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# LABOUR LAW REFORMS IN INDIA: IMPACT ON WORKERS' RIGHTS

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## ABSTRACT

India's labour law reforms, through the consolidation of 29 central laws into four comprehensive labour codes, mark a significant transformation in the country's regulatory framework. While these reforms aim to simplify compliance, enhance transparency, and promote ease of doing business, their implications for workers' rights remain deeply contested. This paper critically examines the impact of these reforms on job security, collective bargaining, and social security. By analysing statutory provisions, judicial precedents, and policy critiques, the paper argues that although the reforms enhance administrative efficiency and broaden regulatory scope, they also risk diluting core labour protections. The study concludes that a balanced and rights-oriented approach is essential to ensure that economic development does not undermine labour welfare.

**Keywords:** Labour Law Reforms, Workers' Rights, Labour Codes, Industrial Relations, Social Security, India.

## INTRODUCTION

India's labour law framework has historically been characterised by fragmentation, multiplicity, and a complex network of regulations governing wages, industrial relations, social security, and working conditions. The presence of numerous central and state laws often resulted in regulatory overlap, compliance burdens, and enforcement challenges. In the context of globalisation and economic liberalisation, the need for reform became increasingly evident.

To address these concerns, the Government of India undertook a major legislative reform by consolidating 29 central labour laws into four comprehensive codes. These reforms were introduced to simplify labour regulations, enhance transparency, and improve the ease of doing business. However, labour law in India is not merely regulatory; it is deeply rooted in the principle of social justice and aims to protect workers from exploitation.

The judiciary has consistently recognised that labour rights are integral to human dignity and the right to life under Article 21 of the Constitution, as highlighted in *Bandhua Mukti Morcha v. Union of India*. This underscores the importance of evaluating labour reforms not only in terms of economic efficiency but also in relation to their impact on workers' rights.

The introduction of the labour codes has created a significant debate regarding whether these reforms strike a balance between economic growth and labour welfare. While the codes aim to create a business-friendly environment, concerns have been raised about the dilution of workers' rights, particularly in areas such as job security, collective bargaining, and social security. This paper seeks to critically analyse the impact of labour law reforms in India, examining whether the new framework adequately protects workers' rights or disproportionately favours employer interests.

## LITERATURE REVIEW

The reform of labour laws in India has generated extensive academic and policy debate. The Second National Commission on Labour<sup>1</sup> Recommended the consolidation of labour laws to simplify the regulatory framework and improve compliance. While this recommendation formed the basis for the introduction of labour codes, subsequent analyses have raised concerns

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<sup>1</sup> Second Nat'l Comm'n on Labour, *Report* (2002)

about the potential dilution of labour protections.

Studies by PRS Legislative Research<sup>2</sup> suggest that although the labour codes streamline legal provisions and reduce complexity, they also enhance employer flexibility, particularly in matters relating to layoffs and retrenchment. This shift has been interpreted by scholars as indicative of a broader policy orientation towards economic liberalisation and labour market flexibility.

International perspectives, particularly from the International Labour Organisation<sup>3</sup> (ILO), emphasise that labour reforms must maintain a balance between economic growth and worker protection. The ILO has consistently advocated for safeguarding fundamental labour rights, including freedom of association, collective bargaining, and social security.

Recent academic discourse further highlights that labour law reforms in developing economies often prioritise market efficiency over worker welfare. Scholars argue that while increased flexibility may attract investment, it can also lead to precarious employment conditions, reduced job security, and weakened bargaining power for workers.

Empirical studies in the Indian context suggest that increasing thresholds for layoffs may encourage informalisation, as employers may rely more on contract labour to avoid regulatory obligations. Additionally, critiques of the Code on Social Security, 2020, point out that its reliance on delegated legislation and scheme-based implementation creates uncertainty regarding the actual delivery of benefits.

Judicial pronouncements also play a crucial role in shaping labour law discourse. In *Olga Tellis v. Bombay Municipal Corporation*<sup>4</sup> The Supreme Court recognised the right to livelihood as part of the right to life, reinforcing the importance of labour protections. Similarly, *Consumer Education and Research Centre v. Union of India*<sup>5</sup> emphasised the role of social security in ensuring worker welfare. Overall, the literature reveals a consistent tension between the objectives of economic liberalisation and the protection of workers' rights, highlighting the need for a balanced approach.

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<sup>2</sup> PRS Legislative Research, *Labour Codes Analysis Reports* (2020).

<sup>3</sup> Int'l Labour Org. (ILO), *Labour Standards and Social Protection Reports*.

