1. Labour Code - Economy

Labour experts welcome labour codes, but urge Govt to address likely teething issues. The Government of India has announced the implementation of four Labour Codes effective from November 21, 2025, which rationalize 29 existing labour laws to unify compliance, ensure universal minimum wages, and extend social security to gig and platform workers. This major reform aims to balance "ease of doing business" with worker protection through measures like single licensing and fixed-term employment parity.

1. Context and Background

Effective Date - The Government of India has announced that the four Labour Codes will be effective from 21st November 2025.

Rationalisation - The codes rationalize 29 existing labour laws into four comprehensive codes.

Origin - Based on the recommendations of the Second National Commission on Labour, which suggested grouping laws on a functional basis. Enacted following deliberations in tripartite meetings (Government, employers, and trade unions) held between 2015 and 2019.

Notification Timeline

Code on Wages - Notified on 8th August 2019.

Remaining three Codes - Notified on 29th September 2020.

The Four Codes

1. The Code on Wages, 2019
2. The Industrial Relations Code, 2020
3. The Code on Social Security, 2020
4. The Occupational Safety, Health and Working Conditions Code, 2020

2. Constitutional Status and Implementation

Jurisdiction - Labour is on the Concurrent List of the Constitution.

Roles -

Centre - Frames the codes and sets broad policy.

States - Notify rules, adapt them to local contexts, and enforce them.

Enforcement Mechanism - Carried out through state labour departments and inspectorates.

3. Rationale Behind Codification

The codification aims to address long-standing challenges and modernize the system.

Efficiency - To make the system more efficient, contemporary, and ease compliance.

Core Objectives - Enhance Ease of Doing Business, promote employment generation, and ensure safety, health, and social/wage security.

Simplification (One Nation, One License) -Replaces the multiplicity of laws that made compliance difficult. Introduces Single Registration, Single License, and Single Return.

Modernization - Aligns Pre-Independence era laws with current economic realities and technological advancements.

Streamlined Enforcement - Reduces the complexity caused by multiple authorities under different laws.

4. Comparison - Pre-Labour Reforms vs. Post-Labour Reforms

Parameter	Pre-Labour Reforms	Post-Labour Reforms (Under Codes)
Formalisation	No mandatory appointment letters.	Mandatory appointment letters for all workers to ensure transparency.
Social Security	Limited coverage; gig workers excluded.	Universal coverage including gig & platform workers (PF, ESIC, Insurance).
Minimum Wages	Applied only to "scheduled industries" (~30% coverage).	Statutory right for all workers to receive minimum wages.
Preventive Health	No legal requirement for free check-ups.	Employers must provide free annual health check-ups for workers above 40 years.

Timely Wages	No mandatory compliance.	Mandatory timely payment of wages to ensure financial stability.
Women Workforce	Restricted in night shifts and certain jobs.	Permitted in all types of work and night shifts (with consent and safety measures).
ESIC Coverage	Limited to notified areas; excluded units with <10 employees.	Pan-India extension; Mandatory for hazardous units (even with 1 employee); Voluntary for <10 employees.
Compliance	Multiple registrations, licenses, and returns.	Single Registration, Single License, and Single Return (PAN-India).

5. Key Reforms Introduced Across Codes

National Floor Wage - To ensure no worker receives a wage below the minimum living standard.
Gender Neutrality - Explicit prohibition of discrimination in pay and opportunities (inclusive of transgender persons).
Dispute Resolution - Faster mechanisms with two-member Industrial Tribunals; option to approach tribunals directly after conciliation.
Harmonized Safety - Establishment of a National OSH Board to set standards.
Accountability - Mandatory Safety Committees in establishments with 500+ workers.

6. Detailed Analysis of the Four Codes

Code 1 - The Code on Wages, 2019

Laws Subsumed (4) - Payment of Wages Act (1936), Minimum Wages Act (1948), Payment of Bonus Act (1965), Equal Remuneration Act (1976).
Universal Minimum Wages - Statutory right for all employees in organized and unorganized sectors.
Floor Wage - Central Government to set a statutory Floor Wage based on minimum living standards; States cannot fix wages below this.
Overtime - Mandatory payment at twice the normal rate for work beyond regular hours.
Decriminalization - Replaces imprisonment for certain first-time offences with monetary fines (up to 50% of max fine).

