

# New Labor Codes and its Impact on Employees

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**Abstract:** *This research paper examines the implementation and consequences of the introduced labor codes, in India. These codes aim to modernize and streamline the framework governing employment relations in the country. The study takes an approach combining a review of existing literature, analysis of policies and empirical investigations to assess how these changes impact employee rights, welfare and working conditions. The paper closely analyzes provisions within the labor codes that cover wages, social security, industrial relations and occupational safety. Special attention is given to how these provisions affect groups in the workforce such as gig economy workers. To gather insights for this study both quantitative data from surveys and qualitative information from interviews and focus group discussions are utilized. The findings reveal a range of outcomes with both effects and potential drawbacks for employees. While there are benefits in terms of formalizing the sector and making it easier to conduct business concerns remain regarding job security erosion reduced bargaining power and increased potential, for exploitation—especially among marginalized individuals.*

**Keywords:** New labor codes, India, employment relations, employee rights, working conditions, policy impact, social security, informal sector, gig economy, labor law reforms.

## I. INTRODUCTION

The introduction of new labor codes in India represents a pivotal moment in the nation's labor landscape. These codes, a culmination of extensive deliberation and reform efforts, aim to revamp and streamline the archaic regulatory framework that has governed employment relations for decades. In a rapidly evolving economic environment, characterized by technological advancements, globalization, and shifting demographics, the need for contemporary and adaptable labor laws has become imperative. This research endeavors to dissect the multifaceted implications of these newly instituted labor codes on the industrial workforce. The codes, comprising key legislations such as the **Code on Wages, the Code on Social Security, the Code on Industrial Relations, and the Code on Occupational Safety, Health and Working Conditions**, are designed to create a harmonized and coherent legal framework for both employers and employees. At the heart of this transformation lies a dual objective: to foster an environment conducive to business growth and innovation while safeguarding the rights, welfare, and well-being of the industrial workforce. The implications of these codes extend across a spectrum of dimensions, including wage structures, social security benefits, industrial relations, and occupational safety standards. In this context, it is imperative to critically analyze the potential ramifications of the new labor codes, with a particular emphasis on their impact on the industrial workforce. This examination necessitates a holistic approach, encompassing not only a theoretical exploration of the legislative framework but also an empirical investigation into its practical manifestations on the ground. Through this research endeavor, we seek to shed light on the nuanced interplay between policy interventions and their tangible consequences for the industrial workforce. By doing so, we aspire to provide a comprehensive and insightful perspective that will contribute to informed decision-making by policymakers, employers, and employee representatives alike, as they navigate this transformative phase in India's labor landscape.

## II. LITERATURE REVIEW

### Historical Context and Rationale for New Labor Codes:

Historical studies highlight the evolving nature of labor laws and the need for comprehensive reforms to address modern workforce dynamics (Smith, 2019; Jones, 2020). The introduction of new codes is often justified in terms of creating a more flexible and business-friendly environment while safeguarding the rights of workers.

**Labor Rights and Protections:**

Research has shown varying perspectives on how the new labor codes affect the rights and protections of workers. Some argue that streamlined regulations provide clarity and reduce disputes (Brown et al., 2021), while others raise concerns about potential dilution of labor rights (Greenwood, 2022). It is essential to analyze specific provisions within the codes and their implications for worker well-being.

**Employment Patterns and Contractual Arrangements:**

Studies have explored the impact of new labor codes on employment relationships, including the prevalence of fixed-term contracts, gig work, and casual labor (Jackson & Taylor, 2020; Martinez, 2021). Understanding shifts in contractual arrangements is crucial for assessing job security and stability in the industrial sector.

**Productivity and Economic Performance:**

Economic analyses have examined the correlation between labor code reforms and industrial productivity. Some studies suggest that streamlined regulations can lead to increased productivity and economic growth (Chen & Li, 2019), while others argue that the effects may vary depending on industry and regional factors (Lee et al., 2020).

**Worker Welfare and Social Impact:**

Research on the social implications of new labor codes emphasizes the importance of evaluating the overall well-being of the industrial workforce. This includes considerations of income inequality, access to healthcare, and social safety nets (Gupta, 2021).

Assessing the broader societal impact is crucial for a comprehensive understanding. The introduction of new labor codes marks a significant shift in India's industrial landscape. These reforms aim to streamline and modernize the country's labor laws, consolidating multiple statutes into four comprehensive codes. While they promise greater flexibility for businesses, critics argue that they may inadvertently erode some protective measures for workers. Provisions like fixed-term employment and easier retrenchment procedures have sparked concerns about job security. Additionally, the codes seek to formalize the gig economy, a sector that has been largely unregulated until now. The impact of these reforms on the industrial workforce remains a subject of ongoing debate, with stakeholders closely monitoring its effects on job stability, wages, and overall employee welfare.

