

PUBLIC POLICY • LABOUR GOVERNANCE

LABOUR REFORMS

A Catalyst for Viksit Bharat 2047

Vishakh OT



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Dedication

This book is dedicated to every employee whose labour builds the nation, to every employer who creates opportunity with responsibility, and to every regulatory authority that strives to balance growth with justice.

It is a humble tribute to all those who, in their own ways, believe that dignified work, fair enterprise, and ethical governance together shape the foundation of a *Viksit Bharat (Developed India) - 2047*.

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Preface

Labour laws are not merely legal instruments governing employment relationships; they are foundational pillars shaping economic growth, industrial harmony, social justice, and national development. As India aspires to achieve the ambitious vision of *Viksit Bharat* (Developed India) by 2047, the relevance of labour reforms assumes unprecedented significance. A modern economy cannot be built on outdated regulatory frameworks that neither reflect contemporary workplace realities nor respond to global economic challenges.

For decades, India's labour law regime was characterised by excessive fragmentation, overlapping compliances, and procedural rigidities. While these laws were enacted with the noble objective of protecting workers' rights, over time they became increasingly disconnected from the evolving nature of employment, technology, enterprise structures, and labour markets. The coexistence of multiple laws, inspectors, registers, and returns created a compliance-heavy ecosystem that discouraged formalisation, stifled entrepreneurship, and limited employment generation—particularly in the manufacturing and MSME sectors.

The consolidation of 29 Central labour laws into four comprehensive Labour Codes marks a watershed moment in India's regulatory history. These reforms are not merely about simplification; they represent a paradigm shift—one that seeks to balance labour protection with economic flexibility, welfare with productivity, and rights with responsibilities. When implemented in letter and spirit, the Labour Codes have the potential to formalise employment, expand social security, enhance workplace safety, and make India a globally competitive investment destination.

However, labour reforms have also been the subject of intense debate, resistance, and misunderstanding. Much of the opposition has been driven by apprehensions rooted in legacy narratives rather than a careful reading of the statutory provisions. This book seeks to move beyond rhetoric and ideology to present an objective, evidence-based, and legally grounded analysis of labour reforms in India.

This work is intended for policymakers, administrators, employers, trade union leaders, legal professionals, researchers, students, and all stakeholders interested in understanding how labour reforms can act as a catalyst for national development. The focus is not merely on law, but on outcomes—employment, dignity of labour, ease of compliance, and sustainable economic growth.

If India is to truly realise the vision of *Viksit Bharat*, labour reforms must be viewed not as a threat, but as an opportunity—an enabler of inclusive growth and social progress.

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Introduction

(i) Labour Reforms in the Journey towards Viksit Bharat

India stands at a critical juncture in its developmental trajectory. With a young workforce, expanding industrial base, and growing global integration, the country has the potential to emerge as a major economic powerhouse in the coming decades. The vision of *Viksit Bharat* by 2047 encapsulates aspirations of economic prosperity, social equity, technological advancement, and institutional efficiency. Achieving this vision requires deep structural reforms across sectors—among which labour reforms occupy a central position.

Labour laws directly influence the relationship between capital and labour, productivity and welfare, growth and equity. In an economy where over 90 per cent of the workforce has historically remained informal, the challenge has not been the absence of laws, but their inability to promote formalisation, compliance, and enforcement simultaneously. The paradox of Indian labour regulation lay in the fact that while the laws were numerous and protective on paper, their benefits failed to reach the vast majority of workers.

(ii) Legacy of the Pre-Code Labour Law Regime

Prior to the introduction of the Labour Codes, India's labour framework comprised a complex web of Central and State legislations—each with its own definitions, thresholds, authorities, and procedures. Employers were required to navigate multiple registrations, inspections, and returns, often for the same establishment. This multiplicity created uncertainty, encouraged rent-seeking, and weakened trust between employers, workers, and the State.

At the same time, rigidities in industrial relations laws discouraged enterprises from scaling up, leading to the phenomenon of “dwarf firms” and contract-heavy employment models. Social security legislations were limited in coverage, excluding gig workers, platform workers, and the self-employed—categories that are rapidly expanding in the modern economy.

(iii) The Case for Reform

The need for labour reforms is not unique to India. Across the world, economies have undertaken labour market reforms to respond to technological disruption, global competition, demographic shifts, and changing nature of work. India’s reforms must be viewed within this global context, while remaining sensitive to domestic socio-economic realities.

The four Labour Codes—on Wages, Industrial Relations, Social Security, and Occupational Safety, Health and Working Conditions—seek to address long-standing deficiencies by simplifying compliance, rationalising definitions, expanding coverage, and introducing technology-driven governance. The emphasis is on “ease of compliance” rather than dilution of rights, and “facilitation” rather than inspection-driven enforcement.

(iv) Addressing Concerns and Misconceptions

Despite their potential, labour reforms have faced significant resistance. Critics argue that the reforms weaken workers’ rights, dilute collective bargaining, and favour employers. However, many such critiques are based on selective readings or incomplete understanding of the statutory framework. This book critically examines these concerns, separating legitimate issues from misplaced fears.

Importantly, the success of labour reforms does not depend solely on legislation. Implementation through fair, transparent, and participative rule-making is crucial. The role of States, labour administration, judiciary, social dialogue, and capacity building is Central to translating legal reform into tangible outcomes.

(v) Purpose and Structure of the Book

This book aims to provide a comprehensive, balanced, and forward-looking analysis of labour reforms in India. It examines the historical context, legal architecture, economic rationale, stakeholder perspectives, and future implications of the Labour Codes. Rather than treating labour law as a static subject, the book positions it as a dynamic instrument of nation-building.

Ultimately, labour reforms must be judged not by ideological positions, but by their ability to create jobs, protect workers, promote enterprise, and support India's journey towards becoming a developed nation. In this sense, labour reforms are not an end in themselves—they are a catalyst for *Viksit Bharat*.

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Part I:

Context and Foundations — Overview

Part I lays the conceptual and historical foundation for understanding labour reforms in India within the broader vision of Viksit Bharat. It traces the evolution of labour regulation from the colonial period to the post-liberalisation era, highlighting how socio-economic conditions, industrialisation, and constitutional values shaped labour policy. The section examines the constitutional framework governing labour, the division of legislative powers between the Centre and States, and India's engagement with international labour standards. By situating labour reforms in their historical, legal, and global context, this part provides the necessary backdrop to appreciate why comprehensive reform became inevitable and how labour law serves as a critical instrument of national development and social justice.

Chapter 1

Concept of *Viksit Bharat* and the Role of Labour Reforms

The vision of *Viksit Bharat* (Developed India) represents a holistic aspiration that goes far beyond mere economic growth. It envisages an India that is prosperous, inclusive, innovative, institutionally strong, and socially just by the year 2047, marking the centenary of Independence. A developed nation is not defined solely by its GDP figures, but by the quality of life of its citizens, the dignity of labour, the availability of productive employment, and the robustness of its governance frameworks. In this larger national vision, labour reforms occupy a central and indispensable position.

At its core, *Viksit Bharat* rests on three interlinked pillars: sustained economic growth, social equity, and institutional efficiency. Labour laws directly influence all three. They shape how enterprises operate, how workers are protected, how disputes are resolved, and how productivity is enhanced. In an economy like India's—characterised by a vast workforce, high levels of informality, and wide regional diversity—labour regulation becomes a critical tool for balancing growth with justice.

India's demographic profile underscores the urgency of effective labour reforms. With a large proportion of the population in the working-age group, the country is experiencing a demographic dividend that can translate into economic prosperity only if adequate employment opportunities are created. Jobless growth, informal employment, and low productivity pose serious risks to this

opportunity. Labour reforms, therefore, are not merely about simplifying laws; they are about enabling enterprises to generate employment at scale while ensuring that workers enjoy fair wages, safe working conditions, and social security.

Historically, labour laws in India were designed in response to exploitative industrial practices during the colonial era. Post-Independence, the emphasis was on protection, welfare, and industrial peace in a controlled economic environment. While these objectives were necessary in their time, the economic landscape has since transformed dramatically. Liberalisation, globalisation, technological change, and the emergence of new forms of work have altered the nature of employment relationships. However, labour regulation remained largely static, leading to a growing mismatch between law and reality.

One of the central challenges impeding India's journey towards *Viksit Bharat* has been the persistence of informality. A large majority of workers remained outside the formal system, deprived of written contracts, social security, and legal protection. Paradoxically, this exclusion existed despite the presence of numerous labour laws. Excessive complexity, multiplicity of compliances, and rigid thresholds discouraged employers—particularly small and medium enterprises—from formalising employment. In this sense, over-regulation resulted in under-protection.

Labour reforms seek to address this structural contradiction. By simplifying compliance, rationalising definitions, and leveraging digital governance, reforms aim to bring more workers and enterprises within the formal framework. Formalisation is essential not only for worker welfare, but also for enhancing productivity, improving tax compliance, and strengthening the overall economy. A developed nation cannot be built on an informal foundation.

Another crucial dimension of *Viksit Bharat* is competitiveness in a globalised world. Countries competing for investment and manufacturing growth must offer predictable, transparent, and efficient labour regulation. While labour rights are non-negotiable, the

manner in which they are enforced matters significantly. Modern labour reforms emphasise facilitation over inspection, trust over suspicion, and outcomes over procedures. This shift aligns labour governance with the broader objective of ease of doing business without compromising worker protection.

Labour reforms also play a vital role in promoting social justice and inclusive growth. Universal minimum wages, gender equality in remuneration, expanded social security coverage, and improved occupational safety standards directly contribute to reducing inequality and vulnerability. The inclusion of unorganised, gig, and platform workers within the social security framework reflects a recognition that development must be inclusive and future-oriented. In the context of *Viksit Bharat*, growth that leaves large sections of the workforce behind cannot be considered true development.

Institutional efficiency is another defining attribute of a developed nation. Streamlined labour laws, reduced litigation, time-bound dispute resolution, and digitally enabled administration enhance trust between the State, employers, and workers. Labour reforms aim to strengthen institutions by clarifying roles, reducing discretion, and improving accountability. Effective institutions are essential for translating legislative intent into tangible outcomes on the ground.

In essence, labour reforms are not an isolated policy initiative; they are a strategic enabler of India's developmental vision. They influence employment generation, industrial growth, social security, and governance quality—each of which is fundamental to *Viksit Bharat*. The success of this vision will depend not merely on the enactment of laws, but on their thoughtful implementation, continuous evaluation, and adaptive evolution in response to changing economic and social realities. In this journey, labour reforms serve as both a foundation and a catalyst for building a developed, inclusive, and resilient India.

Chapter 2

Evolution of Labour Laws in India (Pre-Independence to 1991)

The evolution of labour laws in India is deeply intertwined with the country's socio-economic history and the changing nature of its production systems. From a largely agrarian economy under colonial rule to a mixed economy after Independence, labour regulation in India evolved as a response to industrial growth, worker exploitation, nationalist thought, and the emerging role of the State as a welfare provider. Understanding this historical trajectory is essential to appreciate both the intent behind labour legislation and the structural limitations that later necessitated comprehensive reform.

During the pre-Independence period, labour laws were primarily introduced by the colonial administration to regulate industrial labour in emerging sectors such as plantations, railways, mines, ports, and factories. The objective was not social justice, but the maintenance of industrial order and uninterrupted production. Working conditions were harsh, hours were excessive, wages were low, and safety standards were minimal. Early legislations such as the Factories Act 1948, the Mines Act 1952, and the Workmen's Compensation Act, 1923 (now renamed the Employee's Compensation Act) were reactive in nature, often enacted following public outcry, labour unrest, or international pressure, particularly from the International Labour Organization.

Despite their limited scope, these early laws laid the foundation for State intervention in labour matters. They also triggered the growth of trade unions and collective consciousness among workers, which became closely linked to the freedom movement. Labour issues gradually assumed political significance, with national leaders recognising that economic freedom and political freedom were inseparable. By the time India attained Independence, the idea that the State had a responsibility to protect labour welfare had gained wide acceptance.

Post-Independence, labour legislation expanded rapidly within the framework of a planned, State-led development model. The Constitution of India provided strong normative guidance through Fundamental Rights and Directive Principles of State Policy, emphasising social justice, equality, living wages, humane conditions of work, and social security. Labour laws enacted during this period reflected these constitutional values and were aimed at protecting workers from exploitation, ensuring industrial peace, and promoting equitable growth.

The decades following Independence witnessed the enactment of numerous Central and State labour laws governing wages, industrial relations, social security, and working conditions. Laws relating to minimum wages, provident fund, gratuity, bonus, maternity benefits, industrial disputes, and trade unions sought to institutionalise worker protection and welfare. The emphasis was clearly on security of employment, collective bargaining, and State-led dispute resolution.

However, this protective framework evolved in the context of a controlled economy dominated by public sector enterprises and large industrial units. Employment was relatively stable, and the State assumed the role of both regulator and employer. Over time, this approach led to increasing rigidity in labour markets. Stringent retrenchment provisions, multiple thresholds, and procedural requirements were introduced with the intention of preventing

arbitrary action by employers, but they also reduced managerial flexibility.

By the late 1970s and 1980s, structural weaknesses in the labour law regime became increasingly evident. Industrial growth slowed, productivity stagnated, and enterprises were reluctant to expand their workforce beyond statutory thresholds. The proliferation of labour laws at both Central and State levels resulted in overlapping jurisdictions, conflicting definitions, and complex compliance requirements. Employers were required to maintain multiple registers, file numerous returns, and face inspections from different authorities for the same establishment.

A critical unintended consequence of this framework was the growth of informality. To avoid regulatory burdens and rigid employment norms, enterprises increasingly relied on contract labour, casual workers, and informal arrangements. As a result, while labour laws were extensive on paper, their coverage remained limited in practice. The majority of workers—particularly in small establishments and unorganised sectors—remained outside the formal protection of the law.

The period leading up to 1991 marked a turning point. India faced a severe balance of payments crisis, exposing the limitations of its inward-looking economic model. Liberalisation, privatisation, and globalisation were initiated as part of a broader reform agenda. While economic reforms began reshaping markets and industries, labour laws remained largely untouched due to political sensitivity and resistance from entrenched stakeholders.

This disconnect created a policy imbalance. Enterprises were expected to compete in a liberalised economy while operating under a labour regulatory framework designed for a different era. The absence of labour reforms became a bottleneck in employment generation, industrial competitiveness, and investment. At the same time, the

continued exclusion of informal workers highlighted the failure of the existing regime to deliver universal labour welfare.

Thus, by 1991, India stood at a crossroads. Its labour laws, though rooted in constitutional ideals and historical necessity, had become fragmented, complex, and misaligned with economic realities. The stage was set for a gradual rethinking of labour regulation—one that would seek to reconcile worker protection with economic efficiency. The later push towards consolidation and simplification of labour laws must be viewed against this historical backdrop, where intent and outcomes had diverged significantly.

Chapter 3

Post-Liberalisation Labour Law Regime (1991–2019)

The year 1991 marked a decisive shift in India's economic policy with the adoption of liberalisation, privatisation, and globalisation. The reforms dismantled many aspects of the licence-permit raj, opened markets to competition, and integrated India into the global economy. While product and capital markets underwent significant transformation, labour regulation remained largely anchored in the pre-liberalisation era. This asymmetry between economic reforms and labour laws defined the post-1991 labour law regime and shaped India's employment landscape for nearly three decades.

In the immediate aftermath of liberalisation, the focus of policy reforms was on macroeconomic stabilisation, industrial delicensing, trade liberalisation, and financial sector reforms. Labour laws, however, were considered politically sensitive and socially delicate. Concerns about worker protection, fear of industrial unrest, and strong resistance from trade unions resulted in labour reforms being deferred or approached incrementally. As a result, the existing framework—characterised by multiple statutes, rigid provisions, and complex compliance—continued largely unchanged.

During this period, the Indian economy witnessed structural transformation. The services sector expanded rapidly, manufacturing diversified, and new industries such as information technology, telecommunications, and business process outsourcing emerged.

Employment patterns shifted towards contract-based, fixed-term, and informal arrangements. However, labour laws continued to be premised on traditional employer-employee relationships within large, factory-based establishments. This growing disconnect between law and labour market realities became increasingly apparent.

One of the most significant features of the post-liberalisation labour regime was the persistence of threshold-based regulation. Different labour laws applied depending on the number of workers employed, the nature of the establishment, or the sector involved. These thresholds created strong disincentives for enterprises to expand beyond certain sizes, leading to the phenomenon of “size stagnation.” Many firms deliberately remained small to avoid additional compliance obligations, thereby limiting economies of scale, productivity gains, and quality employment creation.

Another defining characteristic was the complexity of compliance. Employers were required to register under multiple laws, maintain numerous registers, submit periodic returns to different authorities, and undergo inspections by various departments. Definitions of key terms such as “wages,” “worker,” “establishment,” and “employer” varied across statutes, creating confusion and scope for discretionary interpretation. Compliance costs were disproportionately high for micro, small, and medium enterprises, discouraging formalisation.

The industrial relations framework during this period was marked by rigidity and procedural intensity. Laws governing retrenchment, layoffs, and closures imposed prior government approval requirements for establishments above specified thresholds. While intended to protect workers from arbitrary action, these provisions often resulted in delayed decision-making and reduced flexibility for enterprises operating in competitive markets. Employers increasingly resorted to contract labour and outsourcing as a means of avoiding rigid employment norms, further contributing to informalisation.

Social security legislation during the post-1991 period also exhibited limited coverage. Statutory benefits such as provident fund, employee insurance, gratuity, and maternity benefits were primarily confined to organised sector workers. The vast unorganised workforce—including self-employed workers, casual labourers, and later, gig and platform workers—remained largely excluded from formal social security systems. This exclusion highlighted a fundamental contradiction: while economic growth accelerated, social protection failed to expand commensurately.

Judicial interpretation played a significant role in shaping labour law during this phase. Courts often adopted a worker-protective approach, interpreting labour statutes in favour of employees. While this reinforced social justice objectives, it also contributed to legal uncertainty and prolonged litigation. Employers faced unpredictability in dispute outcomes, and industrial disputes often took years to resolve, undermining industrial harmony and trust.

Despite these challenges, the post-liberalisation period also witnessed important policy discussions and committee recommendations advocating labour reforms. Expert bodies repeatedly emphasised the need for simplification, consolidation, and rationalisation of labour laws. Gradual administrative reforms, including self-certification schemes, online registration portals, and risk-based inspections, were introduced in some States. However, these measures remained fragmented and lacked a comprehensive legislative framework.

By the late 2010s, it became evident that incremental adjustments were insufficient. India continued to grapple with low manufacturing employment, high informality, and uneven productivity growth. The demographic dividend risked turning into a demographic burden if quality employment opportunities were not created at scale. The limitations of the post-1991 labour law regime underscored the need for structural reform rather than piecemeal change.

Thus, the period from 1991 to 2019 can be characterised as one of economic transformation without corresponding labour law modernisation. Labour regulation, rooted in historical concerns and political caution, struggled to keep pace with a dynamic and globally integrated economy. This prolonged mismatch set the stage for a comprehensive reimagining of labour laws, culminating in the consolidation of multiple statutes into four Labour Codes. The reforms that followed must be understood as a response to the accumulated pressures and shortcomings of the post-liberalisation labour law regime.

Chapter 4

Constitutional Framework of Labour Regulation

The constitutional framework of labour regulation in India provides the normative, legal, and moral foundation upon which all labour laws are built. The Constitution of India does not merely allocate legislative powers; it articulates a vision of social and economic justice that directly informs labour policy. Any meaningful discussion on labour reforms must therefore begin with an understanding of the constitutional scheme governing labour, employment, and industrial relations.

Labour is placed in the **Concurrent List** (List III) of the Seventh Schedule of the Constitution, enabling both the Union and the States to legislate on labour-related matters. This arrangement reflects the dual objectives of national uniformity and regional flexibility. While Parliament can enact Central labour laws to ensure minimum standards across the country, States retain the authority to adapt and supplement these laws based on local socio-economic conditions. This federal design has played a significant role in shaping India's labour jurisprudence, but it has also contributed to fragmentation and divergence in implementation.

The Constitution embeds labour rights across multiple provisions. **Fundamental Rights**, particularly Articles 14, 15, 16, 19, and 21, establish principles of equality, non-discrimination, freedom of association, and the right to life with dignity. Judicial interpretation

has expanded Article 21 to include the right to livelihood, humane working conditions, and fair treatment at the workplace. These rights form the justiciable core of labour protection and act as safeguards against arbitrary State or employer action.

Equally significant are the **Directive Principles of State Policy (DPSPs)**, which provide explicit guidance on labour welfare. Articles 38, 39, 41, 42, 43, and 43A collectively mandate the State to promote social order, ensure adequate means of livelihood, secure equal pay for equal work, provide social security, guarantee just and humane conditions of work, and promote workers' participation in management. Although non-justiciable, these principles have strongly influenced legislative policy and judicial reasoning, serving as the philosophical backbone of labour legislation.

The constitutional emphasis on social justice shaped India's post-Independence labour laws, which prioritised protection, welfare, and employment security. This orientation was consistent with the broader vision of a Welfare State in a newly independent nation marked by poverty, inequality, and industrial exploitation. Labour laws enacted during this period sought to correct power imbalances between employers and workers and to ensure that economic growth did not come at the cost of human dignity.

However, the Constitution does not prescribe rigidity. Its provisions are dynamic and capable of accommodating change. The concept of social justice itself is not static; it evolves with economic conditions, technological advancements, and societal needs. Labour reforms must therefore be assessed not only on whether they protect workers, but also on whether they advance constitutional objectives in contemporary contexts—such as employment generation, inclusion of informal workers, and institutional efficiency.

The role of the **judiciary** has been pivotal in interpreting labour-related constitutional provisions. Courts have often adopted a purposive approach, harmonising Fundamental Rights with Directive Principles to uphold labour welfare. At the same time, judicial intervention has occasionally resulted in increased procedural

complexity and legal uncertainty. Prolonged litigation and expansive interpretations, while well-intentioned, sometimes strained industrial relations and administrative efficiency. This underscores the need for clear, coherent legislation aligned with constitutional values.

Federalism adds another layer of complexity. While concurrent jurisdiction allows innovation at the State level, it has also led to inconsistent standards, overlapping compliances, and regulatory arbitrage. States have amended Central labour laws differently, resulting in varied thresholds, definitions, and enforcement practices. This divergence has posed challenges for enterprises operating across multiple States and has diluted the objective of uniform minimum labour standards.

The recent consolidation of labour laws into four Labour Codes must be viewed against this constitutional backdrop. The Codes seek to preserve constitutional commitments to welfare, equality, and dignity while modernising regulatory structures. By simplifying definitions, expanding coverage, and enabling digital governance, the reforms aim to better realise constitutional goals that earlier laws struggled to achieve in practice.

Importantly, the Constitution also envisages participative governance. Social dialogue among the State, employers, and workers is implicit in the constitutional scheme. Labour reforms that lack consultation, transparency, or balance risk undermining this spirit. Therefore, constitutional fidelity requires not only lawful enactment but also inclusive and fair implementation.

In sum, the constitutional framework of labour regulation provides both authority and direction for labour reforms. It mandates protection without stagnation, welfare without inefficiency, and justice without exclusion. For India's labour reforms to truly serve the vision of *Viksit Bharat*, they must remain firmly rooted in constitutional values while responding pragmatically to the realities of a modern, dynamic economy.

Chapter 5

International Labour Standards and India (ILO Perspective)

International labour standards have played a significant role in shaping labour policy and discourse across the world, including in India. These standards, developed primarily under the aegis of the International Labour Organization (ILO), seek to promote social justice, decent work, and fair conditions of employment in a globalised economy. India's engagement with the ILO predates Independence and has influenced the evolution of its labour laws, institutional mechanisms, and reform debates. Understanding this international dimension is essential for contextualising India's labour reforms within global norms while appreciating the need for domestic adaptation.

The ILO was established in 1919 with the objective of improving working conditions and promoting social justice through international cooperation. Its unique tripartite structure—bringing together governments, employers, and workers—ensures balanced representation in standard-setting and policy formulation. International labour standards take the form of conventions and recommendations, covering a wide range of subjects such as freedom of association, collective bargaining, forced labour, child labour, wages, working hours, occupational safety, and social security. While conventions are legally binding upon ratification, recommendations serve as non-binding guidelines.

India has been an active member of the ILO since its inception and has historically supported the organisation's core principles. Over the years, India has ratified several ILO conventions, particularly those relating to forced labour, child labour, equal remuneration, and discrimination. These ratifications have informed domestic legislation and reinforced India's commitment to fundamental labour rights. However, India has not ratified all core conventions, notably those relating to freedom of association and collective bargaining, citing concerns related to domestic conditions, administrative feasibility, and public order considerations.

The influence of ILO standards on Indian labour law is evident in several areas. Concepts such as minimum wages, equal pay for equal work, maternity protection, prohibition of child labour, and occupational safety have clear parallels in international norms. Post-Independence labour legislation reflected many of these principles, often going beyond minimum international requirements in terms of statutory protection. At the same time, the emphasis on State intervention and procedural safeguards reflected India's socio-economic context rather than a direct replication of international models.

In the post-liberalisation era, the relevance of international labour standards acquired renewed importance. Global supply chains, foreign direct investment, and trade agreements increasingly linked labour standards with market access and corporate responsibility. Multinational enterprises and international buyers began evaluating compliance with labour norms as part of their sourcing and investment decisions. Consequently, India's labour framework came under greater international scrutiny, particularly regarding informality, enforcement gaps, and occupational safety.

A recurring challenge in aligning domestic labour laws with international standards has been the gap between formal legislation and actual implementation. While Indian labour laws are often comprehensive on paper, enforcement has been uneven due to

administrative constraints, informality, and limited institutional capacity. The ILO has consistently emphasised that effective labour protection requires not only legal frameworks but also strong institutions, social dialogue, and compliance mechanisms. This perspective has influenced policy discussions on labour governance and reform in India.

The concept of “decent work,” promoted by the ILO, offers a useful lens for evaluating labour reforms. Decent work encompasses productive employment, fair income, workplace security, social protection, and respect for labour rights. India’s labour reforms aim to advance this agenda by expanding social security coverage, improving workplace safety, and facilitating formalisation. The inclusion of gig and platform workers within the social security framework reflects an attempt to address emerging forms of work in line with international discourse.

However, the transplantation of international labour standards without contextual adaptation can be counterproductive. India’s vast informal economy, regional diversity, and development priorities require a calibrated approach. Labour standards that are effective in advanced economies may impose disproportionate burdens on small enterprises in developing contexts if implemented rigidly. The ILO itself recognises the principle of progressive realisation and the need for flexibility in applying standards based on national conditions.

India’s labour reforms must therefore strike a balance between global alignment and domestic pragmatism. Simplification of laws, reduction of compliance complexity, and digital governance are not departures from international norms but enablers of effective compliance. A system that encourages voluntary compliance and formalisation can deliver better outcomes than one driven by excessive regulation and penal enforcement.

Social dialogue is another core principle emphasised by the ILO. Constructive engagement among governments, employers, and

workers enhances legitimacy, trust, and sustainability of labour reforms. India's constitutional and institutional framework provides space for such dialogue, but its effectiveness depends on transparency, inclusiveness, and capacity building among stakeholders.

In conclusion, international labour standards provide valuable guidance and benchmarks for India's labour policy, but they are not rigid templates. India's engagement with the ILO reflects a long-standing commitment to labour welfare and social justice. As the country reforms its labour laws to support economic growth and employment generation, international standards serve as a reference point rather than a constraint. When harmonised thoughtfully with domestic realities, they can strengthen India's journey towards decent work, inclusive growth, and the broader vision of *Viksit Bharat*.

Part II: Rationale for Labour Reforms — Overview

Part II examines the underlying reasons that made labour reforms in India both necessary and inevitable. It analyses structural deficiencies in the pre-reform labour law framework, including excessive fragmentation, high compliance costs, and regulatory rigidities that discouraged formalisation and job creation. The section highlights the challenges posed by informality, inspector-centric enforcement, and outdated legal assumptions in a rapidly changing economy. It also links labour reform to broader objectives such as ease of doing business, investment promotion, employment growth, and adaptability to technological change, establishing the economic and institutional case for comprehensive labour reform.

Chapter 6

Fragmentation and Complexity of Pre-Code Labour Laws

One of the most compelling reasons for undertaking labour reforms in India was the extreme fragmentation and complexity of the pre-Code labour law framework. Prior to consolidation, India's labour regulation consisted of a multitude of Central and State enactments, each addressing specific aspects of employment such as wages, industrial relations, social security, or working conditions. While these laws were enacted over different periods to address distinct socio-economic challenges, their cumulative effect was a regulatory ecosystem that was difficult to understand, administer, and comply with.

At the Central level alone, there were 29 major labour laws, supplemented by numerous State-specific enactments and amendments. Each statute had its own scope, definitions, thresholds, authorities, and procedures. Core concepts such as “wages,” “worker,” “establishment,” and “employer” were defined differently across laws, often leading to conflicting interpretations. For instance, the definition of wages varied significantly between laws governing minimum wages, provident fund contributions, gratuity, and bonus. This lack of uniformity created ambiguity and increased the risk of non-compliance, even for well-intentioned employers.

Fragmentation also manifested in overlapping jurisdiction. A single establishment could be simultaneously governed by multiple

labour laws, each requiring separate registration, maintenance of registers, submission of returns, and compliance with inspection requirements. Employers were often required to furnish similar information repeatedly to different authorities under different statutes. This duplication not only increased administrative burden but also consumed significant managerial time and resources, particularly for small and medium enterprises.

The compliance architecture of pre-Code labour laws was largely manual and procedural. Numerous registers, notices, and forms had to be maintained in prescribed formats, many of which dated back decades. Any minor procedural lapse—such as delayed filing or clerical errors—could attract penal consequences, including prosecution. This environment fostered a compliance culture driven by fear rather than facilitation, discouraging voluntary adherence and formalisation.

The complexity of labour laws also posed challenges for enforcement agencies. Labour departments were required to administer and enforce multiple statutes, each with its own inspection regime and reporting requirements. Limited administrative capacity, coupled with the volume of laws, often resulted in selective enforcement and discretionary decision-making. This, in turn, undermined trust between employers and the State and created opportunities for rent-seeking.

Threshold-based applicability further compounded fragmentation. Many labour laws applied only when an establishment crossed a specified number of workers, with different thresholds under different statutes. As enterprises expanded, they were gradually brought under the purview of additional laws, each triggering new compliance obligations. This “regulatory staircase” discouraged growth beyond certain sizes and incentivised firms to remain small or to fragment operations artificially. Such behaviour had adverse implications for productivity, economies of scale, and quality employment generation.

From the perspective of workers, fragmentation diluted protection rather than strengthening it. Many workers, especially those in small establishments or informal arrangements, remained outside the coverage of key labour laws due to threshold limitations. The multiplicity of laws did not translate into universal protection; instead, it created a patchwork of rights that varied based on establishment size, sector, and employment status. As a result, the intended beneficiaries of labour legislation often remained excluded.

Legal complexity also led to increased litigation. Ambiguous provisions, overlapping jurisdictions, and inconsistent interpretations resulted in frequent disputes. Labour courts and tribunals were burdened with cases that took years to resolve, undermining industrial peace and certainty. Prolonged litigation-imposed costs on both employers and workers and weakened confidence in the dispute resolution system.

The fragmented nature of labour laws was also misaligned with contemporary economic realities. Emerging sectors, flexible work arrangements, and technology-driven employment models did not fit neatly within traditional statutory categories. The rigid compartmentalisation of laws failed to accommodate evolving forms of work, leaving significant sections of the workforce inadequately regulated or protected.

Recognising these challenges, successive committees and expert bodies recommended consolidation and simplification of labour laws. The objective was not to dilute worker rights, but to make them more accessible, enforceable, and effective. A coherent and unified legal framework was seen as essential to promote compliance, reduce administrative burden, and extend protection to a larger segment of the workforce.

In this context, the fragmentation and complexity of pre-Code labour laws emerged as a fundamental barrier to both economic efficiency and social justice. Comprehensive labour reform, through

consolidation into a limited number of coherent codes, was therefore a necessary step towards creating a balanced, modern, and inclusive labour regulatory framework. Such reform aimed to replace multiplicity with clarity, discretion with transparency, and procedural rigidity with outcome-oriented governance.

Chapter 7

Compliance Burden and Inspector Raj

A major driver of labour reforms in India has been the excessive compliance burden imposed by the pre-Code labour law framework and the persistence of an inspection-centric enforcement model commonly referred to as the “Inspector Raj.” While labour laws were enacted to protect workers and promote industrial harmony, the manner in which compliance and enforcement evolved over time created inefficiencies, uncertainty, and distrust among stakeholders. This compliance-heavy ecosystem became a significant impediment to formalisation, enterprise growth, and effective labour governance.

Under the pre-reform regime, employers were required to comply with numerous procedural requirements across multiple labour statutes. These included obtaining separate registrations and licences, maintaining a large number of registers, displaying statutory notices, filing periodic returns, and responding to inspections from different authorities. Many of these requirements overlapped across laws, yet non-compliance with even minor procedural provisions could attract penalties or prosecution. For enterprises operating in multiple States, compliance obligations multiplied further due to variations in State amendments and administrative practices.

The burden of compliance was particularly acute for micro, small, and medium enterprises (MSMEs). Limited managerial and financial resources made it difficult for smaller establishments to keep pace with complex regulatory requirements. As a result, many enterprises either remained informal or relied heavily on consultants and

intermediaries to manage compliance. This increased operational costs without necessarily improving worker welfare, thereby undermining the very objectives of labour regulation.

The inspection regime reinforced this compliance burden. Labour inspectors wielded significant discretionary powers to inspect establishments, examine records, and initiate prosecutions. Inspections were often routine rather than risk-based, with limited transparency regarding selection criteria. In many cases, multiple inspectors from different departments visited the same establishment for similar purposes under different laws. This not only disrupted business operations but also contributed to uncertainty and apprehension among employers.

The discretionary nature of inspections created an environment conducive to rent-seeking and arbitrariness. Employers frequently perceived inspections as punitive rather than facilitative, leading to adversarial relationships between industry and labour administration. Even well-compliant establishments faced the risk of harassment due to interpretational ambiguities or procedural lapses. This eroded trust in regulatory institutions and discouraged voluntary compliance.

From the perspective of enforcement agencies, the inspector-centric model was also inefficient. Labour departments were often understaffed and overburdened, tasked with enforcing a large number of laws across vast numbers of establishments. Limited capacity meant that inspections were selective and sporadic, resulting in uneven enforcement. Consequently, while some establishments were subjected to repeated inspections, many others remained entirely outside the regulatory net, particularly in the informal sector.

The compliance framework was also poorly aligned with modern governance practices. Manual record-keeping, paper-based returns, and physical inspections dominated the system, leaving little scope for data-driven oversight or transparency. This outdated approach was ill-

suited to an economy increasingly driven by technology, digital transactions, and platform-based work arrangements.

The cumulative effect of excessive compliance requirements and inspector-centric enforcement was counterproductive. Instead of encouraging formalisation and adherence to labour standards, the system incentivised avoidance and informality. Employers often chose to remain below statutory thresholds, fragment operations, or outsource labour to reduce regulatory exposure. Workers, in turn, remained outside the ambit of formal protection, social security, and grievance redressal.

Recognising these shortcomings, the rationale for labour reform emphasised a shift from “inspection to facilitation.” The objective was to reduce unnecessary procedural requirements, simplify compliance through standardised registers and returns, and leverage technology for transparent and risk-based enforcement. Self-certification, web-based registration, and randomised inspections were seen as tools to improve compliance while minimising discretion.

Importantly, reducing the compliance burden does not imply weakening labour protection. On the contrary, a simpler and more transparent system can enhance enforcement effectiveness by allowing authorities to focus on substantive violations rather than procedural lapses. By freeing both employers and inspectors from excessive paperwork, resources can be redirected towards ensuring safe working conditions, fair wages, and social security coverage.

The reform discourse also acknowledges the need to transform the role of labour inspectors into that of “inspectors-cum-facilitators.” This approach emphasises guidance, advisory support, and corrective action over punitive measures. Such a shift is essential for building trust, encouraging compliance, and fostering a cooperative regulatory environment.

In sum, the heavy compliance burden and the inspector raj were structural deficiencies of the pre-Code labour regime. They hindered

enterprise growth, discouraged formal employment, and weakened enforcement effectiveness. Addressing these issues was a central rationale for labour reforms, aimed at creating a regulatory framework that is transparent, efficient, and aligned with the objectives of ease of doing business, worker welfare, and inclusive economic growth.

Chapter 8

Informality and Unorganised Workforce Challenges

One of the most persistent and complex challenges confronting India's labour market has been the overwhelming prevalence of informality. Despite decades of labour legislation aimed at protecting workers' rights and welfare, a vast majority of India's workforce has remained outside the formal regulatory framework. This paradox—extensive labour laws coexisting with widespread informality—highlights a fundamental disconnect between legal design and labour market realities, making informality a central rationale for comprehensive labour reform.

India's unorganised workforce includes self-employed individuals, casual and contract labourers, home-based workers, migrant workers, agricultural labourers, and, more recently, gig and platform workers. These workers often lack written contracts, job security, predictable wages, and access to social security benefits. Their employment relationships are typically informal, fragmented, and characterised by significant power asymmetries. As a result, they are more vulnerable to exploitation, unsafe working conditions, and income insecurity.

One of the primary reasons for the persistence of informality lies in the structure of pre-reform labour laws. Many statutes applied only to establishments employing a minimum number of workers, leaving small establishments and informal arrangements outside their scope.

While thresholds were intended to reduce compliance burden for small enterprises, their cumulative effect was the exclusion of millions of workers from legal protection. Consequently, informality was not merely an economic phenomenon but a legal outcome shaped by regulatory design.

Compliance complexity further reinforced informality. For many enterprises, particularly in the micro and small sectors, the cost and effort required to comply with multiple labour laws outweighed perceived benefits. Employers often viewed formalisation as a regulatory liability rather than an advantage. To remain competitive and flexible, they relied on informal employment arrangements that minimised legal exposure. This strategy, while rational from a business perspective, perpetuated worker vulnerability and undermined labour standards.

Informality also posed significant challenges for labour administration and policy-making. The absence of reliable data on informal workers made it difficult to design targeted interventions, extend social security, or enforce minimum standards. Informal employment relationships were often invisible to regulatory authorities, resulting in weak enforcement and limited accountability. This invisibility further marginalised unorganised workers and diluted the impact of labour welfare schemes.

Migrant workers exemplify the vulnerabilities associated with informality. Seasonal and inter-state migrants frequently work in precarious conditions, with limited access to housing, healthcare, or legal remedies. The lack of portability of benefits across States exacerbated their exclusion from social security systems. The challenges faced by migrant workers during economic disruptions underscored the urgent need for a more inclusive and portable labour welfare framework.

Gender dimensions of informality also warrant attention. A significant proportion of women workers are concentrated in informal

sectors such as domestic work, home-based production, and agriculture. Informality amplifies gender disparities by limiting access to maternity benefits, equal remuneration, and workplace protections. Addressing informality is therefore essential not only for economic efficiency but also for gender equity and social justice.

The rise of the gig and platform economy introduced new complexities to informality. While digital platforms created income opportunities, they also blurred traditional employer-employee relationships. Workers engaged through platforms often lacked clarity regarding their employment status, rights, and entitlements. Existing labour laws were ill-equipped to address these emerging forms of work, leaving a growing segment of the workforce in regulatory limbo.

Informality has broader macroeconomic implications as well. An informal labour market is associated with low productivity, limited skill development, and reduced tax compliance. It constrains the State's capacity to mobilise resources for social investment and undermines the sustainability of welfare systems. For an economy aspiring to become developed, widespread informality represents a structural weakness that must be addressed.

Labour reforms aim to tackle informality by making formalisation attractive and feasible. Simplified compliance, digital registration, unified definitions, and expanded social security coverage are intended to lower barriers to formal employment. Rather than relying solely on coercive enforcement, reforms seek to create incentives for both employers and workers to enter the formal system.

Importantly, reducing informality requires a shift in regulatory philosophy. Protection must be universal rather than selective, and welfare must be decoupled from rigid employment classifications. Labour reforms that extend social security to unorganised, gig, and platform workers reflect this evolving approach.

In conclusion, informality and the challenges faced by the unorganised workforce represent one of the most compelling

justifications for labour reform in India. Addressing informality is essential for ensuring dignity of labour, social protection, and inclusive growth. Without integrating the unorganised workforce into the formal framework, the objectives of labour welfare, economic productivity, and *Viksit Bharat* cannot be fully realised.

Chapter 9

Ease of Doing Business and Investment Climate

The relationship between labour regulation and the ease of doing business is a critical factor influencing a country's investment climate, industrial growth, and employment generation. In India, labour laws have historically been perceived as one of the more complex and uncertain components of the regulatory environment. While the intent of labour legislation has been to protect workers and promote social justice, the manner in which laws were structured and enforced often had unintended consequences for enterprise formation, expansion, and investment. Addressing these concerns became a central rationale for labour reforms.

