

# Understanding Labour Codes in India

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### **Abstract:**

The most significant turning point in the country's regulatory structure in India is the enactment of four critical labor laws designed to simplify and modernize the complex web of existing labor laws. This article provides a detailed analysis of the recently introduced Wage, Social Security, Occupational Safety, Health and Working Conditions, and Industrial Relations Code. After careful analysis, the article reveals the consequences of these codes for workers' wages, social benefits, working conditions, and labor relations.

### **Introduction:**

In a significant move towards labor reforms, the Indian Government has presented a consolidated group of comprehensive labor codes aimed at simplifying and streamlining the existing labor laws. The codes, which became operative in recent years, mark a paradigm shift in the country's approach towards labor relations. In this article, we will delve into the key aspects of these labor codes, their implications, and the broader effect on the Indian workforce and economy.

Industrial Relations is a broad concept with far-reaching implications. When interpreted narrowly, it demonstrated that the relationship that arises from the management and employee's daily interactions constitutes the sole connection between the two parties. Broader in scope, industrial relations encompass the dynamic between an employer and employee in the functioning of a business and may extend to domains that may cross over into quality assurance, marketing, pricing setting, and profit distribution, among other areas. Trade union negotiations, the resolution of labor disputes, and industrial relations with its stakeholders are also covered.

**Labour Law in India:** With the onset of industrialization, the coherence between the hiring party and the employee was established in India. All workers were initially listed as permanent employees of the company or organization; they were temporary workers for the first few years of their employment before becoming permanent workers later on. However, the emphasis in India today has shifted from employer-employee to employer-contractor (also known as contract labor), primarily avoiding union-related issues. To get around problems brought on by labor/union-related concerns, most businesses now outsource their workforce to a third-party organization. It's noteworthy that the period of the 1990s witnessed a consistent decrease in the number of disputes filed in the Labor Office, Industrial, and Labor Courts. However, this doesn't signify the possibility of worker exploitation.

The manufacturing industry's diverse workforce necessitates a sensitive approach, skillful handling, and an equal, proactive focus on investor relations (IR). he mentioned that if

conditions are not met, IR can easily destroy shareholder value. This is highlighted by the recent upsurge in industrial activity within the industry. In contrast to the initial action in the sector. Compared to the first quarter of 2017, industry-labor relations have significantly improved in 2018. During the January–March 2018 period, there were only eleven strikes in industrial units, in contrast to the earlier year's twenty. Thirty-six in 2017 and six in 2016. Similarly, in 2018, there were nine lockouts until March, compared to 19 in 2016 and 17 in 2017. Between 2016 and 2018, the total number of man-days lost in the first quarters was 10,34,005, 11,72,274, and 96,770, in that order.

**Consolidation of Labour Laws:** The incumbent government pledged in its election manifesto to review employment laws in India to cut down on the variety of laws and make sure they continue to be of relevance to the changing needs of the labor market. In furtherance of the same, the Government has sought to consolidate 44 central employment laws into 4 labor codes:

- The Labor Code on Wages unifies the Minimum Wages Act of 1949, the Payment of Wages Act of 1936, the Payment of Bonus Act of 1965, and the Equal Remuneration Act of 1976. The
- Labor Code on Industrial Relations Unites Act of 1947 Concerning Industrial Disputes, the Trade Unions Act of 1926, and the Industrial Employment (Standing Orders) Act of 1946.
- The Social Security and Welfare Code unites social security laws like the Act of 1952 Concerning Employees Provident Funds and Miscellaneous Provisions, the Employees 1948's State Insurance Act the Maternity Benefit Act of 1961, and the Employees Compensation Act of 1923. Additionally, the
- Labor Code on Occupational Safety, Health, and Working Conditions unites.

### **1. The Labour Code on Wages**

This code will allow the national government to establish minimum wages that serve as benchmarks for various regions. According to a clause in the bill, states are not allowed to set minimum wages lower than the national average. As the code states, minimum wages will be set based on elements like requesting that minimum wages be set based on worker productivity and the industry's ability to pay. There is good and bad in the Code. The primary issue with the code, however, is that acknowledging the set of values of the law does not equate to actually applying them. It has eliminated the notion of "scheduled employment,"

which refers to jobs or sectors that the federal government or state governments occasionally adhere to the legal specifications for paying minimum wages, and made it universal. Put simply, the stipulated minimum wage must be paid to workers in both the organized and unorganized sectors. Second, the minimum wage must be revised a minimum of once every five years standardizing the time frame of revision. It can also order employers to pay workers' salaries in "formal" ways. These are admirable and helpful provisions. These are simpler to say done, though, as skill, workplace difficulty, and geographic peculiarities. There have been employers.

## **2. Labour Code on Industrial Relations**

It is not the formation of the establishment of limited business that is both public and private company, cooperative society, partnership, or proprietary firm that decides the working hours, holidays, and other terms of employment; however, these are governed by the labor laws applicable to the type of business being conducted. New rules for settling conflicts between employers and employees are outlined in the proposed amendment to the labor laws about industrial relations.

**Registration of Trade Union:** As mentioned in the proposed code, a trade union must be enrolled as a member of at least ten percent of its workforce, or one hundred workers, whichever is less, and have at least seven employees of the specific organization.

**Retrenchment and Shutdown:** Currently, any organization employing up to 100 people is permitted to do so without obtaining permission from the government. Though the unions have objected to the proposed amendment in the bill that would allow units with a maximum of 300 employees to retrench, lay off, or close down without the government's permission, the government is most likely to keep this provision in the new code. It is suggested that the current 15 days of severance pay be increased to 45 days of pay for each full completed year of service.

