



## Centre's Push for Labour Codes

**For Prelims:** Labour Codes, Ministry of Labour and Employment, Government related initiatives and regulations

**For Mains:** Labour Codes and their mandate, Significance of Labour Codes in Indian Economy, Challenges in Labour Codes

### Why in News?

Central government is pushing for the implementation of **four labour codes introduced in 2020** (Code of Wage Act in 2019), replacing 29 sets of labour laws.

- **Labour Codes includes 4 versions:** Code of Wages Act 2019, Industrial Relations Code Bill, 2020, Social Security Code Bill, 2020, Occupational Safety, Health and Working Conditions Code Bill, 2020

### What do we need to know about Labour Codes?

- **Code of Wages Act 2019:**

- **About:**

- The bill aims to **transform the old and obsolete labour laws into more accountable and transparent** ones and seeks to pave the way for the introduction of minimum wages and [labour reforms in the country](#).
- It regulates the **wages and bonus payments** in all employment areas where any industry, trade, business, or manufacturing is being carried out.
- The bill subsumes the following four labour laws:
  - **The Payment of Wages Act, 1936**
  - **The Minimum Wages Act, 1948**
  - **The Payment of Bonus Act, 1965**
  - **The Equal Remuneration Act, 1976**
- It universalizes the provisions of [minimum wages](#) and timely payment of wages to all employees irrespective of the sector and wage ceiling and seeks to ensure **"Right to Sustenance"** for every worker and intends to increase the legislative protection of minimum wage.
- It has been ensured in the bill that **employees getting monthly salary shall get the salary by 7<sup>th</sup> of next month**, those working on a **weekly basis shall get the salary on the last day of the week** and **daily wagers should get it on the same day**.
- **The Central Government is empowered** to fix the floor wages by taking into account the living standards of workers. It may set different floor wages for different geographical areas.
  - The minimum wages decided by the central or state governments must be higher than the floor wage.

- **Industrial Relations Code Bill, 2020:**

- **Industrial Employment (Standing Orders) Act, 1946** makes it obligatory for employers of an industrial establishment where **100 or more workers** are employed to **clearly define the conditions of employment and rules of conduct** for workmen, by way of standing orders/services rules and to make them known to the workmen employed.
  - The **new provision** for standing order will be applicable for every industrial establishment wherein **300 or more than 300 workers are employed** or were employed on any day of the preceding twelve months.
  - It was earlier suggested by the [Standing Committee on Labour](#) which also suggested that the threshold be increased accordingly in the Code itself and the words **'as may be notified by the Appropriate Government'** be removed because reform of labour laws through the executive route is undesirable and should be avoided to the extent possible.
  - After becoming a law, **orders will not be dependent on whims and fancies of executives of state governments.**
- It also introduces new conditions for carrying out a **legal strike**. The time period for arbitration proceedings has been included in the conditions for workers before going on a legal strike as against only the time for conciliation at present.
  - No person employed in any industrial establishment shall go on strike **without a 60-day notice** and **during the pendency** of proceedings before a [Tribunal](#) or a National Industrial Tribunal and **sixty days after the conclusion of such proceedings.**
  - At present, a person employed in a **public utility service cannot go on strike** unless they give notice for a strike **within six weeks** before going on strike or **within fourteen days of giving such notice, which the IR Code now proposes to apply for all the industrial establishments.**
- It has also proposed to set up a **re-skilling fund** for training of retrenched workers with contribution from the employer, of an amount equal to 15 days last drawn by the worker.
- **Social Security Code Bill, 2020:**
  - It proposes a **National Social Security Board** which shall recommend to the central government for formulating suitable schemes for different sections of [unorganized workers](#), [gig workers](#) and [platform workers](#).
  - Also, aggregators employing **gig workers will have to contribute 1-2% of their annual turnover for social security**, with the total contribution not exceeding 5% of the amount payable by the aggregator to gig and platform workers.
- **Occupational Safety, Health and Working Conditions Code Bill, 2020:**
  - It has defined **inter-state migrant workers** as the worker who has come on their own from one state and obtained employment in another state, earning up to Rs. 18,000 a month.
  - The proposed definition makes a **distinction from the present definition of only contractual employment.**
  - It has dropped the earlier provision for temporary accommodation for workers near the worksites and has proposed **a journey allowance, a lump sum amount of fare to be paid by the employer for to and fro journey of the worker to their native place from the place of their employment.**