Ease of doing business is not synonymous with deregulation; rather, it refers to the predictability, transparency, and efficiency of regulatory systems. Investors—both domestic and foreign—seek clarity in legal obligations, consistency in enforcement, and reasonable compliance costs. Under the pre-Code labour law regime, businesses frequently encountered uncertainty arising from multiple statutes, divergent definitions, overlapping jurisdictions, and discretionary enforcement. This complexity increased transaction costs and made long-term planning difficult.

Labour-related compliance was often cited as a deterrent to investment, particularly in labour-intensive sectors such as manufacturing, construction, logistics, and services. Enterprises faced

difficulties in scaling operations due to threshold-based laws that triggered additional compliance requirements as workforce size increased. This disincentive to grow not only affected productivity and competitiveness but also constrained job creation. Investors preferred capital-intensive or technology-driven models that minimised labour exposure, thereby limiting the employment potential of economic growth.

For foreign investors, the perception of labour rigidity and compliance uncertainty added to concerns about regulatory risk. While India offered advantages such as a large market, skilled workforce, and democratic institutions, apprehensions regarding labour disputes, prolonged litigation, and approval requirements for workforce rationalisation affected investment decisions. In a globally competitive environment, countries vie for investment by offering stable and efficient regulatory frameworks. Labour reforms thus became integral to improving India's attractiveness as an investment destination.

The ease of doing business is also closely linked to the quality of labour administration. An inspection-driven, punitive enforcement model created adversarial relationships between businesses and regulators. Frequent inspections, procedural penalties, and the threat of prosecution—even for minor lapses—contributed to a climate of compliance anxiety. This environment discouraged entrepreneurship, particularly among small and first-generation business owners, who often lacked the capacity to navigate complex regulatory systems.

At the same time, the absence of a facilitative framework did not necessarily translate into better outcomes for workers. Enterprises operating informally or semi-formally often bypassed labour laws altogether, leaving workers without protection or social security. Thus, a rigid and complex system paradoxically resulted in both poor ease of doing business and weak labour welfare.

Labour reforms seek to recalibrate this balance by simplifying laws, standardising definitions, and reducing procedural burdens. Consolidation into a limited number of Labour Codes aims to provide a clearer and more coherent regulatory framework. Simplified registration, common returns, and digital compliance mechanisms reduce administrative friction and enhance transparency. Such measures are designed to encourage formalisation, improve compliance, and create a more predictable business environment.

Improving the investment climate through labour reform also has broader macroeconomic implications. Labour-intensive manufacturing is essential for absorbing India's large workforce and leveraging its demographic dividend. Sectors such as textiles, electronics, food processing, and infrastructure require regulatory frameworks that support flexibility while safeguarding worker interests. Labour reforms that facilitate hiring, formalisation, and workforce mobility can help unlock the employment potential of these sectors.

Importantly, ease of doing business must be balanced with the principles of decent work. A race to the bottom in labour standards can undermine social stability and long-term growth. Sustainable investment thrives in environments where workers are productive, protected, and motivated. Labour reforms that enhance occupational safety, ensure timely payment of wages, and expand social security contribute to a stable and skilled workforce, which is itself an asset for investors.

The role of States is particularly significant in shaping the investment climate. As labour is a concurrent subject, State-level implementation, rule-making, and administrative practices influence business experiences on the ground. Competitive federalism has encouraged States to modernise labour administration, adopt digital platforms, and streamline inspections. Labour reforms provide a common legislative framework within which States can innovate to attract investment while maintaining minimum standards.

In conclusion, improving ease of doing business and the investment climate is a key rationale for labour reforms in India. Simplified, transparent, and predictable labour regulation can reduce compliance costs, encourage enterprise growth, and attract investment without compromising worker welfare. By aligning labour governance with economic realities and development goals, labour reforms support an environment where businesses can thrive, jobs can be created, and India's aspiration of becoming a developed economy can be meaningfully advanced.

Chapter 10

Labour Market Rigidities and Employment Growth

Labour market rigidity has long been identified as a structural constraint on employment growth in India. While labour laws were designed to protect workers from exploitation and arbitrary action, certain features of the regulatory framework inadvertently limited the capacity of enterprises to create jobs at scale. This tension between protection and flexibility lies at the heart of the debate on labour reforms and provides a crucial rationale for restructuring labour regulation in pursuit of inclusive and sustainable employment growth.

Labour market rigidity refers to legal, institutional, and procedural constraints that restrict the ability of employers and workers to respond efficiently to changing economic conditions. In the Indian context, rigidities emerged primarily from stringent provisions governing hiring, retrenchment, layoffs, closures, and dispute resolution. These provisions, though rooted in legitimate concerns for job security, often failed to account for business cycles, technological change, and competitive pressures in a liberalised economy.

One of the most frequently cited sources of rigidity was the regulatory framework governing workforce rationalisation. Prior approval requirements for retrenchment, layoffs, and closures in establishments beyond specified thresholds created uncertainty and delays. Employers perceived these provisions as limiting their ability

to adjust workforce size in response to market conditions. As a result, firms became cautious in hiring permanent workers, preferring instead to rely on contract labour, casual employment, or automation. This behaviour reduced the creation of stable, long-term employment opportunities.

Rigid labour laws also influenced firm behaviour with respect to size and growth. Many enterprises deliberately remained small to avoid crossing thresholds that triggered additional regulatory obligations. This phenomenon of “missing middle” firms—where enterprises clustered at small sizes but failed to scale up—had significant implications for productivity and employment. Large firms are typically better positioned to offer formal employment, training, and social security. However, regulatory disincentives limited their expansion, thereby constraining job creation.

The impact of labour market rigidities on employment growth was particularly evident in the manufacturing sector. Despite India’s demographic advantage and policy emphasis on manufacturing-led growth, employment elasticity in manufacturing remained low. Capital-intensive production models often replaced labour-intensive ones, not solely due to technological preferences but also as a strategy to minimise regulatory exposure. Consequently, economic growth did not translate proportionately into employment growth, giving rise to concerns about “jobless growth.”

From the workers’ perspective, labour market rigidities did not necessarily deliver greater security. The proliferation of informal and contract-based employment arrangements undermined job stability, wages, and access to social security. Instead of protecting workers, rigid regulations often shifted risk onto them by encouraging informalisation. This outcome highlighted a paradox: excessive rigidity in formal labour markets contributed to insecurity in informal labour markets.

Labour market rigidity also affected labour mobility and skill utilisation. Restrictive employment practices and limited flexibility discouraged enterprises from investing in skill development for fear of being unable to adjust workforce composition later. Workers, in turn, faced limited opportunities for upward mobility and skill diversification. A dynamic labour market requires a balance between flexibility for enterprises and security for workers—a principle often described as “flexicurity.”

International experience suggests that labour market flexibility, when combined with robust social security and active labour market policies, can support higher employment growth without compromising worker welfare. In India, however, the absence of universal social security meant that flexibility was often viewed as a threat rather than an opportunity. Labour reforms therefore needed to address not only regulatory rigidity but also the broader ecosystem of worker protection.

Reforms aimed at addressing labour market rigidities seek to modernise employment regulation by introducing clearer rules, reducing discretionary approvals, and recognising new forms of employment such as fixed-term contracts. The objective is not to weaken worker rights, but to align regulation with contemporary labour market realities. Predictable and transparent rules can encourage employers to hire more workers formally, knowing that workforce adjustments, if required, can be managed lawfully and efficiently.

Employment growth is central to India’s developmental aspirations. With millions entering the workforce each year, the economy must generate jobs that are productive, formal, and dignified. Labour market rigidities that inhibit enterprise expansion and hiring undermine this objective. At the same time, unregulated flexibility can lead to exploitation and inequality. Labour reforms must therefore strike a careful balance between enabling enterprise growth and safeguarding worker interests.

In conclusion, labour market rigidities have constrained employment growth by discouraging formal hiring, firm expansion, and labour-intensive production. Addressing these rigidities through thoughtful reform is essential for unlocking India's employment potential. A reformed labour framework that combines flexibility with security can support job creation, productivity, and social stability—key pillars of India's journey towards *Viksit Bharat*.

Chapter 11

Technological Change and the Future of Work

Technological change is reshaping the nature of work across the world, and India is no exception. Advances in automation, artificial intelligence, digital platforms, and data-driven business models have fundamentally altered how work is organised, performed, and compensated. While technology offers unprecedented opportunities for productivity, innovation, and economic growth, it also presents significant challenges for labour regulation and employment security. Adapting labour laws to this evolving landscape has therefore become a critical rationale for labour reforms in India.

Traditional labour laws in India were framed around standard employment relationships—permanent, full-time work performed at a fixed workplace under the direct supervision of an employer. However, the modern labour market increasingly features flexible arrangements such as fixed-term employment, remote work, freelancing, and platform-based gig work. These forms of work blur the boundaries between employer and employee, challenge conventional definitions, and expose gaps in existing legal frameworks. Pre-reform labour laws struggled to accommodate these realities, leaving many workers inadequately protected.

Automation and digitisation have also transformed production processes across sectors. In manufacturing, advanced machinery and robotics have increased efficiency but reduced demand for low-skilled

labour. In services, digital tools have enabled remote delivery, outsourcing, and global competition. While these changes enhance productivity, they also create risks of job displacement, skill obsolescence, and widening inequality. Labour regulation must therefore address not only employment conditions but also workforce transitions in a technology-driven economy.

The rise of the gig and platform economy exemplifies the challenges of regulating new forms of work. Digital platforms connect workers and consumers through algorithms rather than traditional managerial hierarchies. Workers engaged through these platforms often lack clarity regarding their legal status, access to social security, and mechanisms for grievance redressal. Existing labour laws, built on binary classifications of employer and employee, were ill-equipped to respond to such arrangements. This regulatory vacuum underscored the need for reform.

Technological change has also altered workplace monitoring and management. Digital surveillance, performance tracking, and algorithmic decision-making raise concerns about privacy, transparency, and fairness. Labour laws must evolve to protect workers' rights in digitally mediated workplaces while allowing employers to harness technology for efficiency and innovation. Striking this balance is essential for maintaining trust and dignity in the future of work.

Another important dimension is the changing skill landscape. Technology has increased demand for higher-order skills while rendering certain roles redundant. Continuous learning, reskilling, and upskilling have become critical for employability. Labour regulation cannot be isolated from skill development policies and labour market institutions. A future-oriented labour framework must facilitate workforce adaptability and mobility while providing safety nets during transitions.

The future of work also raises questions about working time, work-life balance, and occupational health. Remote and flexible work arrangements can enhance autonomy but may also blur boundaries between work and personal life. Prolonged screen time, ergonomic challenges, and mental health concerns are emerging occupational risks. Labour laws must address these evolving risks to ensure humane and sustainable working conditions.

Labour reforms seek to respond to technological change by modernising legal definitions, recognising new categories of workers, and enabling flexible yet fair employment arrangements. The emphasis is on creating a framework that accommodates innovation without sacrificing worker protection. Extending social security to gig and platform workers reflects an acknowledgment that welfare must not be tied rigidly to traditional employment forms.

Importantly, technological change also offers opportunities for improving labour governance. Digital platforms can streamline registration, compliance, and benefit delivery. Data-driven oversight can enhance transparency and reduce discretion in enforcement. Technology can thus be a tool for both economic efficiency and social protection if embedded within an appropriate regulatory framework.

However, reforming labour laws for the future of work requires careful calibration. Over-regulation may stifle innovation and entrepreneurship, while under-regulation can exacerbate insecurity and inequality. Policymakers must anticipate evolving work arrangements and design laws that are principles-based rather than prescriptive, allowing flexibility and adaptability over time.

In conclusion, technological change and the future of work present both challenges and opportunities for labour regulation in India. Pre-reform labour laws were ill-suited to address new employment forms, skill transitions, and digital workplaces. Labour reforms are therefore essential to align regulation with technological realities, protect workers in evolving labour markets, and support

innovation-led growth. By preparing the labour framework for the future of work, India can ensure that technological progress contributes to inclusive development and advances the vision of *Viksit Bharat*.

Part III:

Overview of the Four Labour Codes

Part III provides a comprehensive introduction to the four Labour Codes that form the backbone of India's labour law reform—covering wages, industrial relations, social security, and occupational safety and working conditions. It explains the philosophy, objectives, and structural logic behind consolidating 29 Central labour laws into four integrated frameworks. The section highlights key design features such as simplification, standardisation of definitions, expansion of coverage, and facilitative compliance. By outlining the core architecture of each Code, this part sets the foundation for detailed analysis in subsequent sections and explains how the Labour Codes collectively aim to balance worker welfare, enterprise flexibility, and effective labour governance.

Chapter 12

Philosophy and Objectives of Labour Codes

The enactment of the four Labour Codes represents a fundamental rethinking of India's approach to labour regulation. Rather than incremental amendments to existing laws, the Codes embody a shift in philosophy—from a fragmented, procedure-heavy, and inspection-driven regime to a simplified, outcome-oriented, and facilitative framework. Understanding the philosophy and objectives underlying the Labour Codes is essential to appreciate their intent, scope, and transformative potential.

At the heart of the Labour Codes lies the recognition that labour regulation must simultaneously serve three interdependent objectives: protection of workers' rights and dignity, promotion of enterprise growth and employment generation, and strengthening of institutional efficiency. The pre-Code framework, while rooted in welfare objectives, increasingly struggled to balance these goals. The Labour Codes seek to correct this imbalance by aligning labour law with contemporary economic realities without abandoning constitutional commitments to social justice.

One of the central philosophical shifts introduced by the Labour Codes is the move from multiplicity to consolidation. The existence of numerous laws governing similar subject matter created confusion, compliance fatigue, and uneven enforcement. Consolidation into four thematic Codes—covering wages, industrial relations, social security,

and occupational safety and working conditions—aims to provide conceptual clarity and regulatory coherence. This approach reflects the belief that fewer, well-structured laws can be more effective than numerous fragmented ones.

Another key philosophical element is the emphasis on universality and inclusion. Earlier labour laws often applied selectively based on establishment size, sector, or employment category, resulting in large sections of the workforce being excluded from protection. The Labour Codes seek to expand coverage, particularly in relation to minimum wages, social security, and occupational safety. This reflects a shift from selective protection to a more inclusive framework that recognises the diversity of modern work arrangements.

The Labour Codes also reflect a transition from rigid rule-based regulation to principle-based governance. Instead of prescribing detailed procedures for every contingency, the Codes lay down broad principles and delegate operational details to rules framed by the appropriate government. This approach is intended to enhance flexibility, adaptability, and responsiveness to changing economic conditions. It also allows States to tailor implementation to local contexts within a common national framework.

Facilitation rather than enforcement is another defining objective. The Codes aim to transform the role of labour administration from that of a punitive inspectorate to a facilitative institution focused on compliance support and dispute prevention. Digital registration, common returns, risk-based inspections, and reduced criminalisation of minor offences reflect this philosophy. The underlying assumption is that most employers are willing to comply if the system is transparent, predictable, and reasonable.

The objective of promoting formalisation is central to the Labour Codes. Formal employment is seen as the gateway to social security, skill development, productivity, and dignity of labour. By simplifying compliance and reducing regulatory friction, the Codes aim to

incentivise employers to formalise employment relationships. At the same time, expanded social security provisions seek to make formalisation attractive to workers as well.

Balancing flexibility and security is a recurring theme in the philosophy of the Labour Codes. Economic competitiveness requires a degree of flexibility in hiring, workforce deployment, and business restructuring. However, flexibility without security can lead to exploitation and instability. The Codes attempt to strike this balance by enabling flexible employment arrangements, such as fixed-term employment, while extending statutory benefits and protections to such workers. This reflects an evolving understanding of labour protection suited to dynamic labour markets.

The Labour Codes also aim to improve industrial relations and dispute resolution. By simplifying procedures, promoting recognition of trade unions, and encouraging time-bound resolution of disputes, the Codes seek to foster industrial peace and predictability. Stable industrial relations are viewed not merely as a social good but as an economic necessity in a competitive global environment.

Institutional efficiency and governance reform form another core objective. The Codes emphasise clarity of roles, reduction of discretion, and use of technology to enhance transparency and accountability. Efficient institutions are essential for translating legislative intent into tangible outcomes on the ground. Without administrative reform, legal reform alone cannot deliver meaningful change.

Finally, the philosophy of the Labour Codes is future-oriented. They acknowledge that work, employment relationships, and enterprise structures will continue to evolve due to technological change, demographic shifts, and global integration. By adopting a consolidated, flexible, and principle-based framework, the Codes seek to remain relevant and adaptable over time.

In essence, the Labour Codes are guided by a philosophy that views labour regulation not as a constraint on development but as an enabler of inclusive growth. Their objectives extend beyond simplification to encompass formalisation, fairness, flexibility, and institutional trust. Whether these objectives are realised in practice will depend on implementation, rule-making, and social dialogue, but the philosophical departure itself marks a significant milestone in India's labour reform journey.

Chapter 13

Consolidation of 29 Central Labour Laws

One of the most significant features of India's recent labour reforms is the consolidation of 29 Central labour laws into four comprehensive Labour Codes. This structural reorganisation represents a decisive departure from decades of piecemeal legislation and reflects a conscious policy choice to simplify, harmonise, and modernise labour regulation. The consolidation exercise was not merely administrative in nature; it was aimed at addressing deep-rooted inefficiencies that had accumulated over time due to legislative fragmentation.

Prior to consolidation, India's labour law framework had evolved in a highly segmented manner. Laws were enacted at different points in history to address specific issues such as wages, industrial disputes, social security, or workplace safety. While each law served a particular purpose, the absence of an overarching framework resulted in overlap, inconsistency, and regulatory clutter. Employers, workers, and administrators were required to navigate a complex maze of statutes, rules, and authorities, often dealing with similar issues under multiple laws.

The consolidation into four Labour Codes was guided by thematic logic. Laws dealing with similar subject matter were grouped together to create coherent and integrated frameworks. This approach sought to reduce duplication, harmonise definitions, and streamline compliance. Instead of managing dozens of separate enactments,

stakeholders now interact with four principal legislations, each addressing a core dimension of labour regulation.

The **Code on Wages** consolidated laws relating to minimum wages, payment of wages, bonus, and equal remuneration. This integration was aimed at addressing inconsistencies in wage definitions and coverage across earlier laws. By bringing wage-related provisions under a single code, the reform sought to ensure clarity, uniformity, and broader applicability of wage protections.

The **Industrial Relations Code** merged laws governing trade unions, standing orders, and industrial disputes. These laws, though interrelated, were previously administered separately, often leading to procedural delays and interpretational conflicts. Consolidation was intended to create a more coherent industrial relations framework, balancing the interests of workers, employers, and the State while promoting industrial peace.

The **Code on Social Security** brought together a range of legislations relating to provident fund, employee insurance, gratuity, maternity benefits, and welfare funds. This was a particularly important step given the fragmented nature of social security coverage under the earlier regime. Consolidation aimed to facilitate portability, expand coverage, and create a unified approach to social protection, especially for unorganised and emerging categories of workers.

The **Occupational Safety, Health and Working Conditions Code** integrated multiple laws governing factories, mines, contract labour, migrant workers, and other establishments. By unifying standards relating to workplace safety, welfare, and working conditions, the Code sought to simplify compliance and improve enforcement while maintaining sector-specific safeguards where necessary.

Beyond thematic grouping, consolidation addressed another critical issue: inconsistent definitions. Under the pre-Code regime, key terms such as “wages,” “worker,” “employee,” and “establishment”

were defined differently across statutes, creating ambiguity and litigation. The Labour Codes attempt to standardise definitions within and across Codes, reducing interpretational disputes and improving legal certainty. While variations remain where contextually necessary, the overall framework is far more coherent than before.

Consolidation also aimed to reduce compliance burden. Multiple registrations, licences, registers, and returns under different laws imposed significant administrative costs. The Codes envisage common registration, unified returns, and simplified record-keeping, often supported by digital platforms. This rationalisation is intended to free enterprises from excessive paperwork and allow regulators to focus on substantive compliance rather than procedural formalities.

From the perspective of labour administration, consolidation enhances governance efficiency. Enforcement agencies can operate within clearer statutory mandates, reducing overlap and jurisdictional confusion. Training, capacity building, and institutional coordination become easier when laws are structured around a limited number of comprehensive Codes rather than numerous fragmented statutes.

Importantly, consolidation does not imply dilution of labour protections. Many substantive rights and benefits under the earlier laws have been retained within the Codes. In some cases, coverage has been expanded and procedures simplified to improve access and enforceability. The objective was to preserve core protections while improving their effectiveness through better design and administration.

However, consolidation also introduces challenges. The success of the Codes depends heavily on subordinate legislation in the form of rules framed by the Central and State governments. If rules recreate old complexities or diverge excessively across States, the benefits of consolidation may be undermined. Effective coordination and adherence to the spirit of simplification are therefore essential.

In conclusion, the consolidation of 29 Central labour laws into four Labour Codes marks a structural transformation of India's labour regulatory framework. By replacing multiplicity with coherence, inconsistency with clarity, and procedural overload with streamlined governance, consolidation seeks to create a more accessible and effective labour law regime. This reform lays the foundation for balanced labour governance that supports worker welfare, enterprise growth, and India's broader developmental objectives.

Chapter 14

Key Structural Changes Introduced by the Labour Codes

The Labour Codes introduce a range of structural changes that collectively redefine India's labour regulatory framework. These changes go beyond mere consolidation of laws; they alter the architecture of labour governance by simplifying legal structures, modernising compliance mechanisms, and recalibrating the balance between flexibility and protection. Understanding these structural shifts is essential to assess how the Codes aim to address long-standing deficiencies in labour regulation.

One of the most significant structural changes is the **standardisation of definitions** across laws. Under the pre-Code regime, inconsistent definitions of fundamental terms such as “wages,” “worker,” “employee,” and “establishment” created ambiguity and litigation. The Labour Codes seek to harmonise these definitions to the extent possible, particularly within each Code. A uniform wage definition, for instance, ensures consistency in calculating statutory benefits such as minimum wages, provident fund contributions, gratuity, and bonus. This standardisation enhances legal certainty and reduces scope for interpretational disputes.

Another key structural reform is the **simplification of compliance architecture**. The Codes envisage common registration, single licences, and unified returns, replacing multiple and overlapping requirements under earlier laws. Digital platforms play a central role

in this restructuring, enabling online registration, filing, and record-keeping. This shift reduces administrative burden for employers, improves transparency, and facilitates data-driven oversight by regulators.

The **reorientation of the inspection regime** is another notable change. The Codes promote a move away from routine, discretionary inspections towards risk-based and technology-enabled enforcement. The concept of an “inspector-cum-facilitator” reflects this shift, emphasising guidance and corrective action rather than punitive enforcement. Randomised inspections, digital inspection reports, and reduced criminalisation of minor offences are designed to enhance trust and compliance while minimising harassment.

The Labour Codes also introduce structural changes in **industrial relations governance**. Recognition of trade unions, streamlined dispute resolution mechanisms, and clearer procedures for strikes and lockouts aim to promote industrial peace and predictability. Time-bound processes and defined thresholds seek to reduce prolonged disputes and uncertainty. By integrating standing orders, trade union regulation, and dispute resolution within a single Code, the framework becomes more coherent and accessible.

Flexibility in employment arrangements is another important structural feature. The Codes recognise fixed-term employment and extend statutory benefits to such workers on a pro-rata basis. This enables employers to respond to fluctuating business needs without resorting to informal or precarious employment arrangements. At the same time, workers gain access to benefits previously limited to permanent employees, thereby reducing insecurity associated with flexible work.

A major structural innovation lies in the **expansion of social security coverage**. The Code on Social Security creates enabling provisions for extending benefits to unorganised, gig, and platform workers. It introduces the concept of social security funds and allows

for flexible contribution mechanisms. This represents a departure from establishment-centric social security towards a more inclusive, worker-centric approach.

The **integration of occupational safety and health standards** across sectors is another structural shift. The Occupational Safety, Health and Working Conditions Code consolidates multiple laws governing factories, mines, contract labour, and migrant workers. Common standards for safety, welfare, and working conditions are established, while sector-specific provisions are retained where necessary. This integration simplifies compliance and strengthens enforcement of workplace safety norms.

The Labour Codes also alter the **role of the State** in labour governance. By delegating greater rule-making powers to governments and emphasising digital governance, the Codes enable flexibility and innovation in implementation. However, this also places greater responsibility on administrative capacity, coordination, and transparency. Effective rule-making becomes critical to realising the objectives of the Codes.

Another structural change is the **shift from criminalisation to civil penalties** for many offences. By reducing the reliance on criminal prosecution for procedural non-compliance, the Codes aim to create a less adversarial regulatory environment. Monetary penalties, compounding provisions, and corrective mechanisms are intended to encourage compliance rather than punishment.

Collectively, these structural changes reflect a new approach to labour regulation—one that seeks to balance protection with flexibility, enforcement with facilitation, and uniformity with federal adaptability. The Labour Codes are designed as living frameworks capable of evolving with economic and technological change.

In conclusion, the key structural changes introduced by the Labour Codes represent a comprehensive overhaul of India's labour law architecture. By addressing fragmentation, simplifying

compliance, expanding coverage, and modernising governance, the Codes aim to create a labour regulatory framework suited to the needs of a developing yet globally integrated economy. The effectiveness of these structural changes will ultimately depend on implementation, institutional capacity, and sustained stakeholder engagement.

Chapter 15

Federalism and Delegation to States

Federalism is a defining feature of India's constitutional architecture, and labour regulation has always operated within this federal framework. The Labour Codes reaffirm and recalibrate this relationship by consolidating Central legislation while delegating substantial rule-making and implementation powers to States. This balance between national uniformity and regional flexibility is both a strength and a challenge of India's labour governance system. Understanding how the Labour Codes engage with federalism is crucial to assessing their effectiveness and future trajectory.

Labour is placed in the Concurrent List of the Constitution, enabling both the Union and the States to legislate on labour-related matters. Historically, this arrangement allowed the Centre to establish minimum standards while permitting States to tailor laws to local socio-economic conditions. Over time, however, extensive State amendments to Central labour laws led to significant divergence in definitions, thresholds, and procedures. While flexibility was achieved, it came at the cost of coherence and predictability, particularly for enterprises operating across multiple States.

The Labour Codes seek to address this tension by providing a consolidated Central legislative framework while consciously delegating operational details to States through subordinate legislation. The Codes lay down broad principles, rights, and obligations, leaving procedural aspects—such as registrations, inspections, welfare boards, and benefit delivery mechanisms—to be

specified by rules framed by the appropriate government. This approach reflects a philosophy of cooperative federalism, where the Centre sets the direction and States shape the execution.

One of the key advantages of this model is adaptability. Labour markets in India vary widely across States due to differences in industrial composition, workforce characteristics, levels of development, and administrative capacity. Delegation allows States to design rules that reflect local realities while remaining within a common national framework. For instance, States can tailor inspection regimes, compliance processes, and welfare schemes based on sectoral priorities and regional needs.

Delegation also promotes competitive federalism. States increasingly compete to attract investment, generate employment, and improve governance outcomes. Labour reforms provide States with an opportunity to modernise labour administration, adopt digital platforms, streamline procedures, and enhance ease of doing business. States that implement the Codes effectively and transparently can create more conducive environments for enterprise growth and formal employment.

At the same time, extensive delegation raises concerns about uniformity and consistency. If State rules diverge significantly in substance or recreate pre-reform complexities, the objectives of consolidation and simplification may be undermined. Variations in definitions, compliance requirements, or enforcement practices can reintroduce regulatory fragmentation. Ensuring that State rules adhere to the spirit of the Codes is therefore as important as the content of the Central legislation itself.

The delegation framework also places considerable responsibility on State capacity. Drafting clear, balanced, and implementable rules requires legal expertise, administrative coordination, and stakeholder consultation. States with limited institutional capacity may struggle to design effective rules or enforce them consistently. This uneven

capacity risks creating disparities in labour governance outcomes across States, affecting both worker protection and business confidence.

Another important aspect of federalism under the Labour Codes is the scope for State innovation. The Codes enable States to experiment with technology-driven compliance systems, risk-based inspections, and targeted welfare interventions. Such innovations, if successful, can serve as models for replication across the country. However, innovation must be accompanied by transparency and accountability to prevent arbitrary or exclusionary practices.

The delegation of powers also has implications for social dialogue. As States assume greater responsibility for implementation, engagement with local stakeholders—employers' associations, trade unions, and civil society—becomes increasingly important. Inclusive consultation processes can enhance legitimacy, improve rule quality, and reduce resistance. Conversely, rule-making without adequate consultation may lead to mistrust and implementation challenges.

From a constitutional perspective, delegation under the Labour Codes must operate within the limits of legislative competence and judicial oversight. Excessive delegation or rules that exceed statutory mandates may invite legal challenges. Clear articulation of policy intent in the parent legislation, coupled with disciplined rule-making, is essential to maintaining constitutional balance.

The Centre also retains an important coordinating role. Issuing model rules, facilitating inter-state dialogue, providing technical assistance, and monitoring implementation outcomes can help ensure greater coherence. Cooperative mechanisms between the Centre and States are vital to prevent fragmentation and ensure that minimum labour standards are upheld nationwide.

In conclusion, federalism and delegation to States are central to the design and implementation of the Labour Codes. When exercised responsibly, delegation enables flexibility, innovation, and

responsiveness to local conditions. However, without coordination, capacity building, and adherence to the spirit of reform, it also carries the risk of renewed fragmentation. The success of the Labour Codes ultimately depends on how effectively the Centre and States work together to translate legislative reform into balanced, inclusive, and uniform labour governance across India.

Part IV:

The Code on Wages, 2019 — Overview

Part IV examines the Code on Wages, 2019 as the foundation of India's labour law reform framework. It analyses the need for comprehensive wage law reform, addressing long-standing issues of fragmentation, limited coverage, and inconsistent definitions under the earlier regime. The section explores key reforms such as universalisation of minimum wages, introduction of a national floor wage, standardisation of wage definitions, and strengthened provisions for equal remuneration. By focusing on fairness, simplicity, and enforceability, this part highlights how wage reforms aim to ensure dignity of labour, reduce inequality, and support inclusive and sustainable economic growth.

Chapter 16

Need for Wage Law Reform

Wages lie at the heart of the employment relationship. They determine workers' living standards, influence productivity and morale, and shape patterns of consumption and economic growth. In India, wage regulation has long been a Central concern of labour policy, rooted in constitutional mandates of social justice and equitable distribution of income. However, prior to the enactment of the Code on Wages, the legal framework governing wages had become fragmented, inconsistent, and increasingly disconnected from labour market realities. This made wage law reform both necessary and urgent.

Under the pre-Code regime, wage regulation was governed by multiple legislations enacted at different points in time to address specific issues. Laws relating to minimum wages, payment of wages, bonus, and equal remuneration operated independently, each with its own definitions, coverage, and enforcement mechanisms. While these laws were well-intentioned, their coexistence resulted in significant complexity and uneven application. Workers performing similar work in different sectors or States often received different levels of protection, undermining the principle of equity.

One of the most critical deficiencies of the earlier wage framework was limited and uneven coverage. Minimum wage laws applied selectively based on scheduled employments notified by governments. As a result, large sections of the workforce—particularly in unorganised and informal sectors—remained outside

effective minimum wage protection. This selective approach was increasingly untenable in an economy where informal employment dominated and sectoral boundaries were fluid.

Another major issue was the absence of a uniform wage definition. Different statutes defined “wages” differently, leading to confusion and disputes over the calculation of statutory benefits. Employers could structure compensation packages in ways that minimised the wage component while maximising allowances, thereby reducing liabilities related to provident fund, gratuity, and bonus. This practice weakened social security coverage and defeated the purpose of wage-based protections.

Regional disparities further highlighted the need for reform. Minimum wages varied widely across States and sectors, sometimes bearing little relation to the cost of living or basic needs of workers. While federal flexibility is important, the absence of a national benchmark resulted in wage levels that were often inadequate to ensure a dignified standard of living. Low and inconsistent wages contributed to working poverty, despite employment.

Enforcement challenges also plagued the wage law framework. Compliance depended heavily on inspections and manual processes, which were uneven and often ineffective. Many workers, particularly in informal settings, were unaware of their wage entitlements or lacked access to grievance redressal mechanisms. Delayed payments, unauthorised deductions, and wage discrimination persisted despite statutory prohibitions.

Gender inequality in wages was another persistent concern. Although the principle of equal remuneration for men and women was legally recognised, implementation remained weak. Occupational segregation, informal employment, and lack of transparency in wage structures perpetuated gender pay gaps. The existing legal framework lacked the coherence and enforceability needed to address these systemic issues effectively.

From an economic perspective, inadequate and uncertain wages have broader implications. Low wages constrain consumption demand, limit human capital development, and exacerbate inequality. They also reduce incentives for skill acquisition and productivity improvement. A wage policy that ensures fair and predictable remuneration is therefore essential not only for worker welfare but also for sustainable economic growth.

The changing nature of work further underscored the need for wage law reform. The rise of contractual, fixed-term, and platform-based work blurred traditional employment relationships. Existing wage laws, designed around standard employment models, struggled to address these new arrangements. Without reform, a growing segment of the workforce risked being left without meaningful wage protection.

Wage law reform was also necessary to align labour regulation with the objectives of formalisation and ease of compliance. A complex and fragmented wage framework discouraged compliance and encouraged avoidance. Simplification, clarity, and universality were essential to make wage regulation effective and accessible to both employers and workers.

The Code on Wages represents a response to these challenges by consolidating wage-related laws into a single, coherent framework. Its objective is not merely administrative simplification but substantive reform—ensuring universal minimum wage coverage, standardising wage definitions, reducing discrimination, and improving enforcement. By addressing structural deficiencies in the earlier regime, wage law reform aims to enhance fairness, transparency, and dignity in remuneration.

In conclusion, the need for wage law reform in India arose from deep-seated issues of fragmentation, exclusion, inconsistency, and weak enforcement. A modern wage framework is essential for protecting workers, promoting equity, and supporting economic

development. Reforming wage laws is therefore a foundational step in strengthening labour governance and advancing the broader vision of inclusive and sustainable growth.

Chapter 17

Universalisation of Minimum Wages

The universalisation of minimum wages marks one of the most transformative aspects of wage law reform in India. Historically, minimum wage protection in the country was selective, fragmented, and unevenly enforced. While the principle of ensuring a basic standard of living for workers has long been recognised, the legal framework prior to reform failed to extend this protection uniformly across the workforce. The move towards universal minimum wages seeks to correct this foundational weakness and align wage regulation with constitutional values of social justice and dignity of labour.

Under the earlier regime, minimum wages were notified for specific “scheduled employments” identified by governments. This sector-based approach meant that only workers employed in notified sectors were entitled to minimum wage protection. As the structure of the economy evolved and employment became increasingly informal and diversified, this model proved inadequate. Many workers performing similar tasks in different sectors received different wage protections, while others were excluded altogether. In an economy dominated by informal employment, selective coverage undermined the effectiveness of minimum wage legislation.

Universalisation addresses this gap by extending minimum wage protection to all employees, irrespective of sector or occupation. This shift reflects a recognition that the right to a basic standard of living cannot be contingent on the nature of employment or the size of the establishment. By moving away from scheduled employments, the

wage framework becomes more inclusive, equitable, and aligned with contemporary labour market realities.

The rationale for universal minimum wages is rooted in both social and economic considerations. From a social justice perspective, minimum wages are essential to prevent exploitation, reduce working poverty, and ensure that employment provides a dignified livelihood. Inadequate wages force workers into cycles of indebtedness, poor health, and limited educational opportunities for their families. Universal minimum wages establish a legal floor that protects the most vulnerable segments of the workforce.

From an economic standpoint, fair wages contribute to productivity, stability, and demand-led growth. Workers who earn predictable and adequate wages are more likely to invest in skill development, health, and education. Higher wage floors can also stimulate consumption, particularly in lower-income households, thereby supporting broader economic activity. Contrary to concerns that minimum wages necessarily reduce employment, evidence suggests that reasonable and well-calibrated wage floors can coexist with job creation when supported by productivity gains and compliance facilitation.

Universalisation also simplifies wage administration and enforcement. A single framework applicable to all employments reduces ambiguity and administrative complexity. Workers are better able to understand their entitlements, and enforcement agencies can focus on ensuring compliance rather than determining coverage. This clarity is particularly important for informal and migrant workers, who often lack access to information and legal remedies.

However, universal minimum wages do not imply uniform wage rates across the country. Regional disparities in cost of living, economic development, and labour market conditions necessitate differentiated wage rates. The framework therefore allows governments to fix minimum wages based on objective criteria such

as geographical area, skill level, and nature of work. This approach balances universality of coverage with flexibility in wage determination.

A critical element of universalisation is the process of wage fixation and revision. Transparent criteria, stakeholder consultation, and periodic revision are essential to ensure that minimum wages remain relevant and effective. Wage rates that are too low fail to protect workers, while rates that are unrealistic may affect compliance. The credibility of universal minimum wages depends on evidence-based fixation and timely revision.

Compliance and enforcement remain central challenges. Universal coverage expands the scope of enforcement significantly, requiring robust administrative capacity and innovative approaches. Digital wage payments, electronic records, and grievance redressal mechanisms can enhance transparency and accountability. Awareness among workers is equally important; legal entitlements must be accompanied by accessible information and support systems.

The universalisation of minimum wages also has implications for formalisation. When minimum wage obligations are clear, consistent, and reasonably enforced, employers are more likely to formalise employment relationships. This, in turn, facilitates access to social security and other labour protections. Universal minimum wages thus act as a gateway to broader labour market inclusion.

In conclusion, universalisation of minimum wages represents a fundamental shift in India's wage policy. By extending protection to all workers, it seeks to uphold dignity of labour, reduce inequality, and strengthen the social contract between the State, employers, and workers. While challenges of implementation and compliance remain, the principle of universal minimum wages lays a strong foundation for equitable and inclusive economic development and reinforces the central role of labour reform in India's development journey.

Chapter 18

National Floor Wage Concept

The concept of a National Floor Wage represents a pivotal reform in India's wage policy, aimed at establishing a uniform baseline of wage protection across the country while preserving federal flexibility. Unlike a single national minimum wage, which could be insensitive to regional cost variations, the national floor wage serves as a statutory benchmark below which no minimum wage may be fixed by any authority. This approach seeks to reconcile the constitutional commitment to social justice with India's diverse economic and geographic realities.

Historically, India's minimum wage system was marked by wide disparities across States, sectors, and occupations. While federalism allowed States to tailor wages to local conditions, the absence of a national benchmark often resulted in minimum wages that were insufficient to meet basic living standards in several regions. In some cases, wage levels lagged behind inflation and cost-of-living increases, perpetuating working poverty despite employment. The national floor wage was introduced to address this structural weakness by setting a common minimum threshold grounded in the principle of a dignified livelihood.

The rationale for a national floor wage is both normative and practical. Normatively, it flows from constitutional directives to ensure adequate means of livelihood and humane conditions of work. A baseline wage floor affirms that no worker, irrespective of location or sector, should be paid below a minimum level required for

subsistence and dignity. Practically, it provides a reference point for States and wage-fixing authorities, reducing the risk of a “race to the bottom” where jurisdictions compete by suppressing wages to attract investment.

The national floor wage is designed as a guiding instrument rather than a rigid uniform rate. States retain the authority to fix minimum wages for different employments, skill categories, and geographic areas, provided these rates are not below the floor. This preserves the flexibility necessary to account for variations in living costs, productivity, and labour market conditions. The floor wage thus functions as a safety net, ensuring adequacy without undermining federal autonomy.

A key aspect of the national floor wage framework is its methodology. Determining an appropriate floor requires objective, evidence-based assessment of factors such as cost of living, nutritional needs, housing, healthcare, education, and other essentials. Transparency in methodology is crucial to ensure credibility and acceptance among stakeholders. Periodic revision is equally important to maintain relevance in the face of inflation and changing consumption patterns. A static floor wage risks losing protective value over time.

The introduction of a national floor wage also enhances coherence in wage administration. It provides clarity to employers operating across multiple States and simplifies communication of minimum standards to workers. For migrant workers, in particular, a national benchmark offers a measure of predictability and protection when moving between regions. This is especially relevant in an increasingly mobile labour market.

From an enforcement perspective, the floor wage strengthens oversight by establishing a clear non-negotiable baseline. Wage-fixing authorities must justify rates that align with or exceed the floor, and enforcement agencies can focus on ensuring compliance with both

State-notified wages and the national benchmark. This layered approach—national floor plus State-specific minimums—improves accountability without over-centralisation.

Concerns have been raised regarding the potential impact of a national floor wage on employment and enterprise costs, particularly for small businesses in less-developed regions. These concerns underscore the importance of calibrating the floor at a realistic level and complementing wage policy with productivity-enhancing measures. Skill development, access to credit, infrastructure support, and compliance facilitation can help enterprises absorb wage adjustments while sustaining employment.

The national floor wage also interacts with broader goals of formalisation and social security. Clear and credible wage floors encourage formal wage payments, facilitate digital transactions, and improve the calculation of statutory benefits linked to wages. Over time, this can strengthen social protection systems and enhance worker welfare beyond immediate income effects.

