



# Labour Law Developments in India

## Employees' Enrolment Scheme, 2025 launched by EPFO

The Government of India has launched the Employees' Enrolment Scheme - 2025 ("EES 2025") as a special 6-month window to promote voluntary Employees Provident Fund ("EPF") compliance and expand social security coverage to eligible employees.

The EES 2025 allows all establishments, whether currently covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 or not, to declare and enroll employees who were left out of EPF coverage between 1<sup>st</sup> July 2017 and 31<sup>st</sup> October 2025 through the EPFO portal. The scheme will remain operational from 1<sup>st</sup> November 2025 to 30<sup>th</sup> April 2026, providing a time-bound opportunity to regularize past non-compliance without full retrospective burden.

A key advantage for employers is the significant reduction in financial liability; the scheme mandates payment of only the employer's share of contribution plus interest, while waiving the requirement to deposit the employee's share if it was not deducted earlier. Furthermore, instead of the standard statutory penalties, the scheme caps damages at a nominal rate of INR 100 per establishment, providing a cost-effective route to regularize records.

## Supreme Court Recommends Inclusion of "Adult Widow Sister" as Dependant under Employee's Compensation Act

In the case of *The New India Assurance Company Ltd. v. Kogga & Ors.*<sup>1</sup>, the Supreme Court of India ("SC") highlighted a legislative gap in the Employees' Compensation Act, 1923 ("ECA"), regarding the definition of a "dependant". The SC dismissed an appeal by the insurance company which had challenged a compensation award granted to two widowed sisters of a deceased workman on the grounds that they were adults and not minors, and thus excluded from the statutory definition.

Currently, Indian law restricts the definition of a dependant sister to "an unmarried sister or a widowed sister of a minor". The SC observed that this provision is archaic and fails to account for modern social realities where adult widowed sisters may still be financially dependent on their brothers. Interestingly, this definition is also being continued in the Social Security Code, 2020 ("SS Code") which has repealed and replaced the ECA.

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[1] Civil Appeal No. 2574 of 2011, the Supreme Court of India dated October 09, 2025.

Consequently, while upholding the High Court's decision to grant compensation based on factual dependency, the SC directed the Ministry of Labour and Employment to refer the matter to the Law Commission of India. The Court recommended a suitable amendment to the Act to include "major widowed sisters" within the ambit of dependants, ensuring the law aligns with the benevolent purpose of social security legislation. We think that basis the judgement, the definition of dependant in the SS Code may also get revisited.

## **Draft Karnataka Rights of Persons with Disabilities in Employment and Education Bill, 2025 Released**

The Government of Karnataka has released the draft Karnataka Rights of Persons with Disabilities in Employment and Education Bill, 2025 ("Bill") for public consultation. The Bill introduces a significant mandate for private sector inclusivity by proposing reservations in private sector, contains provisions for safeguarding against discrimination, ensuring equal opportunities and right to seek reasonable accommodations for persons with disabilities ("PwDs").

### **Some Key Compliance Requirements of the Bill:**

- **Reservation Implementation:** Private establishments employing 20 or more persons will be required to ensure 5% reservation of all sanctioned posts for PwDs. The reservation applies to direct recruitment and regularized posts which would be prescribed under the rules. Employers must implement this in phases and submit annual compliance plans as may be prescribed.
- **Carry Forward Mechanism:** If eligible candidates are unavailable in a recruitment cycle, the reserved vacancies must be carried forward for up to three recruitment cycles, subject to prior notice to the regulator. After three cycles, the employer may fill the vacancies subject to compliance with notice requirements to the State Regulatory Authority.
- **Grievance Redressal:** Establishments are required to appoint a grievance redressal officer and adhere to specific timelines for resolving complaints.
- **Penalties:** The Bill proposes a tiered penalty structure, with fines starting from INR 10,000 and reaching up to INR 5,00,000 for repeated non-compliance, alongside potential orders for public disclosure of non-compliant status.

Comments on the Bill were invited from the public and stakeholders with a plan to take up the Bill for consideration in January 2026. Further developments are expected.

## **Guidance and Draft Central Rules released by the Central Ministry of Labour and Employment on Labour Codes**

In order to facilitate a smoother transition to the “Labour Codes”, i.e., Code on Wages, 2019, Code on Social Security, 2019, Occupational Safety, Health, and Working Conditions Code, 2020, and Industrial Relations Code, 2020 - the Ministry of Labour & Employment released FAQs, Draft Central level rules under the Labour Codes, and other transition guidance during late December 2025 and early January 2026.

These draft rules operationalize the Labour Codes by prescribing detailed procedural requirements, including formats for forms, registers and returns, licensing conditions, electronic filing processes, inspection mechanisms and compliance timelines. They also elaborate on substantive aspects such as calculation of social security contributions, contractor licensing thresholds, safety standards and dispute resolution procedures. For employers, the draft rules provide the first comprehensive view of the practical compliance architecture that will apply once finalized. While state governments are empowered to frame their own rules, the Central Rules often serve as a template and influence state-level regulatory design.

The other materials also address frequently asked questions on the various Labour Codes, including but not limited to applicability thresholds, clarity on changes proposed under the codes, addressing myths and realities of the new provisions etc. The guidance is intended to reduce uncertainty during the early implementation phase and provide operational clarity to employers and workers alike.

