

Labour Codes Implementation Doesn't Address ProClarity of Labour Market

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After more than five years of passing the laws, Government of India has officially notified four labour codes and announced their implementation with effect from Nov 21, 2025. These four labour codes, namely Codes on Wages, 2019, Social Security, 2020, Industrial Relations, 2020 and Occupational Safety, Health & Working Conditions, 2020 are merging together the existing 29 labour laws.

In January 2026, the central government further published the draft rules in public domain, inviting feedback in general. All the major trade unions are opposing the new labour codes, terming these as pro-employer and facilitating ease of doing business. Trade unions are trying to mobilise workers and put up opposition to four new labour codes. Many general strike has been organised in last five years against these labour codes.

The prime minister has termed this “most comprehensive and progressive labour-oriented reforms since independence”. The press release hails this initiative as modernising labour regulations, enhancing workers’ welfare and aligning the labour ecosystem with the evolving world of work. According to the press release, this reform will lay foundation for a future-ready workforce and stronger, resilient industries driving labour reforms for Atmanirbhar Bharat.

As per government claims, this reforms universalises payment of minimum wages by making it applicable for all employments. This is undoubtedly an improvement over the present situation as any new employment needs to be added to the schedule of employment under the Minimum Wages Act, 1948. However, serious doubt remains about its implementation as a significant section of informal workers are paid below minimum wages as per government data.

Minimum wage as notified in itself is bare minimum just to survive and does not guarantee decent living conditions. In many states, market wage is lower than the minimum wages as there exists huge reserve army of labour force because of partial occupational transformation. It’s a structural issue as surplus labour from agriculture are not getting gainfully employed in manufacturing and service sector. This puts enormous pressure on wages and makes implementation of minimum wages very difficult.

It is claimed that the codes would provide comprehensive social security to informal workers including gig and platform workers. A reading of the Social Security Code, 2020 reveals that all the institutional social security provisions like Employees’ Provident Fund, Employees’ State Insurance, maternity benefit, gratuity are still not accessible for informal workers as thresholds such as 10 or 20 workers continue to exist. Only formal workers are covered under the institutional social security instruments in the new code.

The central and state governments would take care of social security of informal workers by formulating social security schemes but these are inherently inferior to institutional social security.

Gig and platform workers are covered under the social security schemes only and it would be financed from cess collected from the 'aggregators'. It's a model taken from construction workers welfare act of 1996. After almost 30 years, it is evident that construction workers did not benefit much and cess based labour welfare is a failed and discredited model. It is again repeated in the codes.

Gig and platform workers could find mention only in Social Security Code, 2020 and employment relations are not defined. Such workers are perceived as part of informal labour force in the category of independent contractors/self-employed. The codes are silent about the wages, occupational safety, collective bargaining rights of gig and platform workers.

Labour codes don't address exclusion of majority of workers from protective legal framework

Essentially, the four new labour codes continue to exclude majority of the workforce by retaining employee/worker threshold. Indian labour market is inherently informal as more than 90% of the workers fall under that category, including a vast majority of workers in the formal sector.

The entire OSHWC Code 2020 is applicable for establishments employing 10 or more workers. All the institutional social security instruments mentioned in SSC 2020 like EPF, ESI, maternity benefit, gratuity are subject to the employee threshold of either 10 or 20 workers. In Indian labour market, formal-informal differentiation is done through EPF/ESI accessibility. This factor continues to exist in the new codes and there is no indication of reversing the growing informalisation of the labour force.

A significant part of the code formulation is basically amalgamating the existing labour laws. It reduces the problem associated with the multiplicity of labour laws but do not address the exclusion of vast majority of workers from the protective legal framework. Presently, the size of the labour force is around 550 million. Out of that, 500 million would be informal. Benefits of protective legal framework, if any, is available to miniscule 50 million workers. Implementation of four new labour codes is not going to change this scenario very much. Rather, by giving legal status to Fixed Term Employment (FTE) without limiting the length of tenure or renewability, the Industrial Relations Code is essentially discouraging engagement of regular permanent workers.

Further, the Industrial Relations Code makes hiring and firing easier by increasing the employee threshold from 100 to 300 in case of lay-off, retrenchment, closure. Also, the applicability of certified standing order (rule book for management and workers) has been increased from 100 to 300 workers. Doing a legal strike is almost impossible under the new code as giving a notice is made mandatory for all forms of activities.

By making 51% membership threshold to become sole bargaining union, IR code makes difficult for smaller trade unions. It would not be an exaggeration, implementation of new labour codes, particularly the IR code, would add towards more flexibility for employers in terms of engagement and disengagement of workers.

The Joint Platform of Central Trade Unions expressed strong opposition towards implementation of four new labour codes. Among major trade unions, except the BMS, all condemned “the blatantly unilateral implementation of anti-worker, pro employer labour codes”. These trade unions are opposing the new labour codes since those were passed in parliament in 2019 and 2020.

Government claimed that formulation of labour codes was preceded by adequate tripartite consultation and social dialogue. But most of the major trade unions refuted this claim and alleged that trade union views were not taken into account. The fact that the last Indian Labour Conference (ILC) was held more than a decade back in 2015 (which was a erstwhile regular affair), is a testimony towards trade union allegations.

The fact remains that implementation of the four new labour codes is not going to fundamentally change the labour market realities in present day India. For the vast majority of informal workers, things will remain precarious and even the minuscule formal employment opportunities may decline. Trade unions would continue to experience declining bargaining power as their presence among informal workers are not significant and formal employment is shrinking. Undoubtedly, implementation of four new labour codes would simplify and modernise the world of labour laws but it does not address the ProClarity of Indian labour market.
