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## LABOUR GOVERNANCE IN INDIA: AN ASSESSMENT OF THE LABOUR CODES, 2020 AND THEIR IMPLEMENTATION CHALLENGES

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### ABSTRACT

The enactment of the Labour Codes, 2020 marked one of the most significant labour law reforms in independent India. By consolidating twenty-nine central labour legislations into four comprehensive Codes, namely the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020, the Government sought to simplify compliance mechanisms, improve ease of doing business, and extend labour protection to a broader segment of workers. The reforms were presented as a modern response to the structural inefficiencies of India's fragmented labour law regime, which had long been criticised for multiplicity, inconsistency, procedural complexity, and weak enforcement.<sup>1</sup>

However, the Labour Codes have also generated significant legal, constitutional, and socio-economic concerns. Critics argue that while the Codes claim to rationalise labour governance, they simultaneously dilute several existing worker protections, particularly in relation to industrial disputes, retrenchment, collective bargaining, and inspection mechanisms. Questions have also

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<sup>1</sup> Int'l Lab. Org., *India Wage Report: Wage Policies for Decent Work and Inclusive Growth* (2018)

emerged regarding the implementation of the Codes, especially considering India's vast informal workforce, uneven state capacity, and continuing digital and administrative limitations.

This paper critically examines the rationale, structure, and implementation challenges associated with the Labour Codes, 2020. It analyses the historical evolution of labour governance in India, the policy motivations behind labour law consolidation, and the legal and practical implications of the reforms. The paper also evaluates whether the Labour Codes effectively balance the competing objectives of labour welfare and economic flexibility. Through doctrinal and analytical research, the study argues that while the Codes introduce certain progressive features such as universalisation of minimum wages and recognition of gig workers, they also create serious concerns regarding labour security, enforcement efficiency, and collective labour rights.

The paper concludes that the success of the Labour Codes ultimately depends not merely on legislative consolidation, but on the quality of implementation, institutional capacity, and the extent to which labour welfare remains central to economic reform. Without strong enforcement systems, social security expansion, and meaningful stakeholder participation, the promise of comprehensive labour reform risks remaining largely aspirational.

**Keywords:** Labour Codes, Labour Governance, Industrial Relations, Social Security, Labour Law Reform, Gig Workers, Informal Sector, Labour Welfare

## I. INTRODUCTION

Labour law occupies a central position within the constitutional and economic framework of India.<sup>2</sup> The relationship between labour and capital has historically shaped industrial growth, social justice, and state policy. Since independence, Indian labour jurisprudence has attempted to balance economic development with the protection of workers against exploitation, unfair employment practices, and hazardous working conditions. This balancing exercise produced an extensive and highly fragmented labour law framework consisting of numerous central and state legislations governing wages, industrial disputes, trade unions, social security, occupational safety, and working conditions.

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<sup>2</sup> Constitution of the International Labour Organization art. 1, Oct. 9, 1946, 15 U.N.T.S. 35.

Over time, however, this legislative framework came to be criticised for excessive complexity, multiplicity of compliance obligations, inconsistent definitions, procedural rigidity, and weak enforcement mechanisms. Employers argued that India's labour regulations discouraged investment and formal employment growth, while workers and trade unions maintained that inadequate enforcement prevented labour protections from reaching the vast majority of workers employed in the informal economy. The coexistence of over twenty-nine central labour statutes and hundreds of state-level regulations created a compliance structure that was often difficult to administer and difficult to enforce.

The Labour Codes, 2020 emerged against this background of economic liberalisation, labour market transformation, and growing demands for structural reform. The Government introduced four consolidated Codes with the stated objective of simplifying labour laws, promoting ease of doing business, enhancing labour market flexibility, and extending social security coverage to unorganised and gig workers.<sup>3</sup> The reforms were also linked to broader economic initiatives such as "Make in India," digital governance reforms, and efforts to improve India's global investment climate.

The Labour Codes represent a significant shift in the philosophy of labour regulation in India. Earlier labour legislation, particularly during the post-independence period, was heavily protection-oriented and focused on safeguarding workers from arbitrary dismissal, unsafe working conditions, and wage exploitation. The new framework, however, reflects an increasing emphasis on labour flexibility, simplified compliance, and employer convenience. This transition has generated an intense debate regarding whether the Labour Codes represent genuine modernisation or a gradual dilution of labour protections.

