



DAILY EDITORIAL ANALYSIS

TOPIC

**INDIA'S LABOUR CODES: A TRANSFORMATIVE
STEP TOWARDS INCLUSIVE ECONOMIC
GROWTH**

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INDIA'S LABOUR CODES: A TRANSFORMATIVE STEP TOWARDS INCLUSIVE ECONOMIC GROWTH

Context

- India's new **Labour Codes**, consolidating several **existing laws** into a unified, modern framework designed to foster **clarity, consistency, and equity** across the workforce.

About New Labour Codes: A Unified Framework

- Overview of the Four Labour Codes:** According to the Ministry of Labour & Employment, the **reforms consolidate 29 central laws into four codes**:
 - Code on Wages, 2019:** Universalizes minimum wages and ensures timely payment.
 - Industrial Relations Code, 2020:** Streamlines dispute resolution and promotes flexibility in hiring.
 - Social Security Code, 2020:** Extends social security to gig workers, platform workers, and the unorganized sector.
 - Occupational Safety, Health and Working Conditions Code, 2020:** Enhances workplace safety and welfare standards.
- The **four Labour Codes** aim to modernise India's labour ecosystem by bringing workers and employers under a common set of rules that simplify compliance, ensure protection, and promote flexibility in workforce management.
 - For workers:** stronger social security, safer workplaces, and wider access to benefits.
 - For businesses:** simpler compliance, standardised processes, and a level playing field.
- These reforms are designed to reduce compliance burdens, eliminate outdated provisions, and promote 'Ease of Doing Business'.

Importance of New Labour Codes

- Expanding the Social Security Net:** The **Code on Social Security (2020)** formally recognises the millions of unorganised, gig, and platform workers, allowing the Centre and states to establish **dedicated social security funds**.
 - Aggregators are required to contribute **1–2% of turnover**, capped at **5% of payouts**, ensuring sustainable financing for benefits.
 - The **e-Shram portal** (India's **first national database of informal workers**), which has enrolled over **310 million workers**, assigns each a **Universal Account Number (UAN)** — enabling portability of health insurance, maternity benefits, and pensions across employers and states.
- Safety, Dignity and Gender Inclusion:** The **Occupational Safety, Health and Working Conditions Code (OSH)** integrates safety norms across sectors and enables **women to work night shifts** with safeguards and consent — expanding opportunities while prioritising protection.
 - The OSH Code promotes **technology-based inspections** and **risk-based compliance**, shifting focus from punishment to prevention.
- Fair Wages and Industrial Harmony:** The **Code on Wages** universalises **minimum wages and timely payments** across all sectors, regardless of skill or geography, ensuring income stability.
 - Meanwhile, the **Industrial Relations Code** encourages **negotiation, conciliation, and arbitration** before disputes escalate, strengthening industrial peace.
 - Simplified trade union recognition and standing order rules improve transparency and predictability.
- Boosting Ease of Doing Business:** For enterprises — especially **MSMEs** — the new Codes simplify processes through **digital filings, standardised definitions, and reduced paperwork**.
 - During FY 2021–22, India recorded **FDI inflows of \$83.6 billion**, supported by broader reforms such as **labour simplification, capital expenditure increases, and ease-of-doing-business initiatives**.
 - These measures have positioned India as a competitive, investment-friendly destination.

Issues and Challenges Ahead of India's New Labour Codes

- **Uneven State-Level Implementation:** Since labour is a **Concurrent List (Schedule VII)** subject, **state-level adoption remains inconsistent**.
 - ♦ It has delayed implementation and created uncertainty for industries planning workforce policies under the new framework.
- **Worker Discontent:** New codes dilute key labour protections such as collective bargaining rights, job security, and safeguards against arbitrary layoffs.
 - ♦ The Industrial Relations Code has drawn criticism for raising the threshold for mandatory government approval of layoffs from 100 to 300 workers.
- **Compliance Complexity for MSMEs:** **MSMEs** face practical challenges in adapting to digital filings, multiple registrations, and new compliance norms.
 - ♦ Many lack the administrative capacity or technological infrastructure to manage online systems.
- **Social Security for Gig and Informal Workers:** The inclusion of **gig and platform workers** remains **unclear in financing and execution**.
 - ♦ The proposed contribution by aggregators (1–2% of turnover) may not cover actual benefit costs, and many gig workers remain **unregistered or unaware** of the schemes.
- **Digital Divide and Implementation Gaps:** The success of systems like **e-Shram**, **EPFO**, and **ESIC** depends on **data integration and real-time benefit portability**.
 - ♦ Technical glitches, duplicate entries, and low digital literacy among informal workers threaten to **undermine accessibility and trust** in the system.
- **Gender and Safety Concerns:** The **enforcement of safety standards** — especially in smaller enterprises and informal sectors — remains doubtful.
- **Industrial Relations and Collective Bargaining:** The **Industrial Relations Code** changes union recognition thresholds and dispute mechanisms, which may **dilute collective bargaining rights**.

Way Forward: Priorities for Effective Transition

- **Operationalise Unorganised Workers' Coverage:** Notify aggregator contributions, ensure transparent benefit delivery, and establish public dashboards for accountability.
- **Integrate Digital Platforms:** Link **e-Shram**, **EPFO**, and **ESIC** databases so benefits are portable nationwide.
- **Build Awareness and Capacity:** Equip **MSMEs** and workers with multilingual guides, help-desks, and outreach programmes to translate legal rights into tangible benefits.

Conclusion

- India's Labour Codes can anchor the country's next growth chapter—ensuring **competitiveness for businesses**, **dignity for workers**, and a **predictable environment for investors**, if implemented with **speed, transparency, and collaboration**.
- For the vision of **'One Nation, One Labour Law Framework'** to materialise, coordinated action and rapid operationalisation are essential.

Source: BS

Daily Mains Practice Question

[Q] Examine how India's new Labour Codes aim to balance economic growth with social inclusion. Do these reforms adequately address the needs of informal sector workers and promote equitable development

