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A Descriptive Study of the Opportunities and Difficulties in Implementing the New Labour Code Framework in India

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ABSTRACT

The consolidation of India's labor law into four comprehensive labour codes represents a landmark reform in the modernization of India's labor regulatory framework. This study examines both the potential and challenges presented by the dual role of these new labour codes. On one hand, codes promise to bring in compliance simplification, increase labor market flexibility, promote workforce formalization, and expand social security coverage-all designed to result in an efficient regulatory environment that is conducive to investment, productivity, and economic growth. On the other hand, concerns persist over the possibility of dilution of workers' rights, inconsistencies in state-level implementation, ambiguity in certain provisions, and readiness of enterprises-particularly small and medium firms-to adapt to the new compliance regime. The analysis underlines that while labor codes hold great promise for transforming the labor landscape in India, their success will depend on proper implementation, collaboration among stakeholders, and the establishment of an effective enforcement machinery. Essentially, the duality of opportunities and challenges suggests that a balanced approach-one that would reconcile the economic imperatives with protection of workers' welfare-is needed.

KEY WORDS: labour; workforce; reform; social security.

Introduction

With the promulgation of four labour codes on November 21, 2025, the Government of India integrated 29 central labour laws under a consolidated framework. The four codes are Wages Code 2019, Industrial Relations Code 2020, Social Security Code 2020, and Occupational Safety, Health and Working Conditions Code 2020.

The move will align the labour ecosystem of India to global standards, ensuring social justice for all workers, while laying the foundation for a protected workforce and resilient industries driving labour reforms for a self-reliant India. These codes are effective November 21, 2025.

Background of the need for labour law reforms in India

Most of the labour laws in India were enacted between the pre-independence and post-independence periods of the 1930s and 1950s. India remains among a few countries that retain much of its labour legislation relatively unchanged, even as most large economies have adopted new labour regulations in recent decades. The fragmented nature of its provisions across 29 central labour laws makes it hard for these frameworks to keep pace with changing economic realities and emerging forms of employment.

The implementation of the four labour codes addresses this need to move beyond colonial-era structures and keep pace with global trends. Together, these codes empower both workers and enterprises, creating a workforce that is protected, productive, and in step with the evolving world of work.

Highlights Of India's New Labour Codes

1. Pay Code, 2019

It brings together four earlier wage-related laws, creating a single code to establish a uniform approach to wages for all workers, including those in the informal sector.

- It is a statutory minimum wage undergirded by a national floor wage, which prohibits states from setting wages below the central benchmark.
- Now, pay determination takes into account skill category, sector, and working conditions, making pay determination across sectors more equitable.
- The Code provides support for gender-neutral employment, timely payment of wages, and overtime compensation at twice the normal rate.

- Compliance is eased by standard wage definition, introduction of inspector-cum-facilitators, and monetary penalties instead of criminal charges in case of minor violations.

2. Industrial Relations Code, 2020

The Code consolidates laws relating to trade unions, industrial disputes, and standing orders for better workplace relations and predictability for employers.

- Fixed-term employment has been formalized, thereby providing contract workers with parity with permanent workers, with entitlement to gratuity after one year.
- The limit on layoffs and standing orders increases from 100 to 300 workers, giving industries the flexibility to expand.
- Negotiating unions/councils strengthen collective bargaining and enable speedy dispute settlements through two-member Industrial Tribunals.
- Strikes must be announced 14 days in advance, "collective casual leave" constitutes a strike, and workplaces are required to implement digital employment records.

3. Social Security Code, 2020

It combines nine social security laws and gives protection to workers in the unorganised, gig, and platform sectors.

ESIC's coverage has been extended nationwide and made mandatory for hazardous occupations, while processes relating to EPF have been simplified with fixed timelines and lower deposits for appeals.

- Aggregators must contribute towards a dedicated social security fund, granting gig and platform workers life, health, maternity, and old age benefits.
- It standardises the definition of "wages", recognises travel accidents as employment injuries, and provides gratuity to fixed-term employees after one year.
- Digital systems, random checks, and resolution of minor crimes make inspections more transparent.

4. Occupational Safety, Health and Working Conditions (OSH) Code, 2020

The OSH Code merges 13 laws into one system for workplace safety, health and welfare.

The establishments will now require only one registration, one licence and one return, thereby substantially reducing the compliance cost.

- Hazardous workplaces with a single employee fall under the ambit of the Code; migrant workers get travel assistance, PDS portability and coverage under the national database.
- Women workers can also work in night shifts under appropriately safe conditions; an annual health checkup and appointment letter are required for all the workers.

