, stock option benefits, telephone, internet and medical reimbursements, creche allowance, and the value of meal vouchers are excluded. Therefore, it will not be surprising if some organisations can dodge the big jumps in gratuity liability. Higher provisions will be required by companies that did not always stick to the 50% gratuity formula as the rules have now categorically provided for the payment.

Source - Times Of India

GIG WORKERS' ACT: KARNATAKA TO IMPOSE 1 TO 1.5% WELFARE FEE ON AGGREGATORS?

The state government's initiative to provide social security to gig workers is expected to kickstart within a week, with the Labour Department likely to fix a uniform welfare fee of 1-1.5% on a per-transaction basis on aggregator platforms. "We have discussed with stakeholders, who suggested a welfare fee in the range of 1-1.5%. The notification will be out in a week," Labour Minister Santosh Lad told DH.

Once the process starts and the gig workers' welfare board is constituted, these contributions will flow into the gig workers' welfare fund.

According to the Karnataka Platform-based Gig Workers (Social Security and Welfare) Act, a welfare fee in the range of 1-5% can be levied on aggregators on per-transaction basis. According to the Act, the government can specify different percentages on the payout (with or without a cap on the gig worker welfare fee on each transaction) for different categories of aggregators or platforms.

However, DH has learnt that most of the aggregators have preferred a common welfare fee, prompting the government to opt for a uniform welfare fee. Pointing to the clause in the act that provides 1-5% welfare fee, Lad told DH that the welfare fee could be increased in the future if need be. At the moment, there is no clarity on whether the aggregators will bear the cost themselves or pass it on to customers. Alongside the welfare fee, the Karnataka Gig Workers' Social Security and Welfare Fund will include money received as contributions by individual gig workers, grants-in-aid from the Union and state governments. The minister explained that an integrated software was being developed to store the details of contributions by the aggregators. "Wipro has said they will help us. Till the software is developed, there will be an ad-hoc arrangement for the aggregators to pay money," he added.

Welfare board

The notification will also specify the members of the Gig Workers Welfare Board. According to the Act, the board comprises 15 members, including five representatives from the government (including the labour minister), four representatives of gig workers, four representative bodies of aggregators and two members from civil society.

There will also be a special invitee, a technical expert in data collection and IT systems. A list of stakeholders to be nominated as board members has been processed by the department. This list will soon be finalised by Lad, who heads the board. The board must ensure that the registration of gig workers and aggregator platforms happens as per the provisions of the Act. The aggregator is expected to provide a database of all its onboarded gig workers to the board, which will then generate a unique ID for all gig workers onboarded on one or more platforms.

"The state law will not have any repugnancy with the code on social security, since the state law is more comprehensive and regulates working conditions, algorithm management, grievance redressal mechanism etc," Additional Labour Commissioner G Manjunath said.

Karnataka App-based Workers' Union president Inayat Ali welcomed the move but felt the welfare fee was not adequate. "From the beginning, we sought a welfare fee in the range of 2-5%. This is very little. When companies spend so much on public relations, why can't they increase the welfare fee? We welcome the move, but there needs to be an amendment in the coming days," he added.

Source - Deccan Herald



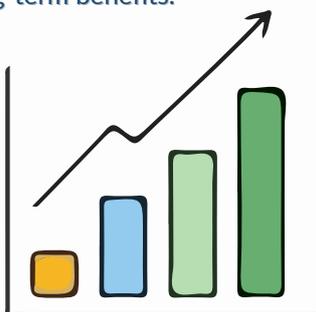
NEW LABOUR CODES TARGET JOB GROWTH, BUT SKILL GAP MAY LIMIT IMPACT

Economic growth has not reduced the precarious nature of employment in India. Yet, policy discussions tend to focus on job creation and less on job quality. Can the new codification of labour laws address the twin issue of quantity and quality of jobs?

Between 2012 and 2023, employment growth in the manufacturing sector averaged at 2%, and at 3% for the services sector. Meanwhile, agriculture's share in total employment fell from 48% to 44% over this decade, putting immense pressure on the non-farm sectors to absorb surplus labour.

Paradoxically, the non-farm sector became, and continues to be, less reliant on labour - the labour intensity of non-farm production has declined while its contribution to the economy has risen. This divergence raises questions not just about the inclusiveness of India's growth story but also its potential to absorb labour.

In contrast to the trend in the non-farm sector, within the formal manufacturing sector, the contribution of labour to output has increased, primarily due to the increase in the number of contract workers in the last two decades - blurring the boundaries between formal and informal employment. Between 2000 and 2016, contract jobs grew at more than double the rate of regular jobs. While these contract workers are technically a part of the formal economy, they lack social security and long-term benefits.



Firms have favoured this arrangement for its flexibility in hiring and its ability to circumvent stringent dismissal norms. The 2018 India Wage Report found that over 71% of wage workers in formal enterprises lacked written contracts or social security coverage. Annual Survey of Industries (ASI) data shows that more than half of workers in formal manufacturing are informally employed. As a result, the shift to a structure where formality exists 'on paper' but informality prevails 'in substance' has deepened precarity in employment.