The significance of this debate becomes particularly important in the Indian context, where nearly ninety percent of the workforce continues to operate within the informal economy. Informal workers often lack written contracts, social security protection, stable wages, and effective access to labour dispute mechanisms. The implementation of any labour reform in India must therefore be evaluated not only from the perspective of statutory drafting but also in terms of accessibility, enforceability, and institutional effectiveness.

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<sup>3</sup> Ministry of Labour & Emp., Gov't of India, *Labour Code Background Notes* (2020).

The constitutional framework of India also plays a crucial role in shaping labour governance. Articles 14, 19, 21, 23, 24, 39, 41, 42, and 43 of the Constitution collectively recognise the importance of fair working conditions, living wages, humane labour standards, and social justice.

<sup>4</sup>Indian labour jurisprudence has consistently acknowledged that labour law is not merely an economic instrument but also a mechanism for protecting human dignity and reducing structural inequality.<sup>5</sup> In *Randhir Singh v. Union of India*, the Supreme Court recognised the principle of equal pay for equal work as a constitutional goal flowing from Articles 14 and 39(d).<sup>6</sup> Similarly, in *Bandhua Mukti Morcha v. Union of India*, the Court expanded the scope of labour rights under Article 21 by linking dignified working conditions with the right to life.<sup>7</sup>

The labour reform process leading to the enactment of the Codes was significantly influenced by the recommendations of the Second National Commission on Labour, chaired by Ravindra Varma, which recommended the consolidation of existing labour legislation into broader thematic groups.<sup>8</sup> The Commission highlighted the problems associated with fragmented legislation, overlapping compliance requirements, and inconsistent legal standards.

The process of consolidation eventually resulted in the following four Codes:

1. The Code on Wages, 2019;<sup>9</sup>
2. The Industrial Relations Code, 2020;<sup>10</sup>
3. The Code on Social Security, 2020; and<sup>11</sup>
4. The Occupational Safety, Health and Working Conditions Code, 2020.<sup>12</sup>

Each of these Codes subsumed multiple existing labour legislations and sought to establish a unified regulatory framework. The Code on Wages consolidated laws relating to minimum wages, payment of wages, bonus, and equal remuneration. The Industrial Relations Code restructured

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<sup>4</sup> *People's Union for Democratic Rights v. Union of India*, (1982) 3 S.C.C. 235 (India).

<sup>5</sup> *Olga Tellis v. Bombay Mun. Corp.*, (1985) 3 S.C.C. 545 (India).

<sup>6</sup> *Randhir Singh v. Union of India*, (1982) 1 S.C.C. 618.

<sup>7</sup> *Bandhua Mukti Morcha v. Union of India*, (1984) 3 S.C.C. 161.

<sup>8</sup> Second Nat'l Comm'n on Lab., Rep. of the Second National Commission on Labour (2002).

<sup>9</sup> Code on Wages, No. 29 of 2019, India Code (2019).

<sup>10</sup> Industrial Relations Code, No. 35 of 2020, India Code (2020).

<sup>11</sup> Code on Social Security, No. 36 of 2020, India Code (2020).

<sup>12</sup> Occupational Safety, Health and Working Conditions Code, No. 37 of 2020, India Code (2020).

provisions relating to trade unions, industrial disputes, and retrenchment. The Social Security Code attempted to integrate various welfare and insurance laws while extending limited recognition to gig and platform workers.<sup>13</sup> The Occupational Safety Code consolidated sector-specific safety laws relating to factories, mines, plantations, migrant labour, and contract labour.

Although consolidation itself is not inherently problematic, the substantive provisions introduced by the Codes have become a source of substantial controversy. Trade unions and labour rights organisations have criticised the Codes for increasing retrenchment thresholds, weakening collective bargaining protections, reducing the role of labour inspectorates, and expanding employer flexibility at the expense of worker security. The increase in the threshold for prior government approval for retrenchment from one hundred workers to three hundred workers under the Industrial Relations Code has emerged as one of the most debated reforms.<sup>14</sup> Critics argue that such changes weaken job security in a labour market already characterised by economic vulnerability and weak social protection systems.

