

NEW LABOUR CODES: ECONOMY

NEWS: Labour codes' rollout: Centre nudges states to get in driver's seat

WHAT'S IN THE NEWS?

The Union Government is urging states to align their labour laws with the new labour codes passed between 2019 and 2020 to modernize and simplify labour regulation. However, implementation is delayed due to the Centre not formally notifying the codes, leading to legal and operational uncertainty.

Context: Alignment of State Labour Laws with New Labour Codes

- The Union Government has urged states and Union Territories (UTs) to align their labour laws with the **spirit and provisions of the four new central labour codes**.
- This move is aimed at creating a **uniform and streamlined legal framework** across India to boost ease of doing business and protect workers' rights.

Background: Introduction of New Labour Codes

- Between **2019 and 2020**, Parliament passed four consolidated labour codes to **replace 29 older central labour laws**, some of which dated back to the pre-independence era.
- The four codes are:
 - **Code on Wages, 2019:** Regulates wages, bonus, equal pay, and timely payment.
 - **Industrial Relations Code, 2020:** Covers trade unions, layoffs, retrenchments, employment terms, and dispute resolution.
 - **Code on Social Security, 2020:** Integrates laws related to EPF, ESI, gratuity, maternity benefits, and pensions; includes **gig and platform workers**.
 - **Occupational Safety, Health and Working Conditions Code, 2020:** Combines laws on working hours, health, safety, and welfare.

Objective of Labour Reforms

- To **modernise and simplify labour regulation**, improving compliance and reducing complexity.
- To balance **worker welfare with industrial productivity**, and promote investment and employment generation.

Progress at the State Level

- Since **labour is in the Concurrent List**, states need to frame their own rules to implement the central codes.
- Many states and UTs have proactively amended their labour laws in anticipation of the central codes coming into force.

Key Amendments Undertaken by States and UTs

- **Retrenchment Threshold Raised:** 20+ states/UTs raised the threshold for mandatory government approval for retrenchment, layoffs, and closures from **100 to 300 workers**.
- **Factories Act Threshold Modified:** 19 states/UTs increased the threshold for application:
 - From **10 to 20 workers** (where power is used).
 - From **20 to 40 workers** (where power is not used).
- **Contract Labour Act:** Threshold raised from **20 to 50 workers** in 19 states/UTs.
- **Night Shifts for Women:** Allowed in **31 states/UTs**, with conditions for safety (transport, lighting, security).
- **Pre-prosecution Compliance Notices:** All states/UTs now require prior notice before prosecution, reducing the scope for inspector raj and harassment.

Challenges in Implementation

- **Delayed Central Notification:** Despite parliamentary passage, the Centre has not yet formally notified the codes for implementation.
- **Lack of Timeline Clarity:** Creates confusion for industries, workers, and state governments on when and how to enforce changes.
- **Need for Coordinated Rollout:**
 - Disjointed state-level changes may result in:
 - Legal uncertainties,
 - Enforcement inconsistencies,
 - Difficulty for firms operating in multiple states,
 - Undermining of a **national labour market**.
- **Opposition from Trade Unions:**
 - Unions argue the codes weaken **job security**, especially by:
 - Easing conditions for retrenchment,
 - Allowing fixed-term employment more broadly.
 - Critics say the focus is more on **employer flexibility** than worker protection.
- **Infrastructural Limitations:**
 - Many state labour departments lack **trained manpower** and **digital capacity** for inspection, data tracking, and grievance redressal.

Way Forward

- **Centre Must Notify the Codes:** A **clear, time-bound notification** is essential for coordinated implementation across India.
- **Capacity Building for States:** Training, resources, and digital upgrades are vital for enforcing new frameworks.
- **Balance Between Growth and Welfare:** Policies must promote industrial growth **without compromising labour rights**.
- **Inclusive Consultations:** Engage trade unions, civil society, and industry representatives to build consensus and address concerns.

Conclusion

- States have taken a proactive role, signalling readiness for reform.
- It is now imperative for the **Centre to move forward decisively**, enabling full implementation of the codes and ensuring that even gig and informal workers benefit.
- The success of these reforms hinges on **coordination, transparency, and stakeholder engagement**.

Source: https://www.business-standard.com/industry/news/labour-codes-rollout-centre-nudges-states-to-get-in-driver-s-seat-125052101265_1.html