

India's Labour Reforms

1. Introduction: India's Labour Reform Agenda

- India has **consolidated 29 labour laws** into **4 Labour Codes**.
- The aim: **simplify compliance**, ensure **worker welfare**, and build a **future-ready labour ecosystem**.
- Labour reforms are central to **Aatmanirbhar Bharat**, economic growth, and social protection.

2. India's Labour Market: Key Facts

- **Employment increased:**
 - **47.5 crore (2017-18) → 64.33 crore (2023-24)**
 - Net addition: **16.83 crore jobs**.
- **Unemployment rate** reduced:
 - **6.0% → 3.2%** in same period.
- **Women entering formal workforce:** + **1.56 crore**.
- **Poverty decline** parallels labour market improvements.
- India's **social protection system** is now **one of the largest globally**.

3. Rationale Behind Codification of Labour Laws

Why merge 29 laws into 4?

(A) Simplify Compliance

- Earlier: multiple laws → duplication, confusion.
- Now: **single registration, single license, single return**.

(B) Streamlined Enforcement

- Too many authorities earlier → delays, inconsistency.

(C) Modernizing Outdated Laws

- Many labour laws were **pre-Independence**; not suitable for digital economy or platform work.

(D) Reduce Compliance Burden

- Supports **ease of doing business** → boosts **investment & employment**.

(E) Based on Recommendations

- Follows **Second National Commission on Labour (2002)**: Suggested grouping laws into **4-5 labour codes**.

4. Overview of the Four Labour Codes

1. **Code on Wages, 2019**
2. **Industrial Relations Code, 2020**
3. **Code on Social Security, 2020**
4. **Occupational Safety, Health & Working Conditions (OSHWC) Code, 2020**

5. Code 1: Code on Wages, 2019

Covers 4 earlier laws

- (1) Payment of Wages Act
- (2) Minimum Wages Act
- (3) Payment of Bonus Act
- (4) Equal Remuneration Act

Major Highlights

1. Universal Minimum Wage

- Minimum wages apply to **all employees** (earlier only scheduled employments).

2. Floor Wage

- Central Government will set **floor wage** based on minimum living standard.
- States cannot set wages below it.

3. Wage Fixation Criteria

- Skill level (unskilled → highly skilled)
- Geographical region
- Working conditions (hazard, heat, humidity)

4. Gender Equality

- No discrimination in hiring or wages based on gender, including **transgender persons**.

5. Timely Payment for All

- Earlier wage protection applied only up to ₹24,000.
- Now applies **to all workers**.

6. Overtime

- Overtime = **2 times normal wage**.

7. Inspector-cum-Facilitator

- Role shifts from policing → guidance + compliance.

8. Compounding & Decriminalisation

- First-time offences → monetary fines.
- Reduces harassment, promotes compliance.

6. Code 2: Industrial Relations Code, 2020

Combines:

- Trade Unions Act (1926)
- Standing Orders Act (1946)
- Industrial Disputes Act (1947)

Major Highlights

1. Fixed Term Employment (FTE)

- Direct, short-term hiring.
- **Same wages/benefits as permanent workers.**
- Gratuity after **1 year**.

2. Re-skilling Fund

- Establishments must deposit **15 days' wages** per retrenched worker for retraining.

3. Recognising Trade Unions

- Union with **51% membership** → negotiating union.
- Or negotiating council.

4. Expanded Definitions

- Workers include journalists, sales staff, supervisory employees earning up to **₹18,000**.

5. Lay-Off / Closure Threshold Revised

- Approval required only for units with **300 workers** (earlier 100).
- States can raise the limit → flexibility for industry.

6. Provisions for Women

- Women must be represented in grievance committees.

7. Strikes/Lockouts: Mandatory Notice

- **14-day** notice required.
- Prevents sudden/flash strikes.

8. Digital Processes

- E-records, online communication → transparency.

9. Work-from-Home

- Recognised for service sector.

7. Code 3: Code on Social Security, 2020

Consolidates **9 laws**, including EPF, ESI, Maternity Benefit, Unorganised Workers Act, etc.

Major Highlights

1. Universal ESIC Coverage

- No “notified area” restriction.
- Mandatory for hazardous work.

2. EPF Reforms

- Inquiry limit: **5 years**.
- Appeals deposit reduced to **25%**.

3. Gig & Platform Workers Included

- Aggregators must contribute **1-2%** of turnover (capped at 5% of payouts).

4. Social Security Fund

- For unorganised, gig, and platform workers.
- Financed through aggregator contributions and penalties.

5. Uniform Definition of Wages (Very Important for UPSC)

- Wages = Basic + DA + Retaining allowance.
- At least **50%** of remuneration must be counted as wages.

6. Commuting Accidents Included

- Travel between home and workplace considered **employment injury**.

7. Gratuity for FTE

- Eligibility after **1 year**.

8. Inspector-cum-Facilitator & Digital Compliance

- Portal-based inspections; algorithm-driven.

8. Code 4: Occupational Safety, Health & Working Conditions (OSHWC) Code, 2020

Merges **13 laws** including Factories Act, Mines Act, BOCW Act, Contract Labour Act, etc.

Major Highlights

1. Single Registration & Licensing

- 1 registration instead of 6.
- For establishments with **10+ workers**.

2. Hazardous Work Coverage

- Can apply to even **1-worker** establishments.

3. Migrant Worker Reforms

- Definition expanded to include self-migrating workers.
- Benefits:
 - Annual travel allowance
 - Portability of PDS
 - Toll-free helpline

4. Women's Employment

- Women can work in **all sectors**, including night shifts, with safety measures.

5. Health & Safety

- Annual health check-ups.
- Safety committees for units with **500+ workers**.

6. Contract Labour Reforms

- Applicability raised from 20 → **50 workers**.
- Single national license valid for **5 years**.
- Welfare facilities compulsory.

7. Working Hours

- **8 hours/day**, 48 hours/week.
- Overtime = 2x wages.

8. Appointment Letters Mandatory

- Promotes formalisation.

9. National Database for Unorganised Workers (NDUW)

- For mapping skills & ensuring portability of benefits.

10. Decriminalisation

- Offences punishable by fines can be **compounded**.

9. Transformative Impact of the Labour Codes

(A) Modernised Labour Governance

- Laws aligned with **digital economy**, gig work, and current industrial patterns.

(B) Strengthened Worker Protection

- Universal wage protection

- Social security expansion
- Workplace safety
- Formalisation of jobs

(C) Enhanced Ease of Doing Business

- Reduced compliance
- Digital records & inspections
- Flexibility in hiring & retrenchment
- Single licences

(D) Boost to Employment & Investment

- Investor confidence rises due to clarity & uniformity.
- MSMEs find compliance easier.

(E) Technology-Driven Transparency

- Digital inspection
- Online registrations
- Uniform definition of wages

(F) Harmonised Labour Framework

- Replaces multiple overlapping laws with **4 unified Codes**.

10. Conclusion (UPSC Mains Ready)

India's Labour Codes mark a major structural reform, balancing **worker welfare** with **industrial growth**.

They simplify compliance, modernize labour laws, ensure wage and social security, and make working conditions safer.

Together, these reforms build a **transparent, fair, and future-ready labour ecosystem**, supporting India's journey towards **Aatmanirbhar Bharat**, higher employment, and sustainable economic growth.

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