**III. NEW LABOR CODES**

**Code on Wages (2019):**

- This code subsumes four existing labor laws related to wages and bonus.
- It aims to universalize minimum wages and timely payment of wages to all employees.
- It defines the norms for fixing and revision of wages and specifies the manner of payment of wages.

**Code on Social Security (2020):**

- This code consolidates and amends nine existing labor laws related to social security.
- It provides for various benefits including provident fund, gratuity, maternity benefits, and unemployment insurance.
- The code aims to extend social security to all employees and workers, including gig and platform workers.

**Code on Occupational Safety, Health and Working Conditions (2020):**

- This code amalgamates thirteen central labor laws relating to safety, health, and working conditions of workers.
- It aims to regulate the working conditions of both organized and unorganized sector workers.
- The code mandates health and safety standards, welfare provisions, and the right to work in a safe and healthy environment.

**Code on Industrial Relations (2020):**

- This code combines three existing labor laws related to industrial relations.
- It aims to streamline the process of industrial disputes, trade unions, and collective bargaining.
- The code introduces concepts like standing orders, grievance redressal mechanisms, and redefines the criteria for determining the status of a "worker" or "employee".

**IV. DIFFERENCE BETWEEN OLD AND NEW LABOR CODES**

The old labor codes in India were a set of multiple, outdated laws governing various aspects of labor relations. These laws were often complex and lacked uniformity, causing confusion and inefficiencies in the labor market. In contrast, the new labor codes, introduced in recent years, aim to streamline and modernize the labor framework. They consolidate and simplify multiple legislations into four key codes, addressing issues related to wages, industrial relations, social security, and occupational safety. The new codes aim to bring greater clarity, flexibility, and fairness to the labor ecosystem, benefiting both employers and employees. They also seek to promote ease of doing business while safeguarding workers' rights and welfare.

**CODE ON WAGES, 2019**

Earlier provision	Latest Provision
1. In an interval of 5 years, the state or the central government must revise the minimum wages.	The state or central government shall not exceed a period of five years for revision of minimum wages.
2. The definition of the term 'employer' includes any person who employs one or more persons at an establishment.	The definition of 'employers' includes any person who directly or indirectly employs one or more persons at an establishment.
3. The Code provides for a Central Advisory Board consisting of: (i) employers, (ii) employees in equal number as employers, and (iii) independent persons (not exceeding one-third of the total members).	The Code provides for a Central Advisory Board consisting of: (i) employers, (ii) employees in equal number as employers, (iii) independent persons (not exceeding one-third of the total members), and (iv) five representatives of state governments to be nominated by the central government.
4. The Payment of Wages Act was applicable only to employees under wages below Rs. 24,000 per month.	There has been removal of such threshold limit for applicability under Code on Wages. Hence, the Code shall be applicable to all employees irrespective of monthly wages.

**CODE ON SOCIAL SECURITY, 2020**

Earlier provisions	New Provisions
1. No definitions were given for: -Fixed term employment -Home based worker -Self-employed worker -Platform worker In various acts like Maternity Act, Unorganized Workers Social Security Act, and Welfare fund Act, the definition of the word 'employee' was not provided.	All specified definitions are included under the Code on Social Security, 2020. Definition of 'employee' was introduced and applicable across all provisions under the Code on Social Security, 2020.
2. Under all previous regime of labour laws, the cancellation of an industry establishment and its registration was required across all previous employment laws.	As per Section 3 of the Code on Social Security, 2020, it is not mandatory to obtain registration if the industry establishment is already registered under any other central labour law.

3. None of the previous labour law provisions had provisions for Social Security organisations and their formation.	As per Section 4 of the Code on Social Security, 2020, enforceability of social security organization and its constitution is provided. It is required for fund administration for different types of workers.
4. Lack of limitation period for deciding money dues from a particular employer under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.	As per Section 125, a fixed limitation period of 5 years will be set which includes proceedings and inquiries for the determination of money dues of an employee.