The implementation challenges associated with the Labour Codes are equally significant. Labour remains a concurrent subject under the Constitution, requiring both the central and state governments to frame rules for effective implementation. As a result, the operationalisation of the Codes depends heavily on inter-governmental coordination, administrative preparedness, digital infrastructure, and institutional capacity. Several states have delayed the notification of final rules, while concerns continue regarding inadequate labour inspection systems and lack of awareness among workers.

Another major concern relates to the gig economy and platform-based employment. The rise of app-based work arrangements has fundamentally altered traditional employment relationships. Gig workers often operate without formal employer-employee relationships and consequently remain outside the protective scope of conventional labour legislation. The Code on Social Security attempts to address this issue by introducing definitions for gig and platform workers and providing enabling provisions for welfare schemes. However, the Code stops short of recognising

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<sup>13</sup> *Manipal Acad. of Higher Educ. v. Provident Fund Comm'r*, (2008) 5 S.C.C. 428 (India).

<sup>14</sup> *Excel Wear v. Union of India*, (1978) 4 S.C.C. 224 (India).

such workers as employees entitled to full labour protections. Consequently, questions regarding social security funding, accountability, and employment classification remain unresolved.<sup>15</sup>

The transformation of labour governance must also be understood within the broader context of globalisation and economic liberalisation. Since the economic reforms of 1991, labour flexibility has increasingly become a central policy concern. Policymakers and industry groups argued that rigid labour regulations discouraged industrial growth and prevented India from becoming globally competitive in labour-intensive manufacturing sectors. At the same time, labour unions argued that excessive deregulation would intensify informalisation, wage insecurity, and contractualisation of labour.

The Labour Codes therefore represent not merely legal consolidation but also a deeper ideological transition in labour governance. They reflect competing visions of labour law: one prioritising economic efficiency and labour flexibility, and another emphasising social justice, labour welfare, and constitutional protection.

This paper seeks to critically analyse whether the Labour Codes successfully reconcile these competing objectives. It examines the legal structure of the Codes, their historical foundations, the policy rationale behind labour consolidation, and the implementation challenges that continue to affect labour governance in India.

## II. RESEARCH OBJECTIVES

1. To analyse the historical evolution of labour governance and labour regulation in India.
2. To examine the rationale behind the consolidation of labour laws into the Labour Codes, 2020.
3. To critically evaluate the substantive changes introduced by the four Labour Codes.
4. To assess the implementation challenges associated with labour law reform in India.
5. To examine whether the Labour Codes effectively balance labour welfare with economic flexibility.

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<sup>15</sup> NITI Aayog, India's Booming Gig and Platform Economy 28–33 (2022).

### III. RESEARCH METHODOLOGY

This paper adopts a doctrinal and analytical method of legal research. The study is based primarily on secondary sources including statutes, parliamentary debates, judicial decisions, Law Commission reports, government publications, International Labour Organization reports, academic journals, books, and policy papers.

The research analyses the provisions of the Labour Codes, 2020 in comparison with the earlier labour law framework to identify areas of continuity, reform, and dilution. Judicial precedents relating to labour rights, industrial relations, and constitutional protections have also been examined to evaluate the constitutional implications of the reforms.

The study further incorporates policy analysis by examining the economic and administrative rationale behind labour law consolidation. Comparative references to labour flexibility and social security frameworks have been used where relevant to assess the broader implications of labour governance reforms.

### IV. HISTORICAL EVOLUTION OF LABOUR GOVERNANCE IN INDIA

The development of labour law in India reflects the changing relationship between industrialisation, state policy, and worker welfare. Labour legislation during the colonial period was introduced primarily to regulate industrial unrest and facilitate economic production rather than to protect workers. Early labour laws such as the Factories Act, 1881 focused largely on limited welfare concerns while simultaneously protecting colonial industrial interests.

Following independence, labour law became closely associated with the constitutional vision of social justice. The Indian state adopted a welfare-oriented model that prioritised industrial peace, job security, and labour protection.<sup>16</sup> Legislations such as the Industrial Disputes Act, 1947, the Factories Act, 1948, the Employees' State Insurance Act, 1948, and the Employees' Provident Funds Act, 1952 sought to institutionalise labour welfare and collective bargaining.

