

1. Indian Labour Codes- Economy

The Economic Survey 2025-26 highlights a pivotal shift in India's approach to workforce management, positioning the new Labour Codes as a catalyst for modernization and formalization. Below is an elaborated breakdown of the reforms, their projected impacts, and the underlying structural challenges.

1. Background and Definitions

To understand the shift, it is essential to define the core concepts governing the Indian labour market-

Labour Market Formalisation- The process of transitioning workers from informal arrangements to formal ones, characterized by written contracts, social security benefits (like pension or insurance), and legal protections.

The Four Labour Codes- A legislative project that consolidated 29 pre-existing central labour laws into four streamlined categories to reduce "inspector raj" and simplify compliance.

Gig and Platform Workers- Individuals performing work or providing services outside of a traditional employer-employee relationship, often via online platforms (e.g., delivery partners, freelance coders).

Inspector-cum-Facilitator- A new regulatory role introduced to replace the traditional "Labour Inspector," shifting the focus from purely punitive enforcement to a mix of guidance and compliance.

2. Overview of the Four Labour Codes

The Code on Wages, 2019

Standardization- Aims to eliminate regional disparities in pay.

National Floor Wage- Introduces a minimum wage threshold set by the Central Government that states cannot go below.

Universal Coverage- Extends wage protection to all employees, regardless of the sector or wage ceiling.

The Industrial Relations Code, 2020

Flexibility- Empowers firms to hire and fire more easily to respond to market demand.

Conflict Resolution- Streamlines the process for trade union recognition and settles industrial disputes through specialized tribunals.

Threshold Shifts- Increases the worker limit for mandatory government permission before layoffs.

The Occupational Safety, Health and Working Conditions Code, 2020

Unification- Replaces multiple safety laws with a single set of standards.

Health Standards- Mandates better working conditions, including leaves and health check-ups.

Inclusivity- Specifically addresses the rights of interstate migrant workers.

The Code on Social Security, 2020

Universalization- Aims to bring unorganized workers under the social security net.

Recognition of New Work- Officially recognizes gig and platform workers for the first time in Indian legal history.

Fund Creation- Proposes a social security fund to finance benefits like maternity leave and old-age protection.

3. Economic Projections (2025-2030)

The Economic Survey 2025-26 presents a bullish outlook on the results of these implementations-

Formalisation Surge- Projects an increase in formal employment from 60.4% to 75.5%.

Job Creation- Estimates the generation of approximately 77 lakh (7.7 million) new jobs due to improved ease of doing business.

Economic Contribution- Forecasts that the efficiency gains from these reforms will add 1.25% to India's GDP by the financial year 2029-30.

4. Key Differences- Old vs. New Regulatory Framework

Feature	Pre-Reform (Existing Laws)	New Labour Codes (Proposed/Implementing)
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Complexity	29 Central Laws; highly fragmented.	4 Consolidated Codes; simplified.
Layoff Threshold	Firms with 100+ workers need govt permission.	Firms with 300+ workers need govt permission.
Factory Definition	10 workers (with power) / 20 (without).	20 workers (with power) / 40 (without).
Enforcement	Strict "Inspectors" with punitive powers.	"Inspector-cum-Facilitators" focusing on guidance.
Gig Workers	Generally excluded from social security.	Specifically included for social security benefits.

5. Critical Concerns and Structural Challenges

While the codes aim for modernization, several friction points remain-

The Informality Trap

High Prevalence- Over 80% of the workforce remains informal, lacking stable wages and legal recourse.

Contractualization- Permanent factory roles dropped from 61% (2011) to 47% (2023), while contract workers rose to 42%. This "flexibility" often results in lower job security.

Dilution of Protections

Higher Thresholds- By raising the worker limits for factory safety and layoff permissions, a significant portion of the workforce in small and medium enterprises (SMEs) may fall outside the protective net.

Enforcement Risks- The shift to "Facilitators" and the ability to settle violations through fines (compounding of offenses) might reduce the deterrent effect against labour law violations.

Implementation Gaps

Vague Benefits- While the Social Security Code mentions gig workers, the actual funding mechanisms and benefit levels (pensions, insurance) remain undefined.

Structural Drivers- Informality is driven by firms seeking lower costs and the rise of the platform economy, which naturally bypasses traditional "employer" responsibilities.

6. The Path Forward

The success of the 2025-26 projections hinges on three pillars-

Effective Enforcement- Ensuring "Facilitators" remain accountable and that workers have access to grievance mechanisms.

Clarifying Social Security- Explicitly defining the funding model for gig and unorganized workers to move beyond "recognition" to "protection."

Addressing Automation- Crafting policies that help workers transition as technological changes reduce the demand for routine, manual labour.

Source- <https://www.thehindu.com/opinion/op-ed/economic-survey-promises-impact-of-new-labour-codes/article70736145.ece>