<sup>4</sup> *Olga Tellis v. Bombay Municipal Corp.*, AIR 1986 SC 180.

<sup>5</sup> *Consumer Educ. & Research Ctr. v. Union of India*, AIR 1995 SC 922.

## **RESEARCH METHODOLOGY**

This study adopts a doctrinal and analytical methodology, focusing on the examination of statutory provisions, judicial decisions, and secondary sources. The four labour codes are analysed in detail to understand their impact on workers' rights.

Judicial precedents are used to evaluate whether the reforms align with constitutional principles and established labour jurisprudence. Secondary sources, including reports from the ILO, PRS Legislative Research, and academic literature, provide insights into the broader implications of the reforms.

The research also employs a critical analytical approach, comparing the stated objectives of the labour codes with their practical consequences. While the study is limited to secondary data, it provides a comprehensive legal and policy-based evaluation of labour law reforms in India.

## **OVERVIEW AND CRITICAL ANALYSIS OF THE LABOUR CODES**

### **Code on Wages, 2019**

The Code on Wages, 2019<sup>6</sup> This represents a significant step towards the rationalisation and consolidation of wage-related legislation in India. It subsumes four major laws, namely the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976, into a single comprehensive framework. This consolidation aims to simplify the regulatory structure, remove inconsistencies, and ensure uniformity in the application of wage-related provisions across different sectors.

One of the most notable features of the Code is the introduction of a uniform definition of "wages," which seeks to eliminate ambiguity and prevent employers from structuring salaries in a manner that excludes certain components to avoid statutory obligations. By standardising this definition, the Code attempts to ensure transparency and fairness in wage determination.

Additionally, the Code extends minimum wage protection to all employees, including those in unorganised sectors, thereby addressing a significant gap in the previous legal framework. Earlier, the applicability of minimum wages was limited to scheduled employment, leaving a

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<sup>6</sup> Code on Wages, No. 29 of 2019, India.

large segment of workers without protection. The expansion of coverage under the Code is therefore a progressive step towards inclusivity and social justice.

However, despite these advancements, several concerns arise regarding the practical implementation and effectiveness of the Code. Wage protection is intrinsically linked to the right to livelihood under Article 21 of the Constitution, as recognised by the Supreme Court in *Olga Tellis v. Bombay Municipal Corporation*. In this context, any inadequacy in wage regulation directly impacts the fundamental rights of workers.

A major criticism of the Code is the absence of clear and objective criteria for the determination of minimum wages. While the concept of a “floor wage” has been introduced, the discretion vested in the central government to fix such wages raises concerns about arbitrariness and lack of uniformity across states. Without a transparent and scientifically determined wage structure, there is a risk that minimum wages may not adequately reflect the cost of living, thereby failing to ensure a decent standard of living for workers.

Furthermore, the enforcement of wage provisions remains a significant challenge. In India, a large proportion of the workforce is employed in the informal sector, where compliance with labour laws is often weak. The success of the Code largely depends on the effectiveness of enforcement mechanisms, including inspections, grievance redressal systems, and penalties for non-compliance. In the absence of robust enforcement, the benefits of the Code may not reach the intended beneficiaries. Another issue relates to gender equality in wages. Although the Code incorporates provisions of equal remuneration, the persistence of gender-based wage disparities in practice raises questions about the adequacy of enforcement measures. Ensuring equal pay for equal work requires not only legal provisions but also proactive monitoring and awareness initiatives.

### **Industrial Relations Code, 2020**

The Industrial Relations Code, 2020<sup>7</sup>It introduces significant changes to industrial relations, particularly in relation to layoffs, retrenchment, and strikes. The increase in the threshold for requiring government permission for layoffs from 100 to 300 workers has been widely criticised.

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<sup>7</sup> Industrial Relations Code, No. 35 of 2020, India.

In *Workmen of Meenakshi Mills v. Meenakshi Mills Ltd*<sup>8</sup> The Supreme Court upheld the importance of safeguards in layoffs to protect workers from arbitrary dismissal. The increased threshold reduces such protections and exposes a larger segment of the workforce to job insecurity.

This shift reflects a broader policy orientation towards labour market flexibility. While flexibility may encourage investment and industrial growth, it also creates uncertainty for workers, particularly in a labour-surplus economy like India.

