

Industry Representation on Labour Codes

In 2026, industry representation for newly implemented Labour Codes (effective November 21, 2025) is institutionalized through mandatory advisory boards, councils and committees that ensure employers have a formal voice in governance and dispute resolution.

Key Channels for Industry Representation

The four Codes—

1. Wages(WC),
2. Industrial Relations (IRC),
3. Social Security (SSC), and
4. Occupational Safety, Health and Working Conditions (OSHWCC)

mandate specific bodies where industry representatives sit alongside government and worker members:

- **National & State Advisory Boards:**

Under the OSHWC and Wage Codes, industry representatives are appointed to National and State Advisory Boards. These boards advise the government on setting floor wages, safety standards, and welfare schemes.

- **Negotiating Unions & Councils:**

The IR Code 2020 introduces a Negotiating Council in establishments where no single union has 51% worker support. Employers must recognize and negotiate with this council on prescribed matters, giving management a structured framework for collective bargaining.

- **Grievance Redressal Committees (GRC):**

Every establishment with 20 or more workers must form a GRC. This committee must have equal representation of employers and workers, with mandatory inclusion of women.

- **Industrial Tribunals:**

The new two-tier tribunal system includes Administrative Members who may come from industry backgrounds or civil service to provide expertise in resolving industrial disputes alongside judicial members.

- **Safety Committees:**

In factories and establishments meeting specific worker thresholds, the OSH Code mandates Safety Committees with equal employer and worker representation to manage workplace hazards.

Impact on Industry Operations (2026)

Industry bodies (such as CII, FICCI, and MSME associations) have advocated for several reforms now active in the 2026 regulatory environment:

- **Higher Operational Thresholds:**

Establishments with up to 299 workers are now exempt from seeking government permission for layoffs or closures, a major representation success for the industry.

- **Flexible Hiring:**

The introduction of Fixed-Term Employment (FTE) allows industries to hire for specific project durations with statutory benefits, reducing reliance on informal contractors.

- **Simplified Compliance:**

A "one-stop" system for registration, licensing, and filing returns (Single Return) has significantly reduced the administrative burden on businesses.

- **Inspector-cum-Facilitator:**

The role of labour inspectors has shifted toward a web-based, facilitative model to help industries comply rather than just penalizing them.

Employer Obligations

While the codes offer flexibility, industries must now adhere to:

- **Timely Dues:**

Full and final settlement of dues within two working days of an employee's exit.

- **Wage Structure:**

Ensuring the "Basic Salary" is at least 50% of the total CTC to standardize social security contributions.

- **Re-skilling Fund:**

Employers must contribute 15 days' wages for every retrenched worker to a new re-skilling fund.

Industry Concerns

1. Financial Burden of the 50% Wage Rule

The most significant industry concern involves the new uniform definition of "wages."

- **Cost Increases:**

In 2026, the mandate that basic salary must be at least 50% of the total Cost to Company (CTC) is expected to increase manpower costs by 5–15% across sectors.

- **Higher Statutory Outgo:**

Because Provident Fund (PF) and gratuity are calculated based on "wages," companies with allowance-heavy structures face a 20–40% increase in statutory contribution costs.

- **Gratuity Liability:**

The threshold for gratuity for fixed-term employees has been reduced from five years to just one year, significantly increasing long-term financial liabilities for industries relying on short-term contracts.

2. Operational Challenges for Platform Companies

The Social Security Code 2020 introduces a new levy on "aggregators" (such as ride-sharing and food delivery platforms).

- **Revenue Levy:**

Aggregators are now required to contribute 1% to 2% of their annual turnover to a social security fund for gig workers, capped at 5% of the total amount paid to these workers.

- **Data and Compliance:**

Platforms must now register all workers on a central portal and update data every three months, a massive administrative undertaking for companies with high workforce churn.

3. Compliance Pressure on MSMEs

Micro, Small, and Medium Enterprises (MSMEs) report high "short-term adjustment pressure".

- **Administrative Readiness:**

Small units often lack the dedicated HR or legal teams needed to manage the transition from 29 fragmented laws to the integrated digital administration required in 2026.

- **Mandatory Benefits:**

New obligations—such as free annual medical health checks for workers over 40 and mandatory appointment letters—add immediate operational costs that smaller firms find difficult to absorb alongside existing inflation.

4. Restrictive Termination Provisions

While the threshold for government approval of layoffs increased from 100 to 300 workers, new financial obligations remain a sticking point:

- **Re-skilling Fund:**

Employers must now contribute an additional 15 days' wages for every retrenched worker to a new re-skilling fund, on top of existing retrenched compensation.

- **Tight Settlement Timelines:**

Industries must now complete full and final settlements within two working days of an employee's separation, which is proving challenging for hospitality and retail sectors with high turnover.

5. Regulatory Uncertainty

- **Dual Compliance:**

Since labour is a "concurrent" subject in India, some industries are facing dual compliance as they navigate both new central codes and overlapping or delayed state-specific rules during the 2026 transition.

- **Industrial Unrest:**

Industry leaders remain wary of potential unrest, as major trade unions have called for general strikes (such as on February 12, 2026) to protest the Codes as "anti-worker."
