

## **India Introduces New Labour Codes: Faithful Implementation Needed**

### **Summary**

*The Indian government has taken the decisive step of notifying four consolidated codes. These codes rationalise and replace 29 archaic central statutes which had governed wages, industrial relations and social security in business and industry. The attempt is now to simplify labour laws for ease of doing business, provide wider coverage and modernise employment norms. Reform measures usually generate some adverse concerns, but it is expected that the Bharatiya Janata Party, with a majority in most states, will be able to garner support in their implementation.*

The Indian government had earlier taken a progressive step to introduce long-overdue reforms in the labour sector. However, facing certain disagreements over state and central control, as well as ideological differences, with concerns about job losses and the weakening of workers' rights, it decided to withdraw the codes. The government has now taken a decisive step by bringing into force the four consolidated Labour Codes that had been framed over the last half decade. The government's November 2025 notifications put the four codes into force nationally on 21 November 2025, with staggered applicability for different provisions and responsibilities for central and state governments to notify rules, set floor wages and operationalise boards and portals.

These codes – the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020 – rationalise and replace a web of 29 central statutes that governed wages, industrial relations, social security, and workplace safety. The reform package is presented as a modernisation that simplifies compliance, broadens coverage (notably to gig and platform workers) and balances worker protections with business flexibility.<sup>1</sup>

This paper shall attempt to examine what the codes do, how they change the legal landscape for employees and employers, the practical implications and the major criticisms and challenges ahead.

### **The Rationale Behind Consolidating the Codes**

India's central labour law framework had grown over decades into a patchwork of specialised laws such as the Minimum Wages Act (MWA), Payment of Wages Act (PWA), Industrial Disputes Act (IDA), Employees' Provident Funds (EPF), Employees State Insurance (ESI) and many sectoral rules, often overlapping, sometimes contradictory and administratively burdensome.

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<sup>1</sup> Press Information Bureau, Government of India, *Press Release Page*, Webpage, New Delhi: Press Information Bureau, Government of India, <https://www.pib.gov.in/PressReleasePage.aspx?>

The consolidation of these codes has sought to achieve four main objectives:

- i. **Simplicity and uniformity:** Single codes reduce multiplicity of registrations, inspections and compliance filings and introduce uniform definitions for wages, employer, employee, contractor, and so forth.
- ii. **Broader coverage:** Several provisions are designed to extend minimum wages, social security and safety protections to previously excluded categories.
- iii. **Ease of doing business:** By rationalising procedures (for example, single registration portals, rationalised inspection regimes and clearer thresholds for retrenchment/closures), the codes aim to make it easier for firms to operate compliantly.
- iv. **Modernisation:** The codes reflect modern employment relationships (contracting, outsourcing, digital platforms) and try to bring legal clarity to them.

While these objectives have met with universal acceptance, some of the debate has been around the definitions adopted, thresholds set for protections, enforcement architecture, and the balance struck between employer flexibility and worker security. Trade unions affiliated to the left parties have stated that the codes were passed in Parliament without adequate consultation and public debate, describing the process as hurried and undermining the spirit of tripartite consultation. They had sought a much more detailed consultation with unions and worker representatives. A broad overview of the four codes and the objectives they seek to achieve is given below:

### **Code on Wages, 2019**

The Code on Wages consolidates the PWA, MWA, Payment of Bonus Act and the Equal Remuneration Act. Its key features are:

- i. **Universal minimum wage floor.** The code envisages a floor wage to be set by the Centre while state governments set minimums for different skill categories and sectors. The idea is to create a national benchmark while allowing local adjustments.
- ii. **Single definition of wages:** A streamlined definition reduces disputes over which components count towards minimum wages, bonuses and social contributions.
- iii. **Timely payment and penalties.:** Stronger provisions on non-payment or delayed payment, and mechanisms for adjudication and penalties for non-compliance.
- iv. **Impact on salary structuring:** Recent notifications have required that the 'basic' component comprise at least 50 per cent of an employee's cost-to-company in many cases – a structural change that affects provident fund, gratuity and tax outcomes. That change has immediate payroll and tax consequences for employers and employees.