It further seeks to implement workplace committees, a national OSH advisory board, and revised limits for factory applicability.

Working hours are fixed at 8 hours per day and 48 hours per week, with fines instead of imprisonment for minor offences.

Major Changes: Before vs. After Labour Reforms

- Formalization of employment: From now on, all workers are obliged to receive appointment letters, which will enhance transparency and job security.
- Universal social security: Coverage under the ESIC, PF, insurance and other protections will extend to all workers, including gig and platform workers.
- Universal minimum wage: Minimum wage now applies to all workers and not just scheduled industries.
- Preventive healthcare: Annual health check-ups, free of cost by the employers, for workers above 40 years.
- Salary on time: For workers, salary on time is the main factor.

Women Work Participation: Night work and in all occupations also permitted with the provisions for consent and safety measures.

- All-India ESIC: ESIC has now been extended all over the country and also became mandatory even for single employee coverage working on hazardous activities.
- Easy compliance: Instead of multiple registration and returns, there would be a single licence and single return system.

Benefits Across Industries

Fixed-term and contract workers

- FTEs get all the same benefits of permanent employees.
- Gratuity eligibility has now been reduced to one year.
- Equal pay promotes direct recruitment and reduces excessive contracting.
- The employers will ensure medical and social security cover.

Gig and platform workers

- Gig and platform work are legally defined for the first time.
- Aggregators contribute 1-2% of their revenues, capped at 5% of employee payments.

A single Aadhaar linked account number makes the benefits portable across States.

Women workers

Pay discrimination based on gender is forbidden.

Women may work at night with consent and having taken the necessary safety measures, in all professions.

Women's representation in the grievance committees is a must.

- The definition may include mother-in-law and father-in-law as dependants.

Youth Workers

-It increases protection by guaranteeing minimum wages and appointment letters.

- Leave wages must be paid.
- Floor wages ensure consistent pay nationally.

MSME Workers

- All MSME workers are covered under the Social Security Code.
- Canteens, water, and restroom facilities are imperative.
- Standard hours, paid leave, and double overtime apply.

IT, ITES and Digital Media Workers

- Compulsory appointment letters containing full details of wages and designations.
- Journalists, stunt workers, and artists receive full benefits, including double overtime.
- Equal pay and wages are guaranteed on the 7th of every month.

Beedi, Cigar, Mines, Dock, and Hazardous Industries

Minimum wages and fixed working hours (8-12 hours/day, 48 hours/week)

- Double overtime with consent.
- Expanded accident and safety coverage.
- Women allowed in mining and hazardous jobs.
- Dock workers are granted legal recognition and full social security.

Plantation and Textile Workers

- Plantations with more than 10 workers or more than 5 hectares

ESIC facilities cover workers and their families.

- Migrant textile workers get equal pay and PDS portability.
- Pending dues can be claimed up to 3 years later.

export sector workers

- Fixed-term workers are entitled to PF, gratuity, and social security.
- Annual leave after 180 days. No unauthorised salary deductions.

- Double overtime, safe transportation, and CCTV for women employees on night shifts.

Additional Reforms introduced through the Labour Codes

- The national floor wage guarantees that no worker is paid below the subsistence level.

Both pay and opportunities are neutral in regard to gender for transgender workers.

- Advanced tribunals resolve disputes much faster.
- A national OSH board standardizes safety rules across industries.
- Compulsory safety committees in enterprises with more than 500 workers.

Difficulties in Labour Administration of India

While small companies might experience some compliance pressures in the short term, economists say the long-term outcome of increased wages, greater Social Security coverage and improved working conditions is likely to strengthen not only labour welfare but also consumer demand.

1. Complex and fragmented regulations

- Earlier, 29 Central laws had created overlapping rules with more than 69,000 compliances under more than 1,500 provisions.
- MSMEs are facing complexity and high costs in compliance.
- Even after consolidation, different state-level regulations and slow digitalisation keep markets fragmented.
- Labour departments are generally short of staff and technical capacity.

2. Dominance of the informal sector

- More than 90 percent of workers remain informal, without social security.
- Compliance is often seen as costly by micro-enterprises.

It argues for stronger enforcement and incentives to benefit gig, platform, migrant, and fixed-term workers.

3. Low female labour force participation

- Women's participation increased to 41.7% during 2023-24, yet most of them remained in agriculture and informal work.
- Industrial and services attendance is falling due to security worries and a lack of facilities.
- Including night shifts will help only when coupled with transportation, childcare, and safe workplaces.