## What are the Benefits of Labour Codes?

- **Code of Wage Act 2019:**
  - It is expected to reduce litigation as it streamlines the definition of wages.
  - It will substantially reduce the number of minimum wages in the country from the existing more than 2000 rates of minimum wages.
  - This would ensure that every worker gets a minimum wage which will also be accompanied by an increase in the [purchasing power](#) of the worker thereby giving a fillip to growth in the economy.
- **Consolidation and simplification of the Complex laws:**
  - The three Codes (IR , SS & OSHW) **simplify labour laws** by subsuming 25 central labour laws that have been on the table for at least 17 years.
  - It will provide a **big boost to industry & employment** and will reduce multiplicity of definition and multiplicity of authority for businesses.

- **Single Licensing Mechanism:**
  - The codes provide for a **single licensing mechanism**.
    - It will give fillip to industries by ushering in substantive reform in the licensing mechanism. Currently, industries have to apply for their licence under different laws.
- **Easier Dispute Resolution:**
  - The codes also **simplify archaic laws** dealing with industrial disputes and **revamp the adjudication process**, which will pave the way for early resolution of disputes.
- **Ease of Doing Business:**
  - According to the industry and some economists, such reform shall **boost investment and improve [ease of doing business](#)**.
  - It drastically reduces complexity and internal contradictions, increases flexibility & modernizes regulations on safety/working conditions
- **Other benefits for Labour:**
  - The three codes will promote fixed term employment, reduce influence of trade unions and expand the social security net for informal sector workers.
- **Gender parity:**
  - Women have to be permitted to work in every sector at night, but it has to be ensured that provision for their security is made by the employer and consent of women is taken before they work at night.
  - **The maternity leave is increased from 12 weeks to 26 weeks**. Women were allowed to work in mines under **[Pradhan Mantri Rojgar Protsahan Yojana \(PMRPY\)](#)**.
  - Pay parity to women workers as compared to their male counterparts.

## What are the Challenges Labour Codes Facing?

- **Constitutional Challenge:**
  - Labour being a **concurrent subject**, both the **Centre and states have to frame laws and rules**.
    - While Parliament cleared the four labour codes in 2020, and the Centre pre-published the draft rules for all four codes, **some state governments are yet to complete the process**.
- **Industrial Relations Code Bill:**
  - It will **water down the labour rights** for workers in small establishments having less than 300 workers and would enable companies to introduce arbitrary service conditions for workers.
- **Code of Wages Act:**
  - It has been **alleged that the new wage code will push the [starvation wages](#)** further by increasing the income capacity and purchasing power of the informal workers.
- **Concern of Exclusion:**
  - The draft rules **mandate the registration of all workers (with [Aadhaar cards](#)) on the Shram Suvidha Portal** to be able to receive any form of social security benefit.
  - This would **lead to Aadhaar-driven exclusion** and workers will most likely be unable to register on their own due to lack of information.
- **Urban Centric:**
  - The codes **fail to extend any form of social protection to the vast majority of informal sector workers** which is predominant in rural areas including migrant workers, self-employed workers, home-based workers and other vulnerable groups.
- **No-Right Based Framework:**
  - The **Code does not emphasize social security as a right**, nor does it make reference to its provision as stipulated by the Constitution.

## Way Forward

- **Looking After Migrant Workforce:**
  - It is important for the draft rules to clearly state how their applicability will unfold with respect to the migrant informal workforce.
  - In this context, the governments' scheme of **[one India one ration card](#)** is a step in the right direction.

- **Skilling Under CSR Expenditure:**
  - The **large corporate houses should also take the responsibility of skilling people in the unorganized sectors** under CSR expenditure.
- **Recognizing Invisible Labour:**
  - A national policy for domestic workers needs to be brought in at the earliest to recognize their rights and promote better working conditions.
- **Other Measures:**
  - A very robust, reliable and fairly decent social security package needs to be created for workers of unorganised sectors as well.

**[Source: IE](#)**

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