On the one hand, the new labour codes attempt to address the concern of insecure employment conditions through ensuring minimum wages, mandating formal appointment letters and basic social security. It has also brought in reforms for fixed-term employment, such as removing minimum years of service requirements for gratuity.

The Occupational Safety, Health and Working Conditions Code 2020 sets clear standards for a safe working environment, such as capping work hours to 8 hrs a day and mandating overtime pay at twice the normal rate. These reforms will potentially reduce the precarity of work.

On the other hand, labour laws have been simplified to streamline compliance and improve ease of doing business to expand job opportunities through higher private investments and easier firing practices. The industrial relations code allows firms with up to 300 workers to go ahead with layoffs, retrenchment and closure without government permission. These measures aim to reduce the regulatory burden on firms and increase incentives to hire labour.

Will these reforms raise the quantity and quality of work at the same time? The policy challenge is to encourage a transition from short-term, insecure contracts to stable, productive employment without increasing compliance cost for firms due to excessive regulatory rigidity.

At the same time, reversing the trend of rising capital intensity of production technology requires improving the quality of labour to further reduce the cost of hiring labour relative to mechanisation. Without a skilled labour force, with high productivity, the industry may continue to replace relatively more costly labour with machinery in the production process, reducing potential employment gains from these labour reforms.

Using simulation exercises, NCAER's paper released this month, 'India's Employment Prospects: Pathways to Jobs', suggests that strong inter-sectoral linkages of labour-intensive manufacturing and services sectors can have a multiplicative effect on employment creation in the aggregate economy by 2030. Also, increasing the share of skilled workforce through investment in formal skilling could lead to more than 13% increase in employment in the labour-intensive sectors by 2030. Thus, a multipronged policy overhaul is essential to unlock the potential of both job growth and quality of work. While the new labour codes can stimulate increase in private investments in labour-intensive sectors, without reforms in the country's skilling ecosystem to increase labour productivity, growth in jobs may be stymied and remain precarious.

Comprehensive labour reforms that simultaneously aim at improving the quantity and the quality of its workforce are required to move the country up the value chain. The new labour codes should be the first step in an agile and dynamic policy framework that focuses on creating a future-ready workforce.

Source - Economic Times



EPF ATM, UPI WITHDRAWAL RULES: EMPLOYEES CAN SOON WITHDRAW 75% PF THROUGH ATM, SAYS MINISTER

Employees' Provident Fund Organisation (EPFO) is set to introduce a feature which will allow a subscriber to withdraw their employees' provident fund (EPF) through an ATM and via UPI, Union Labour Minister Mansukh Mandaviya revealed it in an interview with the ABP news channel.

"You can still withdraw your 75% EPF immediately. I am telling you in advance that before March 2026, the Ministry is introducing a feature where a subscriber can withdraw their EPF through an ATM. The Ministry will also link EPF withdrawals with UPI, Mandaviya said in the interview. Mandaviya also highlighted the current EPF withdrawal procedure, where an EPF subscriber needs to file many forms to withdraw their provident fund.

Money lying in EPF belongs to the subscriber, but withdrawals currently require applying through different forms, which becomes a hassle for many members, the Minister said, adding that the Ministry is making EPF withdrawals easy keeping such problems in view.

Recent EPF reforms

In October 2025, EPFO approved major reforms to make provident fund operations simpler, faster, and more transparent.

Multiple withdrawal categories led to delays and rejected EPF claims

The Labour Ministry had said that EPF withdrawal rules were cluttered with different eligibility conditions and varying minimum service requirements, often resulting in confusion, delays, and even rejection of claims. Keeping that in view, the Ministry merged as many as 13 categories to simplify the withdrawal framework.

EPF withdrawal amount

Earlier, EPF subscribers could withdraw only their own contributions along with the interest earned, and even that was restricted to between 50% and 100% based on the specific reason for the EPF withdrawal. Under the revised framework, the withdrawable amount will also include the employer's contribution in addition to the employee's contribution and interest. As a result, the 75% EPF corpus that can now be withdrawn will be significantly higher than what a member was eligible to withdraw under the earlier rules.

Eligibility for EPF withdrawals

Earlier, the eligibility period for withdrawals varied by purpose and could stretch up to seven years, making the EPF withdrawal rules difficult to follow. This has now been standardised to a uniform 12 months for all types of EPF withdrawals, making the process easier to understand and allowing employees to access their money sooner. As a result, EPF members can now withdraw a larger amount after completing just one year of service.

Unemployment rules for EPF withdrawals

In the event of unemployment, a member can withdraw 75% of the PF balance immediately, which includes the employee's contribution, the employer's contribution, and the interest earned. The remaining 25% can be withdrawn after one year. A full withdrawal of the entire PF balance, including the minimum 25%, is also permitted in specific situations such as retirement after attaining the age of 55, permanent disability, incapacity to work, retrenchment, voluntary retirement, or permanent relocation outside India.