4. Regulating gig and platform labour

- Gig work is rapidly growing, yet it lacks stable security.
- The mechanisms of contribution are defined, but those for benefit distribution are still evolving.
- The need for portable social security systems across multiple platforms.

5. Youth unemployment and skills gap

- Around 14.6% are youthful and unemployed.
- Unemployment for female youth is 17.8%
- Education often does not match industry needs.
- Building skills and re-skilling need strong implementation.

6. Opposition from trade unions

Major trade unions oppose these codes, citing that these undermine workers' rights.

Concerns centre on high layoff limits and fixed-term contracts.

- Opposition slowed state implementation and complicated consensus building.

7. Lack of data

- Labour data is outdated and inadequate.

- Lack of an integrated labour market information system for policymaking is a hindrance.
- Inadequate representation of informal and migrant workers affects targeted policy design.
- Problem of the “missing middle” prevails: many micro units and few growing medium enterprises.

Major Government Schemes Supporting Labour Welfare

- Pradhan Mantri Shram Yogi Maandhan: ₹ 3,000 per month pension to informal workers after 60 years of age.

E-Shram Portal: National database of unorganised workers in 400+ occupations.

- Self-reliant India Employment Scheme: Incentive for employment generation after Covid; over 60 lakh beneficiaries.

National Career Service: Job matching, skills and counselling platform.

- EPFO Schemes: Wider membership and speedy claim settlement.
- ESI: health and social security benefits in more than 600 districts.

MNREGA: 100 days of guaranteed rural employment, with more than ₹86,000 crores being allocated in the year 2025-26.

- PMJJBY and PMSBY: Affordable life and accident insurance to millions.
- Pradhan Mantri Vikas Bharat Rojgar Yojana (2025): Aims at providing 3.5 crore employment opportunities with an outlay of approximately ₹1 lakh crore.

Measures That India Can Adopt To Strengthen Labour Administration

1. Simplify and digitize compliance

- Implement an integrated digital labour platform for registration, returns, and licensing.
- Provide support for MSMEs on digital adoption.

2. Promoting formality by using incentives

- Provide tax benefits, easy credit access, and simple rules for micro enterprises.
- Link formalisation to social security access and digital identity.

3. Increase female workforce participation

- Expand safe transportation, childcare centres, and workplace facilities.
- Enhancing implementation of the POSH Act and increasing public awareness.

4. Innovate social security for gig workers.

Design a portable benefits system backed by digital wallets and transparent tracking of contributions.

- Research Blockchain-based benefits systems.

5. Enhancing Enforcement Capacity

Hiring and training inspectors; provision of digital tools and analytics.

- Establish real-time LMIS for accurate labour data.
- Form a strong grievance redressal system.

6. Align Skills with Market Needs

- Upgrade vocational training under PMKVY.
- Collaborate with industry for apprenticeship
- AI-powered skill mapping

7. Build consensus with trade unions and employers.

- Strengthen tripartite dialogue platforms.
- Communicate reforms transparently to decrease mistrust.

formalization, and provide a more predictable environment for employers and employees alike.

Conclusion

The Labour Codes of India mark a very significant transition toward modern, transparent, and inclusive labour administration. Emphasizing digital systems, cooperative federalism, skill development, and strong social security, India can thereby construct a resilient and future-ready workforce. As the ILO Director-General has stressed, meaningful social dialogue is essential to ensure that both workers and industries will benefit from these reforms.

The introduction of India's new labour code is a momentous occasion in the country's labour administration framework, reflecting an effort to align the regulatory mechanism with contemporary economic realities. By consolidating a complex network of legacy laws into a more streamlined structure, reform aims to enhance administrative efficiency, foster formalization, and help create a more predictable environment for employers and employees alike.

However, these codes can achieve transformative potential only through operationalization. Ongoing ambiguities in compliance requirements, with concerns around the dilution of workers' protection, and the differential preparedness of state systems pose very substantive challenges in realizing intended outcomes.

While the codes encapsulate a gradual move towards a modern labor regime, their actual impact would depend on the degree to which implementation strategies pursue the twin goals of economic growth and social justice. Necessary assurances regarding effective enforcement, capacity-building within institutions, and continuous dialogue among stakeholders will be needed to bridge the gap between legislative intent and practical outcome. The new labor codes hold promise in terms of reformulation, but there is every reason to believe that this would work only in the case of a balanced, context-sensitive, and inclusive approach, responding to worker welfare concerns while allowing economic buoyancy.

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