Code 2 - The Industrial Relations Code, 2020 (IR Code)

Laws Subsumed (3) - Trade Unions Act (1926), Industrial Employment (Standing Orders) Act (1946), Industrial Disputes Act (1947).
Fixed Term Employment (FTE) - Allows direct, time-bound contracts with full parity in wages/benefits; **Gratuity eligibility after 1 year**.
Re-skilling Fund - Fund created by employer contributions (equal to 15 days' wages) for retrenched workers.

Trade Union Recognition

Negotiating Union - Union with 51% membership.
Negotiating Council - If no single union has 51%, formed by unions with at least 20% membership.
Dispute Resolution - Two-member tribunals (Judicial + Administrative). Direct access to tribunal if conciliation fails within 90 days.
Strikes/Lockouts - Mandatory 14-day notice for all establishments.
Definition of Strike - Expanded to include "mass casual leave".

Code 3 - The Code on Social Security, 2020

Laws Subsumed (9) - Includes EPF Act, ESI Act, Maternity Benefit Act, Gratuity Act, Unorganised Workers Act, etc.
Gig & Platform Workers - First-time legal recognition. Aggregators must contribute 1-2% of annual turnover (capped at 5% of payments to workers) to a Social Security Fund.
Universal Reach - Extends benefits (Life, Health, Maternity, PF) to unorganized sectors.
ESIC Expansion - Pan-India application; voluntary opt-in for small establishments (<10 employees).
Definition of Wages (50% Rule) - Includes basic pay, DA, retaining allowance. Allowances exceeding 50% of total remuneration are added back to compute "wages" for PF/Gratuity calculations.
Gratuity - Reduced eligibility period to 1 year for Fixed-Term Employees.

EPF Inquiries - 5-year limit for initiating inquiries; strict timelines for resolution (2 years).

Code 4 - The OSH & Working Conditions Code, 2020

Laws Subsumed (13) - Amalgamates 13 Central Acts.

Unified Registration - Single electronic registration for establishments; uniform threshold of 10 employees.

Inter-State Migrant Workers (ISMW) - Definition widened to include those employed directly, through contractors, or self-migrating.

National Database - Creation of a database for unorganized/migrant workers to map skills and benefits.

Contract Labour Reform - Threshold raised from 20 to 50 workers. All India License valid for 5 years. Win-win for contractors - Single license for multiple work orders.

Women's Rights - Allowed to work at night (before 6 AM, after 7 PM) with consent.

Advisory Board - Single National Occupational Safety & Health Advisory Board replaces six sector-specific boards.

Working Hours - Capped at 8 hours/day and 48 hours/week. Overtime requires consent and double pay.

7. Challenges and Concerns

Trade Union Opposition - Unions fear weakened collective bargaining, easier layoffs, and restricted right to strike.

State Capacity & Fragmentation - Significant differences in digital infrastructure and inspectorate strength across states. Many states have not yet aligned their rules, creating implementation bottlenecks.

Job Security Risks - Concerns that Fixed-Term Employment (FTE) might replace permanent jobs, leading to casualization.

Wage Floor Ambiguity - Unclear methodology for the National Minimum Wage may persist state-level disparities.

Social Security Enforceability - Many benefits for informal/gig workers remain "schemes" rather than legal "entitlements."

Gig Worker Gaps - Around 90% of workers (ILO data) lack full social security. Overlapping state laws (e.g., Karnataka/Rajasthan standalone laws) vs. Central Code creates confusion.

Data Integration - Lack of a unified identity system hinders benefit portability for migrant workers.

8. Way Forward

Implementation Roadmap - Create a centrally monitored, time-bound roadmap for states to notify rules. Establish a national dashboard for real-time tracking of rule-making and enforcement.

Strengthening Social Security - Convert benefits into enforceable legal entitlements. Create a dedicated delivery authority for gig/platform workers.

FTE Safeguards - Introduce sector-wise caps on Fixed-Term Employment to prevent the substitution of permanent roles.

Digital Governance - Implement a Uniform Worker-ID linking EPFO, ESIC, e-Shram, and BOCW data. Automate contribution tracking for gig aggregators.

Capacity Building - Invest in upskilling state inspectorates and digitizing labour departments.

Transitional Justice - Ensure existing welfare entitlements are protected during the transition to the new Codes.

Source - https -//www.thehindu.com/business/Economy/labour-experts-welcome-labour-codes-but-urge-govt-to-address-likely-teething-issues/article70311033.ece# -~ -text=The%20Centre%20on%20Friday%20(November,would%20be%20made%20effective%20from