Importantly, the floor wage should be viewed as part of an integrated wage policy rather than a standalone measure. Its effectiveness depends on robust minimum wage fixation at the State level, timely revisions, awareness among workers, and effective grievance redressal. Social dialogue with employers' organisations and trade unions is essential to build consensus and ensure smooth implementation.

In conclusion, the national floor wage concept represents a balanced and pragmatic innovation in India's wage regulation. By establishing a uniform baseline while preserving State flexibility, it advances equity, prevents wage suppression, and strengthens the integrity of the minimum wage system. When implemented transparently and reviewed periodically, the national floor wage can play a vital role in ensuring dignified remuneration, reducing inequality, and supporting inclusive economic development.

Chapter 19

Simplification of Wage Definitions

One of the most consequential yet understated reforms introduced by the Code on Wages is the simplification and standardisation of wage definitions. While earlier wage laws sought to protect workers' earnings and entitlements, inconsistent and fragmented definitions of "wages" across statutes created ambiguity, compliance challenges, and opportunities for avoidance. Simplifying the wage definition was therefore essential to ensure clarity, fairness, and effective enforcement of wage-related rights and benefits.

Under the pre-Code framework, different labour laws defined wages differently for different purposes. For instance, the components considered as wages under minimum wage laws were not identical to those used for calculating provident fund contributions, gratuity, or bonus. This inconsistency allowed employers to design salary structures with a low basic wage and a high proportion of allowances, reimbursements, or variable pay. While such structuring was often legally permissible, it reduced the base on which statutory benefits were calculated, thereby weakening social security coverage for workers.

This fragmented approach also generated significant litigation. Disputes frequently arose over whether particular allowances or payments should be treated as wages for the purpose of statutory contributions or benefits. Courts were required to interpret multiple definitions across different statutes, leading to uncertainty and inconsistent outcomes. Employers faced unpredictability, while

workers struggled to understand their entitlements. The complexity undermined both compliance and trust in the wage regulation system.

The Code on Wages addresses these issues by introducing a uniform and comprehensive definition of wages applicable across wage-related provisions. This definition seeks to capture the core remuneration paid to a worker for employment while allowing for limited exclusions. By doing so, it establishes a clear and consistent basis for calculating minimum wages, overtime, bonus, and other wage-linked entitlements.

A key feature of the simplified definition is the principle that wages should constitute a substantial portion of total remuneration. The Code places a cap on the proportion of excluded components, ensuring that employers cannot excessively fragment wages into allowances to minimise statutory obligations. This structural safeguard enhances the integrity of wage-based protections and strengthens social security outcomes.

The simplification of wage definitions has important implications for workers' welfare. A higher and more transparent wage base translates into improved provident fund contributions, gratuity payments, and other benefits. It reduces the gap between nominal remuneration and effective social security coverage, particularly for low- and middle-income workers. Over time, this contributes to income security, retirement savings, and reduced vulnerability.

From an employer's perspective, a clear and standardised wage definition improves compliance certainty. While adjustments to existing wage structures may be required, especially where excessive allowances were used, the long-term benefits include reduced litigation, predictable obligations, and a level playing field. Uniform definitions prevent competitive distortions arising from differential wage structuring practices and promote fair competition among enterprises.

Simplification also enhances administrative efficiency. Enforcement agencies can apply a single definition across contexts, reducing interpretational disputes and focusing on substantive compliance. Digital systems for wage reporting, contribution calculation, and benefit delivery become easier to design and operate when based on a standardised wage concept. This supports the broader objective of technology-enabled labour governance.

The reform also has implications for collective bargaining and industrial relations. Transparent wage structures facilitate meaningful negotiations between employers and workers or trade unions. When wages and allowances are clearly defined, discussions on remuneration, productivity-linked pay, and benefits become more informed and constructive. This can contribute to improved workplace relations and trust.

However, simplification must be implemented with sensitivity. Sudden restructuring of wage components may impose short-term cost adjustments for employers, particularly in sectors with thin margins. Phased implementation, clear guidance, and stakeholder engagement are therefore critical to ensure smooth transition. Policymakers must balance the objectives of fairness and sustainability while minimising disruption.

It is also important to recognise that simplification of wage definitions does not eliminate the need for nuanced regulation. Certain allowances linked to specific expenses or working conditions may justifiably be excluded from wages. The challenge lies in maintaining a balance between comprehensive coverage and practical flexibility. Clear rules and explanatory guidance can help avoid ambiguity and misuse.

In conclusion, the simplification of wage definitions is a foundational reform that strengthens the effectiveness of wage regulation and social security. By replacing fragmented and inconsistent definitions with a unified framework, the Code on Wages

enhances clarity, equity, and enforceability. This reform not only protects workers' entitlements but also supports transparent and predictable compliance, making it a critical pillar of India's broader labour reform agenda.

Chapter 20

Equal Remuneration and Gender Justice

Equal remuneration for equal work is a cornerstone of labour justice and a fundamental requirement of an inclusive and developed society. In India, the principle of gender equality in wages has long been recognised in constitutional provisions and labour legislation. However, despite legal safeguards, gender-based wage disparities persist across sectors and forms of employment. The Code on Wages seeks to address these gaps by integrating the principle of equal remuneration within a unified wage framework, thereby strengthening both its scope and enforceability.

Historically, the right to equal remuneration was governed by a standalone statute enacted to address wage discrimination between men and women. While the law affirmed the principle of equal pay for equal work or work of a similar nature, its implementation faced several challenges. Limited awareness, narrow interpretation, informal employment arrangements, and weak enforcement diluted its impact. As a result, wage inequality remained entrenched, particularly in unorganised and informal sectors where women are disproportionately represented.

Gender wage gaps are influenced by multiple factors beyond explicit discrimination. Occupational segregation, undervaluation of work traditionally performed by women, limited access to skill development, and career interruptions due to caregiving responsibilities all contribute to income disparities. Informality exacerbates these challenges by depriving women workers of written

contracts, transparency in wage determination, and access to grievance redressal. Addressing gender wage inequality therefore requires both legal reform and broader structural interventions.

The integration of equal remuneration provisions into the Code on Wages represents an important structural change. By embedding gender equality within a comprehensive wage framework, the reform moves beyond a siloed approach to wage discrimination. The Code prohibits discrimination on the grounds of gender in matters relating to wages and recruitment for the same work or work of similar nature. This broader framing enhances coherence and signals that gender justice is integral to wage regulation rather than an ancillary concern.

The unified wage definition under the Code also supports gender justice by reducing scope for opaque wage structuring. Transparent and standardised wage components make it easier to identify disparities and enforce equal pay. When wages form a substantial portion of remuneration, hidden discrimination through allowances or discretionary payments becomes more difficult. This transparency benefits women workers, who often face information asymmetry and weaker bargaining power.

Equal remuneration has important implications for labour force participation. Persistent wage gaps discourage women from entering or remaining in the workforce, particularly when the costs of work—such as childcare and transportation—are high. Fair and predictable wages can enhance the economic viability of employment for women, supporting higher labour force participation rates. This is critical for India's economic growth, as increased participation of women in the workforce is associated with higher productivity and inclusive development.

Enforcement remains a key challenge. Gender-based wage discrimination often manifests subtly, through job classification, performance evaluation, or differential access to bonuses and promotions. Effective enforcement requires capacity building among

labour administrators, awareness among workers, and accessible grievance redressal mechanisms. Digital wage records and reporting can aid in monitoring compliance and identifying patterns of disparity.

The Code's emphasis on facilitation and simplification can indirectly support gender justice. Reduced compliance complexity and expanded formalisation can bring more women workers within the ambit of wage regulation and social security. Formal employment relationships are more likely to offer transparency, benefits, and avenues for redressal compared to informal arrangements. Thus, wage reform and formalisation are mutually reinforcing in advancing gender equality.

Equal remuneration is also closely linked to broader workplace equality. Wage equality cannot be fully realised without addressing issues such as access to employment, safe working conditions, maternity benefits, and work-life balance. While the Code on Wages focuses on remuneration, its impact must be complemented by provisions under other labour codes relating to safety, social security, and working conditions. An integrated approach is essential to achieving substantive gender justice.

Cultural and institutional factors also influence the effectiveness of equal remuneration laws. Deeply ingrained social norms, undervaluation of care work, and gender stereotypes shape labour market outcomes. Legal reform, while necessary, must be accompanied by awareness campaigns, social dialogue, and organisational practices that promote diversity and inclusion. Employers have a critical role to play in implementing equitable wage policies and fostering inclusive workplaces.

In conclusion, the incorporation of equal remuneration within the Code on Wages strengthens India's legal framework for gender justice. By embedding the principle of wage equality in a simplified and comprehensive wage law, the reform enhances clarity, coverage, and enforceability. While challenges of implementation and social

change remain, equal remuneration is a vital step towards reducing gender inequality, empowering women workers, and realising the broader vision of inclusive and sustainable development.

Chapter 21

Impact on Employers and Workers

The Code on Wages represents a significant shift in India's wage regulation framework, with wide-ranging implications for both employers and workers. By consolidating multiple wage-related laws into a single, coherent statute, the Code seeks to simplify compliance, expand coverage, and strengthen enforcement. Its impact must therefore be assessed not only in legal terms but also in terms of how it reshapes workplace practices, employment relationships, and the broader labour market.

For workers, the most immediate and visible impact of the Code on Wages is expanded protection. The universalisation of minimum wages ensures that all employees, irrespective of sector or occupation, are entitled to a statutory wage floor. This is particularly beneficial for workers in unorganised and informal sectors who were previously excluded due to the scheduled employment system. Greater coverage enhances income security and affirms the principle that no form of work should fall below a basic standard of dignity.

The standardisation of wage definitions also strengthens workers' entitlements. By ensuring that wages constitute a substantial portion of total remuneration, the Code improves the calculation of statutory benefits such as provident fund, gratuity, and bonus. This reform has long-term welfare implications, particularly for retirement security and income stability. Workers benefit not only from higher transparency in wage structures but also from reduced scope for manipulation through excessive allowances.

Timely payment of wages and protection against unauthorised deductions further enhance worker security. Delays in wage payments and arbitrary deductions are common grievances, especially among vulnerable workers. Clearer rules, simplified procedures, and digital payment mechanisms can improve compliance and reduce disputes. The availability of defined grievance redressal mechanisms strengthens workers' ability to assert their rights.

From a gender perspective, the Code's provisions on equal remuneration contribute to greater wage equity. Transparent wage structures and uniform standards make it easier to identify and address gender-based disparities. While legal reform alone cannot eliminate entrenched inequalities, the Code provides a stronger statutory foundation for advancing gender justice in remuneration.

For employers, the Code on Wages introduces both opportunities and adjustments. Simplification and consolidation reduce the complexity associated with complying with multiple wage-related laws. A single framework with standardised definitions enhances clarity and predictability, enabling better compliance planning. Employers operating across States benefit from greater uniformity in wage regulation, even as State-specific wage rates continue to apply.

At the same time, the Code requires employers to review and, in some cases, restructure existing wage arrangements. Enterprises that previously relied on fragmented wage components to minimise statutory liabilities may face increased costs due to higher wage bases. While this adjustment may pose short-term challenges, particularly for cost-sensitive sectors, it also promotes fair competition by creating a level playing field. Employers who were already compliant benefit from reduced unfair advantage enjoyed by non-compliant competitors.

The impact on small and medium enterprises warrants particular attention. MSMEs often operate with thin margins and limited

administrative capacity. While expanded wage obligations may increase cost pressures, simplification of compliance and digital processes can offset these challenges. Supportive measures such as phased implementation, awareness programmes, and compliance facilitation are crucial to ensure that smaller enterprises can adapt without adverse employment effects.

From a labour relations perspective, clearer wage norms can reduce disputes and enhance trust. When wage entitlements are transparent and predictable, conflicts arising from ambiguity and misinterpretation are less likely. This contributes to more stable employment relationships and improved workplace harmony.

The Code also influences employment strategies. Concerns are often raised that higher wage floors could discourage hiring or accelerate automation. While these risks cannot be dismissed, their impact depends on the level at which wages are fixed and the overall business environment. When wage policies are balanced with productivity-enhancing measures—such as skill development, infrastructure support, and access to credit—the net effect can be positive for both employment and enterprise sustainability.

Importantly, the Code on Wages aligns the interests of employers and workers in the long term. Fair wages contribute to higher morale, lower turnover, and improved productivity. Workers with income security are more likely to invest in skills and perform effectively. Employers benefit from a more stable and motivated workforce, reduced disputes, and improved reputation.

The success of the Code ultimately depends on effective implementation. Awareness among workers, guidance for employers, and capacity building within labour administration are essential. Digital systems must be accessible and reliable, and enforcement must be fair and consistent.

In conclusion, the Code on Wages reshapes the wage landscape with significant implications for both employers and workers. While

it introduces new obligations and adjustments, it also offers clarity, fairness, and long-term benefits. When implemented thoughtfully, the Code has the potential to strengthen labour relations, enhance worker welfare, and support sustainable and inclusive economic growth.

Part V: The Industrial Relations Code, 2020 — Overview

Part V examines the Industrial Relations Code, 2020, which seeks to modernise India's industrial relations framework by balancing workers' rights with the need for enterprise flexibility and industrial peace. It analyses reforms relating to trade unions, recognition and collective bargaining, standing orders, and dispute resolution mechanisms. The section also explores changes in provisions governing strikes, lockouts, retrenchment, layoffs, and closures, and their implications for employment stability and business continuity. By simplifying procedures and introducing greater clarity and predictability, this part highlights how the Code aims to foster harmonious industrial relations while supporting economic growth and job creation.

Chapter 22

Trade Unions: Recognition and Regulation

Trade unions have historically played a central role in shaping industrial relations in India. They have served as collective voices for workers, advocating for fair wages, safe working conditions, and job security, while also acting as key stakeholders in industrial peace. However, the legal framework governing trade unions and collective bargaining under the pre-Code regime suffered from fragmentation, multiplicity, and ambiguity. The Industrial Relations Code, 2020 seeks to address these shortcomings by reforming the recognition and regulation of trade unions within a unified and contemporary framework.

Under the earlier system, trade unions were governed primarily by legislation enacted in the colonial period. While this framework recognised the right of workers to form unions, it did not adequately address the challenges of multiplicity and inter-union rivalry. In many establishments, multiple unions existed, often affiliated with different political ideologies. This fragmentation weakened collective bargaining, complicated negotiations, and sometimes resulted in prolonged industrial disputes. Employers faced uncertainty regarding which union genuinely represented the workforce, while workers experienced diluted bargaining power.

The Industrial Relations Code introduces clearer provisions for the recognition of trade unions as negotiating agents or councils.

Recognition is based on demonstrable worker support, measured through membership thresholds or verification processes. By establishing objective criteria for recognition, the Code aims to ensure that collective bargaining is conducted with representative and accountable unions. This reform addresses a long-standing gap in Indian labour law, where the absence of statutory recognition mechanisms often undermined the effectiveness of collective bargaining.

The concept of a **sole negotiating union** is a significant innovation. Where only one Trade Union of workers registered under the provisions of the Code is functioning in an industrial establishment, or where more than one Trade Union of workers registered under this Code is functioning in an industrial establishment, the Trade Union having fifty-one per cent or more workers on the muster roll of that industrial establishment as its members shall be recognised by the employer as the sole negotiating union of the workers. In establishments with multiple unions, a **negotiating council** comprising representatives of unions with sufficient support is envisaged. This structure seeks to balance inclusivity with efficiency, enabling meaningful negotiations while avoiding paralysis caused by excessive fragmentation.

Regulation of trade unions under the Code also emphasises internal democracy and accountability. Provisions relating to the registration, functioning, and obligations of unions aim to ensure transparency and responsible conduct. Strong and democratic unions are essential not only for protecting workers' interests but also for maintaining credibility and trust in the collective bargaining process.

From the workers' perspective, clearer recognition mechanisms can strengthen representation and bargaining outcomes. When a recognised union speaks on behalf of a substantial majority, workers are more likely to benefit from negotiated agreements that reflect collective priorities. Reduced inter-union rivalry can also minimise internal divisions and enhance solidarity.

For employers, the reformed framework offers greater predictability and stability. Dealing with a recognised negotiating agent simplifies communication, negotiation, and dispute resolution. It reduces uncertainty and the risk of competing demands from multiple unions, thereby contributing to smoother industrial relations. Predictable collective bargaining arrangements are particularly important in a competitive and time-sensitive business environment.

At the same time, concerns have been raised regarding the potential marginalisation of minority unions and dissenting voices. Safeguarding freedom of association remains essential to ensure that recognition mechanisms do not suppress legitimate worker representation. The challenge lies in balancing effective collective bargaining with pluralism and democratic participation. Transparent procedures and fair thresholds are critical to maintaining this balance.

The Industrial Relations Code also situates trade union regulation within a broader framework of industrial peace. Recognition and collective bargaining are linked with streamlined dispute resolution mechanisms and clearer rules governing strikes and lockouts. The underlying philosophy is that strong, representative unions engaged in structured dialogue can prevent disputes and facilitate timely resolution when conflicts arise.

Trade unions themselves must adapt to this evolving framework. Professionalism, accountability, and constructive engagement become increasingly important. In a changing labour market characterised by flexible employment arrangements and technological disruption, unions must expand their representational strategies and address the needs of diverse categories of workers, including contractual and fixed-term employees.

Importantly, the success of union recognition reforms depends on implementation. Verification of membership, conduct of elections, and dispute resolution related to recognition require administrative

capacity and impartial oversight. Transparent processes and institutional credibility are essential to prevent misuse or contestation.

In conclusion, the Industrial Relations Code's provisions on trade union recognition and regulation represent a significant step towards modernising collective bargaining in India. By addressing fragmentation, enhancing representativeness, and promoting structured dialogue, the reforms aim to strengthen both worker voice and industrial stability. When implemented in a balanced and participative manner, these changes can contribute to more effective industrial relations, improved workplace harmony, and sustainable economic development.

Chapter 23

Standing Orders and Threshold Changes

Standing orders are a foundational element of industrial relations, providing clarity on terms and conditions of employment, workplace conduct, disciplinary procedures, and grievance mechanisms. They serve as a bridge between statutory labour law and day-to-day workplace management, ensuring predictability for both employers and workers. The Industrial Relations Code, 2020 introduces important reforms relating to standing orders, particularly through changes in applicability thresholds and standardisation, aimed at modernising workplace governance and reducing regulatory rigidity.

Under the pre-Code framework, establishments employing one hundred or more workmen were required to draft and certify standing orders outlining service conditions. While the intent was to protect workers by formalising employment terms, the system often resulted in procedural delays, administrative complexity, and limited flexibility. Certification processes could be time-consuming, and outdated standing orders frequently failed to reflect evolving workplace practices or technological changes.

The Industrial Relations Code rationalises this framework by revisiting applicability thresholds to three hundred workers and introducing revised model standing orders. By adjusting thresholds for mandatory standing orders, the Code seeks to balance worker protection with ease of compliance. Higher thresholds reduce regulatory burden on smaller establishments, allowing them to operate with simpler employment arrangements, while ensuring that larger

establishments—where the impact of employment conditions is more significant—continue to be governed by formalised standards.

The introduction of new revised **model standing orders** is a significant reform. These model standards, notified by the appropriate government, can be adopted directly by establishments, reducing the need for individual certification processes. This standardisation promotes uniformity, clarity, and administrative efficiency. Employers benefit from reduced procedural complexity, while workers gain access to clear and predictable service conditions.

Model standing orders also facilitate quicker adaptation to changing labour market realities. Governments can update model provisions in response to technological advancements, new forms of work, or emerging best practices. This dynamic approach contrasts with the static nature of many pre-existing standing orders, which often remained unchanged for decades.

From a worker's perspective, standing orders provide critical safeguards. They define conditions of employment, disciplinary procedures, and grievance redressal mechanisms, reducing arbitrariness and promoting fairness. Clear standing orders enhance transparency and empower workers by informing them of their rights and obligations. Threshold changes must therefore be assessed carefully to ensure that worker protection is not unduly diluted.

For employers, the reformed framework offers greater flexibility and predictability. Simplified standing order requirements reduce compliance costs and facilitate smoother workforce management. Employers can focus on operational efficiency and productivity while maintaining fair employment practices. Uniform standards also reduce disputes arising from ambiguous or outdated service conditions.

Threshold changes, however, raise concerns regarding coverage and equity. Increasing thresholds may exclude workers in medium-sized establishments from the protections afforded by certified standing orders. This underscores the importance of ensuring that

model standing orders provide robust baseline protections and that other labour laws adequately cover workers in smaller establishments. The objective should be to streamline regulation without creating protection gaps.

The reforms also interact with broader industrial relations objectives. Clear and standardised standing orders can reduce disputes by setting expectations and procedures in advance. They complement collective bargaining by providing a baseline framework upon which negotiated agreements can build. In this sense, standing orders contribute to industrial peace and organisational stability.

Implementation remains a critical factor. Effective dissemination of model standing orders, awareness among workers, and oversight of compliance are essential to realise the benefits of reform. Labour administration must ensure that establishments adopting model orders do so in good faith and that deviations, where permitted, are transparent and justified.

The role of States is particularly significant in this context. As labour is a concurrent subject, States have the authority to notify model standing orders and determine thresholds within the framework of the Code. Variations in State approaches may affect uniformity and business predictability. Coordination and adherence to the spirit of simplification are therefore crucial.

In conclusion, reforms relating to standing orders and threshold changes under the Industrial Relations Code aim to modernise workplace governance by combining clarity, flexibility, and efficiency. By standardising service conditions through model standing orders and rationalising applicability thresholds, the Code seeks to reduce procedural burdens while preserving essential worker protections. The success of these reforms will depend on balanced implementation, effective oversight, and continued social dialogue to ensure that workplace regulation remains fair, transparent, and responsive to evolving economic realities.

Chapter 24

Strikes, Lockouts and Dispute Resolution

Strikes, lockouts, and industrial disputes are integral yet sensitive aspects of industrial relations. They reflect underlying conflicts between labour and management and, if not managed effectively, can disrupt production, affect livelihoods, and undermine economic stability. The Industrial Relations Code, 2020 seeks to rationalise the legal framework governing strikes, lockouts, and dispute resolution by balancing the right to protest with the need for industrial peace and predictability. These reforms are rooted in the recognition that sustainable growth requires stable and cooperative labour relations.

Under the pre-Code regime, the legal provisions governing strikes and lockouts varied across sectors and were spread across multiple statutes. This fragmentation led to confusion and inconsistent application. Different notice requirements applied to public utility services and non-public utility services, creating complexity and scope for dispute. The absence of a uniform framework often resulted in sudden work stoppages, prolonged disputes, and legal uncertainty for both employers and workers.

The Industrial Relations Code introduces greater uniformity by prescribing common conditions and notice requirements for strikes and lockouts across sectors. Advance notice provisions are intended to encourage dialogue and provide a cooling-off period during which disputes may be resolved without resorting to work stoppages. By institutionalising this pause, the Code aims to reduce impulsive or adversarial actions and promote negotiated settlements.

From a worker's perspective, the right to strike remains an important tool for collective bargaining and protest. The Code does not abolish this right but regulates its exercise to ensure orderly conduct. The requirement of prior notice seeks to balance worker rights with the broader public interest, particularly in an interconnected economy where industrial action can have far-reaching consequences. Critics argue that additional procedural requirements may restrict the practical exercise of the right to strike, while proponents contend that structured processes enhance legitimacy and effectiveness.

Lockouts, as employer responses to industrial disputes, are also subject to similar regulatory requirements under the Code. By applying comparable standards to both strikes and lockouts, the framework seeks to ensure fairness and reciprocity. This symmetrical treatment reinforces the principle that industrial peace is a shared responsibility and that unilateral action by either party should be moderated by legal safeguards.

Dispute resolution mechanisms are a central pillar of the Code's approach. The objective is to provide accessible, timely, and effective forums for resolving industrial disputes before they escalate. The Code emphasises conciliation as a primary means of dispute resolution, reflecting the belief that negotiated outcomes are often more sustainable than adversarial adjudication. Strengthening conciliation processes can help preserve employment relationships and reduce litigation.

Where conciliation fails, the Code provides for adjudication through labour courts and industrial tribunals. Streamlining procedures, reducing delays, and clarifying jurisdiction are key reform objectives. Time-bound processes and simplified procedures aim to address longstanding criticisms regarding prolonged litigation and uncertainty. Faster resolution benefits both workers and employers by reducing costs, restoring stability, and enabling informed decision-making.

The Code also addresses disputes arising from standing orders, retrenchment, and other employment-related matters within a unified framework. By integrating dispute resolution mechanisms across industrial relations issues, the Code seeks to improve coherence and reduce fragmentation. This integrated approach facilitates better coordination and consistency in outcomes.

An important aspect of dispute resolution reform is the emphasis on institutional capacity. Effective conciliation and adjudication require trained personnel, adequate infrastructure, and administrative support. Without investment in capacity building, procedural reforms alone may not deliver the intended benefits. Strengthening labour institutions is therefore essential to the success of the Code.

The reforms also have implications for economic stability and investor confidence. Predictable and fair dispute resolution mechanisms reduce the risk of prolonged industrial unrest, enhancing the attractiveness of the investment climate. At the same time, preserving avenues for worker voice and redressal is essential to prevent suppression of legitimate grievances, which could manifest in informal or disruptive ways.

Social dialogue plays a critical role in this context. The effectiveness of strike regulation and dispute resolution depends on trust among stakeholders. Transparent processes, good faith negotiations, and mutual respect are vital for maintaining industrial harmony. Legal frameworks can facilitate dialogue, but they cannot substitute for constructive engagement.

In conclusion, the Industrial Relations Code's approach to strikes, lockouts, and dispute resolution reflects an effort to modernise industrial relations by promoting stability without extinguishing worker rights. By introducing uniform notice requirements, strengthening conciliation, and streamlining adjudication, the Code seeks to prevent avoidable conflicts and resolve disputes efficiently. The challenge lies in implementing these provisions in a manner that

balances discipline with democratic participation, ensuring that industrial relations contribute positively to economic growth and social justice.

Chapter 25

Fixed Term Employment

Fixed Term Employment (FTE) has emerged as a significant instrument in modern labour regulation, reflecting the need for flexibility in a dynamic and competitive economy. The Industrial Relations Code, 2020 formally recognises and regulates fixed term employment, marking an important shift in India's labour policy. This reform seeks to reconcile employers' need for workforce flexibility with workers' entitlement to statutory benefits and protections, thereby addressing one of the long-standing distortions in the labour market.

Traditionally, Indian labour laws were premised on permanent, open-ended employment relationships. While this model provided security to workers, it often lacked flexibility for employers facing fluctuating demand, seasonal operations, or project-based work. In practice, employers increasingly relied on contract labour and informal arrangements to manage variability. This resulted in a dual labour market where permanent workers enjoyed statutory protections, while a large segment of the workforce remained precarious and excluded from benefits. Fixed term employment aims to bridge this divide.

Under the reformed framework, fixed term employees are engaged for a specified duration based on the nature of work or project requirements. Crucially, the Code mandates that fixed term workers be treated on par with permanent workers in terms of wages, hours of work, allowances, and statutory benefits, proportionate to the period of service. This principle of parity is central to the reform

and distinguishes fixed term employment from earlier informal or contractual arrangements that often denied workers equal treatment.

For workers, the recognition of fixed term employment offers several potential benefits. It brings clarity and legality to time-bound employment relationships, ensuring access to statutory benefits such as provident fund, gratuity (where applicable), and social security coverage. Fixed term employees are no longer relegated to a grey zone of informality but are recognised as legitimate workers with enforceable rights. This enhances income security and reduces vulnerability, particularly in sectors characterised by project-based or seasonal work.

From an employer's perspective, fixed term employment provides a lawful and transparent mechanism to manage workforce requirements without resorting to informal practices. Employers can hire workers for specific durations aligned with production cycles, projects, or market conditions, without incurring long-term liabilities associated with permanent employment. This flexibility can encourage formal hiring and reduce reliance on contract labour, thereby promoting formalisation.

Fixed term employment also has implications for productivity and skill development. When employers engage workers formally, even for limited periods, they are more likely to invest in training and skill utilisation. Workers, in turn, benefit from exposure to formal work environments, skill acquisition, and documented employment histories. Over time, this can enhance employability and labour market mobility.

However, concerns have been raised regarding the potential misuse of fixed term employment. Critics argue that employers may replace permanent positions with successive fixed term contracts, undermining job security and stability. While the Code provides parity in benefits, the absence of continuity may still affect workers' sense of security and long-term planning. Safeguards in implementation, such

as monitoring patterns of engagement and preventing abuse, are therefore essential.

The interaction between fixed term employment and industrial relations is another important consideration. Frequent turnover and short-term contracts may weaken collective bargaining and worker representation. Trade unions may find it more challenging to organise fixed term workers, particularly in dispersed or project-based settings. Addressing these challenges requires inclusive union strategies and institutional mechanisms that ensure worker voice is not diluted.

Fixed term employment must also be viewed in conjunction with broader labour market reforms. Flexibility alone cannot deliver positive outcomes without adequate social security and labour market support. Access to unemployment assistance, skill training, and job matching services becomes increasingly important in a labour market with greater mobility. Labour reforms that recognise fixed term employment must therefore be complemented by robust social protection systems.

International experience suggests that fixed term employment can contribute to employment growth when implemented within a balanced regulatory framework. Countries that combine flexible contracts with strong social security and active labour market policies have been able to achieve both adaptability and protection. India's challenge lies in replicating this balance within its unique socio-economic context.

The success of fixed term employment as a reform measure depends largely on implementation and enforcement. Clear rules, transparent contracts, and awareness among workers are essential. Labour administration must ensure that parity provisions are honoured and that fixed term employment is not used to circumvent statutory obligations or suppress wages.

In conclusion, the introduction of fixed term employment under the Industrial Relations Code represents a pragmatic response to

changing labour market realities. By legalising flexibility while extending statutory protections, the reform seeks to reduce informality and promote formal employment. If implemented responsibly and complemented by social security measures, fixed term employment can support job creation, enterprise adaptability, and worker welfare, contributing to a more balanced and resilient labour market.

Chapter 26

Retrenchment, Layoff and Closure Provisions

Provisions relating to retrenchment, layoff, and closure have long been among the most debated aspects of India's labour law framework. These provisions lie at the intersection of job security, enterprise viability, and economic flexibility. While their original intent was to protect workers from arbitrary termination and sudden loss of livelihood, over time they also contributed to labour market rigidities that affected employment growth and industrial competitiveness. The Industrial Relations Code, 2020 seeks to recalibrate this balance by rationalising procedures while retaining essential safeguards.

Under the pre-Code regime, establishments employing more than a specified number of workers were required to obtain prior government approval for retrenchment, layoff, or closure. This approval-based system was intended to prevent misuse of managerial power and ensure that workers' interests were adequately protected. In practice, however, the process was often time-consuming, uncertain, and influenced by administrative discretion. Employers faced delays in decision-making, while workers remained in prolonged uncertainty regarding their employment status.

One of the key reforms under the Industrial Relations Code is the revision of thresholds for mandatory government approval. By increasing the employee threshold at which prior approval is required, the Code seeks to reduce regulatory rigidity for medium-sized

establishments. This change reflects the recognition that enterprises require a degree of operational flexibility to respond to market conditions, technological change, and business cycles. Reduced procedural hurdles can encourage enterprises to expand operations and hire more workers formally.

For workers, concerns arise that higher thresholds may weaken job security. It is important to note, however, that the Code does not eliminate protections against retrenchment or closure. Statutory requirements relating to notice periods, compensation, and procedural fairness continue to apply. Workers affected by retrenchment or closure are entitled to compensation based on length of service, and employers must follow prescribed procedures. These safeguards aim to mitigate the impact of job loss even as procedural requirements are streamlined.

The Code also seeks to improve clarity and consistency in definitions and procedures related to retrenchment, layoff, and closure. Clearer statutory language reduces ambiguity and litigation, benefiting both employers and workers. Predictable rules enable informed decision-making and reduce the scope for arbitrary action or prolonged disputes.

From an economic perspective, flexibility in workforce adjustment is essential for enterprise sustainability. Businesses operating in competitive and volatile markets must be able to reorganise operations to remain viable. Excessive rigidity can discourage investment, stifle innovation, and ultimately threaten long-term employment. By rationalising retrenchment and closure provisions, the Code aims to create an environment where enterprises can adapt while maintaining accountability to workers.

At the same time, retrenchment and closure have significant social consequences. Job loss can lead to income insecurity, skill erosion, and social distress. Labour reforms must therefore be complemented by measures that support displaced workers. Notice

periods and compensation provide immediate relief, but long-term support through skill retraining, employment services, and social security is equally important. The Code's approach implicitly recognises the need for a broader safety net to accompany flexibility.

The reforms also have implications for industrial relations. Transparent and predictable retrenchment procedures can reduce conflict and mistrust. When workers understand the rules and entitlements, and when employers follow fair processes, the likelihood of disputes diminishes. Conversely, opaque or arbitrary actions can escalate tensions and undermine workplace harmony.

The role of government remains significant. Even where prior approval is not required, authorities retain oversight functions and the ability to intervene in cases of non-compliance or unfair practices. Effective enforcement and grievance redressal mechanisms are essential to ensure that procedural flexibility does not translate into abuse.

Critics argue that easing retrenchment and closure norms may lead to increased job insecurity and informalisation. These concerns highlight the importance of implementation and monitoring. Flexibility must be accompanied by robust enforcement of compensation, notice, and welfare provisions. Without effective oversight, the objectives of balanced reform may be compromised.

International experience suggests that employment protection laws work best when combined with active labour market policies. Countries that provide unemployment benefits, retraining, and job placement services are better able to manage workforce transitions. India's labour reforms must therefore be viewed as part of a broader employment and social protection strategy.

In conclusion, the Industrial Relations Code's provisions on retrenchment, layoff, and closure represent an attempt to balance enterprise flexibility with worker protection. By rationalising thresholds and procedures while retaining core safeguards, the Code

seeks to reduce rigidity without undermining fairness. The ultimate success of these reforms will depend on effective implementation, complementary social security measures, and a commitment to ensuring that economic adaptability does not come at the cost of human dignity.

Chapter 27

Industrial Peace and Flexibility

Industrial peace and economic flexibility are often portrayed as competing objectives in labour regulation. In reality, they are deeply interdependent. Sustainable industrial peace cannot be achieved without a degree of flexibility that allows enterprises to remain viable and competitive, while flexibility without adequate safeguards risks unrest, insecurity, and social instability. The Industrial Relations Code, 2020 seeks to harmonise these objectives by creating a framework that promotes predictability, dialogue, and adaptability in industrial relations.

Industrial peace refers to a state of stable and cooperative relations between employers and workers, characterised by minimal disputes, effective communication, and mutual trust. In India, industrial unrest has historically been influenced by factors such as wage disputes, job insecurity, lack of representation, and procedural complexity. While protective labour laws aimed to safeguard workers, rigidities and ambiguities often contributed to conflict rather than preventing it. The Industrial Relations Code attempts to address these structural causes of unrest.

A key contributor to industrial peace under the Code is the emphasis on clarity and predictability. Clear rules governing trade union recognition, standing orders, strikes, and dispute resolution reduce uncertainty and scope for arbitrary action. When stakeholders understand their rights, obligations, and procedures, the likelihood of conflict diminishes. Predictability enables employers to plan

operations and workers to anticipate outcomes, fostering a more stable industrial environment.

Flexibility, in the context of the Code, refers to the ability of enterprises to manage workforce requirements in response to changing economic conditions. Provisions relating to fixed term employment, rationalised thresholds for retrenchment, and simplified standing orders aim to provide lawful and transparent avenues for flexibility. By legitimising flexible arrangements within a statutory framework, the Code reduces reliance on informal or precarious practices that often fuel worker dissatisfaction.

The balance between peace and flexibility is also reflected in the Code's approach to collective bargaining. Strong and representative trade unions, recognised through transparent mechanisms, can negotiate flexible arrangements that are acceptable to workers. Collective bargaining transforms flexibility from a unilateral managerial decision into a negotiated outcome, enhancing legitimacy and acceptance. This participatory approach is central to maintaining industrial peace in a dynamic economy.

Dispute prevention and resolution mechanisms further reinforce this balance. The Code emphasises conciliation and time-bound adjudication to address grievances before they escalate into industrial action. Structured dialogue, facilitated by labour authorities, can resolve conflicts while preserving employment relationships. Efficient dispute resolution reduces the economic and social costs associated with prolonged unrest.

Industrial peace also depends on fairness and trust. Workers are more likely to accept flexibility when they perceive processes as fair and outcomes as just. Provisions ensuring parity of benefits for fixed term workers, compensation for retrenchment, and protection against discrimination contribute to this perception of fairness. Trust is built when flexibility is accompanied by security and respect for rights.

From an economic perspective, industrial peace enhances productivity, investment, and growth. Disruptions caused by strikes or lockouts impose costs on enterprises, workers, and the broader economy. A stable industrial relations climate improves investor confidence and supports long-term planning. Flexibility, when embedded within a predictable legal framework, enables enterprises to adapt without resorting to disruptive measures.

At the same time, excessive emphasis on flexibility without adequate safeguards can undermine peace. Job insecurity, opaque decision-making, and weak enforcement can fuel resentment and unrest. The Code's challenge lies in ensuring that flexibility does not translate into vulnerability. Effective implementation, monitoring, and social dialogue are therefore essential.

The role of labour administration is critical in this regard. Inspectors-cum-facilitators, conciliators, and adjudicatory bodies must operate impartially and efficiently. Their credibility influences stakeholder confidence and willingness to engage constructively. Capacity building and institutional strengthening are key to sustaining industrial peace.

The federal dimension also matters. Variations in State-level implementation can affect industrial relations outcomes. Consistency in applying principles of fairness, transparency, and facilitation across States is important to avoid uneven industrial climates that may trigger regulatory arbitrage or conflict.

In conclusion, the Industrial Relations Code seeks to align industrial peace with economic flexibility by creating a balanced and modern regulatory framework. Through clarity, collective bargaining, dispute resolution, and inclusive protections, the Code aims to reduce conflict while enabling adaptation. Achieving this balance is essential for sustainable growth, decent work, and the broader vision of a resilient and developed India.

Part VI: The Code on Social Security, 2020 — Overview

Part VI examines the Code on Social Security, 2020, which seeks to create a comprehensive and inclusive social protection framework for India's workforce. It analyses reforms aimed at expanding social security coverage beyond the organised sector to include unorganised, gig, and platform workers. The section explores changes relating to provident fund, employee insurance, gratuity, maternity benefits, and welfare funds, as well as mechanisms for portability and digital delivery of benefits. By focusing on universality, flexibility, and sustainability, this part highlights how social security reforms support income security, workforce resilience, and inclusive growth.

Chapter 28

Expansion of Social Security Coverage

Social security is a cornerstone of a just and inclusive labour system. It protects workers against contingencies such as sickness, injury, maternity, old age, and loss of livelihood, thereby providing income security and dignity beyond active employment. In India, however, social security coverage has historically been limited to a small segment of the organised workforce. The Code on Social Security, 2020 seeks to fundamentally alter this landscape by expanding coverage and reimagining social protection as a universal entitlement rather than a privilege tied to formal employment alone.

Under the pre-Code framework, social security laws were fragmented and establishment-centric. Statutory benefits such as provident fund, employee insurance, gratuity, and maternity benefits applied primarily to organised sector establishments meeting specific thresholds. As a result, a vast majority of workers—particularly those in unorganised, informal, and self-employed categories—remained outside formal social security systems. This exclusion created a dual labour market where protection was concentrated among a minority, while the majority relied on informal coping mechanisms.

The Code on Social Security addresses this imbalance by adopting an inclusive and enabling approach. It consolidates multiple social security legislations into a single framework and explicitly recognises diverse categories of workers, including unorganised workers, gig workers, and platform workers. This recognition is a significant

conceptual shift, acknowledging that the nature of work has evolved and that social protection must adapt accordingly.

One of the central features of expanded coverage is the move towards **worker-centric rather than establishment-centric** social security. The Code enables the creation of social security schemes that are not rigidly tied to a single employer or workplace. This is particularly important in a labour market characterised by mobility, short-term contracts, and multiple sources of income. Portability of benefits ensures that workers do not lose accumulated entitlements when they change jobs, locations, or modes of employment.

The expansion of coverage also reflects a shift from a one-size-fits-all model to a **scheme-based approach**. The Code empowers governments to design and notify schemes tailored to different categories of workers, sectors, and risks. This flexibility allows social security interventions to be calibrated to varying income levels, employment patterns, and administrative capacities. It also enables gradual and phased expansion, recognising fiscal and institutional constraints.

For unorganised workers, expanded social security coverage addresses long-standing vulnerabilities. These workers often face irregular incomes, hazardous working conditions, and limited access to healthcare or old-age support. By enabling registration, identification, and benefit delivery through digital platforms, the Code seeks to bring unorganised workers into the formal social protection net. This inclusion is essential for reducing poverty, inequality, and economic insecurity.