Source - Economic Times

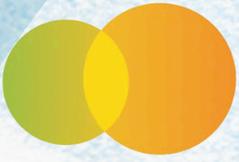


EPF WITHDRAWALS VIA UPI BY APRIL; LIKELY INITIAL CAP AT RS 25,000 PER TRANSACTION

Come April, and over 8 crore contributing members of the retirement fund body Employees' Provident Fund Organisation (EPFO) will be able to withdraw their funds using the Unified Payments Interface (UPI) via the BHIM app. The new facility will show members their available balance, which will be segregated to show the eligible balance for withdrawal and the minimum 25% balance separately, with internal discussions converging towards capping the initial withdrawal at Rs 25,000 per transaction, a senior government official told The Indian Express.

"Work is going on for the development of the entire system. Three parties are involved in the development of the system – EPFO, C-DAC (Centre for Development of Advanced Computing), and the NPCI (National Payments Corporation of India) and there is also involvement of the State Bank of India for payment coordination. The withdrawals would be facilitated through the BHIM app initially, which will credit the amount to the UPI-linked bank account directly," the official said.

Source : Indian Express



LATEST NEWS

[Karnataka Menstrual Cycle Leave Latest Legal update](#)

[MH General elections of 12 Zilla Parishads and 125 Panchayat Samitis Program 05.02.2026](#)

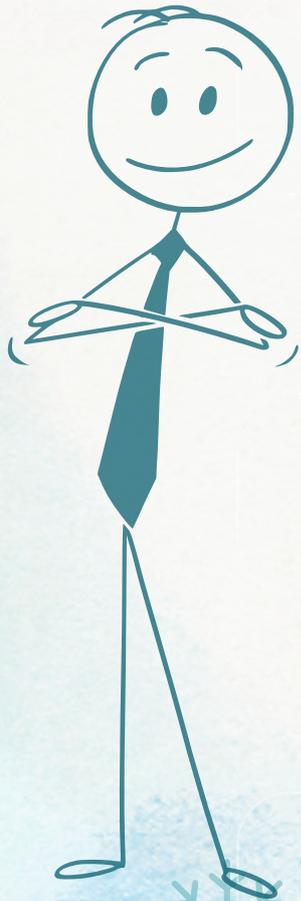
[Karnataka Labour Welfare Fund \(Amendment\) Act, 2025](#)

[Labour Code Updates](#)

[Minimum wage Updates](#)

[Holiday List 2026](#)

[Karnataka Labour Code Draft Rules 2026](#)



READ MORE



UCS CompliTool[®]

Streamline Compliance & Risk

UCSCompliTool is a technology to ease the complexities of navigating through the changing Labour laws. With our past experiences and feedbacks, we have developed an in-house Software solution and have created this robust mechanism which represents our motto – Compliance simplified. It provides a real time and 360-degree view of compliance status for the Principal employer (CompliTool - Compliance) and with risk matrix to monitor the contractors (CompliTool - Audit). We have developed a Role Based Access Control model and being a cloud-based system, we are offering an absolute security and protection of data.



Following are some of the major benefits of the Tool:

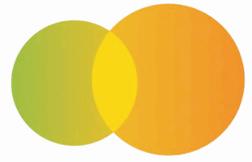
- Real Time Statistical Data
- Informative Tool
- Transparency
- Ease of Documentation
- Ease of Monitoring
- Highlighting of Critical Points
- Security and Data Confidentiality
- Centralization of Data
- Readily Available Documents
- Data Integrity
- Extensive Reporting
- User friendly Dash Boards
- Overall compliance review from front end maneuver

For Demo, Please write to us at enquiry@ucsdel.com or Call us @ 0124 2656864

UCSCompliTool.com



ABOUT US



United Consultancy Services is one of the leading consulting firms in India providing compliance, advisory, and audit services in the field of Labour Laws, Human Resource Development, and Legal matters pertaining to Industrial Relations. We provide meaningful, forward-looking and compliance-oriented solutions to help organizations grow while being compliant with labour laws. Proactive teams led by domain experts, use insight, experience and best practices to understand complex issues of publicly listed and privately owned clients and simplify compliance.

With over 30 years of existence and with more than 200 professionals the firm provides robust compliance services and solutions on complex requirements under Labour law. The information shared in the newsletter is based on Government notifications and newspaper articles.

This is for general information purposes only and does not constitute legal advice. Please reach out to your UCS contact or the Company's legal counsel before taking any action.

We Simplify Compliance For You.



Unit No. 852 - 856, 8th Floor,
JMD Megapolis, Tikri, Sector-
48, Sohna Road, Gurugram,
Haryana-122018.



0124 2656864



enquiry@ucsdel.com



www.unitedconsultancy.com



PAN INDIA OFFICES: AHMEDABAD | BENGALURU | CHENNAI | GURUGRAM |
HYDERABAD | KOCHI | KOLKATA | MUMBAI | PUNE