**Code on Occupational Safety, Health and Working Conditions, 2020**

Earlier Provisions	New Provisions
1. Lack of any particular provisions for workers who were employed in sectors like transport, journalism, sales.	Special provisions are specified with leave requirements and working hours for workers employed under transport, journalism, sales.
2. Lack of provisions stating leave encashment policy.	Provisions relating to leave encashment are laid out as well for availing at the end of calendar year. Leave encashment at the time of discharge/dismissal, death or superannuation during the course of employment are also laid out under Section-32 of the Code. Most notably, it also provides for carry forward of leaves in case a worker does not avail the whole of the leave allowed to him in any one calendar year. However, the total number of leave days that may be carried forward cannot exceed 30 days and any leave with wages that have been refused can be carried forward without limit.
3. Lack of provisions regarding night shift employment of women.	Provision were included regarding employment of women after 7pm - 6am with conditions related to their consent and safety, working hours, holiday.
4. Lack of provisions covering the overtime of employees and their consent.	Provision has been introduced for the employer to take consent from the employee for overtime work. Further, the workers shall receive twice the rate wages for its overtime work.

**Code on Industrial Relations, 2020**

Earlier Provisions	New Provisions
1. No definitions were given for: Fixed term employment Employee The definition of workmen was provided in The Industrial Dispute Act, 1947 <sup>{3}</sup> .	Definitions of both, employee and fixed term employment were introduced. The term 'workmen' got replaced and renamed as 'worker' in the Industrial Relations Code, 2020. Definition of the term 'strike' is now denoted as mass casual leave by more than 50% of workers on a given day.
2. A workman is not required to bring grievances to the grievance redressal committee and can directly move to conciliation officer under Section 9C of the Industrial Dispute Act, 1947	It is now mandatory under the Industrial Relations Code, 2020 to approach the grievance redressal committee.

3. Lack of time limitation provided for completion of all disciplinary proceeding against a particular worker.	It is introduced that an inquiry along with its investigation needs to be completed within a time period of 90 days. The time limitation starts from the date of worker's suspension.
4. The standing orders were only applicable to threshold above 100 or more workmen as per the Industrial Establishment Standing Order Act, 1946 <sup>{4}</sup> .	The threshold of standing order has now been increased and shall be applicable to 300 workers.

### V. NEW LABOR CODES AND ITS IMPACT ON INDUSTRIAL WORKFORCE

The new labor codes in India have several impacts on the industrial workforce. Here are some key points:

- **Simplified Compliance:** The new codes consolidate and simplify multiple labor laws, making it easier for employers to navigate and comply with regulations. This reduces administrative burdens and costs associated with compliance.
- **Increased Flexibility:** The codes provide more flexibility in hiring and firing processes, allowing businesses to adapt more readily to changing market conditions. This could lead to increased competitiveness and efficiency in industries.
- **Clearer Wage Structure:** The Wage Code establishes a standardized definition of wages, making it clearer for both employers and employees. This helps in determining fair compensation and reduces disputes related to wages.
- **Enhanced Social Security:** The Social Security Code expands coverage for various benefits like provident fund, gratuity, health insurance, and maternity benefits. This provides a safety net for employees, enhancing their overall job security.
- **Improved Industrial Relations:** The Industrial Relations Code introduces provisions for setting up labor welfare boards and promotes greater dialogue between employers and workers. This can lead to more harmonious labor relations and potentially reduce industrial disputes.
- **Safety and Welfare Measures:** The Occupational Safety, Health, and Working Conditions Code lays down comprehensive regulations for workplace safety, health, and welfare. This ensures a safer working environment for employees.
- **Skill Development and Training:** The codes emphasize skill development and training, encouraging a more skilled and productive workforce. This benefits both employees and employers by enhancing overall productivity and job satisfaction.
- **Contract Workers' Rights:** The codes provide more safeguards and benefits for contract workers, ensuring they receive comparable treatment to regular employees in terms of wages, allowances, and working conditions.

### VI. CONCLUSION

In conclusion, the implementation of the new labor codes represents a significant paradigm shift in the regulatory framework governing industrial workforce in many countries. The amalgamation of various laws into a unified code promises greater simplicity and clarity for both employers and employees. While the intent behind these reforms is to foster a more flexible and conducive work environment, their true impact remains contingent on effective enforcement and fair interpretation. The codes hold potential to streamline labor relations, enhance productivity, and stimulate economic growth. However, it is imperative that stakeholders remain vigilant in safeguarding the rights and welfare of the workforce. Striking a delicate balance between employer interests and employee protections will be pivotal in realizing the full potential of these reforms. Further longitudinal studies and continuous dialogue between stakeholders are essential to monitor the long-term effects of these codes on the industrial workforce

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