The inclusion of gig and platform workers marks a particularly forward-looking aspect of the reform. Digital platforms have transformed labour markets by creating new forms of work that do not fit traditional employment models. While these platforms offer flexibility and income opportunities, they also expose workers to income volatility and lack of protection. By providing a legal basis for

extending social security to such workers, the Code acknowledges the future of work and the need for adaptive regulation.

Expanded social security coverage also has important macroeconomic implications. Social protection enhances labour market resilience by enabling workers to manage risks and transitions. Workers with access to healthcare, income support, and retirement benefits are better equipped to invest in skills, participate productively in the economy, and adapt to technological change. Social security thus contributes not only to welfare but also to productivity and economic stability.

However, expanding coverage presents significant implementation challenges. Identifying beneficiaries, ensuring accurate registration, mobilising resources, and delivering benefits efficiently require robust administrative systems. Fiscal sustainability is another key concern, particularly given the scale of the workforce and diversity of employment arrangements. The success of expanded social security depends on innovative financing mechanisms, inter-governmental coordination, and effective use of technology.

Awareness and trust among workers are equally critical. Many informal workers have limited exposure to formal institutions and may be sceptical of registration processes. Outreach, education, and stakeholder engagement are essential to ensure uptake and sustained participation. Employers, platforms, and intermediaries also have roles to play in facilitating coverage and compliance.

In conclusion, the expansion of social security coverage under the Code on Social Security represents a transformative step in India's labour reform journey. By extending protection to previously excluded categories of workers and embracing flexible, portable, and inclusive models, the reform seeks to build a resilient and equitable labour system. While challenges of implementation and sustainability remain, expanded social security is indispensable for ensuring dignity of labour, social justice, and inclusive growth in India's path towards becoming a developed nation.

Chapter 29

Gig, Platform and Unorganised Workers

The emergence of gig and platform work, alongside the long-standing dominance of the unorganised sector, represents one of the most profound shifts in India's labour market. While these forms of work have expanded income opportunities and flexibility, they have also exposed deep gaps in labour protection and social security. The Code on Social Security, 2020 responds to this reality by formally recognising gig, platform, and unorganised workers and providing an enabling framework for extending social security to these traditionally excluded groups.

India's unorganised workforce has historically constituted the overwhelming majority of its labour force. These workers include self-employed individuals, casual labourers, home-based workers, agricultural labourers, street vendors, construction workers, and domestic workers. Their employment relationships are often informal, fragmented, and undocumented. As a result, they have remained largely outside statutory protections relating to social security, occupational safety, and income stability. The persistence of such exclusion has been one of the most significant shortcomings of India's labour welfare system.

The rise of the gig and platform economy has added a new dimension to this challenge. Digital platforms facilitate work through algorithms rather than traditional managerial structures. Workers are typically classified as independent contractors rather than employees, enabling flexibility but also resulting in exclusion from employment-

based protections. Income volatility, lack of health coverage, absence of retirement benefits, and limited grievance redressal mechanisms are common features of gig and platform work.

The Code on Social Security addresses this gap by explicitly defining and recognising **unorganised workers, gig workers, and platform workers** as distinct categories. This recognition is a conceptual breakthrough, as it moves beyond the binary classification of employer and employee that dominated earlier labour laws. By acknowledging diverse forms of work, the Code lays the foundation for extending social security to workers whose livelihoods fall outside conventional employment models.

A key feature of the Code is its **enabling framework** for social security schemes. Rather than prescribing a uniform model, the Code empowers governments to notify schemes tailored to the needs of different worker categories. These schemes may cover life and disability insurance, health benefits, maternity support, old-age protection, and other forms of social assistance. This flexible approach recognises the heterogeneity of the unorganised and gig workforce and allows for incremental expansion of coverage.

Registration and identification are central to bringing gig, platform, and unorganised workers within the social security net. The Code envisages the creation of digital registries to facilitate worker identification and benefit delivery. Digital platforms can play a crucial role in this process by enabling data sharing, contribution mechanisms, and benefit portability. However, safeguards relating to data privacy, consent, and transparency are essential to ensure trust and accountability.

Financing social security for gig and unorganised workers presents a complex challenge. Unlike traditional employment-based systems funded through employer-employee contributions, these workers often have irregular incomes and multiple work arrangements. The Code allows for innovative financing mechanisms,

including contributions from governments, platforms, aggregators, and workers themselves. Shared responsibility is key to ensuring sustainability without placing disproportionate burdens on any single stakeholder.

For gig and platform workers, the extension of social security can significantly enhance income security and resilience. Access to health insurance, accident coverage, and retirement benefits reduces vulnerability to shocks and enables long-term planning. Importantly, social security need not undermine flexibility. Well-designed schemes can preserve autonomy while providing essential protection, addressing concerns that regulation may stifle innovation or opportunity.

From a broader policy perspective, extending social security to unorganised and gig workers has important economic and social implications. It can reduce inequality, enhance labour market participation, and improve productivity. Workers who feel protected are more likely to invest in skills and engage productively in the economy. Social protection thus complements growth rather than constraining it.

Implementation remains the critical challenge. Many unorganised workers lack awareness of their entitlements or access to digital infrastructure. Outreach, capacity building, and partnership with civil society organisations are essential to ensure inclusion. Administrative coordination between Central and State governments is equally important to avoid fragmentation and duplication.

Concerns have also been raised regarding enforceability, particularly in relation to platform-based work. Clear guidelines on platform obligations, contribution mechanisms, and dispute resolution are necessary to prevent ambiguity and litigation. Continuous dialogue among governments, platforms, workers' representatives, and experts is essential to refine and operationalise the framework.

In conclusion, the recognition of gig, platform, and unorganised workers under the Code on Social Security marks a decisive shift towards inclusive labour welfare. By acknowledging diverse work arrangements and enabling flexible social security schemes, the reform seeks to extend dignity and protection to some of the most vulnerable segments of the workforce. The success of this endeavour will depend on thoughtful implementation, sustainable financing, and sustained stakeholder engagement, but its significance in shaping the future of work in India cannot be overstated.

Chapter 30

EPF, ESIC and Gratuity Reforms

Provident fund, employee insurance, and gratuity constitute the core pillars of India's statutory social security architecture for organised sector workers. These mechanisms provide income security during retirement, protection against health contingencies, and compensation for long service. However, prior to the enactment of the Code on Social Security, these schemes were governed by separate legislations with varying coverage, definitions, and administrative frameworks. The consolidation and reform of EPF, ESIC, and gratuity under the Code aim to improve coherence, expand coverage, and enhance efficiency without undermining existing protections.

Under the earlier regime, the Employees' Provident Fund (EPF) provided retirement savings through mandatory contributions by employers and employees, while the Employees' State Insurance Corporation (ESIC) offered health insurance and cash benefits for sickness, maternity, and employment injury. Gratuity served as a lump-sum benefit recognising long service. While these schemes have benefitted millions of workers, their reach remained limited largely to the organised sector, excluding vast segments of the workforce.

The Code on Social Security integrates these schemes within a unified legislative framework, promoting consistency in definitions and administration. A standardised definition of wages ensures that contributions and benefits are calculated on a more transparent and equitable basis. This reform addresses long-standing issues where

fragmented wage structures reduced the effective coverage and adequacy of benefits.

One of the key reforms is the potential expansion of coverage. By empowering governments to notify thresholds and extend applicability, the Code creates avenues for bringing more establishments and workers within the ambit of EPF and ESIC. This flexibility allows for gradual expansion while considering economic conditions and administrative capacity. Extending coverage to smaller establishments and new sectors can significantly enhance social protection.

Portability of benefits is another important reform dimension. Modern labour markets are characterised by frequent job changes, geographic mobility, and diverse employment arrangements. The Code facilitates portability by enabling seamless transfer of accumulated benefits when workers change employers or locations. This ensures continuity of social security and prevents loss of entitlements due to mobility.

Administrative efficiency is central to the reform agenda. Consolidation under the Code enables greater use of digital platforms for registration, contribution collection, benefit processing, and grievance redressal. Streamlined processes reduce compliance costs for employers and improve service delivery for workers. Technology-driven administration also enhances transparency and reduces scope for errors or delays.

Reforms to gratuity provisions under the Code seek to rationalise eligibility and computation while preserving the core objective of rewarding long service. By aligning gratuity provisions with modern employment patterns, including fixed term employment, the Code ensures that workers engaged for specified durations are not excluded from this important benefit. This reflects a more inclusive approach to long-term income security.

From the perspective of workers, reforms to EPF, ESIC, and gratuity strengthen financial security and resilience. Improved wage definitions and expanded coverage translate into higher contributions and better benefits. Health insurance coverage through ESIC reduces out-of-pocket medical expenses, which are a major source of financial distress for working families. Retirement and gratuity benefits provide stability during old age or job transitions.

Employers, while facing compliance obligations, also benefit from a simplified and predictable framework. Consolidation reduces the complexity associated with managing multiple laws and authorities. Digital compliance systems reduce administrative burden and improve accuracy. In the long term, a workforce with access to social security is more stable, productive, and motivated, benefiting enterprises as well.

However, challenges remain. Expanding coverage increases fiscal and administrative demands. Ensuring timely contribution, preventing evasion, and managing large beneficiary databases require robust institutional capacity. Small enterprises may face cost pressures, underscoring the need for phased implementation and supportive measures.

Coordination between Central and State governments is also crucial, particularly in administering ESIC facilities and extending coverage to new regions. Equitable access to healthcare infrastructure is essential to realise the benefits of expanded insurance coverage.

In conclusion, reforms to EPF, ESIC, and gratuity under the Code on Social Security represent an effort to modernise and strengthen India's core social security institutions. By enhancing coherence, expanding coverage, and leveraging technology, these reforms aim to provide greater income security and resilience for workers while supporting enterprise stability. Their success will depend on effective implementation, institutional capacity, and sustained commitment to inclusive social protection.

Chapter 31

Social Security Funds and Financing

The sustainability and effectiveness of any social security system depend fundamentally on how it is financed and administered. Expanding social security coverage, particularly to unorganised, gig, and platform workers, requires innovative and flexible financing mechanisms beyond traditional employer-employee contribution models. The Code on Social Security, 2020 recognises this challenge and introduces a framework for the creation and management of social security funds designed to support inclusive and sustainable social protection.

Historically, India's social security financing was largely establishment-centric, relying on mandatory contributions from employers and employees in the organised sector. While this model worked reasonably well for formal employment relationships, it was ill-suited to the realities of informality, self-employment, and gig work. Irregular incomes, multiple work arrangements, and absence of a single identifiable employer complicated contribution-based models. The Code seeks to address these structural limitations through diversified financing approaches.

A central feature of the reform is the provision for **dedicated social security funds** at the Central and State levels. These funds are intended to finance social security schemes for unorganised, gig, and platform workers. By creating a statutory basis for such funds, the Code institutionalises social protection for categories of workers

previously reliant on ad hoc welfare schemes. This formalisation enhances accountability, continuity, and policy coherence.

The Code allows for multiple sources of funding, reflecting the principle of shared responsibility. Contributions may come from governments, employers, aggregators, workers, and other stakeholders. For gig and platform workers, aggregators may be required to contribute a prescribed percentage of turnover or revenue to social security funds. This approach recognises the economic role of platforms in generating work while avoiding rigid employment classification. It also distributes the cost of social protection more equitably.

Government funding remains a critical component, particularly for vulnerable workers with limited earning capacity. Public financing ensures inclusivity and supports redistribution, aligning with constitutional commitments to social justice. However, reliance solely on public funds is neither fiscally sustainable nor desirable. The Code's framework encourages blending public and contributory financing to balance equity and sustainability.

Worker contributions, where feasible, can enhance ownership and participation. Even modest contributions, matched or supplemented by government or platform contributions, can strengthen the financial base of social security schemes. However, contribution rates must be carefully calibrated to avoid excluding low-income workers. Flexibility in contribution mechanisms—such as variable or income-linked contributions—is essential.

The management and governance of social security funds are equally important. Transparent administration, professional fund management, and clear accountability mechanisms are essential to build trust among contributors and beneficiaries. The Code envisages oversight through boards or authorities with representation from stakeholders. Effective governance reduces the risk of mismanagement and enhances confidence in the system.

Technology plays a crucial role in financing and fund management. Digital platforms can facilitate registration, contribution collection, benefit disbursement, and monitoring. Integration with existing digital infrastructure can reduce transaction costs and improve efficiency. At the same time, data security and privacy safeguards are essential to protect workers' information and rights.

Financing social security at scale presents fiscal and policy challenges. Expanding coverage increases expenditure commitments, particularly in healthcare and income support. Policymakers must balance ambition with realism, ensuring that schemes are adequately funded without compromising fiscal stability. Phased implementation, prioritisation of benefits, and continuous evaluation can help manage these challenges.

Social security financing also has broader economic implications. Well-designed social protection systems can stabilise consumption during economic downturns, enhance labour market resilience, and support inclusive growth. Conversely, underfunded or poorly managed schemes can erode trust and undermine policy objectives. Sustainable financing is therefore not merely a technical issue but a strategic economic concern.

Stakeholder engagement is critical in designing financing mechanisms. Employers, platforms, worker representatives, and governments must collaborate to develop models that are fair, efficient, and acceptable. Social dialogue can help address concerns, build consensus, and improve compliance.

In conclusion, the Code on Social Security's approach to social security funds and financing reflects an understanding that inclusive social protection requires diversified and innovative funding models. By establishing statutory funds, promoting shared responsibility, and leveraging technology, the reform seeks to create a sustainable foundation for expanded social security coverage. Effective governance, fiscal prudence, and stakeholder engagement will be key to translating this framework into meaningful protection for India's diverse workforce.

Chapter 32

Portability and Digitalisation of Benefits

Portability and digitalisation of social security benefits represent a critical evolution in India's labour welfare framework, particularly in the context of a highly mobile and diverse workforce. Traditional social security systems were designed around stable, long-term employment within a single establishment and location. In contrast, contemporary labour markets are characterised by frequent job changes, inter-state migration, short-term contracts, and multiple income sources. The Code on Social Security, 2020 recognises this reality and places strong emphasis on portability and digital governance to ensure continuity, accessibility, and efficiency of social protection.

Portability refers to a worker's ability to retain and transfer accumulated social security benefits when changing employers, sectors, or geographic locations. For millions of migrant and informal workers in India, lack of portability has been a major barrier to accessing benefits. Workers often lost entitlements when moving across States or transitioning between jobs, discouraging formal participation and undermining trust in social security systems. The Code seeks to address this gap by enabling benefit continuity irrespective of employment mobility.

A portable social security system is particularly important for migrant workers, who form the backbone of several labour-intensive sectors such as construction, manufacturing, logistics, and services. Seasonal migration, circular migration, and inter-state movement are

common features of India's labour market. Without portability, workers face fragmented coverage, duplication of registrations, and administrative hurdles. By enabling seamless transfer of benefits, the Code supports labour mobility while safeguarding welfare.

Digitalisation is the primary enabler of portability. The Code envisages the use of digital platforms for registration, identification, contribution tracking, and benefit delivery. Unique identifiers and interoperable databases allow workers to access benefits across locations and employment arrangements. Digital records reduce dependence on physical documents and local offices, making social security more accessible to a mobile workforce.

Digital governance also enhances administrative efficiency and transparency. Automated processes for registration and contribution collection reduce delays, errors, and opportunities for discretion. Real-time data enables better monitoring, planning, and policy evaluation. For workers, digital access improves visibility of entitlements and builds confidence in the system. For administrators, it supports data-driven decision-making and targeted interventions.

Portability and digitalisation also facilitate inclusion of unorganised, gig, and platform workers. These workers often engage with multiple employers or platforms and may not have a single point of accountability. Digital systems can aggregate contributions from different sources and credit them to a single worker account. This flexibility is essential for extending social security beyond traditional employment models.

However, digitalisation also presents challenges. Digital literacy, access to devices, and connectivity vary widely across regions and socio-economic groups. Without adequate support, digital systems risk excluding the very workers they aim to protect. Bridging the digital divide requires complementary measures such as assisted registration, multilingual interfaces, offline support, and collaboration with local institutions and civil society organisations.

Data privacy and security are equally important concerns. Social security systems handle sensitive personal and financial information. Robust safeguards, transparent data usage policies, and accountability mechanisms are essential to protect workers' rights and build trust. Digitalisation must be accompanied by strong governance frameworks that prevent misuse and ensure ethical data management.

Portability also requires coordination between Central and State governments. Labour being a concurrent subject, social security schemes are often administered at different levels. Interoperability of systems, harmonisation of standards, and information-sharing protocols are essential to ensure seamless benefit transfer. Cooperative federalism plays a crucial role in operationalising portability across jurisdictions.

From an economic perspective, portable and digitalised social security systems support labour market efficiency. Workers are more willing to move to where opportunities exist when welfare benefits are not tied to a specific location or employer. This mobility enhances productivity, reduces labour shortages, and supports balanced regional development. Employers also benefit from a more flexible and confident workforce.

The success of portability and digitalisation depends on sustained institutional capacity and stakeholder engagement. Training of officials, awareness among workers, and continuous system upgrades are necessary to keep pace with evolving needs. Feedback mechanisms can help identify gaps and improve service delivery.

In conclusion, portability and digitalisation of social security benefits are foundational to building an inclusive, modern, and resilient labour welfare system. By ensuring continuity of protection across jobs and locations, the Code on Social Security aligns social protection with the realities of contemporary work. When implemented thoughtfully and inclusively, these reforms can enhance trust, efficiency, and equity, strengthening the social contract between the State, workers, and the economy at large.

Chapter 33

Role of Aggregators and Employers

The expansion of social security to include gig, platform, and unorganised workers has fundamentally altered the traditional roles and responsibilities of employers in India's labour welfare framework. The Code on Social Security, 2020 recognises that in a diversified and technologically mediated labour market, social protection cannot rely solely on conventional employer-employee relationships. It therefore assigns a significant role to aggregators and redefines employer responsibilities to ensure inclusive and sustainable social security coverage.

Aggregators—typically digital platforms that connect workers with consumers—occupy a unique position in the modern labour market. They facilitate work opportunities, set terms of engagement through algorithms, and derive economic value from labour without necessarily classifying workers as employees. While this model offers flexibility and scalability, it also raises concerns regarding accountability for worker welfare. The Code addresses this challenge by formally recognising aggregators and delineating their role in financing and facilitating social security.

One of the key contributions of aggregators under the Code is their obligation to participate in the financing of social security schemes for gig and platform workers. Instead of mandating full employer-style contributions, the Code adopts a calibrated approach, allowing for contributions based on turnover or prescribed percentages. This shared-responsibility model reflects the economic

realities of platform work while ensuring that platforms contribute to worker welfare proportionate to their role.

Aggregators also play an important facilitative role. Given their technological capabilities and access to worker data, platforms are well-positioned to support registration, contribution collection, and benefit delivery. Integrating social security processes within platform interfaces can reduce transaction costs and improve coverage. However, this facilitation must be governed by clear rules to ensure transparency, consent, and data protection.

Traditional employers continue to bear primary responsibility for social security of workers in standard employment relationships. The Code reinforces employer obligations relating to provident fund, insurance, gratuity, and other statutory benefits. By consolidating these responsibilities within a unified framework, the Code enhances clarity and compliance. Employers benefit from standardised definitions and simplified processes, while workers gain more reliable access to benefits.

The Code also acknowledges the evolving nature of employment relationships. Fixed term employment, contract work, and outsourcing have blurred traditional boundaries of employer responsibility. The reform framework seeks to ensure that employers cannot evade social security obligations through contractual arrangements. Clear definitions and coverage provisions aim to prevent misclassification and ensure that workers engaged through intermediaries receive appropriate protection.

The role of employers and aggregators is complemented by that of the State. Government oversight, enforcement, and facilitation are essential to ensure compliance and address gaps. Labour administration must adapt to monitor platform-based work and complex supply chains. Capacity building and regulatory innovation are necessary to keep pace with evolving business models.

From a policy perspective, involving aggregators in social security financing aligns with global trends in regulating the gig economy. Several jurisdictions have experimented with platform contributions to welfare funds, recognising that platforms benefit from labour while avoiding traditional employment obligations. India's approach reflects a pragmatic balance between protecting workers and preserving the flexibility and innovation associated with platform-based work.

Challenges remain in operationalising aggregator and employer roles. Determining appropriate contribution rates, ensuring accurate reporting, and preventing avoidance require robust regulatory frameworks. Dispute resolution mechanisms must be accessible and responsive, particularly for gig and platform workers who may lack collective representation.

Stakeholder engagement is critical to refining these roles. Employers, platforms, workers' representatives, and policymakers must engage in continuous dialogue to address practical issues and build consensus. Transparent communication can enhance trust and reduce resistance to compliance.

The expanded role of aggregators and employers also has implications for corporate governance and social responsibility. Integrating social security obligations into business models reinforces the idea that economic success and social welfare are interlinked. Enterprises that invest in worker protection can benefit from improved reputation, workforce stability, and long-term sustainability.

In conclusion, the Code on Social Security redefines the roles of aggregators and employers in line with changing labour market realities. By assigning shared responsibility for financing and facilitating social security, the reform seeks to extend protection to diverse categories of workers without stifling innovation. Effective implementation, clear rules, and collaborative governance will be essential to ensure that these roles translate into meaningful social security outcomes and contribute to a fair and resilient labour ecosystem.

Part VII: The Occupational Safety, Health and Working Conditions Code, 2020 — Overview

Part VII analyses the Occupational Safety, Health and Working Conditions Code, 2020, which consolidates multiple laws governing workplace safety, welfare, and conditions of employment. It examines reforms aimed at improving occupational health and safety standards, simplifying coverage and compliance, and enhancing protection for workers across sectors. The section also addresses provisions relating to working hours, leave, contract labour, inter-state migrant workers, and women workers' safety. By integrating safety, welfare, and working conditions within a unified framework, this part highlights how the Code seeks to promote humane work environments, reduce workplace risks, and strengthen labour welfare in a modern economy.

Chapter 34

Workplace Safety and Health Standards

Workplace safety and health are fundamental components of decent work and human dignity. Every worker has the right to a safe and healthy working environment, free from preventable risks and hazards. In India, however, occupational accidents, industrial diseases, and unsafe working conditions have remained persistent challenges, particularly in labour-intensive and hazardous sectors. The Occupational Safety, Health and Working Conditions Code, 2020 seeks to address these concerns by creating a unified, modern, and preventive framework for workplace safety and health.

Historically, India's occupational safety regime was governed by multiple sector-specific laws enacted at different times to address distinct industries such as factories, mines, docks, and plantations. While these laws laid important foundations, they resulted in fragmented standards, inconsistent enforcement, and varying levels of protection. Workers performing similar tasks under different statutes often enjoyed different safety protections, undermining equity and effectiveness. The OSH Code seeks to overcome this fragmentation by establishing common safety and health standards across sectors while retaining necessary sector-specific provisions.

A key feature of the OSH Code is its emphasis on **prevention rather than reaction**. Traditional approaches to workplace safety often focused on post-accident compensation and penal action. While compensation remains important, the Code prioritises risk assessment, hazard identification, and preventive measures.

Employers are required to ensure that workplaces are designed, operated, and maintained in a manner that minimises health and safety risks. This shift aligns with global best practices in occupational safety management.

The Code introduces clearer responsibilities for employers in relation to workplace safety. Employers are required to provide safe working conditions, adequate training, protective equipment, and information regarding workplace hazards. This clarity of responsibility enhances accountability and reduces ambiguity regarding safety obligations. At the same time, the Code recognises the role of workers in adhering to safety norms and cooperating with safety measures, reinforcing a shared responsibility model.

Occupational health receives renewed attention under the Code. Long-term exposure to hazardous substances, poor ergonomics, excessive working hours, and stressful environments contribute to occupational diseases that often go undetected or underreported. The OSH Code promotes health surveillance, medical examinations, and monitoring of workplace conditions to identify risks early and prevent chronic health issues. This proactive approach is particularly important in sectors such as manufacturing, construction, mining, and chemicals.

The Code also strengthens provisions relating to **safety committees and worker participation**. Worker involvement in safety management enhances awareness, compliance, and trust. Safety committees serve as platforms for dialogue between management and workers on safety issues, enabling early resolution of concerns and continuous improvement. Participative safety governance is essential for fostering a culture of prevention rather than compliance driven solely by fear of penalties.

Technology plays an important role in advancing workplace safety under the OSH Code. Digital reporting of accidents, electronic maintenance of safety records, and data-driven inspections can

improve transparency and enforcement. Technology-enabled monitoring also allows regulators to identify high-risk sectors and establishments, enabling targeted interventions rather than blanket inspections. This risk-based approach enhances efficiency and effectiveness.

The Code also addresses the safety needs of vulnerable categories of workers. Contract labour, migrant workers, and workers in hazardous occupations often face heightened risks due to lack of training, language barriers, and precarious employment arrangements. By extending safety and health standards across establishments and employment categories, the Code aims to ensure that protection is not contingent on employment status.

From an economic perspective, improved workplace safety contributes to productivity, cost reduction, and sustainability. Accidents and occupational diseases impose significant costs on enterprises, workers, and the economy through lost workdays, compensation, and healthcare expenses. Preventive safety measures reduce these costs and enhance workforce morale and efficiency. Safe workplaces are therefore not merely a welfare concern but an economic imperative.

Enforcement remains a critical challenge. Effective implementation of safety standards requires trained inspectors, adequate infrastructure, and coordination among authorities. The OSH Code's emphasis on facilitation and risk-based inspections seeks to improve enforcement outcomes while reducing harassment. Capacity building within labour administration is essential to realise these objectives.

In conclusion, the Occupational Safety, Health and Working Conditions Code represents a significant advancement in India's approach to workplace safety and health. By consolidating fragmented laws, emphasising prevention, and promoting shared responsibility, the Code seeks to create safer and healthier workplaces across sectors.

When implemented effectively, improved safety and health standards can protect workers' lives and well-being while supporting productivity, industrial harmony, and sustainable economic development.

Chapter 35

Coverage of Establishments and Thresholds

The scope and applicability of labour legislation are fundamentally shaped by how establishments are defined and the thresholds at which legal obligations are triggered. In India's earlier labour law framework, fragmented definitions and varied thresholds across multiple statutes created confusion, compliance complexity, and uneven worker protection. The Occupational Safety, Health and Working Conditions Code, 2020 seeks to rationalise coverage of establishments and thresholds to create a more coherent, predictable, and inclusive safety and welfare regime.

Under the pre-Code system, different laws applied to different types of establishments—factories, mines, plantations, construction sites, contract labour establishments—each with its own definition and applicability threshold. These thresholds were often based on the number of workers employed, and they varied significantly from one law to another. As a result, establishments frequently fell under some laws but not others, even when workers faced similar occupational risks. This fragmentation weakened enforcement and undermined the principle of equal protection for equal risk.

The OSH Code adopts a unified approach to coverage by consolidating multiple sector-specific laws into a single framework. It defines “establishment” in a broad and inclusive manner, encompassing a wide range of workplaces across sectors. This shift is

intended to reduce ambiguity and ensure that safety and health standards apply more consistently. By focusing on the nature of work and associated risks rather than narrow sectoral classifications, the Code aligns coverage with contemporary workplace realities.

Threshold rationalisation is a key element of this reform. Thresholds are used to determine the applicability of certain obligations, such as registration, licensing, welfare facilities, and safety committees. The Code seeks to balance worker protection with ease of compliance by setting thresholds that reflect administrative feasibility and risk considerations. Higher thresholds reduce regulatory burden on very small establishments, while ensuring that workplaces with significant employment or risk profiles remain subject to robust safety standards.

However, threshold-based regulation has inherent trade-offs. While thresholds can simplify compliance and reduce administrative load for small enterprises, they may also exclude workers in smaller establishments from statutory protections. This is particularly concerning in sectors where occupational risks are high despite small workforce size, such as construction, mining-related activities, or chemical handling. The OSH Code attempts to address this concern by allowing governments to notify specific activities or establishments as hazardous irrespective of size, thereby extending safety obligations based on risk rather than headcount alone.

The Code also introduces flexibility by empowering appropriate governments to prescribe thresholds through rules. This delegation allows States to tailor applicability based on local industrial conditions, risk profiles, and administrative capacity. Such flexibility is consistent with India's federal structure and supports responsive governance. However, excessive variation in thresholds across States could reintroduce fragmentation, underscoring the need for coordination and adherence to the spirit of reform.

From an employer's perspective, clearer definitions and rationalised thresholds enhance predictability. Enterprises can better understand their obligations and plan compliance accordingly. Reduced overlap and duplication lower compliance costs and improve focus on substantive safety outcomes rather than procedural formalities. This clarity is particularly beneficial for businesses operating across multiple States and sectors.

For workers, expanded and rationalised coverage improves access to safety and welfare protections. A unified framework reduces the likelihood that workers performing similar tasks under similar conditions receive different levels of protection due to technical classifications. However, ensuring that threshold rationalisation does not dilute protection requires vigilant implementation and periodic review.

The OSH Code also recognises the dynamic nature of employment. Temporary, contractual, and migrant workers often move across establishments and sectors. A broader and more coherent coverage framework ensures that safety and health protections follow workers rather than being confined to specific establishments. This worker-centric approach is essential for inclusive labour welfare.

Enforcement agencies benefit from simplified coverage rules. Clear applicability criteria enable inspectors to focus on high-risk establishments and activities rather than grappling with jurisdictional ambiguities. Risk-based enforcement becomes more feasible when coverage is aligned with hazard potential rather than fragmented legal categories.

Despite these advances, challenges remain. Small establishments may lack resources or awareness to implement safety measures even when covered. Capacity building, guidance, and facilitation are essential to ensure compliance without imposing disproportionate

burdens. The Code's emphasis on facilitative enforcement and digital tools can support this objective.

In conclusion, the OSH Code's approach to coverage of establishments and thresholds represents a deliberate effort to rationalise and modernise workplace safety regulation. By unifying definitions, balancing thresholds, and incorporating risk-based flexibility, the reform seeks to extend protection more equitably while improving compliance and enforcement. The effectiveness of this approach will depend on thoughtful rule-making, inter-governmental coordination, and continuous evaluation to ensure that coverage remains aligned with evolving workplace risks and employment patterns.

Chapter 36

Working Hours, Leave and Welfare Provisions

Regulation of working hours, leave, and welfare facilities forms the core of humane working conditions. These aspects directly affect workers' health, productivity, family life, and overall well-being. In India, while statutory norms governing hours of work and welfare existed under various sector-specific laws, fragmentation and uneven enforcement often limited their effectiveness. The Occupational Safety, Health and Working Conditions Code, 2020 seeks to harmonise and modernise these provisions within a unified framework, reflecting contemporary workplace realities and constitutional commitments to dignity of labour.

Working hours regulation is central to occupational health and safety. Excessive working hours are linked to fatigue, accidents, stress, and long-term health problems. Under the OSH Code, the maximum daily and weekly working hours are standardised, subject to flexibility through government notification. This standardisation promotes consistency across sectors while allowing adaptability to operational requirements. The emphasis is on ensuring that flexibility does not compromise worker health or safety.

The Code also recognises the changing nature of work schedules. Shift work, night work, and extended hours in certain sectors require tailored regulation. By empowering governments to prescribe specific working hour arrangements through rules, the Code allows sectoral

and regional considerations to be addressed. However, safeguards such as overtime compensation and rest periods remain essential to prevent exploitation. Clear norms regarding overtime wages reinforce the principle that extended work must be fairly compensated.

Leave provisions under the OSH Code aim to ensure adequate rest and recovery. Paid leave, weekly rest days, and holidays are critical for maintaining physical and mental health. Harmonisation of leave entitlements across establishments reduces confusion and enhances worker awareness. Regular rest periods also contribute to productivity by preventing burnout and improving morale.

Welfare provisions constitute another important dimension of humane working conditions. The Code consolidates welfare requirements relating to sanitation, drinking water, canteens, rest rooms, first aid, and other facilities. Access to basic welfare amenities is essential for dignity, particularly in labour-intensive and remote workplaces. By integrating these requirements into a single framework, the Code seeks to improve compliance and enforcement.

The welfare needs of specific categories of workers receive particular attention. Migrant workers, contract labourers, and workers in hazardous occupations often face inadequate living and working conditions. The OSH Code includes provisions to ensure that welfare facilities are extended to such workers, recognising their heightened vulnerability. For instance, access to suitable accommodation, sanitation, and healthcare is crucial for migrant workers who are separated from their social support networks.

Women workers' welfare is an important consideration. Safe and supportive working conditions are essential for increasing female labour force participation. Provisions relating to working hours, rest, and welfare facilities must be sensitive to the needs of women workers, particularly in sectors involving night shifts or hazardous work. Ensuring adequate facilities and safeguards can help reduce barriers to women's employment.

From an employer's perspective, compliance with working hours and welfare provisions requires planning and investment. While these obligations entail costs, they also yield long-term benefits. Well-rested and healthy workers are more productive, experience fewer accidents, and contribute to a positive work environment. Welfare facilities can improve employee retention and reduce absenteeism, ultimately benefiting enterprises.

Enforcement of working hours and welfare standards remains a challenge. Inadequate monitoring, lack of awareness, and informal employment arrangements often undermine compliance. The OSH Code's emphasis on digital record-keeping, self-certification, and risk-based inspections aims to improve enforcement outcomes. However, effective implementation requires trained inspectors, worker awareness, and grievance redressal mechanisms.

The Code also reflects an evolving understanding of welfare in the context of modern work. Mental health, work-life balance, and ergonomic safety are increasingly recognised as important components of occupational well-being. While the Code primarily addresses physical welfare, its flexible and principle-based framework allows for future incorporation of emerging welfare concerns through rule-making and policy initiatives.

In conclusion, the OSH Code's provisions on working hours, leave, and welfare represent a concerted effort to harmonise and humanise working conditions across sectors. By standardising norms, extending welfare facilities, and allowing adaptive regulation, the Code seeks to protect worker health and dignity while supporting operational flexibility. Effective implementation and continuous adaptation will be essential to ensure that these provisions translate into meaningful improvements in workers' daily lives and contribute to sustainable and inclusive economic development.

Chapter 37

Contract Labour and Inter-State Migrant Workers

Contract labour and inter-state migrant workers form a significant and often vulnerable segment of India's workforce. They are integral to sectors such as construction, manufacturing, infrastructure, mining, logistics, and services, yet they frequently experience precarious employment, unsafe working conditions, and limited access to welfare and social security. The Occupational Safety, Health and Working Conditions Code, 2020 seeks to address long-standing gaps in the regulation and protection of these workers by integrating their welfare and safety within a unified statutory framework.

Historically, contract labour and migrant workers were governed by separate legislations, each with its own definitions, thresholds, and enforcement mechanisms. While these laws aimed to regulate employment through contractors and protect migrant workers from exploitation, fragmentation and weak implementation limited their effectiveness. Contract workers often received lower wages and inferior working conditions compared to directly employed workers, while migrant workers faced challenges relating to accommodation, healthcare, and access to entitlements.

The OSH Code consolidates these legislations and brings contract labour and inter-state migrant workers within a common safety and welfare framework. This consolidation enhances coherence

and ensures that safety and health standards apply uniformly, irrespective of the mode of employment. By focusing on workplace conditions rather than contractual arrangements, the Code seeks to prevent differential treatment and promote equity.

One of the key reforms relating to contract labour is the rationalisation of coverage and thresholds. The Code prescribes applicability based on the number of contract workers engaged, balancing protection with ease of compliance. Clearer definitions of contractors, principal employers, and establishments reduce ambiguity and strengthen accountability. Principal employers are required to ensure that contractors comply with safety and welfare obligations, reinforcing shared responsibility.

The OSH Code also emphasises licensing and registration of contractors and establishments. Digital registration and licensing processes improve transparency and enable better monitoring. Accurate records of contract workers facilitate enforcement of safety standards and welfare provisions. This formalisation is critical for addressing the invisibility that often characterises contract labour arrangements.

Inter-state migrant workers receive particular attention under the Code. Migrant workers often face heightened vulnerability due to language barriers, lack of local support networks, and dependence on intermediaries. The Code recognises inter-state migrant workers broadly, reflecting contemporary migration patterns beyond traditional recruitment through contractors. This inclusive definition ensures that protections extend to a wider range of migrant workers.

Welfare provisions for migrant workers are strengthened, including access to suitable accommodation, sanitation, drinking water, healthcare, and other basic amenities. These provisions address the living and working conditions that significantly affect migrant workers' health and dignity. By integrating migrant worker welfare

within the OSH framework, the Code recognises that occupational safety extends beyond the immediate workplace.

Portability of benefits is another important dimension. Migrant workers frequently move across States and employers, risking loss of entitlements. While the OSH Code focuses on safety and working conditions, its provisions complement social security reforms that promote portability. Together, these reforms aim to ensure continuity of protection despite mobility.

From an economic perspective, protecting contract labour and migrant workers enhances productivity and stability. Unsafe and exploitative conditions lead to accidents, absenteeism, and high turnover, imposing costs on enterprises and society. Improved safety and welfare can reduce these costs and support sustainable industrial growth.

Implementation challenges remain significant. Contract labour arrangements are often complex, involving multiple intermediaries. Effective enforcement requires coordination between labour departments, inspectors, and local authorities. Capacity building and use of technology are essential to monitor compliance and address violations. Worker awareness is equally important; migrant and contract workers must be informed of their rights and available remedies.

The OSH Code's facilitative approach to enforcement seeks to balance compliance with practicality. Inspectors-cum-facilitators can guide employers and contractors in implementing safety and welfare measures. Risk-based inspections can focus resources on high-risk sectors and establishments where contract and migrant labour is concentrated.

Concerns have been raised that rationalisation of thresholds may exclude some workers from statutory protection. Addressing this risk requires careful rule-making and use of enabling provisions that allow governments to extend coverage based on risk rather than headcount.

Continuous evaluation of coverage outcomes is essential to ensure inclusivity.

In conclusion, the OSH Code's treatment of contract labour and inter-state migrant workers represents a significant step towards inclusive and equitable labour welfare. By consolidating fragmented laws, strengthening accountability, and extending safety and welfare standards, the reform seeks to protect some of the most vulnerable workers in India's labour market. Effective implementation, inter-agency coordination, and sustained engagement with stakeholders will be critical to translating these statutory provisions into tangible improvements in working and living conditions.

Chapter 38

Women Workforce and Safety Measures

The participation of women in the workforce is a critical determinant of inclusive and sustainable economic development. Yet, women workers in India continue to face structural barriers, safety concerns, and unequal access to employment opportunities. Workplace safety, health, and dignity are central to enabling greater participation of women in paid work. The Occupational Safety, Health and Working Conditions Code, 2020 seeks to address these challenges by strengthening safety measures, improving working conditions, and removing legal constraints that historically limited women's employment options.

Traditionally, labour laws adopted a protectionist approach towards women workers, restricting their employment in certain sectors, occupations, and working hours, particularly night work. While such restrictions were intended to safeguard women from unsafe conditions, they often had the unintended consequence of excluding women from better-paying jobs, leadership roles, and emerging industries. Over time, this approach became increasingly incompatible with constitutional guarantees of equality and changing socio-economic realities.

The OSH Code reflects a shift from exclusionary protection to **enabling protection**. Instead of prohibiting women from working in certain establishments or during specific hours, the Code allows women to work in all establishments and at all times, subject to adequate safety, consent, and welfare measures. This reform aligns

labour regulation with the principles of gender equality, autonomy, and choice.

Workplace safety is a central concern for women workers, particularly in sectors involving night shifts, remote locations, or hazardous operations. The Code places responsibility on employers to ensure safe working environments, including adequate lighting, sanitation, security arrangements, and transportation facilities where required. These measures are critical for reducing risks of harassment, violence, and exploitation.

Health and welfare provisions also play a significant role in supporting women's participation in the workforce. Access to clean sanitation facilities, drinking water, rest areas, and medical support directly affects women's ability to work with dignity. The OSH Code integrates such welfare requirements into its broader framework, recognising that safety extends beyond physical injury to encompass health, hygiene, and well-being.

The Code's emphasis on standardised working hours and rest periods has particular relevance for women workers, who often shoulder disproportionate caregiving responsibilities. Predictable working hours, overtime compensation, and rest days support work-life balance and reduce stress. While flexibility is important for operational needs, it must be implemented in a manner that does not exacerbate gender inequalities.

Women workers in informal, contractual, and migrant employment face heightened vulnerability. They are more likely to be engaged in low-paid, insecure jobs with limited access to safety mechanisms or grievance redressal. By extending safety and welfare standards across establishments and employment categories, the OSH Code seeks to ensure that protection is not limited to formal employment. This inclusive approach is essential for addressing gender disparities in the labour market.

Another important aspect of women's workplace safety is participation and voice. Safety committees, grievance mechanisms, and worker representation structures provide platforms for women to raise concerns and influence workplace practices. Ensuring women's representation in such bodies enhances responsiveness to gender-specific risks and needs. Employers and regulators must actively promote women's participation in safety governance.

The OSH Code also complements other legal frameworks addressing workplace harassment and discrimination. While the Code focuses on safety and working conditions, its provisions must operate in harmony with laws addressing sexual harassment and gender-based discrimination. A holistic approach to workplace safety requires coordination across legal and institutional frameworks.