## **Industrial Relations Code, 2020**

This code replaces the IDA, the Trade Unions Act and the Industrial Employment (Standing Orders) Act. Its key features are:

- i. **Thresholds for layoff, retrenchment and closure:** The code sets thresholds for when prior government permission is required for layoffs, retrenchment or closure. This is a provision designed to balance industrial peace with business realities.
- ii. **Streamlined dispute resolution:** The code re-organises dispute resolution mechanisms, conciliation, mediation and tribunals. It emphasises time-bound adjudication.
- iii. **Trade union recognition and rights:** It simplifies the registration of unions and introduces norms for recognition based on membership and representativeness, while also laying down rules on strikes and lockouts.
- iv. **Focus on industrial harmony:** The stated objective is to reduce adversarial litigation and encourage negotiated settlements between employers and workers.<sup>2</sup>

## **Code on Social Security, 2020**

This code offers the most consequential change for billions of informal and platform workers as it consolidates several social security statutes (EPF, ESI, Maternity Benefit, Gratuity and so forth) into a single legal framework:

- i. **Inclusion of gig and platform workers:** For the first time, the code explicitly recognises gig workers and ‘aggregators’ and provides for schemes to cover them under social security measures such as pensions, insurance and provident funds. The exact benefit and contribution-sharing structures are to be determined by rules and sectoral boards to be notified later.
- ii. **All-India social security schemes and portability:** The code envisages national schemes with portability across states and employers. This is no doubt important in a highly mobile workforce.
- iii. **Contribution, boards and funds:** The law creates social security boards to design and administer schemes, and defines contributions from employers, employees and the state for different categories of workers.
- iv. **Phased implementation.** The code allows staggered commencement for different provisions and anticipates wide administrative work to enrol previously unregistered workers.

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<sup>2</sup> PRS Legislative Research, *The Industrial Relations Code, 2020*, Webpage, New Delhi: PRS Legislative Research, 2020, <https://prsindia.org/billtrack/the-industrial-relations-code-2020>.

## **Occupational Safety, Health and Working Conditions Code 2020**

This code combines multiple statutes on factory safety, mines, docks and other sectoral rules under a unified framework:

- i. Universal safety obligations: Employers must ensure safe working conditions, regular health checks, welfare measures, and compliance with limits on working hours and overtime.
- ii. Medical checks and welfare: Newer provisions emphasise periodic medical examinations, free annual check-ups for certain categories of workers, and welfare measures at workplaces. Draft rules contain detailed provisions on overtime counting and limits.
- iii. Inspection and compliance: The code aims to rationalise inspections through risk-based approaches and single registration, reducing duplication across agencies while maintaining safety standards.

The new codes will no doubt have differing implications for the different stakeholders and entail initial changeover measures. For employers, there will be transition costs, but these will introduce better compliance clarity. Meanwhile, rationalised thresholds and clearer rules on retrenchment and closure may give employers greater operational flexibility in workforce decisions, subject to procedural safeguards and social-security obligations. For employees and informal workers, the code will offer wider coverage for social security. The Gig, platform and many informal workers will gain statutory recognition and potential entitlements such as pensions, health insurance and other benefits.

A clearer definition of wages and strengthened minimum-wage architecture will offer stronger wage protection and should improve enforcement of minimum pay and timely payments. The Occupational Safety and Health provisions in the code mandate periodic health checks and better safety procedures, which, in theory, reduce workplace accidents and occupational illnesses. For trade unions, the code formalises union recognition rules and strike procedures. Stricter procedural requirements will definitely limit spontaneous industrial action and reduce bargaining power. The focus on conciliation and fast adjudication would reduce lengthy litigation and bring about early dispute resolution.

## **Challenges and Criticisms**

The government has taken the decision to introduce the reform codes, piggybacking on the political successes in the recent state elections. It is only natural that any such major reform action will entail some pushbacks, as the stakeholders are large and varied. The main concerns have been voiced by labour unions and some state governments dominated by parties opposed to the BJP. There is also a deep ideological divide with the state governments that have left party affiliations.

