



DAILY EDITORIAL ANALYSIS

TOPIC

**CENTRE-STATE COLLABORATION FOR
EFFECTIVE LABOUR REFORMS**

www.nextias.com

CENTRE-STATE COLLABORATION FOR EFFECTIVE LABOUR REFORMS

Context

- The effective implementation of the recently announced **four Labour Codes** need robust Centre-state collaboration, that **depends on unified policy execution** across all levels of government.

Overview of the Four Labour Codes

- According to the **Ministry of Labour & Employment**, the labour 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 new framework promises to **simplify compliance, strengthen worker protection**, and provide **greater operational flexibility** for employers.

New Labour Codes: Addressing Long-Standing Challenges

- Unified Legal Architecture**: The Codes replace overlapping and inconsistent statutes with a consolidated structure.
 - It introduces **single registration, consolidated returns, and simplified inspections**, significantly reducing administrative delays and compliance burdens.
- Fair and Predictable Wages**: The **national floor wage** serves as a guiding benchmark for states, reducing inter-state disparities and promoting income stability for low-income workers.
 - It ensures fairer compensation and a consistent baseline for earnings across India.
- Formalisation and Transparency**: The Codes mandate **appointment letters**, clarify wage definitions, and specify pay timelines—measures that minimise disputes, encourage accountability, and strengthen employer–employee trust.
- Workplace Safety and Inclusion**: Safety committees, **periodic health checks**, and **consent-based night shifts for women** reflect a proactive approach to worker welfare and gender inclusion.
 - These provisions ensure secure environments and institutionalise workplace health monitoring.
- Extending Social Security to Gig Workers**: The Codes acknowledge India's evolving employment models, by including **gig and platform workers** in social security schemes, **bringing the informal and digital economies** into the protective net of formal welfare systems.
- Recognition of Fixed-Term Employment**: Formal recognition of **fixed-term contracts** with full statutory benefits — such as gratuity eligibility after one year — strikes a balance between employer flexibility and employee parity.

Impact on Industry and Workers

- For Employers**: Simplified compliance reduces transaction costs and enhances the **ease of doing business**, enabling more agile expansion decisions.
 - Flexibility in shift design and fixed-term employment empowers companies to align staffing with demand cycles without undermining labour rights.
 - However, businesses **may face transitional costs**—such as updating HR systems, ensuring gratuity compliance, and managing leave encashment obligations.
- For Workers**: Employees gain greater **income security, clear entitlements**, and **safer workplaces**.

- ♦ Over time, these reforms are expected to enhance productivity, improve retention, and strengthen worker confidence in formal employment systems.

Why Centre-States Collaboration Matters?

- **Constitutional Mandate:** Labour is a subject in the **Concurrent List in Schedule VII** of the Indian Constitution, meaning **both the Centre and states have the authority** to legislate on it.
 - ♦ The **actual implementation depends on states** framing and notifying the corresponding rules.
- **Implementation Bottlenecks:** The **lack of uniformity in rule-making** has **delayed the nationwide rollout** of the labour codes.
 - ♦ It creates uncertainty for businesses and workers, defeating the purpose of simplifying and harmonizing labour laws.
- **Capacity Constraints:** Some states lack the **administrative capacity or technical expertise** to draft and implement complex labour regulations.

Push for Centre-States Coordination

- The Union Labour Ministry has held **review meetings with state labour departments** to accelerate rule-making and address concerns.
- A **Parliamentary panel** has urged all states and UTs to implement the codes swiftly, especially the Occupational Safety, Health and Working Conditions Code, 2020.
- The **Confederation of Indian Industry (CII)** has emphasized the need for **Centre-state synergy** to unlock the full potential of reforms in both labour and land sectors.

Way Forward

- **Harmonisation Across States:** Uniformity in rules governing **working hours, overtime, and bonus thresholds** is essential to avoid reintroducing complexity. A **Centre–state harmonisation mechanism** with model rules and standardised templates would ensure consistency.
- **Single-Window Compliance:** A unified digital platform, such as an upgraded **Shram Suvidha Portal**, could serve as a one-stop solution for registrations and filings under **both the Codes and state-level Acts**—reducing duplication and promoting transparent, risk-based inspections.
- **Ensuring Prospective and Coordinated Rollout:** As seen in **GST and the Companies Act reforms, prospective implementation**—supported by synchronised rule notifications, digital infrastructure, and joint training for inspector-cum-facilitators—will be crucial for effective transition.

Conclusion

- India's labour codes present a unique opportunity to transform the nation's labour market into one that is **simpler for businesses, safer and fairer for workers, and stronger for economic growth**.
- It demands coordination, clarity, and commitment from all stakeholders. Success will ultimately be measured by how effectively these reforms translate into an inclusive, productive, and future-ready workforce.

Daily Mains Practice Question

[Q] Evaluate the role of Centre-State collaboration in the successful implementation of labour reforms in India.

Source: BS

■■■■