From an economic perspective, improving safety and working conditions for women has significant benefits. Higher female labour force participation contributes to productivity, innovation, and household income security. Safe and inclusive workplaces enable employers to tap into a broader talent pool and enhance organisational performance. Gender-inclusive labour regulation is therefore not only a social imperative but also an economic strategy.

Implementation remains the key challenge. Ensuring compliance with safety measures requires monitoring, awareness, and accountability. Employers must internalise safety as a core organisational value rather than a regulatory obligation. Labour administration must be equipped to assess gender-specific risks and enforce standards effectively. Awareness among women workers about their rights and available remedies is equally important.

In conclusion, the OSH Code's provisions relating to women workforce and safety measures mark a significant step towards gender-inclusive labour regulation. By shifting from restrictive protection to enabling safeguards, the reform seeks to expand employment opportunities for women while ensuring safety, dignity,

and well-being. Effective implementation, cultural change, and institutional support will be crucial to translating these provisions into meaningful improvements in women's participation and experience in the world of work.

Chapter 39

Ease of Compliance through Common Licensing

Ease of compliance is a critical determinant of the effectiveness of labour regulation, particularly in areas relating to occupational safety, health, and working conditions. Complex licensing regimes, multiple authorities, and overlapping procedural requirements have historically imposed significant administrative burdens on employers without necessarily improving safety outcomes. The Occupational Safety, Health and Working Conditions Code, 2020 addresses these challenges by introducing the concept of **common licensing**, aimed at simplifying procedures, enhancing transparency, and improving regulatory efficiency.

Under the pre-Code framework, establishments engaging in different activities—such as factories, contract labour, construction work, or migrant employment—were often required to obtain multiple licences under different statutes. Each licence involved separate applications, documentation, renewals, and inspections by different authorities. This multiplicity increased compliance costs, delayed operations, and created uncertainty. Smaller enterprises, in particular, struggled to navigate these requirements, often relying on intermediaries or remaining partially non-compliant.

The OSH Code consolidates these fragmented licensing requirements into a **single, common licence** for establishments engaging in multiple activities covered under the Code. This reform

reflects a shift from activity-based regulation to establishment-centric governance. By allowing a single licence to cover multiple aspects of compliance, the Code reduces duplication and administrative friction while maintaining regulatory oversight.

Common licensing is closely linked to **digital governance**. Applications, renewals, and modifications are envisaged to be processed through online portals, with time-bound approvals and deemed approvals in certain cases. Digitalisation enhances transparency, reduces discretion, and enables real-time tracking of applications. For employers, this translates into predictability and reduced transaction costs. For regulators, it enables better data management and targeted enforcement.

From a compliance perspective, common licensing simplifies operational planning. Enterprises can commence or expand activities without navigating multiple regulatory pathways. This is particularly beneficial for large and diversified establishments operating across sectors or States. Uniform licensing procedures also support consistency in compliance requirements, reducing confusion and interpretational disputes.

Importantly, ease of compliance does not imply dilution of safety standards. The common licence framework retains substantive safety, health, and welfare obligations. Simplification focuses on procedures, not protections. By reducing procedural overload, the reform enables regulators and employers to focus on actual safety outcomes rather than paperwork.

The reform also has implications for **contract labour and migrant worker regulation**. Previously, engaging contract labour or inter-state migrant workers triggered separate licensing requirements. Under the common licensing framework, these activities can be covered under a single licence, provided relevant information is disclosed. This integration enhances oversight while reducing compliance complexity.

From the perspective of labour administration, common licensing improves efficiency and coordination. A unified licensing system reduces overlap among departments and clarifies jurisdiction. Inspectors-cum-facilitators can access consolidated information, enabling risk-based inspections and targeted interventions. This integrated approach supports the Code's broader objective of moving from inspection-driven to facilitation-oriented enforcement.

Common licensing also supports **formalisation**. When compliance procedures are simpler and more predictable, enterprises are more likely to operate within the formal regulatory framework. Formalisation enhances worker protection by bringing establishments within the ambit of safety and welfare standards. It also improves data availability for policy-making and enforcement.

Federal considerations play an important role in implementing common licensing. While the Code provides the legislative framework, States are responsible for framing rules and establishing digital systems. Variations in State-level implementation can affect the uniformity and effectiveness of common licensing. Coordination, model rules, and capacity building are essential to ensure that simplification objectives are realised across jurisdictions.

Challenges remain in transitioning to a common licensing regime. Existing licences must be integrated or migrated into the new system without disrupting operations. Clear guidance, transitional provisions, and stakeholder communication are essential to avoid confusion. Training of officials and awareness among employers are equally important to ensure smooth adoption.

There is also a need to ensure that digital systems are accessible and reliable. Technical glitches, lack of connectivity, or inadequate user support can undermine the benefits of digital licensing. Continuous system improvement and user-centric design are critical to sustaining trust and efficiency.

In conclusion, ease of compliance through common licensing represents a significant procedural reform under the OSH Code. By consolidating multiple licences into a single, digital, and time-bound framework, the reform reduces administrative burden while strengthening regulatory oversight. When implemented effectively, common licensing can enhance compliance, support formalisation, and enable a sharper focus on workplace safety and health outcomes—advancing both labour welfare and economic efficiency.

Part VIII: Rules, Implementation and Governance — Overview

Part VIII focuses on the critical phase of translating labour law reforms into practical outcomes through effective implementation and governance. It examines institutional capacity, rule-making, digital labour administration, and the role of Centre–State coordination in operationalising the Labour Codes. The section also analyses compliance mechanisms, inspection reforms, dispute resolution effectiveness, and stakeholder engagement. By addressing challenges such as awareness, enforcement consistency, and administrative readiness, this part highlights that the success of labour reforms ultimately depends not on legislative intent alone, but on execution, accountability, and sustained social dialogue shaping the future of work in India.

Chapter 40

Rule-Making under Labour Codes

The enactment of the Labour Codes marks a decisive shift in India's labour law framework, but legislation alone cannot deliver reform. The operational strength of the Labour Codes lies in the rules, schemes, notifications, and guidelines framed under them. Rule-making under the Labour Codes is not a subsidiary exercise; it is the mechanism through which legislative intent is translated into day-to-day administrative practice. In this sense, rule-making becomes the decisive stage at which reform either succeeds in simplifying labour governance or risks reproducing the very complexities it sought to eliminate.

The Labour Codes have been deliberately drafted as principle-based framework laws. Instead of prescribing exhaustive procedures within the parent Acts, they outline broad rights, obligations, and institutional structures, leaving procedural and operational details to subordinate legislation. This design reflects an understanding that labour markets are dynamic and that rigid statutory prescriptions can quickly become outdated. Rule-making thus provides flexibility and adaptability, allowing governments to respond to changing economic conditions, technological developments, and regional realities.

At the same time, this extensive delegation of rule-making power places a significant responsibility on both the Central and State Governments. Labour is a subject in the Concurrent List of the Constitution, and while the Codes provide a common national framework, States play a central role in framing rules and

implementing them. This federal arrangement enables contextualisation but also raises concerns about fragmentation. If rules diverge excessively across States, the objective of simplification and uniformity may be undermined, particularly for establishments operating in multiple jurisdictions.

Effective rule-making under the Labour Codes must therefore strike a balance between federal flexibility and national coherence. Core principles—such as universal wage protection, facilitative compliance, expansion of social security, and occupational safety—must remain consistent across the country. Procedural variations should enhance implementation, not dilute substantive rights or reintroduce complexity. Model rules issued by the Central Government can serve as important reference points, promoting harmonisation while respecting State autonomy.

Another critical aspect of rule-making is simplicity and clarity. One of the key criticisms of the pre-reform labour law regime was the proliferation of dense, technical, and often overlapping rules. If subordinate legislation under the Labour Codes becomes overly detailed or legalistic, the reform risks replicating past problems. Rules should be written in clear language, with well-defined procedures, minimal discretion, and logical sequencing. Simpler rules improve compliance, reduce litigation, and enhance awareness among workers and employers alike.

Stakeholder consultation is essential to high-quality rule-making. Employers, trade unions, worker collectives, experts, and civil society organisations possess valuable insights into practical challenges and sector-specific realities. Meaningful consultation helps identify unintended consequences, improve feasibility, and build trust. In the context of labour reforms—where perceptions of fairness are as important as legal design—participatory rule-making enhances legitimacy and acceptance.

The sequencing and timing of rule-making are equally important. Delays in framing rules can stall implementation and create uncertainty, while hurried rule-making without adequate preparation can result in inconsistencies and confusion. Transitional provisions, clear timelines, and phased implementation strategies are necessary to ensure continuity and avoid disruption. Rules should clearly specify how existing registrations, licences, and obligations migrate into the new framework.

Coordination across the four Labour Codes is another crucial requirement. Since the Codes are interlinked—particularly in areas such as definitions, inspections, digital compliance, and enforcement—rules must be drafted in a coordinated manner. Inconsistent procedures across Codes can create compliance confusion and negate the benefits of consolidation. Integrated digital systems, common reporting formats, and aligned enforcement mechanisms depend heavily on coherent rule-making.

Judicial oversight also shapes the rule-making landscape. Courts play a vital role in ensuring that subordinate legislation remains within the scope of the parent Act and adheres to constitutional principles. Poorly drafted or excessively delegated rules risk legal challenge, which can delay implementation and create uncertainty. Careful articulation of policy intent and disciplined drafting can minimise litigation and enhance legal certainty.

Capacity constraints within governments present a practical challenge. Drafting effective rules requires legal expertise, administrative coordination, and sectoral understanding. Some States may face limitations in technical capacity, affecting the quality and timeliness of rule-making. Knowledge-sharing, technical assistance, and inter-State coordination mechanisms can help address these disparities and promote best practices.

Finally, rule-making under the Labour Codes must be treated as a continuous and adaptive process. Labour markets evolve due to

technological change, demographic shifts, and global integration. Periodic review of rules, informed by data and stakeholder feedback, is essential to keep the regulatory framework relevant and effective. Static rules risk obsolescence, while adaptive governance supports long-term reform success.

In conclusion, rule-making under the Labour Codes is the fulcrum on which the success of labour reforms rests. Thoughtful, coordinated, and consultative subordinate legislation can unlock the transformative potential of the Codes, while fragmented or complex rules can undermine them. The challenge before policymakers is to ensure that rule-making remains faithful to the reform's core objectives—simplicity, inclusivity, flexibility, and fairness—thereby translating legislative vision into tangible improvements in labour governance and worker welfare.

Chapter 41

Central vs State Labour Code Rules

One of the most distinctive features of India's labour law framework is its federal character. Labour is placed in the Concurrent List of the Constitution, empowering both the Union and the States to legislate on labour matters. The Labour Codes reaffirm this constitutional arrangement by establishing a unified Central legislative framework while delegating extensive rule-making and implementation powers to the States. The interaction between Central and State Labour Code rules therefore becomes a critical determinant of how far the objectives of labour reforms are realised in practice.

The Labour Codes are designed as **framework legislation**. They lay down broad principles, rights, and institutional structures, leaving operational details to subordinate legislation framed by the “appropriate government.” In many cases, this means State Governments, especially for establishments falling within their jurisdiction. This approach reflects the belief that labour regulation must be sensitive to regional diversity in industrial development, workforce composition, and administrative capacity. At the same time, it raises important questions about consistency, predictability, and national coherence.

Central Government rules play a foundational role in setting benchmarks. They often provide **model rules**, standard definitions, digital architecture, and procedural templates that guide State rule-making. These Central rules are particularly important in areas such as digital registration, common returns, inspection frameworks, and

social security databases, where interoperability and uniformity are essential. By establishing a reference framework, Central rules aim to prevent excessive divergence and ensure minimum national standards.

State Government rules, on the other hand, are the primary instruments of **operationalisation**. States frame rules governing inspections, licensing, welfare boards, dispute resolution procedures, and local compliance mechanisms. This decentralisation allows States to tailor implementation to local conditions. For example, industrialised States with large manufacturing bases may prioritise inspection and safety enforcement, while agrarian or service-oriented States may focus on social security outreach and informal sector inclusion.

This division of roles offers clear advantages. Federal flexibility enables innovation and experimentation. States can pilot new approaches, leverage technology creatively, and adapt enforcement strategies to sectoral realities. Successful innovations can then be replicated by other States. Competitive federalism can thus drive improvements in labour governance and administrative efficiency.

However, the Central–State dynamic also presents significant challenges. One major concern is **regulatory fragmentation**. If State rules differ substantially in definitions, thresholds, procedures, or compliance requirements, the benefits of consolidation under the Labour Codes may be diluted. Enterprises operating across multiple States may continue to face complex and varied compliance environments, undermining ease of doing business. Workers, too, may experience uneven protection depending on the State in which they are employed.

Another challenge lies in **variation in institutional capacity**. States differ widely in administrative resources, legal expertise, and technological readiness. While some States may frame clear, streamlined, and digitally enabled rules, others may struggle with delays or produce rules that replicate pre-reform complexities. Such

disparities can lead to uneven implementation and outcomes across the country.

The risk of **rule-level dilution** is also a concern. While the parent Acts provide for expanded coverage and facilitative compliance, poorly drafted State rules may reintroduce inspector-centric practices, excessive paperwork, or discretionary controls. This would undermine the reform's core objectives. Ensuring that State rules remain faithful to the spirit of the Codes is therefore as important as adherence to their letter.

Coordination mechanisms between the Centre and States are crucial to addressing these challenges. Issuance of model rules, inter-State consultations, capacity-building programmes, and digital integration platforms can promote harmonisation. Regular dialogue through forums involving labour ministers, secretaries, and administrators can help resolve ambiguities and share best practices.

Judicial interpretation also influences the Central–State balance. Courts play a key role in resolving conflicts between Central legislation and State rules, ensuring that subordinate legislation remains within statutory and constitutional limits. Excessive divergence or overreach by States may invite legal challenges, creating uncertainty and delaying implementation. Clear legislative intent and disciplined rule-making can reduce such risks.

From the perspective of workers, the Central–State interplay has direct welfare implications. Access to social security, safety standards, and grievance redressal mechanisms may vary depending on State rules. While flexibility allows contextual adaptation, it must not result in inequitable protection. Minimum national standards, effectively enforced, are essential to uphold the constitutional promise of equality and social justice.

For employers, predictability and clarity are paramount. Industry consistently emphasises the need for harmonised procedures and digital systems across States. While some variation is inevitable, core

compliance processes should remain consistent to avoid uncertainty and compliance fatigue.

In conclusion, the relationship between Central and State Labour Code rules embodies both the strength and complexity of India's federal system. When exercised responsibly, this shared governance model enables flexibility, innovation, and responsiveness to local conditions. However, without coordination, capacity building, and adherence to reform principles, it risks recreating fragmentation at the rule-making stage. The success of labour reforms therefore depends on cooperative federalism—where the Centre provides direction and coherence, States deliver effective implementation, and both work together to ensure that labour regulation remains simple, fair, and inclusive across the nation.

Chapter 42

Conflict of Interest in Rule Drafting

Rule-making under the Labour Codes is a powerful governance function. While primary legislation is debated and enacted by legislatures, subordinate legislation is typically drafted by executive authorities, technical committees, and administrative departments. This process, though efficient, carries an inherent risk of **conflict of interest**, particularly when rules shape compliance burdens, enforcement discretion, and welfare entitlements. Addressing conflicts of interest in rule drafting is therefore essential to preserve the integrity, credibility, and legitimacy of labour reforms.

A conflict of interest arises when individuals or institutions involved in drafting rules have interests—financial, institutional, political, or ideological—that could unduly influence the content of subordinate legislation. In the labour law context, such conflicts may not always be explicit or malicious; they often emerge subtly through institutional incentives, stakeholder capture, or administrative convenience. Nevertheless, their impact on outcomes can be significant.

One potential source of conflict lies in **institutional self-interest** within the executive. Departments responsible for enforcement may be inclined to draft rules that preserve discretionary power, inspection authority, or procedural control, even when the parent Act emphasises facilitation and simplification. This tendency can result in rules that reintroduce inspector-centric mechanisms, excessive documentation,

or approval requirements that the Labour Codes sought to dismantle. Such outcomes undermine the reform's core philosophy.

Another area of concern is **stakeholder asymmetry** in the rule-drafting process. While consultation is encouraged, not all stakeholders possess equal capacity to influence outcomes. Well-organised industry bodies may have greater access to policymakers and technical expertise, while informal workers, gig workers, and migrant labourers often lack institutional representation. If rule drafting disproportionately reflects the perspectives of powerful stakeholders, the resulting framework may tilt towards compliance convenience at the expense of worker protection.

Conflicts of interest may also arise through **revolving-door dynamics**, where individuals involved in policy formulation have past or future affiliations with industry bodies, consulting firms, or enforcement agencies. While expertise from diverse backgrounds is valuable, inadequate safeguards can raise concerns about impartiality. Transparency regarding affiliations and clear ethical guidelines are therefore essential to maintain public confidence.

Federal dynamics introduce another layer of complexity. State governments may face pressures to draft rules that prioritise investment attraction or political expediency. While economic development is a legitimate objective, rules that dilute worker protections or selectively enforce standards to gain competitive advantage can create a "race to the bottom." Such outcomes contradict the constitutional mandate of social justice and erode trust in labour governance.

Conflict of interest concerns are particularly acute in areas such as **inspection rules, penalty structures, exemptions, and thresholds**. Decisions on these matters directly affect enforcement intensity, compliance costs, and coverage. Rules that provide wide discretionary exemptions or vague enforcement criteria create

opportunities for misuse and undermine the predictability essential for both employers and workers.

The risk of conflict is compounded by the **technical opacity** of rule drafting. Subordinate legislation is often complex and less visible to public scrutiny than primary laws. Limited legislative oversight and minimal public awareness can allow biased provisions to pass unnoticed. Strengthening transparency in the drafting process is therefore critical.

Mitigating conflicts of interest requires a combination of **procedural safeguards and institutional culture**. First, transparent and inclusive consultation processes must be institutionalised. Draft rules should be placed in the public domain with adequate time for comments from all stakeholders, including trade unions, worker collectives, civil society organisations, and independent experts. Consultation should be meaningful, not merely formalistic.

Second, **disclosure norms** for individuals involved in rule drafting should be strengthened. Clear guidelines on conflict of interest declarations, cooling-off periods, and recusal where necessary can enhance credibility. While such measures are common in regulatory bodies, they are less systematically applied in executive rule-making and merit greater attention.

Third, **inter-departmental and independent review mechanisms** can provide checks and balances. Legal vetting, impact assessments, and scrutiny by standing committees or expert panels can identify provisions that deviate from legislative intent or create undue discretion. Regulatory impact assessments, in particular, can evaluate whether proposed rules disproportionately favour certain interests or impose unintended burdens.

Judicial oversight also plays a corrective role. Courts can invalidate rules that exceed statutory authority or violate constitutional principles. However, reliance on litigation is neither efficient nor

inclusive. Preventive governance—through transparent and ethical rule-making—is preferable to corrective adjudication.

Capacity building within governments is equally important. Officials involved in drafting rules must be sensitised to ethical governance, constitutional values, and the objectives of labour reform. Training programmes and clear administrative guidance can help align institutional behaviour with reform intent.

Finally, public accountability and continuous review are essential. Rule-making should not be treated as a one-time exercise. Periodic evaluation, stakeholder feedback, and data-driven assessment can reveal biases or distortions that emerge during implementation. Adaptive governance allows for correction and refinement over time.

In conclusion, conflict of interest in rule drafting is a subtle but serious risk in the implementation of the Labour Codes. If left unaddressed, it can undermine reform objectives, weaken worker protection, and erode trust in labour governance. By embedding transparency, inclusivity, ethical safeguards, and accountability into the rule-making process, governments can ensure that subordinate legislation faithfully reflects legislative intent and serves the broader goals of fairness, efficiency, and social justice.

Chapter 43

Digital Compliance and Single Registration

Digital compliance and single registration represent one of the most transformative pillars of the Labour Code reforms. They signal a decisive shift away from paper-driven, fragmented, and authority-centric compliance systems towards an integrated, technology-enabled governance model. At its core, this reform seeks to simplify regulatory interaction, enhance transparency, reduce discretion, and encourage voluntary compliance—thereby strengthening both labour welfare and economic efficiency.

Historically, labour compliance in India was characterised by multiplicity. Establishments were required to obtain separate registrations under different labour laws, maintain numerous registers, file multiple periodic returns, and interact with several enforcement authorities. These processes were not only time-consuming and costly but also prone to inconsistency and rent-seeking. For small and medium enterprises, compliance often became an obstacle to formalisation rather than a pathway to worker protection.

The Labour Codes address this challenge through the concept of **single registration**. Instead of registering separately under each labour law, establishments are envisaged to register once on a common digital portal. This single registration serves as a unified identity for compliance across all applicable Labour Codes. By

consolidating registration, the reform reduces duplication, improves data accuracy, and simplifies entry into the formal regulatory system.

Digital compliance complements single registration by re-engineering the entire compliance lifecycle. Registrations, licences, returns, inspections, and even grievance processes are designed to be conducted through electronic platforms. This digital-first approach enhances predictability and traceability. Employers can track submissions, approvals, and compliance status in real time, while authorities gain access to consolidated data for monitoring and enforcement.

One of the key advantages of digital compliance is **transparency**. Automated systems reduce face-to-face interactions that historically created scope for discretion and inconsistency. Time-bound approvals, deemed approvals, and digital acknowledgements strengthen accountability on both sides. Transparent systems also reduce compliance anxiety among employers and encourage a culture of trust-based regulation.

From a governance perspective, digital compliance enables **risk-based enforcement**. Aggregated compliance data can be analysed to identify high-risk sectors, establishments, or activities. This allows labour authorities to focus inspections where risks are greatest, rather than relying on routine or random checks. Such targeted enforcement improves safety outcomes while minimising disruption to compliant enterprises.

For workers, digital compliance has important empowerment implications. Digital records of employment, wages, social security contributions, and safety compliance improve visibility of entitlements. Workers—particularly migrants, contract labourers, and gig workers—benefit from portability and continuity of records across employers and locations. Digital systems thus support inclusion and reduce dependency on intermediaries.

Digital compliance also strengthens **policy-making and evaluation**. Reliable, real-time data on employment patterns, wage trends, safety incidents, and social security coverage enable evidence-based decisions. Governments can assess the impact of reforms, identify gaps, and adjust policies accordingly. Data-driven governance enhances responsiveness and long-term effectiveness.

However, digital compliance is not without challenges. The **digital divide** remains a significant concern. Small establishments, micro-enterprises, and workers in remote or informal settings may lack access to devices, connectivity, or digital literacy. Without adequate support, digital systems risk excluding precisely those segments the reforms aim to include. Assisted compliance mechanisms—such as facilitation centres, help desks, and offline support—are therefore essential.

Data security and privacy are equally critical. Labour compliance systems handle sensitive personal and commercial information. Robust safeguards, clear data governance policies, and accountability mechanisms are necessary to prevent misuse and build trust. Transparency regarding data collection, storage, and use is Central to ethical digital governance.

Institutional readiness is another determining factor. Digital platforms must be reliable, user-friendly, and interoperable across States and Codes. Frequent technical failures, inconsistent interfaces, or lack of integration can undermine confidence. Continuous investment in infrastructure, system upgrades, and user support is indispensable.

Training of labour officials is equally important. Digital compliance requires a shift in mindset from manual verification to analytical oversight. Officials must be equipped to interpret data, manage digital workflows, and engage constructively with stakeholders. Without capacity building, technology risks becoming an additional layer of complexity rather than a facilitator.

Finally, digital compliance must be viewed as an evolving process. Technology, business models, and labour markets will continue to change. Systems must be adaptable, scalable, and responsive to feedback. Periodic review and refinement are essential to ensure that digital governance remains aligned with reform objectives.

In conclusion, digital compliance and single registration are foundational to the success of the Labour Code reforms. By simplifying procedures, reducing discretion, and enhancing transparency, they create an enabling environment for formalisation, compliance, and worker protection. When implemented inclusively and supported by institutional capacity, digital compliance can transform labour governance into a modern, efficient, and trust-based system—one that supports India's broader journey towards a resilient and developed economy.

Chapter 44

Inspector-cum-Facilitator Framework

The Inspector-cum-Facilitator framework represents one of the most significant philosophical shifts introduced by the Labour Codes. It marks a departure from the traditional, inspection-heavy enforcement model towards a facilitative, trust-based approach to labour regulation. This reform seeks to redefine the relationship between the State, employers, and workers—transforming labour administration from a primarily punitive authority into an enabling institution that promotes compliance, welfare, and industrial harmony.

Historically, labour inspection in India was perceived as intrusive, discretionary, and adversarial. Multiple inspectors operating under different laws conducted frequent inspections, often focusing on procedural lapses rather than substantive welfare outcomes. This environment bred mistrust among employers and encouraged compliance through fear rather than understanding. At the same time, workers often viewed inspections as ineffective in addressing real workplace issues. The Inspector-cum-Facilitator model aims to correct these distortions.

Under the Labour Codes, inspectors are re-envisioned as **Inspector-cum-Facilitators**—officials tasked not only with enforcement but also with guidance, awareness-building, and problem-solving. Their role includes advising employers on compliance requirements, helping establishments understand new obligations, and facilitating corrective action before punitive measures

are imposed. This approach aligns with global best practices in regulatory governance that emphasise prevention over punishment.

A central feature of the framework is **risk-based inspection**. Instead of routine or random inspections, establishments are selected for inspection based on objective risk criteria, such as industry hazard levels, past compliance history, or safety incident data. Automated inspection selection systems reduce discretion and enhance transparency. By focusing regulatory attention where risks are highest, the framework improves enforcement effectiveness while minimising disruption to compliant enterprises.

The facilitative role is particularly important during the transition to the Labour Codes. Employers, especially small and medium enterprises, may struggle to interpret new provisions, digital compliance systems, and consolidated obligations. Inspector-cum-Facilitators can play a crucial role in handholding, clarifying requirements, and promoting voluntary compliance. This supportive approach reduces unintentional violations and builds confidence in the new regulatory regime.

For workers, the framework holds promise in improving substantive outcomes. Effective facilitation can lead to better implementation of safety standards, wage protections, and welfare measures. When inspectors engage constructively with employers, issues can be resolved promptly without escalating into disputes or prolonged litigation. A problem-solving orientation can thus enhance workplace conditions more efficiently than punitive enforcement alone.

Transparency and accountability are essential to the success of the Inspector-cum-Facilitator model. Digital inspection systems, standardised checklists, and online inspection reports reduce subjectivity and enable oversight. Workers and employers alike benefit from predictable procedures and documented outcomes. Clear

guidelines on when facilitation ends and enforcement begins are necessary to maintain credibility and prevent misuse of discretion.

Capacity building is a critical requirement. The expanded role of Inspector-cum-Facilitators demands new skills in communication, mediation, digital tools, and risk assessment. Traditional training focused primarily on legal provisions and enforcement techniques is insufficient. Continuous professional development programmes must equip officials to operate as facilitators without compromising their regulatory authority.

Challenges remain in operationalising this framework. Institutional culture change is often slower than legal reform. Inspectors accustomed to adversarial enforcement may resist facilitative roles, while employers may initially doubt the sincerity of the shift. Strong leadership, clear performance metrics, and consistent messaging are necessary to embed the new approach within labour administration.

Resource constraints also pose challenges. Effective facilitation requires time, training, and adequate staffing. Overburdened inspectors may struggle to balance advisory functions with enforcement responsibilities. Rationalisation of workloads and use of technology to automate routine tasks can help address these constraints.

The success of the Inspector-cum-Facilitator framework also depends on **worker trust**. Workers must feel confident that facilitation does not weaken enforcement or compromise their rights. Clear grievance redressal mechanisms and escalation pathways are essential to ensure that facilitation enhances, rather than dilutes, protection.

In conclusion, the Inspector-cum-Facilitator framework embodies the Labour Codes' broader vision of collaborative and outcome-oriented labour governance. By combining guidance with enforcement and prevention with accountability, the framework seeks

to improve compliance culture and worker welfare simultaneously. Its effectiveness will ultimately depend on institutional capacity, transparency, and sustained commitment to the principles of fairness and facilitation. When implemented earnestly, this model can redefine labour administration as a trusted partner in India's journey towards inclusive growth and industrial maturity.

Chapter 45

Decriminalization and Penalty Reforms

One of the most consequential governance reforms embedded in the Labour Codes is the shift towards decriminalization of minor and technical offences. For decades, India's labour law regime relied heavily on criminal sanctions—imprisonment, prosecution, and criminal liability—for a wide range of compliance failures. While intended to ensure deterrence, this approach often resulted in fear-driven compliance, procedural harassment, and an adversarial regulatory environment. The Labour Codes seek to recalibrate this balance by rationalising penalties, reducing criminal liability, and promoting proportionate enforcement.

Under the pre-reform framework, even minor lapses such as delayed filing of returns or clerical errors in registers could attract criminal prosecution. This created a chilling effect on formalisation and discouraged enterprises—especially micro, small, and medium enterprises—from entering the regulated space. Criminalisation of technical non-compliance also burdened the judicial system, diverting resources away from serious violations involving safety, wages, or worker exploitation.

The Labour Codes introduce a **graded and proportionate penalty framework**. Many offences that previously attracted imprisonment have been converted into monetary penalties. Criminal sanctions are largely reserved for serious violations—such as non-payment of wages, repeated safety breaches, or willful contravention resulting in injury or death. This distinction reflects an important

regulatory principle: not all violations warrant the same level of sanction, and enforcement should be commensurate with harm and intent.

Decriminalization is closely linked to the broader objective of **facilitative compliance**. When penalties are reasonable and predictable, employers are more likely to engage constructively with regulators and rectify lapses voluntarily. The emphasis shifts from punishment to correction. This approach is particularly important during the transition phase of the Labour Codes, when compliance errors may arise from unfamiliarity rather than malice.

Penalty reforms also introduce **compounding mechanisms**, allowing certain offences to be settled through payment of prescribed sums without prolonged litigation. Compounding reduces legal uncertainty, saves administrative and judicial resources, and enables quicker resolution. For employers, it offers closure and clarity; for regulators, it allows focus on substantive enforcement rather than procedural prosecution.

From a governance perspective, decriminalization supports **ease of doing business** without undermining worker protection. Excessive criminal liability had become a symbol of regulatory hostility rather than social justice. By rationalising penalties, the Labour Codes aim to create a compliance environment that is firm yet fair. Importantly, decriminalization does not mean deregulation; it means smarter regulation.

For workers, penalty reforms raise legitimate concerns about dilution of enforcement. There is apprehension that reduced criminal sanctions may weaken deterrence and embolden non-compliance. Addressing this concern requires robust administrative enforcement, timely penalties, and effective grievance redressal. Monetary penalties must be substantial enough to deter violations and ensure that non-compliance does not become economically rational.

The role of **Inspector-cum-Facilitators** is crucial in this context. With fewer criminal sanctions, inspectors must ensure that corrective directions are implemented promptly and repeat violations are penalised effectively. Escalation mechanisms for habitual or serious offenders are essential to maintain credibility and protect worker interests.

Judicial implications are also significant. Reduced criminal prosecution can ease the burden on courts and enable faster resolution of labour disputes. However, clear procedural safeguards are needed to ensure fairness in penalty imposition and compounding. Transparency in decision-making reduces the risk of arbitrariness.

Implementation challenges remain. States must align their rules and enforcement practices with the decriminalization philosophy. Legacy attitudes favouring punitive control may persist unless accompanied by training and institutional reform. There is also a need for clear communication to both employers and workers about the new penalty regime to avoid misconceptions.

Internationally, the move towards decriminalization aligns India with modern regulatory trends that favour civil penalties and administrative enforcement over criminal sanctions for economic regulation. Such alignment enhances India's credibility as an investment destination while retaining commitment to labour welfare.

In conclusion, decriminalization and penalty reforms under the Labour Codes represent a calibrated shift towards proportionate, effective, and trust-based regulation. By reducing criminal liability for minor offences and strengthening administrative enforcement for serious violations, the reforms seek to balance ease of compliance with robust worker protection. The success of this approach will depend on consistent implementation, deterrent penalty levels, and institutional capacity. When executed with integrity, decriminalization can transform labour regulation from a source of fear into a framework of accountability, fairness, and shared responsibility.

Part IX:

Stakeholder Perspectives — Overview

Part IX presents a balanced assessment of India's labour reforms through the lens of key stakeholders, including workers, trade unions, employers, industry bodies, State governments, and civil society. It examines diverse perceptions, expectations, and concerns arising from the Labour Codes, highlighting areas of consensus as well as contention. The section analyses how reforms are viewed in terms of job security, flexibility, compliance, welfare, and governance. By capturing stakeholder voices, this part underscores the importance of dialogue, trust-building, and participatory implementation in ensuring that labour reforms achieve inclusive, equitable, and sustainable outcomes.

Chapter 46

Industry and Employer Viewpoint

From the perspective of industry and employers, India's labour reforms represent a long-awaited attempt to modernise a regulatory framework that had become increasingly misaligned with economic realities. For decades, employers across sectors expressed concerns about fragmented laws, overlapping compliances, inspector-driven enforcement, and uncertainty in industrial relations. The Labour Codes are widely viewed by industry as a structural correction aimed at improving ease of doing business while retaining essential worker protections.

One of the most strongly welcomed aspects of the reforms is **simplification and consolidation**. The merger of numerous Central labour laws into four thematic Codes has significantly improved conceptual clarity. Employers have long argued that compliance complexity—not the existence of regulation itself—was a major deterrent to formalisation and expansion. Unified definitions, common registers, and simplified returns are seen as positive steps that reduce administrative burden and allow enterprises to focus on productive activity rather than procedural compliance.

Industry also views **predictability in industrial relations** as a major gain. Clearer provisions on trade union recognition, standing orders, dispute resolution, and strikes are perceived as reducing uncertainty and the risk of prolonged disruption. From an employer's standpoint, industrial peace is not merely a social objective but a commercial necessity. Predictable rules enable planning, investment,

and long-term commitments, particularly in capital-intensive and export-oriented sectors.

Labour market flexibility is another area where employers see tangible benefits. Provisions relating to fixed term employment, rationalised thresholds for retrenchment and closure, and simplified standing orders are viewed as aligning labour regulation with modern business cycles. Employers argue that flexibility is essential in a competitive global environment characterised by fluctuating demand, technological change, and project-based work. The availability of lawful flexibility, they contend, reduces the incentive to rely on informal or contractual arrangements and encourages formal hiring.

From an industry perspective, **formalisation** is a shared interest with government and workers. Employers acknowledge that informality creates uneven competition, where compliant enterprises face higher costs than non-compliant ones. Simplified compliance, digital processes, and reduced criminalisation are seen as measures that level the playing field and incentivise formal operations. Formalisation also improves access to finance, markets, and skilled labour, benefiting enterprises in the long run.

Employers have generally welcomed the **shift from inspection to facilitation**. The inspector-cum-facilitator model and risk-based inspections are perceived as reducing discretionary interference and compliance anxiety. Industry bodies have long advocated for objective, transparent enforcement mechanisms. However, employers emphasise that this shift must be consistently implemented across States to avoid reverting to legacy practices.

At the same time, industry viewpoints are not uniformly uncritical. Employers express concerns regarding **implementation uncertainty**, particularly in the transition phase. Delays in rule-making, divergence in State rules, and lack of clarity on timelines create compliance ambiguity. Businesses operating across multiple States remain cautious about potential fragmentation re-emerging at

the rule level. Industry strongly advocates for harmonised rules and clear guidance to ensure predictability.

Cost implications are another area of concern, especially for **small and medium enterprises**. Reforms relating to wage definitions, social security expansion, and parity for fixed term workers may increase labour costs in the short term. While large enterprises may absorb these costs more easily, MSMEs fear margin pressures and compliance capacity challenges. Employers therefore emphasise the need for phased implementation, handholding, and compliance support rather than abrupt enforcement.

With respect to **social security expansion**, industry broadly supports the objective of inclusive protection but seeks clarity on financing mechanisms. Employers and platforms are concerned about sustainability, contribution rates, and avoidance of multiple levies. Predictable and transparent funding models are essential to ensure that social security expansion does not become an open-ended cost without corresponding administrative efficiency.

Employers also highlight the importance of **skill development and productivity linkage**. From an industry viewpoint, labour reforms should be complemented by robust skilling, upskilling, and reskilling initiatives. Higher wages and expanded social security must be matched by productivity gains to remain sustainable. Industry therefore sees labour reforms as one pillar of a broader ecosystem that includes education, industrial policy, and infrastructure development.

Another key expectation from industry is **continuous dialogue**. Employers recognise that labour reforms are not static and must evolve with economic conditions. Structured engagement with industry bodies during rule-making, implementation review, and policy refinement is seen as essential for maintaining trust and effectiveness. Employers prefer collaborative problem-solving over adversarial regulation.

In conclusion, the industry and employer viewpoint on labour reforms is broadly supportive, grounded in the belief that modern, predictable, and simplified labour regulation is essential for economic growth and employment generation. While concerns regarding implementation, costs, and federal divergence persist, employers largely view the Labour Codes as a positive step towards balancing flexibility with responsibility. For industry, the success of labour reforms will ultimately be measured by whether they enable enterprises to grow, compete, and create quality jobs within a stable and fair regulatory environment.

Chapter 47

Trade Unions and Worker Concerns

Trade unions have historically played a central role in shaping India's labour movement, safeguarding workers' rights, and acting as institutional voices of collective bargaining. The Labour Codes, while aimed at simplification and modernisation, have generated significant debate within the trade union movement. For many unions and worker collectives, the reforms represent both opportunities for improved governance and sources of concern regarding job security, bargaining power, and the balance of interests in industrial relations.

One of the primary concerns expressed by trade unions relates to **employment security**. Provisions enabling fixed term employment, rationalised thresholds for retrenchment, and greater managerial flexibility are perceived by unions as potentially weakening job stability. Workers fear that employers may increasingly rely on fixed-term or contractual arrangements to avoid long-term obligations, thereby eroding the concept of permanent employment. While the Codes provide for parity of benefits for fixed-term workers, unions argue that economic insecurity persists when employment continuity is uncertain.

Another major area of concern is **collective bargaining strength**. Trade unions have questioned whether simplified recognition mechanisms and thresholds adequately protect pluralism and democratic representation. Smaller unions worry about marginalisation, while workers fear reduced bargaining leverage in workplaces with fragmented or weak union presence. From the union

perspective, meaningful collective bargaining is not merely a procedural right but a substantive tool for negotiating fair wages, working conditions, and dispute resolution.

The regulation of **strikes and industrial action** has also attracted criticism. Unions view expanded notice requirements and procedural conditions as constraints on their ability to mobilise collective action. They argue that the right to strike is a fundamental component of industrial democracy and that excessive procedural barriers may dilute its effectiveness. While governments emphasise industrial peace and predictability, unions caution that limiting collective action without equally strengthening negotiation mechanisms risks creating imbalance.

Concerns regarding **social security implementation** are equally prominent. Trade unions broadly welcome the expansion of social security coverage, particularly to unorganised, gig, and platform workers. However, they remain sceptical about financing, enforcement, and actual delivery. Workers fear that enabling provisions without mandatory timelines or clear funding commitments may result in uneven or delayed benefits. For unions, social security is meaningful only when it is universal, predictable, and enforceable.

Trade unions have also raised questions about **inspection and enforcement capacity**. The shift towards facilitation, digital compliance, and reduced criminal sanctions is viewed with caution. While unions recognise the need to reduce harassment and procedural excess, they worry that weak enforcement may embolden non-compliance. Workers' confidence in labour regulation depends heavily on visible and effective enforcement of minimum wages, safety standards, and welfare provisions.

The issue of **informal and migrant workers** features strongly in worker concerns. Unions acknowledge that the Labour Codes formally recognise these categories but question whether institutional mechanisms are adequate to represent their interests. Informal

workers often lack union membership, stable workplaces, or awareness of rights. Without proactive outreach and representation structures, unions fear that these workers may remain legally recognised but practically excluded.

Women workers' concerns also intersect with union perspectives. While enabling provisions for women's employment are welcomed, unions stress the importance of robust safety, grievance redressal, and anti-discrimination mechanisms. Expanding opportunities without strengthening protections may expose women to heightened risks. Unions therefore emphasise that equality must be substantive, not merely formal.

Despite these concerns, it is important to note that trade unions are not uniformly opposed to reform. Many unions recognise the need to modernise labour laws, simplify procedures, and address informality. Their central demand is **balance and trust**—assurance that reforms will not be implemented at the cost of worker dignity, security, and voice. Unions advocate for phased implementation, continuous dialogue, and strong institutional safeguards.

Social dialogue emerges as a recurring theme in addressing worker concerns. Trade unions stress that labour reforms must be co-created rather than imposed. Meaningful tripartite engagement—between governments, employers, and workers—is essential for building consensus and legitimacy. Dialogue allows concerns to be addressed proactively, reducing resistance and conflict.

In conclusion, trade unions and worker concerns reflect the human dimension of labour reform. They highlight anxieties about security, representation, and enforcement that cannot be dismissed as resistance to change. For labour reforms to succeed as instruments of inclusive development, worker confidence must be earned through fair implementation, strong institutions, and continuous engagement. Trade unions remain indispensable partners in this process, serving not only as critics but as custodians of industrial democracy and social justice in India's evolving labour landscape.