The Code also imposes restrictions on strikes by requiring prior notice. In *All India Bank Employees' Association v. National Industrial Tribunal*<sup>9</sup> The Court recognised the importance of collective action in industrial relations. Excessive restrictions on strikes may weaken collective bargaining and reduce workers' negotiating power. The increase in the threshold for layoffs and retrenchment from 100 to 300 workers represents a significant shift in labour policy. This change effectively removes the requirement of prior government approval for a large number of establishments, thereby granting greater autonomy to employers.

While this provision is intended to enhance business flexibility and reduce bureaucratic delays, it raises serious concerns regarding job security. In a country like India, where unemployment rates remain a challenge, the absence of adequate safeguards against arbitrary dismissal can have severe socio-economic consequences.

Furthermore, the restriction on strikes through mandatory notice requirements may discourage workers from exercising their collective rights. Although the right to strike is not recognised as a fundamental right, it remains an essential tool for workers to negotiate better conditions. The cumulative effect of these provisions suggests a shift in the balance of power towards employers, potentially weakening the bargaining position of workers.

### **Code on Social Security, 2020**

The Code on Social Security, 2020<sup>10</sup>, represents a significant attempt to consolidate and rationalise various laws relating to social security in India. It subsumes multiple legislations, including the Employees' Provident Funds Act, 1952, the Employees' State Insurance Act,

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<sup>8</sup> *Workmen of Meenakshi Mills Ltd. v. Meenakshi Mills Ltd.*, AIR 1992 SC 2696.

<sup>9</sup> *All India Bank Employees' Ass'n v. Nat'l Indus. Tribunal*, AIR 1962 SC 171.

<sup>10</sup> Code on Social Security, No. 36 of 2020, India.

1948, and the Unorganised Workers' Social Security Act, 2008, into a unified framework.

One of the most progressive aspects of the Code is its attempt to extend social protection to a wider segment of the workforce, particularly gig workers and platform workers. In the context of the rapidly evolving digital economy, where employment relationships are increasingly informal and flexible, this inclusion reflects a recognition of the changing nature of work. By bringing these workers within the ambit of social security, the Code seeks to address a long-standing gap in labour welfare.

However, despite its progressive intent, the Code suffers from significant structural and implementation-related challenges. A major concern is its heavy reliance on schemes to be framed by the government. Unlike traditional labour laws that provide clearly defined and enforceable rights, the Code leaves several crucial aspects—such as the nature of benefits, eligibility criteria, and contribution mechanisms—to be determined through future rules and schemes. This creates uncertainty and raises concerns about the enforceability of social security rights.

The importance of social security has been strongly emphasised by the judiciary. In *Consumer Education and Research Centre v. Union of India*, the Supreme Court held that social security and protection of workers' health are integral components of the right to life under Article 21 of the Constitution. This constitutional recognition implies that social security is not merely a statutory benefit but a fundamental right. Therefore, any legal framework governing social security must ensure effective implementation and accessibility.

Another critical issue relates to the ambiguity surrounding the coverage of gig and platform workers. While their inclusion is a welcome step, the Code does not clearly define the extent of benefits or the responsibilities of aggregators (such as digital platforms) in contributing to social security funds. The absence of a clear funding mechanism raises concerns about the sustainability of such schemes. Without mandatory contributions and defined entitlements, the provisions may remain largely symbolic rather than substantive. Furthermore, the success of social security provisions depends heavily on administrative efficiency and institutional capacity. India's vast informal workforce presents significant challenges in terms of identification, registration, and delivery of benefits. Many workers lack formal documentation, making it difficult to bring them within the ambit of social security schemes. In the absence of robust administrative systems, the intended benefits of the Code may not reach the targeted

population.

Financial sustainability is another major concern. Providing comprehensive social security to a large and diverse workforce requires substantial financial resources. The Code does not provide a clear framework for funding these schemes, which raises questions about their long-term viability. If adequate funding is not ensured, the implementation of social security measures may remain inconsistent and ineffective.

Additionally, the reliance on digital platforms for registration and benefit delivery, while innovative, may exclude workers who lack access to technology or digital literacy. This digital divide further complicates the implementation of social security schemes, particularly in rural and economically disadvantaged areas.

While the Code on Social Security, 2020, represents a progressive step towards expanding social protection and recognising new forms of employment, its effectiveness is undermined by a lack of clarity, weak enforceability, and implementation challenges. To truly realise the objective of universal social security, it is essential to establish clear legal entitlements, ensure sustainable funding, and strengthen administrative mechanisms. Without these measures, the promise of social security under the Code may remain largely unrealised.