The post-independence labour framework was heavily influenced by socialist economic policies and the belief that labour required statutory protection against unequal bargaining power. The legal

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<sup>16</sup> V.V. Giri, *Labour Problems in Indian Industry* 42–45 (Asia Publ'g House 1972).

system therefore introduced protections relating to retrenchment, layoffs, wage regulation, trade union activity, and social security.

However, by the late twentieth century, concerns regarding the efficiency of labour regulation began to intensify. Economic liberalisation after 1991 fundamentally altered the labour market.<sup>17</sup> Increasing global competition, privatisation, and technological change led to demands for greater labour flexibility. Employers argued that rigid labour regulations discouraged formal employment and industrial expansion. Simultaneously, informal and contractual employment grew substantially.

The expansion of informal labour revealed major limitations within the existing legal framework. Most labour laws applied only to establishments crossing certain employment thresholds, thereby excluding a substantial portion of workers from statutory protection. Small establishments often escaped regulation entirely, while enforcement agencies remained understaffed and ineffective.

The growth of gig and platform-based employment further exposed the inadequacies of traditional labour law. Existing legislation failed to address employment relationships involving digital platforms, algorithmic control, and task-based work arrangements.

These developments created increasing pressure for labour law reform and consolidation. The Second National Commission on Labour strongly recommended simplifying labour legislation into broader thematic groups while balancing labour welfare with economic efficiency.<sup>18</sup> The Labour Codes represent the legislative outcome of these long-standing reform efforts.

## V. RATIONALE BEHIND THE LABOUR CODES, 2020

The Government justified the Labour Codes primarily on the basis of simplification, rationalisation, and ease of compliance. According to official policy statements, the earlier labour law framework created confusion due to overlapping definitions, multiple registrations, and inconsistent procedural requirements.

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<sup>17</sup> Shyam Sundar, Labour Law Reforms in India: Issues and Challenges, 45 *Indian J. Indus. Rel.* 1, 3–7 (2009).

<sup>18</sup> Second Nat'l Comm'n on Lab., Rep. of the Second National Commission on Labour (2002).

One of the principal objectives of the Labour Codes was therefore administrative simplification. Consolidation into four thematic Codes was intended to reduce multiplicity and create greater uniformity in labour regulation.

The reforms were also strongly linked to the “ease of doing business” agenda. Policymakers argued that labour law complexity discouraged investment and prevented industrial growth. Simplified compliance procedures and digital registration systems were expected to improve India’s attractiveness as a manufacturing destination.

At the same time, the Government argued that labour reforms would encourage formalisation of employment. The earlier framework was criticised for imposing compliance burdens that allegedly incentivised informal employment arrangements. The Codes therefore sought to create a simplified compliance structure that could potentially encourage enterprises to enter the formal economy.

Another important rationale behind the reforms was the changing nature of employment itself. The growth of gig work, platform work, and fixed-term employment required legal recognition of non-traditional labour relationships. The Code on Social Security introduced definitions for gig workers and platform workers for the first time in Indian labour legislation.

Despite these justifications, the Labour Codes remain controversial. Critics argue that the reforms prioritise labour flexibility over labour welfare and weaken collective labour protections. The shift from traditional labour inspection to the “Inspector-cum-Facilitator” model has also raised concerns regarding enforcement effectiveness.

The increase in retrenchment thresholds under the Industrial Relations Code has become particularly contentious. Establishments employing fewer than three hundred workers are no longer required to obtain prior government approval before retrenchment, layoffs, or closure. Labour unions argue that this change weakens job security and increases employer dominance within industrial relations.<sup>19</sup>

Consequently, while the Labour Codes claim to balance labour welfare with economic growth, their actual impact depends heavily on implementation and enforcement.

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<sup>19</sup> Industrial Relations Code, No. 35 of 2020, § 77, India Code (2020).

## VI. IMPLEMENTATION CHALLENGES

The implementation of the Labour Codes presents serious administrative and structural challenges.