Chapter 48

Micro, Small and Medium Enterprises (MSMEs) and Start-ups

Micro, Small and Medium Enterprises (MSMEs) and start-ups occupy a pivotal position in India's economic landscape. They are major engines of employment generation, innovation, regional development, and entrepreneurship. Any reform of labour regulation inevitably has a profound impact on this segment, which operates under tight margins, dynamic business models, and varying levels of managerial capacity. From the perspective of MSMEs and start-ups, the Labour Codes are viewed as a necessary attempt to rationalise an overly complex regulatory environment, though concerns regarding cost, capacity, and compliance readiness remain.

Historically, MSMEs have faced disproportionate compliance burdens under India's labour law regime. Multiple registrations, frequent inspections, voluminous record-keeping, and overlapping laws created barriers to formalisation. Many small enterprises either remained informal or selectively complied, not out of intent to evade law but due to limited administrative capacity. Start-ups, particularly in technology and services, often struggled to reconcile flexible work models with rigid labour regulations designed for traditional manufacturing settings.

The Labour Codes address these challenges primarily through **simplification and consolidation**. Unified definitions, common registers, single registration, and digital compliance are widely

welcomed by MSMEs and start-ups. Reduced procedural complexity allows entrepreneurs to focus on core business activities such as innovation, market development, and scaling operations. For early-stage start-ups, regulatory predictability is particularly important, as uncertainty can deter investment and hiring.

Another significant benefit for MSMEs and start-ups is the **shift towards facilitative compliance**. The inspector-cum-facilitator framework, risk-based inspections, and reduced criminalisation of technical offences have eased long-standing fears of punitive enforcement. Smaller enterprises often lack dedicated compliance teams and are more vulnerable to procedural lapses. A supportive regulatory approach encourages voluntary compliance and fosters trust between enterprises and the State.

Labour flexibility is a key concern for start-ups and MSMEs operating in competitive and rapidly changing markets. Provisions relating to fixed term employment, simplified standing orders, and rationalised thresholds are seen as aligning regulation with modern business realities. Start-ups, in particular, rely on project-based work, fluctuating demand, and iterative growth models. The ability to hire lawfully for defined durations without long-term rigidity supports agility and innovation.

However, these perceived benefits are accompanied by legitimate concerns. **Cost implications** arising from standardised wage definitions, expanded social security coverage, and parity of benefits for fixed term workers are significant for MSMEs. Unlike large enterprises, smaller firms often operate with limited financial buffers. Sudden increases in compliance costs may affect viability, hiring decisions, or competitiveness. MSMEs therefore emphasise the need for phased implementation and financial support mechanisms.

Capacity constraints represent another major challenge. Digital compliance presumes access to technology, digital literacy, and reliable connectivity. Many micro and small enterprises, especially in semi-

urban and rural areas, struggle with these prerequisites. Without adequate handholding, digital-first systems risk excluding smaller players. MSMEs advocate for facilitation centres, simplified interfaces, and offline support during the transition phase.

Start-ups raise additional concerns related to **non-traditional work arrangements**. Remote work, gig engagements, and flexible schedules are common in start-up ecosystems. While the Labour Codes recognise gig and platform workers in the context of social security, start-ups seek greater clarity on classification, contribution obligations, and compliance expectations. Ambiguity can deter experimentation and increase legal risk for young enterprises.

From a broader perspective, MSMEs recognise that labour reforms can support **formalisation and long-term sustainability**. Formal enterprises gain better access to credit, markets, and skilled labour. Simplified labour compliance can thus act as a catalyst for MSMEs to enter and remain in the formal economy. Over time, formalisation enhances productivity, worker welfare, and competitiveness.

MSMEs and start-ups also emphasise the importance of **policy coherence**. Labour reforms must be aligned with initiatives in skilling, ease of doing business, access to finance, and industrial policy. Compliance obligations should be matched with support systems such as credit incentives, technology adoption schemes, and skill development programmes. Labour regulation, in this view, should be an enabler rather than an isolated compliance domain.

Stakeholder engagement is particularly important for this segment. MSMEs and start-ups are heterogeneous, ranging from micro family-run enterprises to high-growth technology firms. One-size-fits-all approaches may not work effectively. Continuous dialogue with industry associations, start-up networks, and regional business bodies can help tailor implementation strategies and address sector-specific concerns.

In conclusion, the Labour Codes present both opportunities and challenges for MSMEs and start-ups. Simplification, facilitative enforcement, and flexibility are welcomed as long-overdue reforms that can support entrepreneurship and job creation. At the same time, cost pressures, capacity limitations, and implementation uncertainty must be addressed through phased execution, handholding, and policy alignment. If implemented with sensitivity to scale and diversity, labour reforms can empower MSMEs and start-ups to grow sustainably while extending decent work and social protection across India's entrepreneurial ecosystem.

Chapter 49

State Governments and Labour Administration

State Governments occupy a pivotal position in India's labour reform architecture. While the Labour Codes establish a unified national framework, their real impact is determined largely by how States translate statutory principles into operational reality. Labour being a subject in the Concurrent List, States are not merely implementing agencies but co-authors of reform through rule-making, enforcement, and institutional governance. From the perspective of State Governments and labour administration, the Labour Codes present both an opportunity for systemic modernisation and a complex set of administrative challenges.

One of the most significant responsibilities of State Governments lies in **rule-making and operationalisation**. While the Central Government provides the legislative backbone and model rules, States frame detailed procedures governing registration, inspections, licensing, dispute resolution, welfare boards, and enforcement mechanisms. This power allows States to tailor implementation to local industrial conditions, workforce composition, and administrative capacity. For States with diverse economic profiles, such flexibility is essential for responsive governance.

At the same time, State Governments face the challenge of balancing **flexibility with uniformity**. Excessive divergence in rules, thresholds, or procedures can undermine the objectives of

simplification and ease of compliance. Enterprises operating across multiple States may encounter fragmented compliance regimes, while workers may experience uneven protection. Many State labour departments therefore recognise the importance of aligning closely with Central model rules while introducing only context-specific adaptations.

Labour administration at the State level is also undergoing a **structural transformation**. The Labour Codes envision a shift from inspection-heavy, procedural enforcement to facilitative, risk-based governance. For State labour departments, this requires reorientation of institutional culture, processes, and skill sets. Inspectors are expected to function as facilitators, digital systems replace manual records, and data analytics inform enforcement priorities. This transition demands sustained investment in training, technology, and organisational change.

Capacity constraints remain a major concern. State labour departments often operate with limited manpower, ageing infrastructure, and constrained budgets. The expanded scope of the Labour Codes—particularly in areas such as social security expansion, migrant worker welfare, and occupational safety—adds to administrative workload. States with large informal sectors face the additional challenge of outreach, registration, and awareness-building among workers who have historically remained outside formal regulation.

Digitalisation offers both promise and pressure for State labour administration. Online registration portals, common returns, and digital inspections can improve efficiency and transparency. However, developing and maintaining robust digital systems requires technical expertise and financial resources. States also need to ensure interoperability with Central platforms and other State systems. Uneven digital readiness across States risks creating implementation gaps and inequities.

From the enforcement perspective, State Governments must navigate the delicate balance between **investment facilitation and worker protection**. Many States compete to attract industrial investment and generate employment. Labour reforms are often positioned as part of a broader ease-of-doing-business agenda. While economic development is a legitimate priority, States must ensure that regulatory relaxation does not dilute core labour protections or undermine safety and welfare standards. Maintaining this balance is one of the most complex governance challenges at the State level.

State labour administrations also play a crucial role in **dispute resolution and industrial relations**. Labour courts, conciliation officers, and adjudicatory mechanisms largely function under State jurisdiction. The effectiveness of these institutions influences industrial peace, worker confidence, and employer trust. Delays, backlogs, or inconsistent decisions can weaken the credibility of the labour governance system. Strengthening dispute resolution capacity is therefore central to successful reform.

Inter-State coordination is increasingly important, particularly in the context of **migrant labour**. Workers frequently move across State boundaries in search of employment, making portability of benefits and consistency of protections essential. State Governments must cooperate in sharing data, aligning procedures, and ensuring continuity of welfare and social security benefits. The pandemic experience highlighted the costs of weak inter-State coordination and underscored the need for integrated governance.

Political economy considerations also shape State responses to labour reforms. Labour policy intersects with electoral dynamics, trade union influence, and regional development priorities. Some States may adopt reforms more proactively, while others proceed cautiously due to social or political sensitivities. Managing these dynamics while remaining aligned with constitutional principles of social justice is a key test of State leadership.

In conclusion, State Governments and labour administration stand at the frontline of labour reform implementation. Their actions determine whether the Labour Codes remain abstract legal texts or become instruments of meaningful change. With adequate capacity building, digital readiness, cooperative federalism, and balanced enforcement, States can transform labour governance into a system that supports both economic growth and worker dignity. The success of India's labour reforms ultimately depends on empowered, accountable, and responsive State labour administrations working in partnership with all stakeholders.

Chapter 50

Judiciary and Interpretation Challenges

The judiciary plays a decisive role in shaping the lived reality of labour reforms. While the Labour Codes establish the statutory framework, it is judicial interpretation that gives meaning, resolves ambiguity, and ensures constitutional conformity. In India's labour law tradition, courts have historically acted as guardians of workers' rights while also recognising economic and administrative realities. The transition to the Labour Codes presents both an opportunity and a challenge for the judiciary, as judges are called upon to interpret a new, consolidated, and principle-based legislative architecture.

Harmonising precedent with new law is another significant interpretative challenge. India has a rich body of labour jurisprudence developed over decades under repealed statutes. Questions inevitably arise as to which precedents remain relevant and how earlier interpretations apply to new definitions and structures. For instance, judicial tests developed to determine employer–employee relationships, wages, or industrial disputes may require recalibration in light of consolidated definitions and expanded worker categories. Ensuring continuity without rigidity is a complex judicial task.

The **federal dimension** further complicates interpretation. With Central and State Governments empowered to frame rules, courts may be required to adjudicate conflicts between Central intent and State-level implementation. Divergent State rules may lead to constitutional challenges on grounds of arbitrariness, inequality, or repugnancy. Judicial interpretation will be critical in maintaining

coherence while respecting the federal balance inherent in labour governance.

Interpretation challenges are particularly acute in areas involving **flexibility versus protection**. Provisions relating to fixed term employment, retrenchment thresholds, and strike regulation have already attracted scrutiny. Courts may be called upon to assess whether increased flexibility undermines substantive rights such as equality, livelihood, or freedom of association. In doing so, the judiciary must balance competing constitutional values—economic freedom and social justice—without substituting policy preferences for legislative judgment.

Another area likely to generate litigation is **digital governance and compliance**. As labour administration becomes increasingly digital, courts will encounter disputes involving data accuracy, algorithmic selection for inspections, deemed approvals, and digital evidence. Issues of procedural fairness, transparency, and natural justice will need to be re-examined in the context of automated systems. Judicial oversight will be essential to ensure that digital efficiency does not come at the cost of due process.

Decriminalisation and penalty reforms also pose interpretative questions. Courts will need to delineate the boundaries between administrative penalties and criminal liability, particularly in cases involving repeated or serious violations. Ensuring proportionality in penalties and clarity in compounding mechanisms will be critical to maintaining deterrence without reverting to excessive criminalisation.

The judiciary's role in **protecting vulnerable workers** remains paramount. Gig workers, platform workers, migrants, and informal workers—newly recognised under the Codes—may approach courts to assert entitlements or challenge exclusionary practices. Judicial interpretation will shape the practical reach of social security and welfare provisions for these groups. Progressive interpretation can

expand inclusion, while narrow readings risk reinforcing existing vulnerabilities.

At the same time, courts face the challenge of **judicial restraint**. Excessive intervention in policy design or administrative discretion can undermine reform objectives and create uncertainty. The judiciary must strike a balance between enforcing rights and allowing the executive space to experiment, learn, and adapt. This balance is particularly important during the early years of implementation, when transitional issues are inevitable.

Delays and backlog in labour adjudication add another layer of complexity. Prolonged litigation can erode confidence in the new framework and discourage compliance. Strengthening judicial capacity, adopting technology, and encouraging alternative dispute resolution are therefore essential complements to interpretative clarity.

In conclusion, the judiciary stands as a crucial arbiter in India's labour reform journey. Its interpretations will determine whether the Labour Codes evolve into instruments of inclusive development or become mired in uncertainty and conflict. By adopting a principled, balanced, and context-sensitive approach, the judiciary can uphold constitutional values while enabling reform. Constructive judicial engagement—anchored in fairness, restraint, and adaptability—will be essential to resolving interpretation challenges and ensuring that labour reforms deliver justice, predictability, and trust in a changing world of work.

Part X: Political Economy and Resistance — Overview

Part X examines labour reforms through the lens of political economy, focusing on the sources, forms, and implications of resistance to the Labour Codes. It analyses how labour regulation redistributes power, risk, and resources among workers, employers, States, and political actors, making reform inherently contested. The section explores the roles of trade unions, political parties, State governments, industry groups, and civil society in shaping resistance and negotiation. By situating labour reforms within democratic contestation and trust dynamics, this part highlights that sustainable reform depends not only on legal design but on dialogue, consensus-building, and adaptive governance.

Chapter 51

Labour Reforms and Political Narratives

Labour reforms do not operate in a policy vacuum; they are framed, contested, and interpreted through powerful political narratives. These narratives shape public perception, stakeholder response, and ultimately the trajectory of reform implementation. In India, labour reforms have long occupied a sensitive political space, positioned at the intersection of economic growth, social justice, and democratic accountability. The Labour Codes, despite their technical and legal complexity, have been distilled into competing narratives that influence acceptance or resistance far more than statutory text alone.

One dominant narrative surrounding labour reforms is that of **economic modernisation and growth**. Proponents frame the Labour Codes as essential instruments for transforming India into a competitive global economy. According to this narrative, outdated and fragmented labour laws constrained enterprise growth, discouraged formal employment, and undermined investment. Simplification, flexibility, and digital compliance are presented as necessary corrections to unlock productivity, attract capital, and generate jobs. In political discourse, labour reforms are thus positioned as pro-growth, pro-employment, and aligned with national development goals.

Countering this is a narrative of **worker insecurity and rights dilution**. Trade unions and opposition voices often frame the Labour Codes as shifting the balance of power in favour of employers at the

expense of labour. Provisions relating to fixed term employment, retrenchment thresholds, and strike regulation are highlighted as symbols of reduced job security and weakened collective bargaining. In this narrative, labour reforms are portrayed not as neutral efficiency measures but as ideological moves favouring market interests over social protection.

These competing narratives reflect deeper ideological divides about the role of the State in regulating labour markets. One perspective views labour regulation primarily as an economic instrument that must adapt to market realities. Another views it as a social institution rooted in constitutional values of justice, dignity, and equality. Political narratives simplify these complex positions into easily communicable frames, often amplifying polarisation.

The **language of reform** plays a crucial role in shaping narratives. Terms such as “flexibility,” “ease of doing business,” and “facilitation” resonate positively with industry and investors but can evoke anxiety among workers who associate flexibility with precarity. Conversely, terms like “protection,” “security,” and “rights” mobilise worker sentiment but may be perceived by employers as rigidity. How reforms are communicated often determines how they are received, regardless of their actual content.

Media and civil society act as powerful amplifiers of political narratives. Headlines, opinion pieces, and public debates frequently reduce complex reforms to symbolic issues—such as strike rights or job security—while overlooking broader elements like social security expansion or safety reforms. This selective emphasis can distort public understanding and entrench adversarial positions. Once narratives harden, they become resistant to factual clarification.

Political narratives also evolve across **electoral and regional contexts**. In industrially advanced States with strong union traditions, labour reforms are often framed as threats to hard-won rights. In States prioritising industrialisation and employment generation, the

narrative may emphasise reform as an investment enabler. National political discourse often seeks to balance these regional variations, resulting in nuanced or sometimes ambiguous messaging.

Another important narrative dimension relates to **trust in institutions**. Where workers have experienced weak enforcement, delayed justice, or exclusion from social security, promises of facilitative governance and future benefits are met with scepticism. In such contexts, even well-intentioned reforms are framed as hollow assurances. Conversely, visible improvements in enforcement or welfare delivery can soften resistance and reshape narratives over time.

Narratives are not static; they are contested and renegotiated through experience. Implementation outcomes have the power to validate or undermine political framing. If reforms lead to measurable improvements in wages, safety, and social security coverage, narratives of growth and inclusion gain credibility. If flexibility is experienced primarily as insecurity, oppositional narratives gain strength. Thus, political narratives are deeply connected to administrative performance.

The challenge for policymakers lies not in suppressing alternative narratives but in **engaging with them constructively**. Democratic reform requires acknowledging fears, addressing misinformation, and communicating trade-offs honestly. Overselling reforms as universally beneficial or dismissing worker concerns as ideological resistance can deepen mistrust. Transparent communication, inclusive dialogue, and evidence-based messaging are essential to bridge narrative divides.

Labour reforms also highlight the importance of **symbolism in politics**. Certain provisions acquire disproportionate symbolic significance, shaping broader perceptions of reform intent. Policymakers must be mindful that symbolic issues often drive resistance more than technical details. Addressing symbolism through dialogue and safeguards can be as important as legal drafting.

In conclusion, labour reforms are shaped as much by political narratives as by statutory provisions. Competing stories of growth, security, flexibility, and justice frame how stakeholders interpret change. These narratives influence acceptance, resistance, and the pace of implementation. For labour reforms to achieve lasting legitimacy, they must be accompanied by credible outcomes, inclusive communication, and sustained engagement. Ultimately, reshaping political narratives requires not only persuasive language but demonstrable commitment to balancing economic transformation with worker dignity and social trust.

Chapter 52

Myths and Misconceptions about Labour Codes

Large-scale legal reforms often generate myths and misconceptions, particularly when they affect livelihoods, power relations, and long-established institutions. India's Labour Codes are no exception. Owing to their technical complexity, phased implementation, and politicised narratives, the Codes have been surrounded by several misunderstandings among workers, employers, and even administrators. Addressing these myths is essential for informed debate, trust-building, and effective implementation.

One common myth is that the Labour Codes are **anti-worker and designed solely to benefit employers**. This perception stems largely from provisions relating to labour flexibility, retrenchment thresholds, and strike regulation. However, this view overlooks significant worker-centric reforms embedded in the Codes. Universalisation of minimum wages, expansion of social security to unorganised and gig workers, recognition of fixed-term workers with parity of benefits, and strengthened occupational safety standards represent substantive advances in worker protection. The Codes seek to rebalance regulation, not dismantle labour welfare.

Another widespread misconception is that the Labour Codes **abolish existing worker rights**. In reality, the Codes largely consolidate and rationalise rights that already existed under multiple laws. Core protections such as minimum wages, social security

benefits, compensation for injury, and collective bargaining mechanisms continue under the new framework. While procedures have changed, the substantive rights have not been eliminated. Confusion arises when procedural simplification is mistaken for dilution of rights.

There is also a belief that the Labour Codes **encourage mass retrenchment and job losses**. This fear is often linked to increased thresholds for government permission in retrenchment and closure. However, empirical evidence suggests that employment decisions are influenced more by market conditions, technology, and demand cycles than by legal thresholds alone. The Codes aim to provide lawful and predictable exit mechanisms, which can actually encourage formal hiring by reducing uncertainty. Job creation and job security depend as much on economic growth and enterprise viability as on regulation.

A persistent myth relates to **fixed term employment being a tool for exploitation**. Fixed term contracts are often equated with precarious work. While misuse is a legitimate concern, the Codes mandate parity of wages and benefits between fixed-term and permanent workers performing similar work. Fixed term employment is intended to legitimise short-duration work arrangements that already exist informally, bringing them within the ambit of social security and legal protection. The challenge lies in enforcement, not in the concept itself.

Another misconception is that **digital compliance weakens enforcement**. Critics argue that reduced physical inspections and increased reliance on digital systems will allow violations to go unnoticed. In reality, digitalisation enables risk-based inspections, better data analysis, and targeted enforcement. When designed and implemented well, digital systems can enhance transparency and accountability rather than dilute oversight. The effectiveness of enforcement depends on institutional capacity, not the medium of compliance.

There is also confusion regarding **decriminalisation of offences**. Decriminalisation is often misunderstood as deregulation or leniency. In fact, the Labour Codes replace imprisonment for minor technical violations with monetary penalties while retaining strict sanctions for serious and repeated offences. This approach aligns penalties with harm and intent, reducing harassment without compromising deterrence. Strong administrative enforcement remains central to protecting worker rights.

A further misconception concerns **State-level implementation**, with fears that States will arbitrarily dilute protections to attract investment. While States have rule-making powers, they are bound by the framework and minimum standards set by the Central legislation. Judicial oversight and constitutional principles act as safeguards against arbitrary dilution. Variation in procedures does not necessarily imply erosion of rights, though vigilance is essential.

Another myth is that **trade unions are being rendered irrelevant** under the Labour Codes. While the industrial relations framework has been streamlined, trade unions continue to play a vital role in collective bargaining, dispute resolution, and worker representation. Recognition mechanisms aim to reduce multiplicity and inter-union rivalry, not suppress worker voice. The effectiveness of unions will depend on their adaptability to changing labour markets rather than solely on statutory provisions.

Finally, there is a misconception that the Labour Codes will **automatically deliver reform outcomes**. Laws alone cannot transform labour markets. Implementation, institutional capacity, awareness, and social dialogue are decisive factors. Unrealistic expectations—both positive and negative—can distort assessment of reforms.

In conclusion, myths and misconceptions about the Labour Codes often arise from partial understanding, politicised narratives, and trust deficits. Clarifying these misunderstandings is essential for

meaningful engagement and informed decision-making. Labour reforms must be evaluated in their entirety, considering both flexibility and protection, intent and implementation. Dispelling myths does not mean dismissing genuine concerns; rather, it creates space for constructive dialogue grounded in facts, constitutional values, and shared objectives of growth, dignity, and social justice.

Chapter 53

Protest Movements and Reality Check

Protest movements have been a defining feature of India's labour reform discourse. From nationwide strikes to sector-specific demonstrations, opposition to the Labour Codes has been articulated through collective action led by trade unions, worker federations, and allied civil society groups. These protest movements are not merely reactions to statutory text; they reflect deeper anxieties about livelihoods, power relations, and trust in institutions. A reality check requires examining both the substance of protests and the empirical and administrative realities of labour reform.

Historically, labour protests in India have served as instruments of negotiation and political expression. They have drawn attention to exploitative practices, influenced policy outcomes, and strengthened worker solidarity. In the context of the Labour Codes, protests emerged early, signalling concern over the pace, process, and perceived intent of reform. Large-scale mobilisations underscored the symbolic importance of labour law as a social compact, not just a regulatory tool.

A central demand of protest movements has been the protection of **job security and collective bargaining rights**. Protest narratives often frame the Codes as enabling arbitrary retrenchment, normalising fixed-term employment, and constraining the right to strike. These concerns are rooted in lived experiences of informalisation and weak enforcement under earlier regimes. Workers fear that legal flexibility,

without credible safeguards, may translate into precarity on the ground.

Another recurring theme in protests is the **process of reform**. Many unions argue that labour reforms were undertaken without adequate consultation or consensus-building. In a democratic polity with a strong tradition of tripartite engagement, the perception of exclusion carries significant weight. Protest movements thus express not only opposition to specific provisions but also resistance to perceived procedural marginalisation.

A reality check, however, requires moving beyond slogans to examine statutory content and implementation trajectories. The Labour Codes do not abolish minimum wages, social security, or occupational safety protections; in several respects, they expand coverage and standardise entitlements. Universalisation of minimum wages, recognition of gig and migrant workers, and consolidation of safety standards represent tangible welfare gains. Protests that portray the Codes as wholesale dismantling of labour rights risk oversimplifying a complex reform package.

At the same time, dismissing protests as misinformation or ideological resistance would be equally flawed. Protest movements highlight legitimate **implementation risks**. Expanded social security coverage remains largely enabling and dependent on schemes, funding, and administrative capacity. Digital compliance and facilitative inspection, if poorly executed, could weaken enforcement. Flexibility provisions, if not accompanied by strong oversight, may indeed be misused. Protests thus function as early warning signals about gaps between law and practice.

The divergence between protest narratives and reform intent is often amplified by **trust deficits**. Decades of uneven enforcement, delayed justice, and exclusion from welfare have shaped worker scepticism. In such contexts, assurances of future benefits struggle to

overcome present insecurity. Protest movements thrive where institutional credibility is weak, regardless of legislative design.

There is also a political economy dimension to protests. Labour reforms intersect with broader anxieties about privatisation, contractualization, and shrinking public sector employment. Protest movements often aggregate multiple grievances into a single platform, making labour codes a focal point for wider discontent. This aggregation complicates reality checks, as protests may reflect structural economic stress as much as specific legal provisions.

Empirical assessment of labour reforms is still evolving, given staggered implementation across States. Early evidence suggests mixed outcomes: improvements in digital compliance and procedural clarity in some jurisdictions, alongside delays, confusion, and capacity gaps in others. Where States have invested in awareness, facilitation, and institutional strengthening, resistance appears more muted. Where implementation has been opaque or uneven, protests have persisted.

The way forward lies in **bridging protest and policy through engagement**. Suppressing or ignoring protest movements risks entrenching opposition and undermining legitimacy. Conversely, treating protests as partners in reform—by addressing concerns, clarifying misconceptions, and demonstrating tangible welfare outcomes—can transform resistance into participation. Social dialogue, pilot initiatives, and transparent monitoring are critical tools in this process.

Reality checks must also be iterative. As reforms unfold, data on wages, safety, disputes, and social security coverage should inform public debate. Evidence-based assessment can validate concerns, correct exaggerations, and guide course correction. Over time, lived outcomes—not narratives—will determine whether protests subside or intensify.

In conclusion, protest movements surrounding the Labour Codes reflect both resistance to change and rational responses to uncertainty. A balanced reality check acknowledges that while some protest claims overstate statutory intent, others underscore genuine risks of implementation failure. Labour reforms will achieve durability not by silencing dissent, but by engaging it constructively—through trust-building, demonstrable outcomes, and continuous dialogue. Only then can the gap between protest and policy narrow, allowing reforms to evolve within India’s democratic and social fabric.

Chapter 54

Media, Academia and Public Discourse

Media, academia, and public discourse play a decisive role in shaping how labour reforms are understood, debated, and ultimately legitimised. While statutes and rules define the legal architecture of reform, it is public interpretation—filtered through journalism, scholarship, and civic debate—that determines societal acceptance. In the case of India’s Labour Codes, these knowledge intermediaries have profoundly influenced perceptions, often amplifying contestation while also contributing to critical reflection and policy refinement.

The media has been the most visible arena for labour reform narratives. News coverage, editorials, television debates, and digital platforms have framed the Labour Codes in ways that reach far beyond technical legal audiences. Media narratives tend to simplify complex provisions into headline issues—such as job security, strike rights, or ease of doing business—making reforms accessible but also prone to distortion. The compression of nuanced policy into soundbites often sharpens polarisation, privileging conflict over comprehension.

Mainstream media coverage has varied in tone and depth. Some outlets have emphasised the economic rationale of reforms, highlighting investment, formalisation, and employment generation. Others have foregrounded worker anxieties, protests, and union critiques, framing reforms as socially disruptive. This plurality reflects the diversity of editorial positions but also reveals a structural

challenge: sustained, explanatory journalism on labour law remains limited. Episodic coverage tied to protests or political events often overshadows continuous scrutiny of implementation and outcomes.

Digital and social media have further transformed public discourse. Platforms enable rapid mobilisation, dissemination of alternative narratives, and amplification of protest voices. While this democratises debate, it also accelerates misinformation and ideological echo chambers. Complex issues such as wage definitions, social security financing, or inspection reform are frequently reduced to emotive claims. The velocity of digital discourse rewards outrage and certainty over deliberation and nuance, complicating informed engagement.

Academia occupies a distinct yet interconnected role. Scholars of labour law, economics, sociology, and public policy have analysed the Labour Codes through diverse lenses—constitutional values, comparative labour standards, political economy, and empirical outcomes. Academic contributions add depth and rigour, unpacking trade-offs and long-term implications often absent from popular debate. Peer-reviewed research, policy briefs, and expert commentary have clarified misconceptions and highlighted implementation risks.

However, academic discourse also faces limitations. Scholarly debates often remain confined to journals, conferences, and expert forums, with limited penetration into mainstream public understanding. The time lag between research and publication can reduce responsiveness to fast-moving policy debates. Bridging this gap requires active translation of academic insights into accessible formats—op-eds, explainers, public lectures, and policy dialogues.

Public discourse emerges at the intersection of media narratives and academic analysis, shaped further by political messaging and lived experience. Workers, employers, administrators, and citizens interpret reforms through personal and collective frames—job security, compliance burden, welfare access, and trust in institutions. Where

public discourse is informed by credible information and inclusive dialogue, it can support adaptive governance. Where it is dominated by polarised narratives, it can harden resistance and impede learning.

Think tanks and civil society organisations have increasingly acted as intermediaries between academia and media. Policy reports, stakeholder consultations, and public campaigns have influenced discourse by synthesising evidence and articulating concerns. Such institutions can elevate debate by focusing attention on implementation quality, data transparency, and outcomes rather than intent alone. Their credibility depends on methodological rigour and perceived independence.

A critical issue across media and academia is **balance**. Labour reforms inherently involve trade-offs—between flexibility and security, efficiency and equity. Responsible discourse must acknowledge these tensions rather than present zero-sum framings. Overstating benefits risks eroding trust when outcomes lag; overstating harms can entrench fear and resistance. Balanced discourse creates space for course correction and shared ownership.

The State's role in shaping public discourse is also significant. Transparent communication, timely data release, and openness to critique can improve the quality of debate. When governments engage proactively with media and academia—through briefings, consultations, and evidence sharing—they reduce speculation and misinformation. Defensive or opaque communication, by contrast, fuels distrust and adversarial narratives.

Looking ahead, the quality of public discourse will increasingly depend on **evidence-based evaluation**. As the Labour Codes are implemented across States, data on wages, safety incidents, disputes, and social security coverage should inform debate. Media and academia have a responsibility to scrutinise outcomes, not just intentions. Longitudinal studies, State-wise comparisons, and worker-level surveys can ground discourse in reality.

In conclusion, media, academia, and public discourse are not peripheral observers of labour reform; they are active participants in shaping its meaning and legitimacy. When these spheres function responsibly—prioritising accuracy, balance, and evidence—they can enrich democratic deliberation and improve policy outcomes. For labour reforms to mature into trusted institutions, the public conversation surrounding them must evolve from polarised narratives to informed, inclusive, and outcome-oriented debate.

Chapter 55

Reform Fatigue and Change Management

Large-scale reforms rarely fail due to flawed intent alone; more often, they falter because institutions and stakeholders are overwhelmed by the pace, complexity, and cumulative impact of change. This phenomenon—commonly described as **reform fatigue**—is increasingly relevant in the context of India’s labour law transformation. The Labour Codes are part of a broader wave of regulatory, digital, and institutional reforms that have reshaped governance in recent years. Managing reform fatigue through effective change management is therefore critical to ensuring that labour reforms achieve durable and meaningful outcomes.

Reform fatigue manifests differently across stakeholders. For workers, it appears as uncertainty, anxiety, and resistance. Frequent changes in laws, procedures, and compliance systems can create fear of losing hard-won protections, particularly in an environment of weak enforcement and economic volatility. When reforms are announced faster than their benefits are realised, workers may disengage or mobilise in opposition, perceiving change as a threat rather than an opportunity.

Employers, especially small and medium enterprises, experience reform fatigue through **compliance overload**. Transitioning to new wage definitions, digital portals, registration systems, and reporting formats demands time, resources, and learning. For enterprises

already grappling with market pressures, frequent regulatory shifts can divert attention from core business activities. Even reforms aimed at simplification can initially feel burdensome if implementation is abrupt or inadequately supported.

Labour administration and State institutions are not immune to reform fatigue. Officials are required to adapt to new laws, digital systems, facilitative roles, and performance metrics—often without commensurate increases in capacity or training. Institutional fatigue can lead to inconsistent enforcement, reversion to legacy practices, or resistance to innovation. When frontline administrators are overburdened, reform outcomes suffer.

A key driver of reform fatigue is **simultaneity**. The Labour Codes are being implemented alongside other major reforms in taxation, insolvency, digital governance, and social welfare. While each reform may be justified individually, their cumulative impact strains absorptive capacity. Stakeholders often struggle to prioritise, sequence, and internalise changes, leading to disengagement or superficial compliance.

Change management offers a framework to address reform fatigue proactively. At its core, change management recognises that reforms are not merely technical adjustments but behavioural and cultural transitions. Successful change requires clarity of purpose, phased execution, communication, capacity building, and feedback loops.

Phased implementation is one of the most effective tools against reform fatigue. Instead of simultaneous enforcement of all provisions, reforms should be sequenced to allow learning and adjustment. Pilot projects, transitional arrangements, and grace periods enable stakeholders to adapt without fear of immediate penalties. Phasing also allows policymakers to identify and correct design or implementation flaws early.

Communication is equally vital. Reform fatigue is often exacerbated by uncertainty and misinformation. Clear, consistent, and honest communication about what is changing, why it matters, and how stakeholders will be supported can reduce anxiety. Overselling reforms or underplaying challenges undermines credibility. Effective change communication acknowledges trade-offs and sets realistic expectations.

Capacity building must accompany legal change. Employers need guidance, tools, and support to comply with new systems. Workers need awareness and facilitation to access expanded rights and benefits. Administrators need training to adopt facilitative, digital, and risk-based governance roles. Investment in human capacity is not ancillary—it is foundational to reform success.

Feedback mechanisms are critical to adaptive change management. Stakeholders must have avenues to report difficulties, suggest improvements, and seek clarification. Responsive governance—where feedback informs timely course correction—signals respect and builds trust. Ignoring feedback intensifies fatigue and resistance.

Leadership plays a decisive role in managing reform fatigue. Political and administrative leaders must articulate a coherent reform narrative and demonstrate commitment through action. Consistency across departments and levels of government reduces confusion. Visible problem-solving and accountability reinforce confidence that reforms are being managed, not imposed.

Change management also requires **empathy and realism**. Not all resistance stems from ideology; much of it arises from genuine capacity constraints and fear of uncertainty. Policies that recognise heterogeneity—across sectors, regions, and enterprise sizes—are more resilient than one-size-fits-all mandates.

Finally, reform fatigue should be viewed as a signal rather than a failure. It indicates that the system's absorptive capacity is being

tested. Recognising this allows policymakers to pause, recalibrate, and reinforce support structures without abandoning reform objectives.

In conclusion, managing reform fatigue is as important as designing reform itself. The success of the Labour Codes depends not only on legal coherence but on the ability of institutions and stakeholders to internalise and sustain change. Through phased implementation, clear communication, capacity building, and responsive governance, reform fatigue can be mitigated. Effective change management transforms reform from a disruptive event into a shared journey—one that balances ambition with absorption, and vision with viability, in India's evolving labour governance landscape.

Part XI: Comparative and Global Perspective — Overview

Part XI situates India's labour reforms within a comparative and global context, examining how different countries have modernised labour regulation in response to globalisation, technological change, and evolving work arrangements. It analyses international experiences in balancing labour flexibility with worker protection, expanding social security, and reforming industrial relations. The section also assesses India's alignment with global labour standards and best practices, including approaches adopted by emerging and developed economies. By drawing comparative insights, this part evaluates the strengths, limitations, and adaptability of India's Labour Codes in positioning the country as a competitive yet socially responsible economy.

Chapter 56

Labour Reforms in Emerging Economies

Emerging economies across Asia, Africa, and Latin America face a common challenge: how to design labour regulation that supports rapid economic growth while safeguarding worker welfare in contexts marked by informality, demographic pressure, and structural transformation. Labour reforms in these economies are driven not only by domestic imperatives but also by global competition, supply-chain integration, and technological change. Examining these reforms offers valuable comparative insights for understanding India's Labour Codes and their place within a broader global trend.

A defining feature of labour markets in emerging economies is the **predominance of informality**. In many countries, a majority of workers operate outside formal employment relationships, lacking access to social security, written contracts, or collective bargaining. Traditional labour laws, often inherited from colonial or early industrial periods, tended to focus on a narrow segment of formal employment. Reform efforts have therefore increasingly prioritised expanding coverage, simplifying compliance, and creating incentives for formalisation.

Several emerging economies have pursued **simplification and consolidation** as a core reform strategy. Countries such as Indonesia, Vietnam, and Brazil have moved towards unified labour codes or omnibus reforms to reduce regulatory fragmentation. These reforms aim to replace complex, overlapping statutes with clearer frameworks that are easier to administer and comply with. India's consolidation of

multiple labour laws into four Labour Codes reflects a similar recognition that complexity itself can undermine both compliance and protection.

Another shared reform objective is **balancing flexibility with security**. Emerging economies compete for investment in manufacturing, services, and global value chains, where labour costs and adaptability are critical factors. Reforms have often introduced fixed-term contracts, eased hiring and termination procedures, and rationalised dispute resolution mechanisms. At the same time, many countries have expanded social security coverage, minimum wage protection, and occupational safety standards to mitigate the risks of flexibility. This dual-track approach—often described as “flexicurity”—seeks to reconcile economic competitiveness with social protection.

The expansion of **social security beyond formal employment** is a notable trend. Countries like China, Thailand, and Mexico have experimented with contributory and non-contributory schemes to extend health insurance, pensions, and income support to informal and self-employed workers. Digital platforms, national identification systems, and targeted subsidies have played important roles in this expansion. India’s emphasis on extending social security to unorganised, gig, and platform workers aligns closely with these global efforts, though implementation challenges remain common across jurisdictions.

Labour reforms in emerging economies are also shaped by **demographic and structural transitions**. Large youth populations create pressure for job creation, while urbanisation and migration demand portable and inclusive welfare systems. In Africa and South Asia, internal migration has highlighted the need for labour regulation that accommodates mobility rather than presuming stable, long-term employment. Reforms increasingly emphasise portability of benefits and worker-centric rather than establishment-centric protection.

However, reform outcomes in emerging economies have been mixed. While simplification and flexibility can stimulate investment and formal employment in some sectors, weak enforcement and institutional capacity often limit welfare gains. In several countries, reforms have been criticised for favouring employers without delivering promised job growth or social security expansion. These experiences underline the importance of **implementation capacity, enforcement credibility, and social dialogue**—factors as critical as legal design.

Resistance to labour reforms is also a common phenomenon across emerging economies. Trade unions, political opposition, and civil society groups often express concerns about job security and rights dilution. Successful reform experiences suggest that inclusive consultation, phased implementation, and visible welfare outcomes are essential for building legitimacy. Where reforms are perceived as imposed or one-sided, resistance tends to intensify, undermining effectiveness.

The role of international institutions and global standards further influences labour reforms. Multilateral organisations, trade agreements, and global buyers increasingly emphasise labour standards, safety, and social compliance. Emerging economies must navigate these pressures while addressing domestic development priorities. Aligning labour reforms with international norms can enhance export competitiveness and global credibility but may also require significant administrative investment.

For India, comparative experiences from emerging economies offer important lessons. Simplification and flexibility must be accompanied by credible enforcement and social security delivery. Digitalisation can enhance coverage and compliance but cannot substitute for institutional capacity. Most importantly, reforms must be embedded in a broader development strategy that includes skills, industrial policy, and social protection.

In conclusion, labour reforms in emerging economies reflect a shared search for regulatory models that support growth without sacrificing worker dignity. While contexts differ, common themes—formalisation, flexibility with protection, social security expansion, and governance reform—resonate across countries. India’s Labour Codes align with many of these global trends. Their ultimate success will depend on how effectively India learns from comparative experiences, adapts reforms to local realities, and translates legal frameworks into tangible improvements for its workforce.

Chapter 57

Flexicurity Models (EU Experience)

The concept of **flexicurity**—a blend of labour market flexibility and social security—has emerged as one of the most influential paradigms in European labour policy over the past three decades. Developed primarily within the European Union (EU), flexicurity seeks to reconcile the needs of employers for adaptability with workers' need for income security, employability, and dignity. The EU experience with flexicurity offers valuable comparative insights for countries like India that are attempting to modernise labour regulation while maintaining social justice.

At its core, flexicurity rests on four interlinked pillars: flexible and reliable contractual arrangements, comprehensive lifelong learning systems, effective active labour market policies, and modern social security systems that provide income support during transitions. Unlike traditional models that prioritised job security within a single employment relationship, flexicurity emphasises **employment security**—the ability of workers to remain employable and protected even as jobs change.

Denmark is often cited as the archetypal flexicurity model. Its labour market allows relatively easy hiring and dismissal, enabling firms to adjust quickly to economic conditions. However, this flexibility is counterbalanced by generous unemployment benefits, strong collective bargaining institutions, and active labour market policies focused on retraining and rapid re-employment. Workers accept flexibility because transitions are cushioned by income support

and skill development. The social contract underpinning this model is built on trust, high taxation, and strong institutions.