**Lockouts and strikes:** To prevent lockouts, very strict rules have been put in place. An announcement of a strike will require six weeks' notice. When a matter is under dispute, employees may exhibit any kind of protest. Under the new code, it is considered strictly forbidden to demonstrate in any way at the request of a manager or spokesperson. A 20,000–50,000 rupee fine and/or jail time could result from failing to initiate and manage a strike in the proper manner and according to protocol.

## **3. The Social Security and Welfare Labour Code**



The Employees' Provident Fund Organization (EPFO), a merger and retirement fund body, and Employees' State Insurance Corporation (ESIC), a state health insurer, have been recommended to adopt the code. In a letter to the labor secretary, the All-India Trade Union Congress (AITUC) opposed the merger proposal of The ESI scheme, Employees Provident, and Miscellaneous Provisions Act, and Act of the Employees State Insurance Corporation, which functions as EPF and EPS schemes, have been giving participants access to satisfactory service for the past sixty years.

That being said, the largest flaw in the current social security system is that nearly 90% of workers are not covered by any form of social security. Furthermore, the unorganized sector's workforce continues to be mainly marginalized. The programs' reach is incredibly narrow. The other problem is widespread fragmentation caused by the presence of numerous laws, policies, plans, and agencies. Because of the current wage and number thresholds, employers are under perverse incentives to avoid entering the system, which leads to fictitious exclusions and distortions in the labor market.

The Labour Code on Social Security, for example, seeks to streamline, rationalize, and combine previously disjointed laws into one cohesive piece of legislation that will be simpler to understand, apply, and enforce. But, the government's plan goes far beyond simple consolidation because it seeks to establish social security for all. Social Security is a right that every worker has, and the code adopts a rights-based approach that is closely aligned with the spirit of the Constitution. This code is inspired by the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. To steer the policy framework in the proper direction, the International Labour Organization provided expert technical assistance as well. Because the definition of an employee in the Code aims to universalize social security, it encompasses all forms of employment, including part-time, casual, fixed-term, piece-rate/commission-rated, informal, home-based, domestic, and seasonal work. Though the code allows for the flexibility of progressive extension of coverage, universalization doesn't suggest that every worker proposed for coverage would be covered from day one. The groups of employees who are initially unprotected would be listed in Schedule I. This schedule and its exclusions would be gradually reduced to increase coverage.

#### **4. Occupational Safety, Health, and Working Conditions Labour Code:**

The labor ministry has proposed in the new draft policy several measures to ensure the security and well-being of workers' well-being at their workplaces, including mandatory

workplace registration, periodic medical inspections, and surprise safety checks by government-appointed facilitators.

The Code of Labor on Occupational Safety, Health, and Working Conditions is a draft document that includes provisions related to working conditions that the ministry has derived from thirteen acts. The draft establishes distinct guidelines for each industry and classes workers from various industries. Workers in factories, mines, docks, building and construction, plantation labor, contractual labor, motor transport workers, beedi and cigar workers, and movie theater and cinema employees are a few of the categories that include these individuals. Additionally, a bill to amend the Contract Labour Act will be pushed for passage in the upcoming Parliamentary session. The bill aims to mark a differentiation between work and contract labor.

Contract labor speaks of the workforce that contractors provide for organizations, while work labor is founded on the completion of specific tasks, like one-time factory or office building repairs. Furthermore, labor contractors would possess the capability to register with both the central and state governments under this law. will additionally facilitate for state and central agencies to must remain vigilant about these contractors and to put defaulters and offenders on a blacklist. The draft also outlines obligations from the employer's end to guarantee that workers are safe and healthy at their locations of employment. "Every employer is required to ensure that every employee working for him undergo the recommended testing and routine medical exams. Provide and maintain a safe and risk-free working environment for employees, as far as it is reasonably practicable, is the responsibility of every employer. "

The draft also mandates all types of companies to constitute a safety committee and notify about the spread of diseases, if any, and, also about The workplace poses potential dangers and risks that are to be addressed. To ensure safety, the committee will appoint safety officers who will be responsible for overseeing hazardous conditions. Additionally, the ministry has suggested the establishment of a National Occupational Safety and Health Advisory Board. This board will offer direction and advice to government officials regarding matters concerning the code. The board will be led by the secretary of the labor ministry, who will serve as the chairman and will consist of representatives from all relevant stakeholders.

The board will also have the duty of conducting regular surveys on health and occupational hazards in workplaces. The draft suggests the appointment of facilitators to guarantee that the code is being followed in workplaces. "A facilitator may enter a workplace, inspect the premises, machinery, equipment, or any other relevant material." Each industry sector has made efforts to establish its system of industrial relations. Often, it seems that industrial

relations are influenced by the current needs and demands. Industrial relations in Indian industries have had major modifications as a result of both internal and external factors within and outside the industries. The Ministry of Industrial Relations has proposed the majority of bills/acts presented in Parliament, including the Maternity Benefit Act, Bonus Act, Gratuity Act, Employee Compensation Act, and Payment of Wages Act. This demonstrates the proactive approach and commitment of the government towards implementing labor law reforms as soon as possible.

### **Challenges and Criticisms:**

While the labor codes have received praise for their attempt to simplify and modernize the labor regulatory framework, they have also faced criticism. Some assert that specific clauses could dilute worker protections, additionally, there are issues with efficient effective implementation, particularly in the informal sector.

### **Conclusion:**

The introduction of labor codes in India represents a crucial step towards creating a more transparent and business-friendly environment. Striking a balance of the interests between employers and employees, the codes aim to promote ease of doing business while ensuring the welfare of the workforce. As these codes continue to shape the landscape of labor relations in India, businesses and employees alike must stay abreast of the changes and adapt to the evolving regulatory framework.

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