



## Right Code For Labour

This article is based on [Rajya Sabha approves three codes subsuming 25 central labour laws](#) which was published in The LiveMint on 23/09/2020. It evaluates the three labour codes recently passed by the parliament.

Labour falls under the Concurrent List of the Constitution. Recently, the Parliament passed [three labour codes](#) — on **industrial relations; occupational safety, health and working conditions;** and **social security** — proposing to simplify the country's archaic labour laws and give impetus to economic activity without compromising with the workers' benefits.

These labour codes can have a transformative impact on labour relations in India. Along with the '[Code on Wages Act- 2019](#)', these can significantly ease the conduct of business by amalgamating a plethora of Central and State laws on labour.

The labour codes were adopted on the recommendations of the **Second National Commission on Labour (2002)**, which suggested consolidating 100 State laws and 40 Central laws across industries, occupations and regions.

### Existing Labour Codes Subsumed

- The social security code replaces nine laws on social security, including the Employees' Provident Fund Act, 1952, and the Maternity Benefit Act, 1961.
- Industrial Relations Code subsumes the Industrial Disputes Act, 1947, the Trade Unions Act, 1926; and Industrial Employment (Standing Orders) Act, 1946.
- The Occupational Safety, Health and Working Conditions Code replaces 13 labour laws.

### Key Proposals in the Three Labour Codes

#### Industrial Relations Code Bill 2020

- The code, among its important provisions, makes it easier for companies to **hire and fire workers**.
  - Companies employing up to 300 workers will not be required to frame rules of conduct for workmen employed in industrial establishments. Presently, it is compulsory for firms employing up to 100 workers.
- It proposes that workers in factories will have to give a notice **at least 14 days in advance** to employers if they want to go on strike.
  - Presently, only workers in public utility services are required to give notices to hold strikes.
- Besides, every industrial establishment **employing 20 or more workers** will have one or more **Grievance Redressal Committees** for resolution of disputes arising out of employees' grievances.
- The code also proposes setting up of a **reskilling fund** to help skill retrenched workers.

## Occupational Safety, Health and Working Conditions Code Bill, 2020

- It spells out duties of employers and employees, and **envisages safety standards** for different sectors, focusing on the health and working condition of workers, hours of work, leaves, etc.
- The code also recognises the **right of contractual workers**.
- The code provides employers the flexibility to employ workers on a fixed-term basis, on the basis of requirement and without restriction in any sector.
  - More importantly, it also provides for **statutory benefits** like social security and wages to fixed-term employees at par with their permanent counterparts.
- It also mandates that no worker will be allowed to work in any establishment for **more than 8 hours a day** or more than **6 days in a week**.
  - In case of an overtime, an employee should be **paid twice the rate of his/her wage**. It will be applicable to even **small establishments**, which have upto 10 workers.
- The code also brings in **gender equality** and empowers the women workforce. Women will be entitled to be employed in all establishments for all types of work and, with **consent can work before 6 am and beyond 7 pm** subject to such conditions relating to safety, holidays and working hours.
  - For the first time, the labour code also **recognises the rights of transgenders**. It makes it mandatory for industrial establishments to provide washrooms, bathing places and locker rooms for male, female and transgender employees.

## Code on Social Security Bill, 2020

- This will **replace nine social security laws**, including Maternity Benefit Act, Employees' Provident Fund Act, Employees' Pension Scheme, Employees' Compensation Act, among others.
- The code **universalizes social security coverage** to those working in the unorganised sector, such as migrant workers, gig workers and platform workers.
- For the first time, provisions of social security will also be **extended to agricultural workers also**.
- The code also **reduces the time limit for receiving gratuity payment** from the continuous service of five years to one year for all kinds of employees, including fixed-term employees, contract labour, daily and monthly wage workers.

## Benefits of Labour Codes

- **Consolidation and simplification of the Complex laws:** The three Codes 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.