The areas of difference are largely the following:

- i. Substantive dilution versus procedural clarity: It is argued in certain quarters that while the codes simplify procedures, certain thresholds, such as seeking prior permission for layoffs or closures and definitional changes, can dilute substantive protections, particularly for small-scale workers. They feel that procedural streamlining may be at the cost of worker security.
- ii. Implementation gaps for gig workers: Recognising gig and platform workers on paper is a significant reform, but creating affordable, meaningful pension, health and insurance schemes for a vast informal and episodic workforce is administratively and financially challenging.
- iii. Inspection and enforcement: Centralisation and single registration can reduce duplication, but if inspection capacity is weakened in favour of self-certification, worker protection might suffer. Effective enforcement requires robust, well-trained and upright inspection cadres and a transparent grievance redressal mechanism.
- iv. State-centre coordination: Labour being a concurrent subject, the effective rollout of the reforms depends on cooperative federalism. Differences in state-level implementation or delays can create uneven protection across India.
- v. Transitional legal disputes: Existing pension/EPF/ESI accounts, pending disputes under old laws, and industry-specific arrangements will induce litigation as parties interpret the interplay between old and new provisions.

Politically, the new codes have met with the usual partisan approach. Left parties and several opposition-ruled states have strongly criticised the codes, arguing that they dilute worker protections in favour of corporate interests. One of the main objections is that the codes make it easier for employers to hire and fire workers. The Industrial Relations Code raises the threshold for government approval for layoffs, retrenchment and closure from 100 to 300 workers, which they say weakens job security and encourages arbitrary terminations.

Another major objection is to the tightening of rules on strikes. The codes require workers to give a 60-day notice for strikes and prohibit strikes during conciliation or tribunal proceedings. Left parties argue that these provisions severely restrict the fundamental right to protest and weaken the bargaining power of trade unions. They feel that the entire attempt of the government, by the introduction of the codes, is to weaken the collective bargaining power of workers and debilitate the trade union structure in the country.

Opposition-ruled states, including Kerala, Tamil Nadu and West Bengal, have also objected to provisions allowing more fixed-term employment, claiming it will increase contractual engagement of labour and institutionalise job insecurity. They argue that this will lead to a rise in “hire and fire” culture, particularly in manufacturing and services. There is also strong opposition to the perceived centralisation of powers. Labour being a Concurrent List subject, several states have expressed the view that the codes reduce their flexibility to

design labour policies suitable to local socio-economic conditions through extensive rule-making powers given to the Centre. The left parties have further criticised the limited clarity on social security for gig and platform workers. While the codes promise coverage, critics argue that the absence of guaranteed, enforceable entitlements makes these provisions largely symbolic.

## Conclusion

The four Labour Codes are a major legislative milestone. They update archaic statutory language, bring gig and platform workers into the legislative frame for the first time, and promise a simpler, more consistent regulatory environment. If implemented faithfully, with robust rules, effective enforcement, well-designed social-security schemes and genuine social dialogue, the codes can improve wages, broaden protections and make Indian labour markets more modern and resilient.

Industry leaders feel that the new codes will help in job creation and expand the social security net for workers. The industry had expected the government to provide for a period of transition, but the notification has made the implementation immediate.

Employers across the wide gamut of sectors and regions will have to promptly assess and align their internal policies, Human Resources (HR) practices and operating processes with the applicable provisions of the codes. It will also call for an immediate review of the compensation and benefit structure, particularly in the light of the revised and uniform definition of 'wages' under the new dispensation.

Ultimately, the success of these policy initiatives will depend on execution. The codes were framed as enabling statutes wherein many operative details depend on rules and notifications issued by the Centre and states. Several practical administrative tasks competing for priority and hence proper implementation will be:

- i. notifying rules that operationalise ambiguous or technical provisions;
- ii. building single-window compliance portals and inspection framework;
- iii. Constituting social security boards and funds to cover new categories of workers;  
and
- iv. Training inspectors, labour officers and tribunal staff in the new law.

A mere 'on paper' recognition of the gig workers without financially and administratively viable schemes will disappoint expectations. At the same time, streamlined procedures without strong inspection and grievance redress processes will leave many workers vulnerable.

The codes create the structure. It is now for policymakers, employers, unions and civil society to ensure that the contents within the structure, such as transparent rules, financial commitments to social security, capacity building and continuous monitoring, are robust,

accountable and enforceable. It is only then that the promise of a fairer, safer and more secure working life for India's workforce can be realised.

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