First, labour remains a concurrent subject under the Constitution. Although the Codes have been enacted by Parliament, their operationalisation requires both central and state governments to notify detailed rules. The pace of implementation has therefore varied significantly across states.

Second, India's labour enforcement system continues to face institutional weaknesses. Labour inspectorates remain understaffed, under-resourced, and unevenly distributed. The effectiveness of labour law depends not merely on legislative drafting but also on enforcement capacity.

Third, the digitalisation of labour governance creates additional barriers for workers in the informal economy. The Codes increasingly rely on online registration systems, digital compliance mechanisms, and electronic records. However, large sections of the workforce continue to face technological and informational limitations.

Fourth, awareness among workers regarding labour rights remains limited. Informal workers, migrant labourers, and gig workers often lack access to legal remedies and institutional support systems.

Fifth, social security implementation under the Code on Social Security remains uncertain. Although the Code introduces welfare provisions for gig and platform workers, the funding structure and operational mechanisms remain unclear.

The COVID-19 pandemic further exposed the vulnerability of India's labour governance structure, particularly in relation to migrant workers. The mass migration crisis during the lockdown period revealed serious gaps in labour registration systems, portability of welfare benefits, and inter-state coordination.

These challenges indicate that labour reform cannot succeed through legislative consolidation alone. Effective labour governance requires institutional accountability, adequate funding, worker awareness, and coordinated administrative mechanisms.

## VII. CRITICAL ANALYSIS

The Labour Codes contain both progressive and problematic features. The universalisation of minimum wage protection under the Code on Wages represents a significant improvement over the earlier system of scheduled employments.<sup>20</sup> Similarly, the recognition of gig and platform workers under the Social Security Code reflects an attempt to address emerging forms of labour.

At the same time, several provisions indicate a movement toward labour flexibility at the expense of labour security. The increase in retrenchment thresholds weakens protections against arbitrary termination. The stricter conditions imposed on strikes under the Industrial Relations Code may also reduce the effectiveness of collective bargaining.

The shift toward self-certification and facilitative inspection models creates additional concerns regarding enforcement. In a labour market characterised by unequal bargaining power and widespread informality, reduced regulatory oversight may increase vulnerability rather than compliance.

The Labour Codes also reveal a broader ideological shift in labour governance. Earlier labour laws were based on the assumption that workers required statutory protection against economic exploitation. The new framework increasingly treats labour regulation as part of a broader economic reform agenda.

This transition raises important constitutional questions. Labour rights in India are closely linked to constitutional principles of dignity, equality, and social justice. Any labour reform that substantially weakens worker protection risks undermining these constitutional commitments.

The challenge therefore lies in achieving a balance between economic flexibility and labour welfare. Excessive rigidity may discourage formal employment, but excessive flexibility may intensify insecurity and inequality.

## VIII. CONCLUSION

The Labour Codes, 2020 represent one of the most ambitious labour law reform initiatives in India's post-independence history. By consolidating multiple labour statutes into four

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<sup>20</sup> Code on Wages, No. 29 of 2019, § 5, India Code (2019).

comprehensive Codes, the Government sought to simplify labour governance, improve compliance systems, and modernise labour regulation.

The reforms undoubtedly address certain longstanding structural issues such as multiplicity of legislation, inconsistent definitions, and exclusion of gig workers from legal recognition. However, the Codes also raise serious concerns regarding labour protection, industrial security, collective bargaining rights, and enforcement effectiveness.

The success of labour reform ultimately depends not merely on statutory consolidation but on meaningful implementation. In a country where the majority of workers remain informal, labour governance requires strong institutions, effective inspection systems, accessible dispute mechanisms, and universal social security coverage.

The Labour Codes therefore present both an opportunity and a challenge. If implemented with adequate safeguards, they could modernise labour administration and expand labour protection. However, if implementation prioritises flexibility over welfare, the reforms risk intensifying labour insecurity and weakening constitutional commitments to social justice.

Labour law cannot be viewed solely through the lens of economic efficiency. It is fundamentally connected to human dignity, distributive justice, and democratic accountability. The future of labour governance in India will therefore depend on whether labour reform remains grounded in the constitutional vision of protecting workers while promoting equitable economic development.