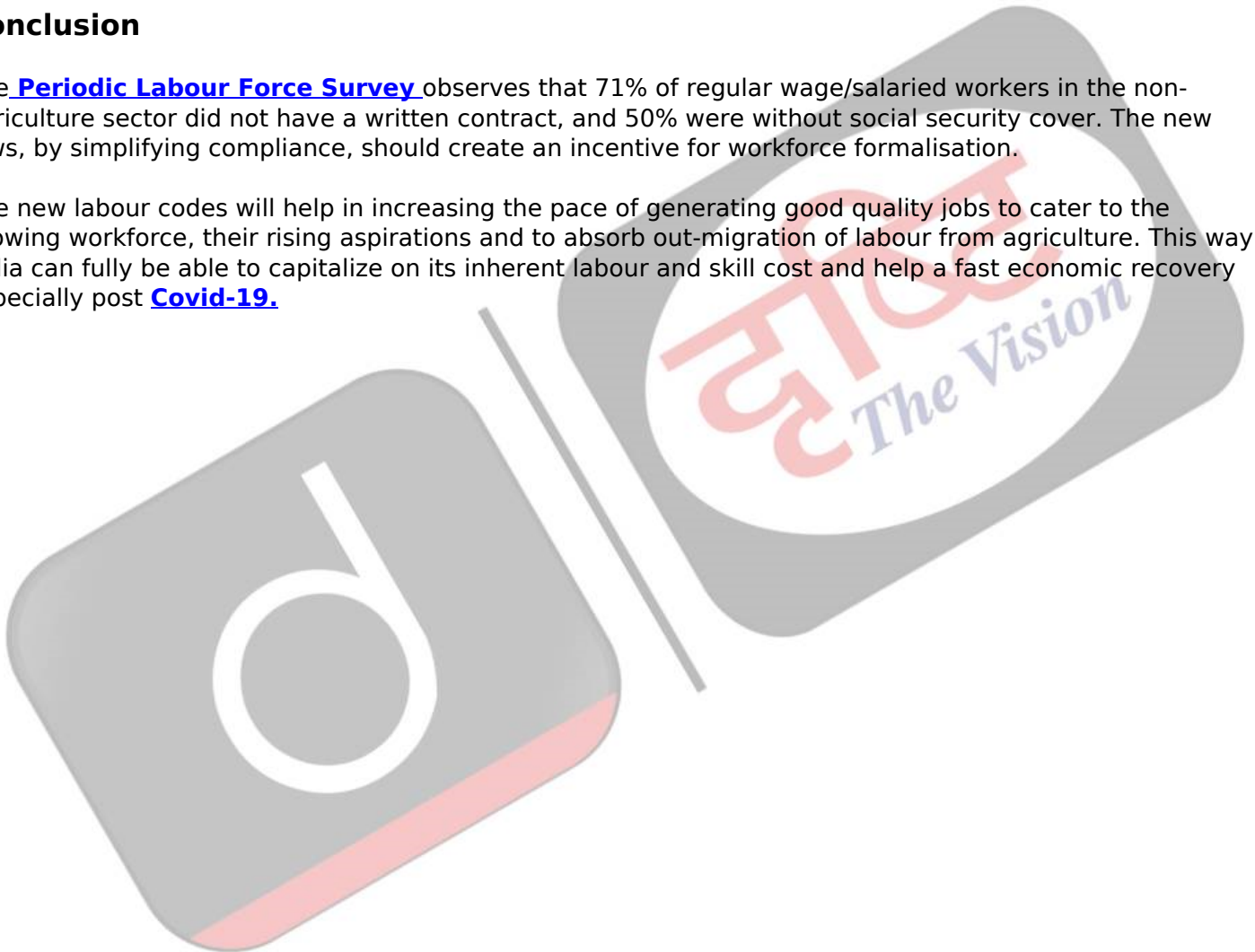
## Concerns with the Labour codes

- **Against the Interests of Employees:** The codes provide the liberty to industrial establishments to **hire and fire their employees at will.**
  - This move might enable companies to introduce arbitrary service conditions for workers.
- **Free Hand to States:** The central government has also attracted criticism that states have been given a **free hand to exempt laws in violation of labour rights.** However, the Union Labour Minister has said the labour issue is in the **Concurrent list** of the Constitution and therefore states have been given the flexibility to make changes as they wish.
- **Affect Industrial Peace:** Industrial Relation Code proposes that workers in factories will have to give a **notice at least 14 days** in advance to employers if they want to go on strike.
  - However, earlier the **Standing Committee on Labour** had recommended against the expansion of the required notice period for strike beyond the **public utility** services like water, electricity, natural gas, telephone and other essential services.
  - Further, Bharatiya Mazdoor Sangh has also opposed the Code, describing it as a clear attempt to diminish the role of trade unions.