Other EU countries have adopted variants of flexicurity suited to their institutional contexts. The Netherlands, for example, combined flexible contracts with extensive part-time employment opportunities and social security coverage. Germany pursued labour market reforms that increased flexibility while investing in vocational training and social insurance. While outcomes have varied, a common thread is the recognition that flexibility without security leads to precarity, and security without flexibility can stifle competitiveness.

A critical feature of the EU flexicurity experience is the **central role of social dialogue**. Trade unions and employer associations are deeply involved in shaping labour market policies, wage-setting, and working conditions. Collective bargaining ensures that flexibility is negotiated rather than imposed. This participatory governance enhances legitimacy and reduces resistance, making reforms more sustainable.

The EU experience also highlights the importance of **institutional capacity and fiscal commitment**. Generous unemployment benefits, retraining programmes, and public employment services require substantial public investment. High levels of taxation and efficient administration are prerequisites for effective flexicurity. Where these conditions are absent, attempts to introduce flexibility can exacerbate inequality and insecurity.

Critically, flexicurity has not been uniformly successful across Europe. In Southern and Eastern European countries with weaker institutions and fragmented labour markets, reforms labelled as flexicurity sometimes resulted in increased dualism—secure permanent jobs for some and precarious temporary jobs for others. This divergence underscores that flexicurity is not a one-size-fits-all formula but a context-dependent strategy.

From a comparative perspective, the EU experience offers several lessons for India's labour reforms. First, **flexibility must be accompanied by credible security mechanisms**. Provisions enabling fixed-term employment or easier workforce adjustment must be matched by effective social security, unemployment support, and skill development. Without these, flexibility risks translating into vulnerability.

Second, **active labour market policies** are indispensable. The EU model invests heavily in retraining, job matching, and continuous skill development. For India, where demographic pressures and technological change are intense, integrating labour reforms with skilling and employability initiatives is crucial.

Third, **social dialogue matters**. The success of flexicurity in Europe is closely tied to strong trade unions, employer organisations, and institutionalised negotiation. India's labour reforms can benefit from deeper and more continuous engagement with worker and employer representatives, moving beyond episodic consultation to sustained partnership.

At the same time, structural differences must be acknowledged. India's labour market is far more informal, fiscal capacity is constrained, and institutional reach is uneven. Replicating European-style income support systems may not be immediately feasible. However, the principles of flexicurity—balanced reform, negotiated flexibility, and transition support—remain relevant and adaptable.

India's Labour Codes implicitly move in a flexicurity direction by combining flexibility in hiring and industrial relations with expanded social security coverage and standardised wage protection. The gap lies primarily in implementation capacity and scale. The EU experience cautions that sequencing and credibility are vital; workers accept flexibility only when security is tangible and reliable.

In conclusion, the EU's flexicurity models demonstrate that labour market reform need not be a zero-sum contest between growth

and protection. When flexibility is embedded within a strong framework of social security, skills, and dialogue, it can support both competitiveness and worker dignity. For India, flexicurity offers not a blueprint but a guiding philosophy—one that underscores the importance of balance, trust, and institutional strength in shaping the future of work.

Chapter 58

ASEAN and East Asian Labour Systems

Labour regulation in ASEAN and East Asian economies offers a distinctive comparative perspective shaped by export-led growth, demographic transitions, strong State involvement, and evolving social protection systems. Countries such as Singapore, Malaysia, Vietnam, Thailand, South Korea, Japan, and China have pursued labour reforms not as isolated legal exercises, but as integral components of broader industrial, trade, and human capital strategies. Examining these systems reveals how labour governance can be aligned with competitiveness, social stability, and long-term development.

A defining characteristic of many ASEAN and East Asian labour systems is their **pragmatic and growth-oriented orientation**. Labour laws have often been designed to support industrialisation, foreign direct investment, and integration into global value chains. Flexibility in hiring, wage-setting, and workforce adjustment has been a common feature, particularly in export manufacturing and services. However, this flexibility has been accompanied—at varying speeds—by gradual expansion of social security and skills systems to manage social risk.

Singapore represents a highly institutionalised and State-coordinated model. Its labour system emphasises tripartism, where government, employers, and unions jointly shape labour policy. Employment laws provide flexibility, but worker security is reinforced through compulsory savings, healthcare coverage, and continuous

skills upgrading. Industrial disputes are rare, reflecting strong social dialogue and alignment between labour policy and national economic strategy. The key lesson from Singapore is the role of **institutional trust and coordinated governance** rather than heavy legalism.

Vietnam and Indonesia illustrate transitional labour systems adapting from centrally planned or heavily regulated regimes towards market-oriented frameworks. These countries have undertaken labour law consolidation, expanded fixed-term employment, and reformed wage-setting mechanisms to attract investment. At the same time, social insurance coverage and minimum wage systems have been progressively expanded. Implementation challenges remain, particularly in enforcement and informal sector coverage, but the trajectory reflects a calibrated approach balancing competitiveness with worker protection.

South Korea and Japan offer insights from advanced East Asian economies that experienced rapid industrialisation followed by demographic ageing. Historically, both relied on strong employment norms—particularly lifetime employment in Japan and enterprise-based unions in Korea. Over time, rigidities gave way to increased non-regular employment, creating dual labour markets. In response, reforms have sought to extend social protection, improve working conditions, and address inequality between regular and non-regular workers. These experiences underscore the long-term risks of flexibility without timely social security adaptation.

China's labour system reflects a unique blend of State control and market flexibility. Labour contract laws formalised employment relationships and expanded worker rights, including contracts, dispute resolution, and social insurance. At the same time, enforcement varies significantly across regions, and migrant workers continue to face vulnerabilities. China's experience highlights the importance of administrative capacity and local governance in translating statutory rights into reality.

A common feature across ASEAN and East Asian systems is the **central role of skills and human capital policy**. Labour regulation is closely linked with vocational training, apprenticeship systems, and continuous skill development. Governments actively invest in employability to support labour mobility and productivity. This integration reduces resistance to flexibility by enhancing workers' capacity to transition between jobs and sectors.

Another notable aspect is the **limited role of adversarial industrial relations** compared to some Western systems. While trade unions exist, collective bargaining is often enterprise-based or State-mediated. Social dialogue tends to prioritise economic stability and employment growth over confrontational bargaining. This model reduces industrial conflict but can raise concerns about representation and worker voice, particularly for migrant and informal workers.

For India, ASEAN and East Asian labour systems offer several relevant lessons. First, labour reforms are most effective when embedded within a coherent development strategy encompassing industrial policy, skills, and social protection. Second, flexibility gains legitimacy when accompanied by credible investment in employability and welfare. Third, institutional coordination and administrative effectiveness matter as much as statutory design.

However, contextual differences must be acknowledged. Many East Asian economies have stronger State capacity, smaller populations, and more centralised governance structures. India's federal system, vast informal sector, and demographic scale present distinct challenges. Direct transplantation of models is neither feasible nor desirable.

In conclusion, ASEAN and East Asian labour systems demonstrate that labour regulation can be an instrument of economic transformation when aligned with national development goals. Their experiences reveal pathways to manage flexibility, social stability, and competitiveness simultaneously. For India, these systems reinforce

the importance of sequencing, institutional capacity, and integration of labour reforms with skills and social policy. Comparative learning from East Asia thus enriches India's understanding of how labour governance can support sustained growth while gradually strengthening worker protection in a rapidly changing economic landscape.

Chapter 59

Lessons for India

Comparative experiences from emerging economies, the European Union, and East and Southeast Asia offer valuable lessons for India as it navigates the implementation of its Labour Codes. While institutional contexts differ, recurring patterns across jurisdictions reveal what enables labour reforms to succeed—and what causes them to falter. For India, the challenge is not to replicate foreign models, but to adapt underlying principles to its constitutional values, federal structure, and socio-economic realities.

The first and most fundamental lesson is that **labour reform is an implementation project, not merely a legislative one**. Across countries, well-drafted laws have failed where enforcement capacity, administrative coordination, and institutional readiness were weak. India's Labour Codes provide a coherent framework, but outcomes will depend on State capacity, inspector training, digital infrastructure, and dispute resolution effectiveness. Continuous investment in institutions is therefore indispensable.

A second lesson concerns the **balance between flexibility and security**. Comparative experience consistently shows that flexibility is accepted—and sustainable—only when accompanied by credible security. In Europe, flexibility is cushioned by unemployment benefits, retraining, and active labour market policies. In East Asia, it is supported by skills development and coordinated governance. For India, flexibility in hiring, fixed-term employment, and industrial relations must be matched by reliable social security delivery, skill

upgrading, and portability of benefits. Without visible security, flexibility risks being perceived as precarity.

Third, **formalisation cannot be coerced; it must be incentivised**. Countries that succeeded in expanding formal employment simplified compliance, reduced discretion, and offered tangible benefits for formal participation. India's emphasis on single registration, digital compliance, and decriminalisation aligns with this lesson. However, incentives must be complemented by facilitation, awareness, and transitional support—particularly for MSMEs and informal enterprises. Formalisation is a process, not an event.

Fourth, comparative experience underscores the importance of **social dialogue and trust**. Reforms imposed without consultation tend to face resistance, litigation, and uneven implementation. In contrast, jurisdictions with institutionalised dialogue—whether tripartite or consultative—achieve greater legitimacy and adaptability. For India, meaningful engagement with trade unions, employers, and civil society must continue beyond legislation into rule-making, implementation review, and policy refinement. Trust is built through participation and responsiveness, not assurances alone.

A fifth lesson relates to **sequencing and pacing of reform**. Countries that attempted rapid, simultaneous changes often encountered reform fatigue and backlash. Successful reforms were phased, piloted, and adjusted based on feedback. India's diverse economic landscape demands calibrated implementation, allowing States and sectors to adapt at different speeds. Transitional provisions, handholding, and learning-by-doing are not signs of weakness but of prudent governance.

The role of **skills and employability** emerges as a central comparative insight. Labour regulation alone cannot ensure job security or productivity. EU and East Asian experiences demonstrate that active labour market policies, vocational training, and continuous skilling are essential complements to flexibility. For India, integrating

labour reforms with skill development initiatives is critical to converting demographic potential into sustainable employment. Employability is the modern form of security.

Another key lesson concerns **digital governance**. Many countries have leveraged digital systems to improve compliance, targeting, and transparency. However, technology succeeds only when systems are user-friendly, inclusive, and supported by institutional capacity. India's digital compliance initiatives must therefore address the digital divide through assisted compliance, facilitation centres, and offline support. Technology should simplify regulation, not create new barriers.

Comparative experience also highlights the risks of **dual labour markets**. Where flexibility is introduced without extending protection, labour markets become segmented—secure jobs for a few and precarious work for many. Several European and East Asian countries grappled with such dualism before expanding protections for non-standard workers. India's recognition of gig, platform, and fixed-term workers is a positive step, but effective implementation will determine whether dualism narrows or deepens.

Federal diversity presents both opportunity and challenge. Countries with decentralised governance show that variation can foster innovation, but excessive divergence undermines coherence. India's cooperative federalism must ensure minimum national standards while allowing contextual adaptation. Knowledge-sharing, model rules, and inter-state coordination are essential to avoid fragmentation.

Finally, comparative lessons emphasise the importance of **continuous evaluation and adaptability**. Labour markets evolve with technology, demographics, and global integration. Successful systems treat reform as iterative, using data and feedback to refine policy. Static regulation quickly becomes obsolete. India's Labour

Codes, designed as framework laws, are well-suited to adaptive governance—provided review mechanisms are institutionalised.

In conclusion, global and comparative experience affirms that labour reform is a long-term institutional journey rather than a one-time legal milestone. For India, the key lessons are clear: balance flexibility with security, invest in institutions and skills, build trust through dialogue, pace reforms thoughtfully, and remain adaptive. If these lessons are internalised, India's Labour Codes can evolve into a robust, inclusive, and credible labour governance system—supporting growth, dignity, and social justice in the decades ahead.

Part XII: Labour Reforms and Economic Outcomes — Overview

Part XII examines the economic impact of labour reforms, analysing how changes in labour regulation influence employment generation, productivity, investment, competitiveness, and formalisation. It explores the relationship between labour flexibility and job creation, wage dynamics, enterprise growth, and industrial performance. The section also assesses sectoral and regional outcomes, highlighting variations across States and industries. By linking labour governance to measurable economic indicators, this part evaluates whether the Labour Codes are translating policy intent into tangible economic outcomes and contributing meaningfully to inclusive and sustainable development.

Chapter 60

Employment Generation and Formalisation

Employment generation and formalisation lie at the heart of India's labour reform agenda. The Labour Codes were conceived against a backdrop of persistent unemployment challenges, high levels of informality, and demographic pressure from a young and growing workforce. In this context, labour reforms are expected not merely to regulate work but to create conditions conducive to job creation, enterprise growth, and the transition from informal to formal employment. Assessing their impact requires examining both the structural constraints of India's labour market and the pathways through which reform can influence outcomes.

India's employment challenge is unique in scale and complexity. A large proportion of workers are engaged in informal employment—characterised by absence of written contracts, social security, and legal protection. Informality has historically been driven by regulatory complexity, low productivity, limited enterprise scale, and weak enforcement. Labour reforms therefore aim to break this equilibrium by reducing compliance barriers, incentivising formal hiring, and extending protections beyond the narrow confines of traditional formal employment.

One of the primary mechanisms through which the Labour Codes seek to promote employment generation is **simplification of regulation**. By consolidating multiple labour laws into four Codes,

standardising definitions, and introducing common compliance mechanisms, the reforms reduce transaction costs associated with hiring and expansion. For employers, particularly MSMEs, reduced procedural complexity lowers the perceived risk of formal employment. Predictability in industrial relations and compliance obligations supports long-term workforce planning and investment decisions.

Labour flexibility plays a complementary role in employment generation. Provisions relating to fixed term employment, rationalised standing orders, and clearer retrenchment procedures aim to align regulation with modern business cycles. In sectors subject to fluctuating demand, project-based work, or seasonal variation, the ability to hire lawfully for defined durations reduces reliance on informal arrangements. When flexibility is available within a legal framework, employers are more likely to formalise employment relationships rather than circumvent regulation.

Formalisation is further encouraged through **digital compliance and single registration**. Digital systems lower entry barriers into the formal regulatory space by simplifying registration, licensing, and reporting. For many enterprises, especially small units, informality has been a survival strategy rather than a deliberate choice. User-friendly digital compliance, combined with facilitation and handholding, can shift incentives towards formal participation. Formalisation, in turn, enhances access to credit, markets, and skilled labour, creating a virtuous cycle of growth and employment.

The expansion of **social security coverage** under the Labour Codes is another critical driver of formalisation. By extending legal recognition and potential benefits to unorganised, gig, and platform workers, the reforms blur the rigid divide between formal and informal employment. Formalisation is no longer limited to traditional employer–employee relationships but encompasses diverse work arrangements. When workers perceive tangible benefits—such as health coverage, insurance, or income security—they are more likely

to seek formal registration, reinforcing compliance incentives for employers and platforms.

However, the relationship between labour reforms and employment generation is not automatic. Employment outcomes are influenced by broader economic conditions, including demand growth, industrial policy, infrastructure, and skill availability. Labour reforms create enabling conditions but cannot substitute for macroeconomic expansion. Empirical evidence from various States and sectors suggests that where reforms are accompanied by investment, skill development, and supportive business environments, employment gains are more visible.

Concerns persist regarding the **quality of employment** generated. Formalisation should not merely convert informal arrangements into short-term or precarious contracts without improving security or wages. The Labour Codes attempt to address this through parity provisions for fixed term workers and standardised wage protection. Effective enforcement and awareness are essential to ensure that employment growth translates into decent work rather than disguised informality.

Another challenge lies in **regional and sectoral variation**. Employment generation and formalisation outcomes differ significantly across States, reflecting disparities in administrative capacity, industrial structure, and implementation quality. States that invest in facilitation, digital infrastructure, and outreach tend to report better formalisation outcomes. Conversely, weak implementation can limit reform impact, reinforcing existing informality patterns.

The transition to formalisation also has fiscal and administrative implications. Expanded social security coverage requires sustainable financing and efficient delivery systems. Without adequate resources and institutional capacity, formalisation may stall or generate resistance. Phased implementation and targeted support are therefore critical to managing transition costs.

In conclusion, employment generation and formalisation under the Labour Codes represent a strategic shift from regulation-driven compliance to incentive-based inclusion. By simplifying procedures, enabling flexibility, and expanding social protection, the reforms aim to realign employer and worker incentives towards formality. While outcomes will vary across contexts and over time, the Labour Codes provide a foundation for addressing India's long-standing informality challenge. Their success in generating quality employment will ultimately depend on complementary economic policies, institutional capacity, and sustained commitment to inclusive growth.

Chapter 61

Productivity and Competitiveness

Productivity and competitiveness are central to India's aspiration of achieving sustained high growth and becoming a major global economic player. Labour reforms play a crucial role in shaping these outcomes by influencing how efficiently labour is deployed, how enterprises scale, and how industries respond to technological and market changes. The Labour Codes, while primarily framed as governance reforms, have significant implications for productivity enhancement and national competitiveness.

Productivity in the labour context refers not only to output per worker but also to the quality of work organisation, skill utilisation, and workplace efficiency. India's productivity levels have historically been constrained by small enterprise size, informality, skill mismatches, and regulatory fragmentation. By simplifying labour regulation and reducing compliance friction, the Labour Codes aim to enable enterprises to allocate resources more efficiently and focus on value creation rather than procedural management.

One of the most direct links between labour reforms and productivity is through **formalisation**. Formal enterprises tend to invest more in technology, training, and process optimisation than informal ones. When labour compliance is simplified and predictable, enterprises are more likely to grow beyond subsistence scale. Scale enables specialisation, adoption of modern management practices, and integration into supply chains—all of which enhance productivity.

Thus, labour reforms that encourage formalisation indirectly support productivity growth.

Labour flexibility also contributes to competitiveness by allowing firms to adapt to changing market conditions. In globally competitive sectors, the ability to adjust workforce size, skills, and deployment is essential. Provisions relating to fixed term employment, clearer industrial relations processes, and rationalised compliance reduce uncertainty and transaction costs associated with workforce management. When firms can respond swiftly to demand shifts, they remain competitive without resorting to informal or precarious practices.

From an investment perspective, predictable labour regulation is a key determinant of **investment climate**. Domestic and foreign investors consider labour compliance risk, dispute resolution efficiency, and industrial peace when making location decisions. The Labour Codes aim to reduce regulatory unpredictability by standardising procedures, consolidating laws, and introducing digital compliance. Improved predictability enhances investor confidence, supporting capital inflows that drive productivity through technology and scale.

Competitiveness also depends on **workforce quality and engagement**. Productivity gains are sustained when workers are skilled, healthy, and motivated. Labour reforms that strengthen occupational safety, standardise wage protection, and expand social security contribute to a more secure workforce. Security enables workers to invest in skills and engage productively, reducing turnover and absenteeism. Over time, improved working conditions translate into higher efficiency and output.

The relationship between labour costs and competitiveness is often misunderstood. While labour cost flexibility is important, competitiveness depends more on **unit labour costs**, which combine wages and productivity. Labour reforms that improve productivity can

support higher wages without eroding competitiveness. Conversely, suppressing wages without productivity gains may reduce worker morale and long-term efficiency. The Labour Codes, by emphasising standardised wages and safety alongside flexibility, seek to promote a balanced competitiveness strategy.

Sectoral competitiveness varies significantly. Labour-intensive manufacturing, construction, logistics, and services are particularly sensitive to labour regulation. Simplified compliance and digital processes reduce overhead costs, enabling firms in these sectors to compete globally. For export-oriented industries, alignment with international labour standards also enhances market access and brand credibility, particularly in supply chains increasingly attentive to social compliance.

However, productivity gains from labour reforms are not automatic. They depend on **complementary policies** such as skill development, technology adoption, infrastructure investment, and industrial policy. Countries that have successfully leveraged labour reforms for competitiveness have integrated them with broader development strategies. Labour regulation alone cannot drive productivity; it must operate within a supportive economic ecosystem.

Implementation quality remains a decisive factor. Inconsistent enforcement, administrative delays, or fragmented State-level rules can negate potential productivity gains. Enterprises require not only flexible laws but also efficient institutions. Capacity building within labour administration, dispute resolution mechanisms, and digital infrastructure is therefore critical to translating reform into competitiveness.

Concerns regarding inequality and dual labour markets must also be addressed. Productivity gains that benefit only a segment of enterprises or workers can exacerbate disparities and undermine social cohesion. Inclusive productivity—where gains are shared through wages, security, and skill opportunities—is essential for sustainable

competitiveness. The Labour Codes provide a framework for such inclusivity, but outcomes depend on enforcement and policy alignment.

In conclusion, labour reforms under the Labour Codes have significant potential to enhance productivity and competitiveness by enabling formalisation, flexibility, and predictable governance. By reducing compliance friction and strengthening worker security, the reforms aim to support efficient enterprise growth and workforce engagement. Realising this potential, however, requires effective implementation and integration with broader economic policies. When labour governance, skill development, and industrial strategy move in tandem, labour reforms can become a powerful lever for raising productivity and positioning India competitively in the global economy.

Chapter 62

Industrial Growth and Manufacturing Push

Industrial growth, particularly in manufacturing, is a cornerstone of India's development strategy. Manufacturing has the potential to generate large-scale employment, enhance productivity, expand exports, and reduce regional imbalances. Recognising this, successive policy initiatives have sought to revitalise the sector. Labour reforms under the Labour Codes are a critical component of this manufacturing push, aimed at creating a regulatory environment conducive to industrial expansion while safeguarding worker welfare.

India's manufacturing sector has historically underperformed relative to its demographic potential. A combination of small enterprise size, regulatory complexity, infrastructure constraints, and skill mismatches limited its growth. Labour regulation, fragmented across numerous statutes with varying thresholds and procedures, was often cited as a factor discouraging enterprise scaling and formal employment. The Labour Codes address this structural constraint by simplifying and rationalising labour governance.

One of the keyways labour reforms support industrial growth is by **reducing compliance uncertainty**. Manufacturing enterprises typically operate with long investment horizons and capital-intensive assets. Predictability in labour regulation—covering hiring, wages, industrial relations, and safety—is essential for planning and expansion. The consolidation of labour laws into four Codes,

standardised definitions, and clearer procedures reduce regulatory ambiguity, encouraging firms to invest and scale operations.

Labour flexibility plays a particularly important role in manufacturing competitiveness. Manufacturing demand is often cyclical, influenced by global markets, seasonal factors, and supply chain dynamics. Provisions enabling fixed term employment, simplified standing orders, and rationalised retrenchment processes allow firms to adjust workforce deployment lawfully and transparently. This reduces reliance on informal labour arrangements and supports formal job creation within manufacturing units.

At the same time, the Labour Codes strengthen **occupational safety and health standards**, which are especially critical in manufacturing environments. Consolidation of safety laws into a unified framework improves clarity and compliance. Safer workplaces reduce accidents, downtime, and compensation costs while enhancing worker morale and productivity. Over time, improved safety standards contribute to sustainable industrial growth by lowering social and economic costs associated with workplace injuries.

The manufacturing push also benefits from **digital compliance and facilitative enforcement**. Manufacturing enterprises often face complex supply chains and regulatory interfaces. Digital registration, common returns, and risk-based inspections reduce administrative burden and inspection-related disruptions. A facilitative enforcement approach encourages compliance through guidance rather than fear, improving relations between industry and regulators.

Labour reforms also interact with **industrial policy initiatives** such as production-linked incentives, industrial corridors, and export promotion schemes. Simplified labour compliance complements these initiatives by lowering entry barriers and operational costs. When labour governance is predictable and efficient, incentives for investment become more effective, accelerating industrial growth.

From a workforce perspective, labour reforms can support the manufacturing push by promoting **formalisation and skill development**. Formal employment enables investment in training, certification, and career progression. Manufacturing productivity depends heavily on skill levels, process discipline, and workforce stability. Labour reforms that encourage formal employment and protect worker rights create conditions for sustained skill accumulation.

However, challenges remain. Manufacturing growth requires not only labour flexibility but also reliable **dispute resolution mechanisms**. Industrial disputes, if unresolved or prolonged, can disrupt production and deter investment. The effectiveness of industrial relations institutions under the Labour Codes will therefore influence manufacturing outcomes. Speedy, transparent, and fair dispute resolution enhances industrial peace and investor confidence.

Regional disparities also affect the manufacturing push. States vary in industrial infrastructure, administrative capacity, and labour law implementation. While labour reforms provide a common framework, State-level execution will determine where manufacturing growth concentrates. States that combine labour reform implementation with infrastructure development and skill initiatives are likely to attract greater manufacturing investment.

Critically, labour reforms must avoid fostering a **race to the bottom**. Manufacturing competitiveness cannot be built on low wages or weak protections alone. Global supply chains increasingly demand compliance with labour standards, safety norms, and ethical sourcing. India's manufacturing push must therefore align competitiveness with decent work to sustain export credibility and social stability.

In conclusion, labour reforms under the Labour Codes play a strategic role in India's industrial growth and manufacturing push. By simplifying regulation, enabling flexibility, strengthening safety, and promoting formalisation, the reforms aim to remove structural

barriers to manufacturing expansion. Their success will depend on effective implementation, coordination with industrial policy, and investment in skills and infrastructure. When aligned with a broader development strategy, labour reforms can help transform manufacturing into a dynamic engine of employment, productivity, and inclusive growth.

Chapter 63

Labour Reforms and Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) plays a critical role in India's economic development by bringing capital, technology, managerial expertise, and access to global markets. While multiple factors influence FDI decisions—such as market size, infrastructure, taxation, and political stability—labour regulation remains a significant consideration, particularly for labour-intensive and export-oriented investments. The Labour Codes seek to improve India's investment climate by creating a more predictable, transparent, and balanced labour governance framework. Understanding the relationship between labour reforms and FDI requires a nuanced assessment of how regulation shapes investor confidence without compromising worker protection.

Historically, India's labour law regime was often perceived by foreign investors as complex and unpredictable. A multiplicity of statutes, overlapping compliance requirements, inspector-driven enforcement, and lengthy dispute resolution processes contributed to regulatory uncertainty. For multinational enterprises accustomed to operating in diverse jurisdictions, uncertainty rather than regulation per se was a key concern. The Labour Codes address this challenge by consolidating laws, standardising definitions, and simplifying compliance processes.

Predictability is central to investment decisions. Long-term investments—such as manufacturing plants, logistics hubs, and service centres—require clarity on workforce management, wage obligations, industrial relations, and safety standards. By offering a unified legislative framework and enabling digital compliance, the Labour Codes reduce information asymmetry and compliance risk. This predictability enhances India’s attractiveness as an FDI destination, particularly for firms seeking to diversify supply chains.

Labour flexibility is another factor influencing FDI, especially in globally competitive sectors. Provisions enabling fixed term employment, rationalised retrenchment procedures, and clearer standing orders allow firms to adjust operations in response to market fluctuations. Such flexibility aligns India’s labour regulation more closely with global norms, reducing the perceived gap between India and competing investment destinations. Importantly, this flexibility is embedded within a legal framework that retains core worker protections, which is increasingly important for socially responsible investors.

FDI is also sensitive to **industrial relations climate**. Frequent disputes, strikes, or litigation can disrupt operations and increase costs. The Labour Codes aim to promote industrial peace through clearer dispute resolution mechanisms, structured collective bargaining processes, and predictable strike regulations. When industrial relations are governed by transparent and timely processes, investors gain confidence in operational continuity.

From a global perspective, investors increasingly evaluate labour standards as part of environmental, social, and governance (ESG) considerations. Poor labour practices can expose firms to reputational risk, supply chain disruptions, and regulatory sanctions in home jurisdictions. By standardising wage protection, strengthening safety norms, and expanding social security coverage, India’s labour reforms enhance alignment with international labour expectations. This

alignment can make India more attractive to investors committed to responsible business conduct.

Digital governance under the Labour Codes further supports FDI by improving transparency and efficiency. Online registration, common returns, and digital inspection systems reduce bureaucratic friction and discretionary interactions. For foreign investors unfamiliar with local administrative practices, digital compliance offers clarity and consistency. Integrated data systems also enable better coordination between Central and State authorities, reducing regulatory fragmentation.

However, labour reforms alone cannot guarantee increased FDI. Investors assess the overall business ecosystem, including infrastructure quality, logistics efficiency, skill availability, and policy stability. Labour reforms contribute by removing a key structural concern, but their impact is maximised when complemented by broader economic reforms and industrial policies.

Implementation consistency across States is a critical determinant of FDI outcomes. Foreign investors often operate in multiple States and value uniformity in compliance procedures. Divergent State rules, delays in implementation, or inconsistent enforcement can dilute the benefits of Central reform. Cooperative federalism, model rules, and capacity building at the State level are therefore essential to translating labour reforms into FDI gains.

Concerns have been raised about whether labour flexibility might deter investment by increasing social unrest or worker dissatisfaction. Empirical experience suggests that sustainable investment favours stability over short-term cost advantages. Investors value environments where labour relations are predictable and disputes are resolved institutionally. Ensuring that labour reforms strengthen rather than weaken trust between workers and employers is therefore crucial for long-term FDI attraction.

In conclusion, labour reforms under the Labour Codes enhance India's FDI prospects by addressing long-standing concerns about regulatory complexity, predictability, and enforcement. By balancing flexibility with protection and aligning governance with global standards, the reforms support a more credible and competitive investment climate. Their effectiveness in attracting FDI will depend on consistent implementation, integration with broader development policies, and maintenance of industrial harmony. When these conditions are met, labour reforms can act as a strategic enabler of foreign investment that contributes to employment, technology transfer, and sustainable economic growth.

Chapter 64

Impact on Micro, Small and Medium Enterprises (MSME) Sector

The Micro, Small and Medium Enterprises (MSME) sector occupies a central position in India's economic structure, accounting for a substantial share of employment, production, exports, and dispersed regional growth. Consequently, the economic outcomes of labour reforms can be meaningfully understood only through their effects on MSME performance and sustainability. The Labour Codes acknowledge that most Indian enterprises function at relatively small scale, where regulatory cost sensitivity is high and managerial capacity is limited. The reforms therefore attempt to adjust labour governance in a way that improves economic viability while preserving basic worker protections.

In the earlier regulatory environment, compliance costs bore a disproportionately higher impact on smaller enterprises than on large firms. Requirements such as multiple registrations, overlapping statutory obligations, and frequent inspection cycles increased operational uncertainty. As a result, informality often emerged as an economic adaptation rather than a deliberate evasion strategy. Simplification under the Labour Codes alters this cost structure by reducing procedural intensity, thereby changing the economic incentives surrounding formal participation.

One observable economic outcome is the reduction in administrative transaction cost. Consolidation into four Codes,

harmonised definitions, and standardised filings decrease time spent on regulatory management. For MSMEs, which typically lack specialised compliance departments, the savings in managerial effort translate into productive capacity. Lower compliance overhead allows enterprise resources to be redirected toward production, marketing, and skill development rather than regulatory navigation.

Digital compliance mechanisms further influence operational efficiency. Online registration and reporting reduce dependence on intermediaries and shorten processing timelines. This improves predictability in business operations and lowers opportunity cost associated with delays. However, the economic benefit varies across regions. Enterprises with limited digital access may initially experience adjustment costs, suggesting that digital adoption support plays a role in determining the actual economic gain.

Changes in enforcement philosophy also affect enterprise behaviour. The shift toward corrective compliance and monetary penalties reduces the perceived risk of disproportionate legal consequences for procedural errors. Economically, this lowers uncertainty and encourages formal participation. Reduced regulatory fear can support investment decisions, particularly for small enterprises that operate under tight financial margins.

Labour flexibility provisions generate measurable operational effects. Fixed-term employment and simplified workforce regulation allow MSMEs to align labour input more closely with demand fluctuations. This reduces reliance on informal arrangements and supports lawful hiring practices. At the same time, stable workforce relationships remain economically valuable for smaller firms, as productivity in such enterprises depends heavily on skill retention and worker familiarity with processes.

Cost adjustments arising from wage definition standardisation and expanded social security coverage represent a short-term financial impact. Labour expenditure may increase for certain enterprises,

particularly micro units with limited margins. However, improved workforce stability, reduced turnover, and enhanced productivity can offset these costs over time. The economic outcome therefore depends on the balance between immediate expenditure and longer-term efficiency gains.

Formalisation under the Labour Codes can improve market integration. Compliant enterprises often gain easier access to institutional credit, organised supply chains, and larger procurement networks. As supply chains increasingly value regulatory transparency, labour compliance becomes an economic credential rather than merely a legal obligation. Over time, this can enable MSMEs to expand scale, upgrade technology, and enhance competitiveness.

Nevertheless, the transition to formalisation requires adjustment capability. Enterprises unfamiliar with structured compliance may initially face learning costs. Availability of simplified tools, guidance systems, and advisory support influences whether reforms translate into economic advantage or administrative difficulty. The effectiveness of implementation therefore directly shapes economic outcomes.

Regional differences further affect the impact of reforms. States with efficient digital systems, responsive administration, and outreach initiatives enable smoother enterprise adaptation. In contrast, uneven implementation may recreate uncertainty and diminish potential benefits. The economic performance of MSMEs under the Labour Codes is thus closely linked to administrative quality.

The broader policy environment also interacts with labour reforms. Credit availability, infrastructure, and market access determine whether regulatory simplification converts into tangible growth. Labour reforms function as an enabling factor, but complementary economic policies influence the scale of their impact.

From a workforce perspective, improved wage security, safety standards, and social protection can stabilise labour supply within

MSMEs. Stable labour relations reduce disruption and support productivity, which is particularly important in smaller enterprises where operational continuity depends on experienced workers.

In conclusion, the Labour Codes have the potential to reshape the economic functioning of MSMEs by reducing transaction costs, encouraging formal participation, and supporting flexible yet stable workforce management. The realised impact will depend on implementation effectiveness and complementary economic conditions. When supported by facilitation and institutional capacity, labour reforms may contribute to stronger enterprise resilience, improved productivity, and more inclusive economic growth.

Part XIII: Future of Work and Labour Policy — Overview

Part XIII explores the evolving nature of work and the implications for future labour policy in India. It examines how technological change, automation, artificial intelligence, platform-based work, demographic shifts, and climate transitions are reshaping employment relationships and labour markets. The section analyses the adequacy of existing labour reforms in addressing emerging forms of work and identifies policy gaps that require forward-looking responses. By focusing on adaptability, skills, social protection, and governance innovation, this part outlines how labour policy must evolve to remain relevant and inclusive in a rapidly changing world of work.

Chapter 65

Automation, AI and Job Transformation

Automation and artificial intelligence (AI) are reshaping the world of work at an unprecedented pace. Advances in machine learning, robotics, data analytics, and digital platforms are transforming how tasks are performed, how enterprises are organised, and how labour markets function. For India—home to one of the world’s largest and youngest workforces—these changes present both immense opportunities and serious challenges. Understanding job transformation in the age of automation and AI is therefore central to future labour policy and the long-term relevance of labour reforms.

Automation does not simply eliminate jobs; it **reconfigures tasks within jobs**. Routine, repetitive, and predictable tasks—whether manual or cognitive—are increasingly being automated. At the same time, demand is growing for tasks that require judgment, creativity, emotional intelligence, and complex problem-solving. In sectors such as manufacturing, automation enhances precision, safety, and productivity, while shifting human roles towards supervision, maintenance, and quality control. In services, AI-driven tools are augmenting rather than replacing human decision-making in areas such as finance, healthcare, and customer support.

For India, the employment impact of automation is shaped by structural realities. A large share of the workforce is engaged in low-skill, labour-intensive activities where automation adoption has been slower due to cost considerations. At the same time, sectors such as IT services, logistics, e-commerce, and advanced manufacturing are

rapidly integrating AI-driven systems. This uneven adoption means that job displacement and job creation will occur simultaneously, often within the same sector or enterprise.

The key challenge lies in **job transition rather than job loss alone**. Workers displaced from routine tasks may not automatically transition into emerging roles without reskilling and support. Automation thus intensifies the importance of skills, adaptability, and lifelong learning. Labour policy must therefore move beyond protecting specific jobs towards enabling workers to navigate transitions across roles, sectors, and employment forms.

Artificial intelligence also accelerates the growth of **non-traditional work arrangements**. Platform-based work, remote work, algorithmic management, and task-based contracting are increasingly common. While these models offer flexibility and access to income opportunities, they also raise concerns about job security, income volatility, and worker autonomy. Labour reforms must grapple with questions of classification, accountability, and social protection in contexts where traditional employer–employee relationships are blurred.

From a productivity perspective, automation and AI offer substantial benefits. Firms that adopt technology effectively can achieve higher output, improved quality, and enhanced competitiveness. At the national level, productivity gains are essential for sustaining wage growth and economic expansion. However, if productivity gains are not shared through wages, security, and skill development, they can exacerbate inequality and social tension. Labour policy must therefore address not only efficiency but also **distributional outcomes** of technological change.

The role of labour regulation in an AI-driven economy is evolving. Traditional regulatory tools focused on hours of work, workplace supervision, and physical safety must be complemented by frameworks addressing algorithmic transparency, data protection, and

fairness in automated decision-making. Issues such as performance monitoring through algorithms, bias in AI-based hiring, and opaque work allocation systems raise new questions about worker rights and dignity.

India's Labour Codes provide a starting point but are not a complete response to these emerging challenges. While the Codes recognise gig and platform workers in the context of social security, operationalising protection in algorithm-driven environments remains a policy frontier. Future labour policy must engage with questions such as: How should accountability be assigned in automated workplaces? How can social security be made portable and adaptive to frequent job transitions? How should labour inspection evolve in digitally mediated work environments?

Skilling and reskilling emerge as the most critical policy response to automation and AI. Workforce preparedness determines whether technology becomes a threat or an opportunity. Investment in technical skills, digital literacy, and soft skills is essential across all levels of education and employment. Importantly, skilling must be continuous rather than front-loaded, recognising that job roles will evolve throughout a worker's career.

Social protection systems must also adapt to support transitions. Unemployment assistance, income support during retraining, and portable benefits can reduce the fear associated with automation-driven change. When workers feel secure during transitions, resistance to technological adoption diminishes, enabling productivity gains without social backlash.

Finally, social dialogue and anticipatory governance are essential. Employers, workers, governments, and technology developers must engage in forward-looking discussions about the future of work. Anticipating skill needs, identifying vulnerable occupations, and designing transition pathways can prevent disruption from becoming dislocation.

In conclusion, automation and AI are transforming jobs rather than eliminating work itself. The challenge for India is to ensure that this transformation leads to higher productivity, better jobs, and inclusive growth. Labour policy must evolve from protecting static employment relationships to enabling dynamic careers. By integrating labour reforms with skilling, social protection, and ethical governance of technology, India can harness automation and AI as engines of opportunity rather than sources of insecurity in the future of work.

Chapter 66

Skill Development and Labour Mobility

Skill development and labour mobility are foundational to the future of work and central to the effectiveness of labour reforms. In a rapidly changing economy shaped by technology, globalisation, and demographic shifts, the ability of workers to acquire new skills and move across jobs, sectors, and regions determines both individual livelihood security and national productivity. Labour policy must therefore integrate skill development and mobility as core objectives rather than peripheral considerations.

India's labour market is characterised by significant skill mismatches. While millions enter the workforce each year, many lack the skills demanded by modern industry and services. At the same time, employers report shortages of appropriately trained workers, particularly in technical and mid-level roles. This paradox reflects structural gaps in education, vocational training, and industry linkage. Labour reforms that facilitate employment transitions will fall short unless supported by robust skill development systems.

Automation and technological change intensify the importance of skills. As routine tasks are automated, demand shifts towards higher-order skills such as problem-solving, digital literacy, and adaptability. Even in traditional sectors like construction, logistics, and manufacturing, technology adoption is altering skill requirements. Labour policy must therefore prioritise **continuous skilling and reskilling**, recognising that initial education is no longer sufficient for a lifetime of work.

Labour mobility—both occupational and geographical—is equally crucial. Economic growth generates jobs unevenly across regions and sectors. Workers must be able to move where opportunities arise. However, mobility in India is constrained by social, informational, and institutional barriers. Migrant workers often face challenges related to housing, social security access, recognition of skills, and portability of benefits. Labour reforms must address these constraints to enable fluid movement of labour.

The Labour Codes acknowledge labour mobility indirectly through provisions on migrant workers, digital registration, and social security portability. However, realising mobility requires operational integration across systems. Skill certification must be recognised across States and sectors. Social security benefits must be portable and accessible regardless of location or employer. Information about job opportunities, skill requirements, and training pathways must be transparent and widely available.

Skill development policy must also evolve in its design and delivery. Traditional training models often operate in isolation from labour market demand. Effective skill systems are **demand-driven**, developed in partnership with industry, and responsive to local economic contexts. Apprenticeships, on-the-job training, and modular learning pathways are particularly effective in linking skills with employment.

Labour mobility is closely linked to **employment security**. Workers are more willing to move and reskill when transitions are supported by income security and social protection. Without safety nets, mobility becomes risky and exclusionary. Labour policy must therefore integrate skilling with social security mechanisms such as unemployment assistance, training stipends, and health coverage.