The FAQs offer valuable insight into the Government’s interpretative approach. These can be used as a practical reference point when updating internal compliance processes, especially where the statutory language of the Labour Codes or draft rules leave room for interpretation.

## **The Central Government Clarifies Status of Industrial Tribunals and Labour Courts in the Wake of the Labour Law Reforms**

The Central Government issued the Industrial Relations Code (Removal of Difficulties) Order, 2025 to address transitional challenges arising from the shift to the new industrial relations framework. The Order clarifies procedural aspects relating to adjudicatory bodies, jurisdiction over pending matters and continuity of proceedings during the transition phase. As such, the existing Labour Courts, Industrial Tribunals and National Industrial Tribunals constituted under the erstwhile Industrial Disputes Act, 1947 shall continue to adjudicate the existing as well as new cases, to ensure continuity of adjudication process until the constitution of Industrial Tribunals and National Industrial Tribunals under the Industrial Relations Code, 2020 (“IR Code”).

This was also reaffirmed by the Central Government before the Delhi High Court, while addressing a pending public interest litigation challenging the notification issued by the Central Government on November 21 bringing the IR Code, into force. The Delhi High Court has asked the Central Government to ensure that there is a smooth transition from the old labour law regime to the new IR Code.

The matter remains sub judice, and in the interim, the Central Government deposed before the Delhi High Court that the existing labour Court and industrial tribunals will continue to deal with all the pending and new cases until the new tribunals are constituted.

### **New Law Granting Employees' Right to Disconnect After Work Hours Proposed Before Indian Parliament- the Right to Disconnect Bill, 2025**

In December 2025, the Right to Disconnect Bill, 2025 ("Bill") was introduced in the Lok Sabha (Lower House of the Parliament). The Bill seeks to recognise employees' right to disengage from work-related communications outside prescribed working hours, with the stated objective of promoting work-life balance, mental health and predictable working time in an increasingly digital work environment. A notable feature of the 'right to disconnect' is that the Bill clarifies that the phrase not only means that the employee is not obliged to reply and has the right to refuse calls from employer after work hours, but also that such refusal shall not be subject to any disciplinary action.

Although the Bill is yet to be discussed and passed in the Parliament in order for it to be enforceable - in our view, the Bill reflects a growing regulatory and societal focus on employee well-being and boundaries in remote and hybrid work models.

### **The Supreme Court of India Restores Reinstatement Granted to Employee After 24 Years of Termination and Awards 50% Back Wages**

The SC, in the case of Dinesh Chandra Sharma (dead) through LRs. v. Bhartiya Paryatan Vikas Nigam Limited & Anr<sup>2</sup> addressed whether an employee whose termination was held illegal could be denied back wages merely because they did not specifically plead that they remained unemployed during the interim. The employee was a long-serving room attendant, who was dismissed for alleged misconduct in 1991. Thereafter, in 2015 the labour court found the inquiry to have been unfair, and passed an award in favour of the employee directing his reinstatement with continuity of service along with full back wages. The matter was challenged by both parties at various instances before appellate forums (i.e., single and division bench of the Rajasthan High Court), which took differing views on the back wages- one granted 50%, and a later bench denied them entirely. Ultimately, the matter was challenged before the SC which restored the 50% back wages award and emphasised that reinstatement with back wages is the usual remedy for illegal termination.

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[2] Special Leave Petition (Civil) No.8180/2020, the Supreme Court of India dated December 15, 2025.

The SC considered the fact that the employee had worked for 13 years before being terminated, that employment opportunities fade with age where there is no high degree of technical skill required. Crucially, the Court considered judicial precedents and clarified that while considering the award of back wages, the burden of proof on whether an employee was gainfully employed or was employed on lesser wages is on the person making such a pleading. Ordinarily, an employee or workman whose services are terminated and who is seeking back wages is required make this plea, however, if the employer wants to avoid payment of full back wages, then the burden of proof will shift as the employer has to plead and also lead cogent evidence establishing that the employee/workman was gainfully employed after termination and was getting wages equal to the wages he/she was drawing prior to the termination of service.

Resultantly, the judgement clarifies that while determining back wages, the burden of proof and claims are not rigid- as outcomes depend on facts like delay, age of the employee, stigma (if any) from dismissal, and alternate/gainful employment or lack thereof after termination etc.

### **The Supreme Court Observes and Clarifies that an ICC has Jurisdiction Under POSH Act to Enquire Into Complaints Against a Respondent from a Different Workplace**

The SC, in the case of Dr. Sohail Malik v. Union of India<sup>3</sup>, clarified where a complaint under the POSH Act can be investigated by the ICC of the aggrieved woman despite the respondent belonging to a different workplace to different departments. An aggrieved woman (an IAS officer) alleged sexual harassment by an employee of a different service. The SC held that an Internal Complaints Committee (ICC) at the complainant's workplace can carry out fact-finding inquiries into incidents involving respondents from other workplaces. The ICC's report is not the final disciplinary step: it must be forwarded to the respondent's employer, who will then apply its service rules to decide on formal action. The Court read the POSH Act purposively to remove practical and psychological hurdles for complainants, while preserving due process for respondents at the departmental stage.

Although the case dealt with facts stemming from aspects of public-sector employment, the SC's views on the powers of the ICC under the POSH Act are far-reaching in nature with scope of its rationale being applicable for private sector employment as well.

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[3] Civil Appeal No. 404 of 2024, the Supreme Court of India dated December 10, 2025, Citation: 2025 INSC 1415.

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