

India's New Labour Codes: Decline of Trade Union Influence

Amitendu Palit

Summary

The Narendra Modi government can effectively reduce the abilities of trade unions to resist reforms by merging several labour laws into four codes, enhancing labour rights for 'new' sectors and mobilising political support from most states.

The Narendra Modi government has implemented the four labour codes it announced in 2019 and 2020. The four codes on wages; industrial relations; social security; and occupational safety, health and working conditions, subsume 29 existing labour laws and have become effective from 21 November 2025. The rules and regulations for the codes will be notified soon. Several states have begun implementing the rules even before the decision was announced by the central government.

A far-reaching consequence of the implementation of the codes will be on the ability of Indian trade unions to resist reforms.

The Indian Constitution declares labour a concurrent subject, empowering both the centre and the states to legislate labour laws. This has led to the enactment of multiple labour laws in India. Different laws enacted by the centre can be enforced either by the centre, by the states or by both. These laws are accompanied by several other laws legislated by individual states.

Many labour laws in India are outdated, with some of the key ones having been enacted immediately after India's independence in 1947. These include the Industrial Disputes Act 1947, the Employees' State Insurance Act 1948, the Minimum Wages Act 1948 and the Employees' Provident Fund and Miscellaneous Provisions Act 1952. Most other laws were introduced in the 1950s and 1960s. The myriad outdated laws have made India's labour market an extremely complex space for enterprises and employers, creating perverse incentives and disincentives. Multiple regulations and their compliance burdens work as disincentives to the formal hiring of workers. The ostensible incentive for enterprises is to recruit workers informally, denying the latter benefits of formal employment, including social security and other labour rights, so as to avoid the high opportunity cost of complying with multiple rules.

The proliferation of labour laws has led to a striking imbalance in the legal protection available for workers. Formal sector employees enjoy significant protection of tenure with oversized benefits and secure labour rights. This is in complete contrast to the informal or unorganised sector of the labour market, where workers hardly have any semblance of protection, as they are outside the reach of labour laws.

Trade unions in India, which are engaged with the formal segment of the labour market, have had a profound impact on the enforcement of labour laws. The labour laws enabled them to strongly defend labour rights and enter into conflicts with managements. This influence enjoyed by trade unions is likely to wane sharply after the implementation of the labour codes. By merging existing laws on wages, industrial relations, social security and workplace safety, the degree of regulation in the labour market has been significantly reduced, bringing down the capacity of trade unions to influence industrial relations. The lower capacity of trade unions has wider political implications as trade unions are affiliated to various political parties and are training grounds for political leaders.

While reducing regulatory 'cholesterol' in the overprotected segment of India's labour market, the labour codes will significantly enhance security for the hitherto under-protected segments. These include gig and platform workers, workers in medium, small and micro enterprises, women workers, contract workers, audio-visual and digital media workers and those in information technology. These sectors have hardly had trade unions lobbying for their interests. By legalising safe working conditions, minimum wages and social security for workers in these 'new' sectors, the government can generate considerable political goodwill.

For smooth implementation of the labour codes, it is important for the Modi government to have the support of the states. This appears quite easy, especially after the favourable verdict in the Bihar elections. Except for a few states like Karnataka, Kerala, Tamil Nadu, Punjab and West Bengal, most other major Indian states are ruled either by the Bharatiya Janata Party or its allies such as the Telugu Desam Party in Andhra Pradesh or the Janata Dal (United) in Bihar.

Moving forward, it will be interesting to see whether the notifications for the new labour codes still face political resistance and whether states commit to the new labour rules. Trade union resistance is holding back reforms in banking, railways, insurance, telecommunications, postal services and state-owned enterprises. The Modi government enjoys the support of the Bharatiya Mazdoor Sangh, the largest trade union, affiliated to the Rashtriya Swayamsevak Sangh. However, other central trade unions have pledged to protest the implementation of the new codes.

Given the current favourable political conditions, the Modi government might be able to successfully overcome the resistance to the new labour codes. This will deliver a body blow to the capacities of trade unions to politically resist reforms.

.....

Dr Amitendu Palit is a Senior Research Fellow and Research Lead (Trade and Economics) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isasap@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.