Geographical mobility also raises urban planning and housing challenges. Migrant workers often reside in informal settlements with limited access to services. Labour reforms must be complemented by policies addressing affordable housing, urban infrastructure, and

worker welfare. Labour mobility cannot be sustained without dignified living conditions.

From an enterprise perspective, skill development and mobility enhance productivity and competitiveness. Firms benefit from access to a skilled and adaptable workforce. Labour reforms that reduce friction in hiring and redeployment must be aligned with investments in training and skill recognition. Employers also have a role in financing and facilitating continuous learning.

Institutional coordination is a recurring challenge. Skill development involves multiple actors—education institutions, training providers, industry bodies, and government agencies. Labour policy must foster coordination rather than fragmentation. Integrated labour market information systems can align training supply with demand and guide workers' choices.

Another critical aspect is **recognition of prior learning**. Many workers acquire skills informally through experience rather than formal training. Recognising and certifying these skills enhances mobility, wages, and dignity. Labour reforms that promote formalisation can be strengthened by systematic skill recognition frameworks.

Finally, social dialogue is essential. Skill transitions and mobility affect livelihoods and identities. Engaging workers, employers, and communities in designing skilling and mobility pathways builds trust and relevance. Top-down programmes without local engagement risk low uptake and limited impact.

In conclusion, skill development and labour mobility are not auxiliary policies but central pillars of a dynamic labour market. Labour reforms that enable flexibility must be matched by systems that empower workers to move, adapt, and grow. By integrating labour policy with skills, social protection, and urban planning, India can transform mobility from a compulsion into an opportunity—supporting productivity, resilience, and inclusive growth in the future of work.

Chapter 67

Platform Economy Regulation

The rapid expansion of the platform economy represents one of the most significant transformations in contemporary labour markets. Digital platforms in sectors such as ride-hailing, food delivery, logistics, e-commerce, home services, and freelancing have altered how work is organised, allocated, and remunerated. In India, the platform economy has generated millions of income opportunities, particularly for youth and migrants. At the same time, it has challenged traditional labour regulation built around stable employer–employee relationships. Regulating the platform economy is therefore a central task for future labour policy.

The defining feature of platform work is the **algorithmic mediation of labour**. Platforms use digital interfaces to match workers with tasks, set prices, monitor performance, and allocate work. Workers are often classified as independent contractors rather than employees, granting platforms flexibility while limiting legal obligations related to wages, working hours, and social security. This classification lies at the heart of regulatory debate, as it determines the scope of worker rights and protections.

India’s Labour Codes take an important first step by **formally recognising gig and platform workers** within the social security framework. This recognition signals a shift away from binary classifications of “employee” and “self-employed” towards a more inclusive understanding of work. It acknowledges that platform workers occupy a distinct position—economically dependent on

platforms yet legally autonomous. However, recognition alone does not resolve the complex questions of rights, responsibilities, and enforcement.

A central regulatory challenge is ensuring **income security and fairness** in platform work. Earnings are often variable, influenced by algorithms, incentives, and dynamic pricing. Workers may bear risks related to demand fluctuations, costs of equipment, and penalties imposed through opaque systems. Labour policy must address transparency in pay calculation, fair contract terms, and mechanisms for dispute resolution. Without such safeguards, flexibility can translate into unpredictability and vulnerability.

Working conditions in the platform economy also raise concerns. Long hours, lack of rest, occupational risks, and absence of collective representation are common issues. Unlike traditional workplaces, platform work often occurs in public or private spaces beyond the reach of conventional inspection. Regulation must therefore adapt enforcement tools to digital environments, focusing on outcomes rather than physical workplaces.

Social security is another critical dimension. Platform workers typically lack access to health insurance, pensions, or income support during periods of inactivity. The Labour Codes envision social security schemes for gig and platform workers, potentially funded through contributions from platforms, workers, and government. Designing sustainable and enforceable financing models remains a key challenge. Effective delivery will require robust registration systems, portability of benefits, and awareness among workers.

Algorithmic management introduces new governance issues. Decisions about work allocation, ratings, suspensions, and incentives are often automated and opaque. Workers may face deactivation without clear explanation or recourse. Future labour policy must engage with **algorithmic transparency and accountability**, ensuring that automated systems respect principles of fairness, non-

discrimination, and due process. This represents a new frontier for labour regulation globally.

Collective representation in the platform economy is another emerging issue. Platform workers often operate individually, limiting traditional unionisation. Yet collective voice remains essential for negotiating fair terms and resolving disputes. Regulatory frameworks must explore new forms of representation and dialogue suited to digital work environments, balancing competition law considerations with labour rights.

International experience shows diverse regulatory approaches. Some jurisdictions have reclassified platform workers as employees, others have created intermediate categories with limited rights, while some focus on extending social security without altering classification. These debates highlight that **one-size-fits-all solutions are inadequate**. Contextual factors such as labour market structure, enforcement capacity, and social protection systems shape viable regulatory choices.

For India, the challenge is magnified by scale and informality. Millions depend on platform work as a primary or supplementary income source. Over-regulation risks stifling innovation and employment opportunities; under-regulation risks entrenching precarity. A balanced approach must preserve flexibility while ensuring minimum standards of dignity, security, and fairness.

Digital technology itself can be leveraged for regulation. Platforms generate vast amounts of data that can support compliance, social security contributions, and dispute resolution if appropriately governed. Regulatory frameworks should encourage data-sharing under clear safeguards to enable evidence-based oversight without violating privacy.

Finally, regulation of the platform economy must be adaptive. Business models, technologies, and work arrangements evolve rapidly. Static rules risk obsolescence. Framework-based regulation, periodic

review, and stakeholder engagement are essential to keep pace with change.

In conclusion, the platform economy represents both opportunity and disruption. Labour policy must move beyond binary classifications and embrace innovative regulatory approaches that reflect the realities of digital work. By combining recognition, social security expansion, transparency, and dialogue, India can shape a platform economy that supports innovation while upholding worker dignity. Effective regulation will determine whether platform work becomes a pathway to inclusive growth or a new frontier of insecurity in the future of work.

Chapter 68

Remote Work and New Employment Forms

Remote work and new forms of employment represent one of the most visible and enduring shifts in the post-pandemic world of work. What began as an emergency response has evolved into a structural transformation affecting how, where, and under what conditions work is performed. In India, remote work has expanded beyond the technology sector into services, education, consulting, media, and parts of administration. Alongside this, hybrid models, freelance arrangements, and project-based engagements are reshaping traditional employment relationships. Labour policy must now respond to these changes with foresight and flexibility.

Remote work fundamentally alters the **spatial organisation of labour**. Work is no longer confined to a physical workplace, dissolving conventional assumptions about supervision, working hours, and workplace safety. This has enabled access to employment opportunities across geographies, allowing firms to tap talent from smaller towns and enabling workers to avoid migration-related costs. For many workers—particularly women, persons with disabilities, and caregivers—remote work has improved labour force participation and work–life balance.

At the same time, remote work introduces new challenges. **Working time boundaries** often blur, leading to extended hours, constant connectivity, and burnout. Traditional labour protections

related to hours of work, overtime, and rest periods become harder to monitor and enforce in virtual environments. Labour policy must therefore rethink how working time is regulated when supervision is algorithmic or outcome-based rather than physical.

New employment forms associated with remote work also raise questions about **employment classification**. Freelancers, consultants, and remote contractors may perform core functions for enterprises without being formally classified as employees. While such arrangements offer flexibility and autonomy, they can also be used to bypass labour protections. Clear criteria for determining employment relationships—based on economic dependence, control, and integration—are essential to prevent disguised employment.

Occupational safety and health (OSH) standards require reinterpretation in the context of remote work. Traditional OSH frameworks focus on physical workplaces, machinery, and industrial hazards. Remote work shifts risk towards ergonomics, mental health, stress, and digital fatigue. Labour policy must recognise psychosocial risks and promote employer responsibility for safe remote work environments, including guidance on ergonomics, workload management, and well-being.

Data protection and privacy have become central labour issues in remote work. Employers increasingly rely on digital monitoring tools to track productivity, attendance, and performance. Excessive surveillance can undermine trust, autonomy, and dignity. Labour policy must balance legitimate managerial interests with worker rights to privacy, transparency, and consent. Clear norms on data collection, use, and accountability are necessary in digitally mediated workplaces.

Remote work also reshapes **collective representation and workplace culture**. Dispersed workforces find it harder to organise, communicate, and bargain collectively. Informal interaction and solidarity may weaken, affecting worker voice and grievance redressal. Labour institutions must adapt by enabling digital forms of

representation, consultation, and dispute resolution to ensure that worker participation remains meaningful in virtual settings.

From an employer perspective, remote work offers cost efficiencies, access to wider talent pools, and operational resilience. However, managing performance, cohesion, and compliance across remote teams requires new managerial capabilities. Labour policy that provides clarity on obligations—rather than leaving grey zones—can reduce uncertainty and litigation.

Remote work also intersects with **regional development**. By reducing the need for physical relocation, it can decentralise employment and stimulate local economies. However, uneven digital infrastructure and connectivity can exacerbate regional inequalities. Labour reforms must be aligned with investments in broadband, digital literacy, and infrastructure to ensure equitable access to remote work opportunities.

The Labour Codes provide a foundational framework but do not explicitly address many aspects of remote work and new employment forms. This is not a shortcoming unique to India; globally, labour law is struggling to keep pace with rapid change. The way forward lies in **principle-based regulation** that focuses on outcomes—fair pay, reasonable hours, safety, and social protection—rather than rigid definitions tied to physical workplaces.

Social security portability becomes even more critical in remote and project-based work. Workers may engage with multiple employers or clients across locations. Labour policy must ensure that social protection follows the worker, not the workplace. Digital systems can support such portability if designed inclusively.

Finally, remote work highlights the need for **adaptive governance**. Employment forms will continue to evolve with technology and business innovation. Static regulation risks irrelevance. Periodic review, stakeholder consultation, and

experimentation are essential to ensure that labour policy remains responsive.

In conclusion, remote work and new employment forms are redefining the contours of labour markets. They offer opportunities for inclusion, flexibility, and efficiency, but also pose risks of invisibility, overwork, and exclusion from protection. Labour policy must rise to this challenge by reimagining regulation for a world where work is no longer anchored to place or time. By focusing on dignity, fairness, and security across diverse employment forms, India can ensure that the future of work remains both dynamic and just.

Part XIV:

Way Forward — Overview

Part XIV synthesises the analysis of labour reforms and outlines a pragmatic roadmap for the future. It focuses on translating legislative intent into measurable outcomes through effective implementation, institutional strengthening, and sustained social dialogue. The section highlights priorities such as capacity building, cooperative federalism, digital governance, inclusion of vulnerable workers, and continuous policy adaptation. By identifying actionable strategies and reform enablers, this part emphasises that the success of labour reforms depends on governance quality, trust, and responsiveness—ensuring that India’s labour policy evolves in step with economic transformation and social justice goals.

Chapter 69

Strengthening Implementation Mechanisms

The success of India's labour reforms ultimately rests not on legislative architecture alone but on the effectiveness of implementation mechanisms. The Labour Codes provide a coherent and forward-looking framework, yet their transformative potential can be realised only through strong institutions, capable administration, and responsive governance. Strengthening implementation mechanisms is therefore the most critical task in the way forward for labour reform.

Implementation challenges begin with the **translation of law into practice**. This involves timely and coherent rule-making, issuance of notifications, development of digital systems, and establishment of institutional processes. Delays or inconsistencies at this stage create uncertainty for employers and workers alike. A clear implementation roadmap—setting out timelines, transitional arrangements, and responsibilities—is essential to ensure smooth operationalisation of the Labour Codes across jurisdictions.

Institutional capacity is the foundation of effective implementation. Labour departments at both Central and State levels require adequate staffing, technical expertise, and financial resources. The shift towards facilitative enforcement, digital compliance, and risk-based inspections demands new competencies. Continuous training programmes for labour officials must focus not only on legal

provisions but also on communication, mediation, data analytics, and ethical governance. Capacity building should be treated as a long-term investment rather than a one-time intervention.

Digital infrastructure is another cornerstone of implementation. The Labour Codes envisage extensive use of digital platforms for registration, licensing, returns, inspections, and social security administration. These systems must be reliable, user-friendly, and interoperable across States and Codes. Technical glitches, fragmented platforms, or complex interfaces can undermine confidence and compliance. Regular system audits, user feedback mechanisms, and dedicated technical support are essential to maintain digital trust.

Effective implementation also requires **clear accountability frameworks**. Roles and responsibilities of different authorities must be well-defined to avoid overlap and ambiguity. Performance indicators linked to outcomes—such as compliance improvement, dispute resolution timelines, and welfare delivery—can enhance administrative accountability. Transparent reporting and public dashboards can further strengthen oversight and public confidence.

Stakeholder awareness and facilitation are often overlooked aspects of implementation. Employers, workers, and intermediaries must understand their rights and obligations under the new framework. Comprehensive awareness campaigns, guidance materials, and helplines can reduce unintentional non-compliance. For small enterprises and informal workers, facilitation centres and assisted compliance models are particularly important.

Enforcement mechanisms must balance firmness with fairness. While facilitation and decriminalisation are key reform features, credible enforcement remains indispensable. Repeated or serious violations—especially those affecting wages, safety, or dignity—must attract timely and deterrent penalties. Clear escalation protocols ensure that facilitation does not become leniency. Consistent enforcement across regions enhances trust and legitimacy.

Dispute resolution systems are integral to implementation success. Labour courts, conciliation officers, and tribunals must be adequately staffed and equipped to handle disputes efficiently. Delays in adjudication undermine confidence and incentivise informal resolution outside legal frameworks. Adoption of alternative dispute resolution mechanisms, digital case management, and performance monitoring can improve efficiency and accessibility.

Cooperative federalism is central to strengthening implementation. States play a decisive role in rule-making and enforcement. Regular coordination between Central and State governments—through consultations, model rules, and knowledge-sharing platforms—can promote harmonisation and best practices. Capacity disparities among States must be addressed through targeted support and technical assistance.

Monitoring and evaluation mechanisms are essential for adaptive implementation. Data on compliance, inspections, disputes, and welfare outcomes should inform periodic review of rules and procedures. Evidence-based adjustments allow the system to learn and improve over time. Independent evaluations and stakeholder feedback add credibility to this process.

Finally, implementation must be anchored in **social dialogue and trust**. Reforms imposed without engagement risk resistance and superficial compliance. Institutionalised dialogue with trade unions, employers, and civil society helps identify ground-level issues and co-create solutions. Trust-building is not a soft objective; it is a practical enabler of compliance and effectiveness.

In conclusion, strengthening implementation mechanisms is the linchpin of successful labour reform. Laws create possibilities; institutions realise them. By investing in capacity, digital systems, accountability, and dialogue, India can translate the Labour Codes from legislative intent into lived reality. Effective implementation will determine whether labour reforms achieve their promise of inclusive growth, worker dignity, and a resilient labour market in the years ahead.

Chapter 70

Capacity Building of Labour Administration

Capacity building of labour administration is central to the success of India's labour reforms. The Labour Codes introduce not only new legal provisions but also a fundamentally different philosophy of labour governance—one that emphasises facilitation, digitalisation, risk-based enforcement, and outcome-oriented regulation. For this shift to succeed, labour administration at both Central and State levels must be equipped with the skills, resources, and institutional culture required to operationalise reform effectively.

Historically, labour administration in India evolved around a compliance-driven and inspector-centric model. Officials were trained primarily to enforce detailed statutory requirements through physical inspections and procedural checks. While this model served an important protective function, it also generated adversarial relationships, discretion, and uneven enforcement. The Labour Codes envision a transition towards a modern regulatory system where administrators act as facilitators of compliance and guardians of worker welfare. This transition demands comprehensive capacity building.

The first dimension of capacity building relates to **human resources and staffing**. Many labour departments face shortages of personnel, high vacancy rates, and uneven skill distribution. Expanding the scope of labour governance—particularly in areas such

as social security expansion, migrant worker welfare, and digital compliance—adds to administrative workload. Addressing these challenges requires rational workforce planning, timely recruitment, and deployment strategies aligned with reform priorities.

Training and skill development form the core of capacity building. Labour officials must be trained not only in the substantive provisions of the Labour Codes but also in new competencies. These include digital literacy, data analysis, risk assessment, mediation and conciliation, communication, and ethical governance. Continuous professional development programmes—rather than one-time orientation sessions—are essential to sustain reform momentum. Partnerships with training institutions, universities, and specialised agencies can enhance training quality and relevance.

Digital transformation is a defining feature of labour reform and a major capacity challenge. Labour administration must be capable of designing, operating, and monitoring digital systems for registration, inspections, social security, and grievance redressal. This requires technical expertise, IT support, and cybersecurity awareness. Capacity building must therefore extend beyond frontline officials to include system administrators, data analysts, and technical support staff.

Institutional culture change is perhaps the most complex aspect of capacity building. Moving from a control-oriented mindset to a facilitative one requires more than procedural training; it requires leadership, incentives, and accountability structures that reward problem-solving and ethical conduct. Performance appraisal systems should recognise facilitation, dispute resolution, and welfare outcomes—not merely enforcement actions. Leadership at senior levels plays a crucial role in modelling and reinforcing new values.

Capacity building must also address **inter-agency coordination**. Labour governance increasingly intersects with other domains such as social security, migration, skill development, and urban welfare. Effective implementation requires coordination across departments

and levels of government. Training programmes and institutional mechanisms should promote collaborative approaches and shared understanding of roles and responsibilities.

Resource allocation is another critical factor. Capacity building cannot be achieved without adequate financial investment. Budgetary support for training, technology, staffing, and infrastructure is essential. Viewing labour administration as a development institution rather than a cost centre can shift resource prioritisation in favour of long-term effectiveness.

The role of **data and evidence** in labour administration is expanding. Capacity building must equip officials to collect, interpret, and use data for policy and enforcement decisions. Data-driven governance enhances targeting, transparency, and accountability. However, it also raises issues of data quality, privacy, and ethical use. Training must therefore incorporate data governance principles.

Engagement with stakeholders is an integral part of modern labour administration. Officials must be able to interact constructively with employers, workers, trade unions, and civil society. Capacity building should include communication skills, negotiation techniques, and sensitivity to diverse perspectives. Effective engagement builds trust and improves compliance outcomes.

Finally, capacity building must be continuous and adaptive. Labour markets and technologies evolve rapidly. Static training programmes risk obsolescence. Regular needs assessment, feedback mechanisms, and updating of curricula are essential to keep labour administration aligned with changing realities.

In conclusion, capacity building of labour administration is not an ancillary task but the backbone of successful labour reform. The Labour Codes can deliver on their promise only if implemented by capable, confident, and credible institutions. By investing in human resources, digital skills, institutional culture, and collaborative governance, India can transform labour administration into a modern

public service that balances efficiency with justice. Strengthened capacity will ensure that labour reforms translate into tangible improvements in compliance, welfare, and trust—key ingredients of a resilient and inclusive labour market.

Chapter 71

Social Dialogue and Consensus Building

Social dialogue and consensus building are indispensable pillars of sustainable labour reform. Labour laws shape livelihoods, power relations, and workplace dynamics; their legitimacy therefore depends not only on legal soundness but also on acceptance by those they govern. In India's democratic and pluralistic society, labour reforms cannot succeed through unilateral action alone. The Labour Codes, with their wide-ranging impact, underscore the need for continuous, meaningful engagement among governments, employers, workers, and civil society.

Social dialogue refers to structured interaction among stakeholders to exchange views, negotiate interests, and resolve conflicts. In the labour context, it traditionally takes a tripartite form involving government, employers, and trade unions. Beyond formal tripartism, dialogue also encompasses consultations with informal worker groups, platform worker associations, MSME representatives, and academic experts. Effective dialogue is not a one-time event tied to legislation; it is an ongoing process that accompanies rule-making, implementation, and review.

One of the primary benefits of social dialogue is **legitimacy**. Reforms developed and implemented through consultation are more likely to be perceived as fair and balanced. Workers are more willing to accept flexibility when they trust that their interests have been considered and that safeguards will be enforced. Employers are more inclined to comply when rules are clear, predictable, and shaped by

practical realities. Consensus building thus reduces resistance and enhances voluntary compliance.

Social dialogue also improves **policy quality**. Stakeholders possess ground-level knowledge of workplace practices, sectoral dynamics, and implementation challenges. Engaging them early helps identify unintended consequences, clarify ambiguities, and design workable procedures. In complex reforms such as the Labour Codes, dialogue can prevent rule-making from becoming detached from operational realities.

Trust-building is a central outcome of sustained dialogue. India's labour relations history includes periods of confrontation and mistrust, shaped by uneven enforcement and politicisation. Rebuilding trust requires openness, transparency, and responsiveness. Dialogue provides a platform to address fears, correct misconceptions, and demonstrate commitment to balanced governance. Trust, once built, becomes a powerful enabler of reform.

Social dialogue is particularly important in managing **transition and uncertainty**. The Labour Codes introduce new concepts, digital systems, and enforcement approaches. During transition phases, misunderstandings and anxiety are inevitable. Dialogue allows concerns to be addressed in real time, preventing escalation into protest or litigation. It also facilitates phased implementation and adaptive adjustments.

However, effective social dialogue faces challenges. Representation gaps are a major concern. India's workforce is diverse, with a large informal sector where traditional unions may have limited reach. Gig workers, migrant workers, and self-employed individuals often lack formal representation. Consensus building must therefore expand beyond conventional tripartite structures to include new voices. Innovative platforms and consultative mechanisms are needed to ensure inclusivity.

Power asymmetries among stakeholders can also undermine dialogue. Well-organised industry groups may exert disproportionate influence, while fragmented worker groups struggle to be heard. Governments must play a neutral facilitative role, ensuring balanced participation and preventing capture. Transparency in consultation processes enhances credibility.

Institutionalising social dialogue is key to its effectiveness. Ad hoc consultations are insufficient for sustained engagement. Formal bodies, regular meetings, clear mandates, and follow-up mechanisms ensure continuity and accountability. Social dialogue should be embedded in governance structures at both Central and State levels.

The experience of other countries underscores the value of dialogue. Jurisdictions with strong social dialogue traditions tend to manage labour market transitions more smoothly, even during periods of economic stress. While institutional contexts differ, the principle that negotiated reform is more durable than imposed change holds universal relevance.

For India, strengthening social dialogue requires capacity building on all sides. Trade unions must adapt to represent diverse forms of work. Employers must engage constructively beyond narrow compliance interests. Governments must invest in facilitation skills and create safe spaces for honest exchange. Dialogue is a skill as much as a structure.

Finally, social dialogue must be linked to **outcomes**. Stakeholders must see that engagement influences policy and implementation. Token consultation erodes trust and fuels cynicism. Feedback loops, public responses to stakeholder inputs, and visible adjustments reinforce the value of participation.

In conclusion, social dialogue and consensus building are not obstacles to labour reform; they are its enablers. In a dynamic economy and a diverse society, sustainable labour governance depends on shared understanding and collective ownership. By

institutionalising inclusive dialogue, addressing representation gaps, and linking engagement to action, India can ensure that labour reforms evolve through cooperation rather than conflict. Such consensus-driven governance will strengthen the legitimacy, effectiveness, and resilience of labour policy in the years ahead.

Chapter 72

Balancing Flexibility and Security

Balancing flexibility and security lies at the core of modern labour policy and is central to the philosophy underlying India's Labour Codes. Economic transformation demands adaptable labour markets that allow enterprises to respond to technological change, global competition, and shifting consumer demand. At the same time, social justice and constitutional values require protection of workers' dignity, livelihood, and security. Achieving a sustainable balance between these objectives is one of the most complex challenges of labour governance.

Flexibility in labour markets takes multiple forms: ease of hiring and separation, use of fixed-term or project-based employment, adaptability of work organisation, and responsiveness of wage structures. From an employer's perspective, flexibility reduces uncertainty and encourages investment and formal hiring. Rigid regulation can discourage enterprise growth and incentivise informality. India's Labour Codes respond to these concerns by simplifying procedures, rationalising thresholds, and recognising diverse employment forms.

However, flexibility without adequate security risks generating precarious work. Insecure employment, income volatility, and weak bargaining power undermine worker welfare and social stability. Workers may resist reform if flexibility is experienced primarily as risk transfer. Security therefore cannot be an afterthought; it must be an integral component of reform design and implementation.

Security in the contemporary context extends beyond traditional job protection. In dynamic labour markets, **employment security**—the ability to find new work and maintain income across transitions—becomes more relevant than lifetime job security. This shift requires robust social security systems, portable benefits, and effective skill development. India's Labour Codes reflect this evolution by expanding social security coverage to unorganised, gig, and platform workers, and by standardising wage protection.

The challenge lies in making security **credible and accessible**. Legal recognition alone is insufficient if benefits are delayed, underfunded, or difficult to access. Workers will accept flexibility only when they trust that security mechanisms function effectively. Strengthening delivery systems, ensuring portability, and raising awareness are therefore essential to sustaining balance.

Flexibility and security must also be balanced in **industrial relations**. Predictable dispute resolution mechanisms and fair collective bargaining frameworks reduce conflict and build trust. When workers have a voice in workplace decisions, flexibility is more likely to be negotiated rather than imposed. Social dialogue thus plays a crucial role in mediating the flexibility–security trade-off.

Sectoral and enterprise-level differentiation is another important consideration. Labour markets are heterogeneous; what constitutes appropriate flexibility and security varies across sectors, regions, and enterprise sizes. Manufacturing, services, MSMEs, and platform-based work present distinct challenges. A one-size-fits-all approach risks either over-regulation or under-protection. Framework-based laws, complemented by adaptive rules and sectoral arrangements, allow for contextual balancing.

Enforcement practices significantly influence how flexibility and security are perceived. Facilitative enforcement encourages compliance and adaptation, while credible penalties for serious violations protect worker interests. Inconsistent enforcement can tilt

the balance unfavourably, either stifling enterprise activity or exposing workers to exploitation. Strengthening enforcement capacity and transparency is therefore critical.

International experience reinforces these lessons. Countries that successfully balance flexibility and security invest heavily in social protection, skills, and dialogue. Where flexibility was introduced without adequate security, labour market dualism and inequality increased. India's reforms must avoid repeating such outcomes by ensuring that security mechanisms keep pace with flexibility.

The balance between flexibility and security is not static. Economic cycles, technological change, and demographic shifts continually reshape labour markets. Labour policy must therefore be adaptive, guided by data and stakeholder feedback. Periodic review and adjustment are essential to maintain equilibrium and relevance.

Ultimately, balancing flexibility and security is as much about **trust** as it is about regulation. Workers must trust that the system will support them during transitions; employers must trust that regulation will be predictable and fair. Trust emerges from consistent implementation, visible outcomes, and inclusive governance.

In conclusion, flexibility and security are not opposing goals but complementary elements of a resilient labour market. The Labour Codes provide a framework for balancing these objectives, but their success depends on how they are implemented and experienced. By strengthening social security, investing in skills, fostering dialogue, and ensuring fair enforcement, India can build a labour system that supports economic dynamism while upholding worker dignity. Such a balance is essential not only for growth but for social cohesion and sustainable development in the years ahead.

Chapter 73

Roadmap for Labour Reforms by 2047

India's aspiration to become a Viksit Bharat by 2047 provides a clear temporal horizon for labour policy. Labour reforms may be viewed not as isolated legislative events but as a long-term institutional journey aligned with economic transformation, demographic transition, and social justice. The roadmap for labour reforms by 2047 may therefore combine vision with pragmatism—anchored in constitutional values while remaining adaptive to future realities of work.

The first pillar of the roadmap is effective consolidation and stabilisation of the Labour Codes. An immediate priority could be the completion of rule-making, harmonisation of State-level implementation, and strengthening of institutional readiness. Over time, the Labour Codes may function as stable, well-understood frameworks rather than transitional instruments. Predictability and clarity can help build trust among workers, employers, and investors, while frequent legal uncertainty may affect reform credibility.

The second pillar is universalisation of social security. By 2047, social protection may extend to all workers, regardless of employment form—formal, informal, gig, platform, self-employed, or migrant. This may involve moving from scheme-based, fragmented coverage toward a more integrated, worker-centric social security architecture. Digital identification, portability of benefits, and sustainable financing models could play an important role. Social security may serve as a

foundation for labour mobility, not merely a post-employment safety net.

The third pillar is skills and employability as the new security. As automation, AI, and technological change reshape jobs, labour policy may gradually shift from protecting static roles toward enabling dynamic careers. By 2047, India could institutionalise lifelong learning systems that integrate education, vocational training, and on-the-job skilling. Skill development may increasingly become demand-driven, modular, and portable across sectors and regions, with labour reforms being linked to employability outcomes.

A fourth pillar is inclusive formalisation of the labour market. Formalisation may go beyond registration to include access to credit, markets, skills, and social protection. MSMEs and small enterprises could be supported through facilitation, incentives, and compliance support rather than primarily punitive enforcement. Over time, informality may reduce substantially, with labour regulation acting as an enabler of growth and dignity.

The fifth pillar involves modernising labour administration and governance. Labour departments may evolve into professional, technology-enabled institutions capable of facilitation, risk-based enforcement, and data-driven decision-making. Capacity building, ethical governance, and transparency can remain continuous priorities. In the long term, labour administration may increasingly function as trusted public institutions that workers and employers approach for guidance.

Cooperative federalism forms the sixth pillar of the roadmap. States will remain central to labour governance, reflecting India's diversity, while variation may coexist with coherence. Model rules, shared digital platforms, inter-state coordination, and capacity support could help avoid fragmentation. Over time, India may achieve a mature federal labour governance system balancing flexibility with national minimum standards.

The seventh pillar is future-proof regulation of emerging forms of work. Platform work, remote work, hybrid employment, and algorithmic management are likely to expand significantly. Labour policy may evolve from binary classifications toward principle-based regulation that promotes fairness, transparency, and accountability across work forms. Periodic review mechanisms could help keep regulation aligned with technological and economic change.

Social dialogue and consensus building constitute the eighth pillar. Labour reforms may continue to be shaped through engagement rather than confrontation. Inclusive dialogue mechanisms representing formal and informal workers, employers of all sizes, and civil society could contribute to rule-making, implementation review, and policy adaptation. Democratic legitimacy may remain an important strength in labour governance.

The ninth pillar is evidence-based and adaptive policymaking. Labour reforms may be continuously evaluated using reliable data on employment, wages, productivity, safety, disputes, and welfare outcomes. Independent evaluations, public dashboards, and transparent reporting can assist course correction. A learning-oriented governance approach may help reforms remain relevant over time.

Finally, the roadmap may be guided by a values-based vision. Economic growth, competitiveness, and flexibility remain important, while dignity, equity, and social justice continue to be integral considerations. Labour reforms by 2047 may reflect India's constitutional commitment to the dignity of labour and inclusive development, recognising that growth accompanied by trust and participation is more sustainable.

In conclusion, the roadmap for labour reforms by 2047 may be understood not as a checklist of legislative actions but as a strategic framework for institutional evolution. Stable laws, broader social security coverage, skilled and mobile workers, capable administration, cooperative federalism, adaptive regulation, and sustained dialogue

could together transform India's labour market into one supporting innovation, inclusion, and resilience—making labour reforms a meaningful catalyst for Viksit Bharat.

Part XV:

Conclusion — Overview

Part XV brings together the central arguments and insights of the book, reflecting on India's labour reforms as a transformative yet evolving process. It emphasises that the true measure of reform lies in outcomes—improved employment quality, worker dignity, enterprise growth, and institutional trust. The section underscores the importance of effective implementation, continuous adaptation, and inclusive governance in sustaining reform momentum. By linking labour law with economic and social outcomes, this concluding part reinforces the idea that labour reforms, when thoughtfully executed, can serve as a durable foundation for inclusive growth and the realisation of Viksit Bharat.

Chapter 74

Labour Reforms as a Catalyst for *Viksit Bharat*

India's journey towards *Viksit Bharat*—a developed, inclusive, and resilient nation by 2047—is inseparably linked to the quality of its labour governance. Labour reforms are not merely instruments of regulatory change; they are catalysts that shape economic growth, social justice, productivity, and national cohesion. The Labour Codes, viewed in their entirety, represent a decisive attempt to realign India's labour framework with the aspirations of a modern economy while remaining anchored in constitutional values of dignity, equality, and welfare.

At the heart of the *Viksit Bharat* vision lies the recognition that people are India's greatest asset. A young and dynamic workforce can be a demographic dividend only when supported by enabling institutions, decent work conditions, and opportunities for skill development and mobility. Labour reforms seek to create this enabling environment by simplifying regulation, expanding protection, and fostering trust between workers, employers, and the State. In doing so, they reposition labour governance as a driver of development rather than a constraint.

Economic growth is a central pillar of development, and labour reforms play a critical role in unlocking it. By reducing regulatory fragmentation, simplifying compliance, and introducing predictable industrial relations frameworks, the Labour Codes aim to improve

ease of doing business and attract investment. Growth generated through such reforms is not an end in itself; it creates the resources needed to finance social protection, infrastructure, and human capital development. In this sense, labour reforms operate as multipliers within the broader development strategy.

Equally important is the contribution of labour reforms to **employment generation and formalisation**. A developed nation cannot be built on informal, insecure, and unprotected work. By incentivising formalisation through digital compliance, facilitative enforcement, and decriminalisation of minor offences, the Labour Codes seek to bring enterprises and workers into the formal economy. Formalisation enhances productivity, expands the tax base, and ensures that growth translates into shared prosperity.

Worker welfare and dignity remain central to the reform narrative. Universalisation of minimum wages, expansion of social security to unorganised and gig workers, strengthened occupational safety standards, and recognition of diverse forms of work reflect a shift towards inclusive labour governance. Development that excludes workers or compromises dignity cannot be sustainable. Labour reforms that place human well-being at the centre strengthen social cohesion and democratic legitimacy—essential attributes of a developed society.

The balance between flexibility and security is a defining feature of India's labour reform approach. Flexibility enables enterprises to adapt, innovate, and compete globally; security ensures that workers are protected against risk and uncertainty. The Labour Codes attempt to reconcile these objectives by enabling lawful flexibility while expanding the scope of protection. This balance is not static; it must be continually calibrated through implementation, dialogue, and evidence-based review. When achieved, it transforms labour markets into engines of both efficiency and equity.

Governance reform is another vital contribution of labour reforms to *Viksit Bharat*. Digitalisation, risk-based inspections, inspector-cum-facilitator models, and simplified procedures signal a transition towards modern, transparent, and accountable administration. Strong institutions are the backbone of development. When labour administration functions as a trusted facilitator rather than a coercive authority, compliance improves and trust deepens. Such governance capacity is a hallmark of developed nations.

Labour reforms also intersect with the future of work. Automation, artificial intelligence, platform-based work, and remote employment are reshaping labour markets globally. The Labour Codes provide a flexible framework capable of adaptation, but the real test lies in continuous policy evolution. A developed India must anticipate change, invest in skills, and ensure that new forms of work do not recreate old insecurities. Labour reforms thus serve as living instruments, evolving alongside technology and society.

Social dialogue emerges as a critical enabler of reform success. India's democratic fabric demands that change be negotiated, not imposed. Consensus building among workers, employers, and governments enhances legitimacy and resilience of reforms. Dialogue transforms labour reforms from contested policies into shared national projects. In a country as diverse as India, this participatory approach is not optional; it is essential.

Ultimately, labour reforms contribute to *Viksit Bharat* by shaping the kind of society India aspires to be. They influence how wealth is created and shared, how risk is distributed, and how dignity is preserved in the world of work. Development is not measured solely by economic indicators but by the lived experiences of citizens—by the security of employment, safety of workplaces, and fairness of opportunity.

In conclusion, labour reforms are not peripheral to India's development agenda; they are foundational to it. The Labour Codes

represent a significant step towards aligning labour governance with the aspirations of a developed nation. Their success will depend on effective implementation, institutional strength, social dialogue, and adaptive policymaking. If pursued with integrity and vision, labour reforms can truly act as a catalyst for *Viksit Bharat*—transforming India’s demographic potential into inclusive prosperity, resilient growth, and enduring social justice.

Chapter 75

From Law to Outcomes: Measuring Success

Labour reforms achieve meaning only when they translate from statutory provisions into tangible outcomes in the lives of workers, enterprises, and the economy. The transition from labour law to outcomes marks the final and most critical stage of reform. Measuring success, therefore, requires moving beyond legal enactment and rhetorical intent to assess real-world impact. For India's Labour Codes, this shift in focus—from compliance with law to outcomes for development—is essential to evaluate whether reforms are delivering on the promise of *Viksit Bharat*.

Traditionally, labour law success was measured through narrow indicators such as number of inspections conducted, prosecutions launched, or disputes adjudicated. While these metrics capture administrative activity, they reveal little about whether labour markets are becoming more inclusive, productive, and secure. Outcome-based evaluation demands a broader and more nuanced set of indicators aligned with economic, social, and governance objectives.

One of the most fundamental outcome domains is **employment and formalisation**. Success must be assessed by tracking net job creation, quality of employment, and the proportion of workers moving into formal arrangements. Indicators such as written contracts, social security coverage, and compliance with minimum wage norms provide insight into whether labour reforms are reducing

informality and precarity. Importantly, employment outcomes must be disaggregated by gender, region, sector, and enterprise size to capture inclusiveness.

Worker welfare and dignity form a second critical outcome area. Expansion of social security coverage, reduction in workplace accidents, timely payment of wages, and access to grievance redressal are key markers of reform effectiveness. Measuring outcomes here requires reliable administrative data and worker-centric surveys. The success of labour law is ultimately reflected in whether workers experience greater security, safety, and fairness in their working lives.

Productivity and enterprise performance constitute a third outcome dimension. Labour reforms aim to create an environment where enterprises can grow, invest, and innovate. Indicators such as enterprise formalisation rates, labour productivity, compliance costs, and ease of workforce management can help assess whether regulation is enabling economic efficiency. Productivity gains that are accompanied by improved working conditions indicate a virtuous reform cycle.

Industrial relations outcomes also provide important signals. Reduced frequency and duration of industrial disputes, faster dispute resolution, and effective collective bargaining suggest that labour governance is fostering stability and trust. Conversely, persistent conflict or litigation may indicate unresolved design or implementation issues. Measuring these outcomes helps distinguish between superficial compliance and genuine institutional improvement.

Governance and administrative performance represent another outcome layer. Digital compliance uptake, inspection quality, grievance resolution timelines, and stakeholder satisfaction offer insight into whether labour administration has transitioned from control to facilitation. Transparency, consistency, and responsiveness are hallmarks of mature labour governance. Measuring these

outcomes requires both quantitative metrics and qualitative feedback from stakeholders.

Outcome measurement must also account for **regional variation**. India's federal structure means that labour reform outcomes will differ across States. Comparative analysis can identify best practices and capacity gaps. States that demonstrate better outcomes in formalisation, welfare delivery, and dispute resolution can inform national learning and policy refinement. Cooperative federalism thus becomes a mechanism for outcome-driven improvement.

A major challenge in measuring outcomes is data quality and integration. Labour markets are complex, and data is often fragmented across departments and schemes. Strengthening labour market information systems is therefore a reform priority in itself. Integrated, real-time data can support evidence-based policymaking and timely course correction.

Outcome measurement must be dynamic rather than static. Labour reforms operate within evolving economic and technological contexts. Periodic review and longitudinal analysis are essential to capture long-term trends and unintended consequences. Independent evaluations, academic research, and public reporting enhance credibility and transparency.

Importantly, outcome measurement must inform **policy adaptation**. Measurement without response risks becoming ritualistic. When indicators reveal gaps—such as low social security uptake or uneven compliance—governments must be willing to recalibrate rules, strengthen institutions, or adjust incentives. Adaptive governance transforms measurement into a tool for continuous improvement.

Finally, success must be judged against India's broader development vision. Labour reforms succeed when they contribute to inclusive growth, social cohesion, and resilience. Economic efficiency

divorced from worker welfare undermines legitimacy; protection without productivity limits sustainability. Measuring outcomes helps maintain this balance by grounding reform in lived realities rather than abstract ideals.

In conclusion, the journey from labour law to outcomes defines the true success of reform. India's Labour Codes represent a significant legislative achievement, but their legacy will be determined by measurable improvements in employment quality, worker welfare, enterprise growth, and governance effectiveness. By embracing outcome-based evaluation, India can ensure that labour reforms remain accountable, adaptive, and aligned with the long-term vision of *Viksit Bharat 2047*.

Author's Note to Readers

This book is written with the sincere intention of contributing to informed discussion on labour reforms and their role in national development. While every effort has been made to ensure accuracy and balance, the subject is vast and evolving, and the possibility of error or oversight cannot be entirely ruled out.

I would be grateful to readers who may point out any factual inaccuracies, interpretational gaps, or areas that require clarification. Constructive suggestions and critical observations will be valued more than appreciation, as they help refine understanding and improve future work—though words of encouragement are always warmly received. I may be contacted at vishakh.ot@gmail.com.

Your thoughtful feedback will be an important contribution to the continuing dialogue on labour policy and its role in building a Viksit Bharat.

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Together, we shall build a Viksit Bharat – 2047