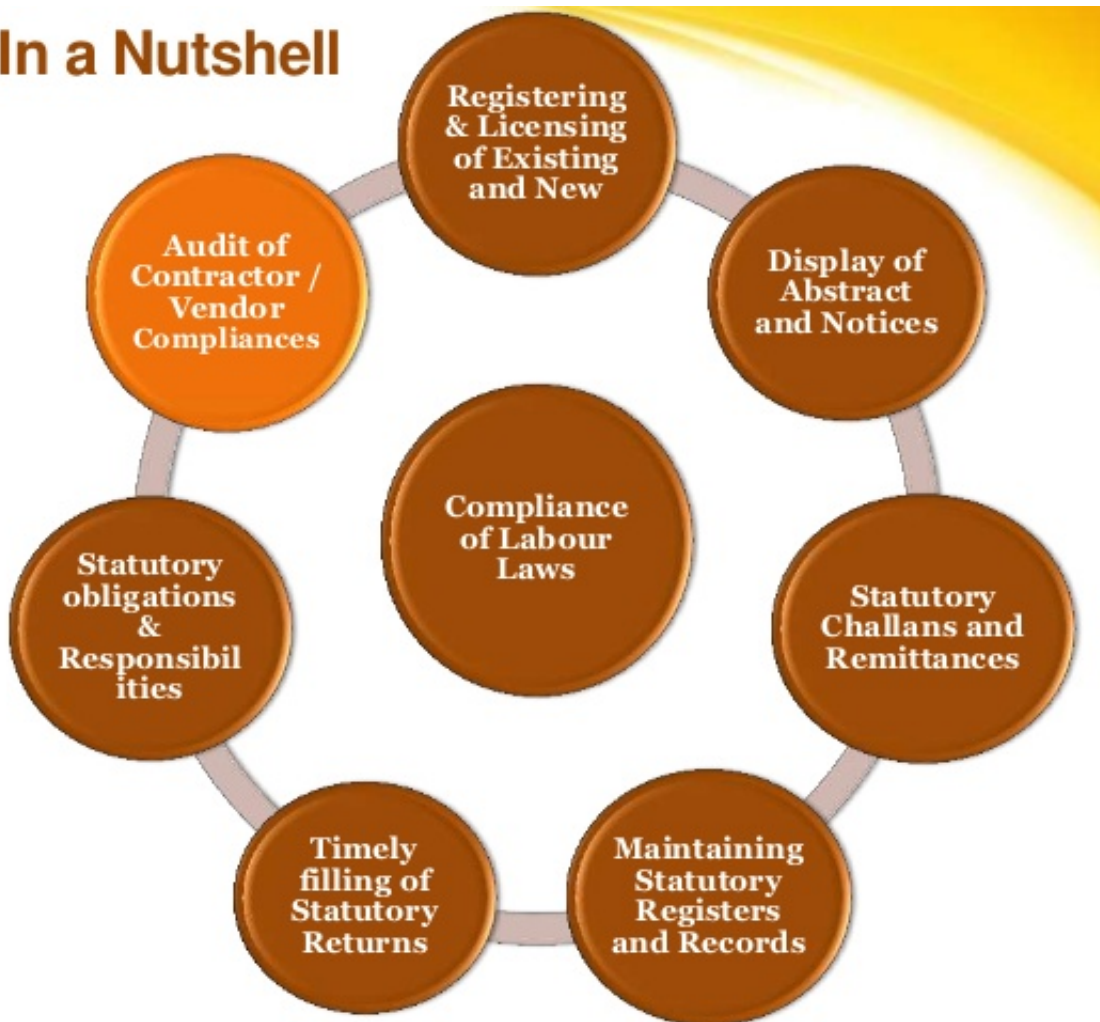
## Conclusion

The [Periodic Labour Force Survey](#) observes that 71% of regular wage/salaried workers in the non-agriculture sector did not have a written contract, and 50% were without social security cover. The new laws, by simplifying compliance, should create an incentive for workforce formalisation.

The new labour codes will help in increasing the pace of generating good quality jobs to cater to the growing workforce, their rising aspirations and to absorb out-migration of labour from agriculture. This way India can fully be able to capitalize on its inherent labour and skill cost and help a fast economic recovery especially post [Covid-19](#).



## In a Nutshell



*Fig: How to maintain compliance of labour laws*

### ***Drishti Mains Question***

Discuss how recently passed labour codes can have a transformative impact on labour empowerment in India. Also, discuss the challenges associated with the codes.

This editorial is based on [“What labour needs”](#) which was published in The Indian Express on September 23<sup>rd</sup>, 2020. Now watch this on our Youtube channel.

PDF Reference URL: <https://www.drishtias.com/printpdf/right-code-for-labour>