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

The Occupational Safety, Health and Working Conditions Code, 2020<sup>11</sup> (OSH Code) represents a significant legislative effort to consolidate and rationalise laws relating to workplace safety, health, and welfare in India. The Code subsumes thirteen existing labour laws, including the Factories Act, 1948, the Mines Act, 1952, and the Contract Labour (Regulation and Abolition) Act, 1970, into a single comprehensive framework.

The primary objective of the OSH Code is to ensure safe, healthy, and humane working conditions for employees across various sectors. It introduces provisions relating to working hours, leave, occupational safety standards, and welfare facilities, thereby aiming to create a uniform regulatory environment. The Code also recognises the importance of safeguarding workers from occupational hazards, which is particularly relevant in industries such as

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<sup>11</sup> Occupational Safety, Health and Working Conditions Code, No. 37 of 2020, India.

construction, mining, and manufacturing.

The importance of workplace safety has been consistently emphasised by the judiciary. In *M.C. Mehta v. State of Tamil Nadu*, the Supreme Court highlighted the responsibility of employers to ensure that workers are not exposed to hazardous conditions and that adequate safety measures are in place. This case underscored that the right to a safe working environment is intrinsically linked to the right to life under Article 21 of the Constitution.

Despite its comprehensive framework, the OSH Code has been subject to significant criticism, particularly regarding its applicability thresholds. The Code increases the minimum number of workers required for certain provisions to apply, thereby excluding smaller establishments from its ambit. This is a critical concern, as a substantial portion of India's workforce is employed in small and medium enterprises where safety standards are often inadequate.

The exclusion of smaller establishments undermines the objective of universal worker protection. In practice, workers in such establishments are more vulnerable to occupational hazards due to a lack of proper infrastructure, safety equipment, and regulatory oversight. By limiting the applicability of safety regulations, the Code may inadvertently create a gap in protection for those who need it the most.

Another significant challenge lies in the enforcement of safety standards. The effectiveness of the OSH Code depends heavily on the capacity of regulatory authorities to conduct inspections, monitor compliance, and impose penalties for violations. However, enforcement mechanisms in India have historically been weak due to limited administrative resources and bureaucratic inefficiencies. Without strong enforcement, even well-drafted provisions may fail to achieve their intended objectives.

Furthermore, the Code adopts a self-certification and web-based inspection system aimed at reducing the compliance burden on employers. While this approach enhances ease of doing business, it raises concerns about the dilution of regulatory oversight. Excessive reliance on self-regulation may lead to underreporting of violations and compromise worker safety.

Another issue relates to migrant workers, who form a significant part of the labour force in hazardous industries. Although the Code includes provisions for inter-state migrant workers, the lack of clarity in implementation and monitoring mechanisms may limit its effectiveness.

Migrant workers often face additional challenges such as a lack of awareness, poor living conditions, and limited access to healthcare facilities, making them particularly vulnerable.

While the Occupational Safety, Health and Working Conditions Code, 2020 represents an important step towards consolidating and modernising workplace safety laws, its effectiveness is contingent upon robust enforcement, inclusive applicability, and clear implementation mechanisms. The exclusion of smaller establishments and reliance on self-regulation raise serious concerns about the adequacy of protection provided to vulnerable workers. To ensure that the Code fulfils its objective, it is essential to strengthen enforcement mechanisms, expand its scope, and prioritise worker safety as a fundamental aspect of labour rights.

## **IMPACT ON WORKERS' RIGHTS**

The labour law reforms have significant implications for workers' rights, particularly in relation to job security, collective bargaining, and social security.

### **Job Security**

The increase in the threshold for layoffs and retrenchment under the Industrial Relations Code, 2020, significantly impacts job security, particularly for workers employed in medium-sized establishments. By raising the threshold from 100 to 300 workers, the requirement of prior government approval for layoffs has been removed for a large number of firms. This effectively grants employers greater discretion in terminating employment relationships.

While this change is intended to provide flexibility to businesses and encourage investment, it raises serious concerns regarding the protection of workers from arbitrary dismissal. In a labour-surplus economy like India, where alternative employment opportunities are often limited, job security plays a crucial role in ensuring economic stability and social welfare. The absence of adequate safeguards may lead to increased job insecurity, forcing workers into precarious forms of employment.

Furthermore, reduced job security can have broader socio-economic consequences. Workers who perceive their employment as unstable are less likely to invest in skill development or long-term productivity. This may ultimately affect not only individual welfare but also overall economic efficiency. Thus, the reform, while beneficial for employers, risks undermining the foundational principle of labour protection.

## **Collective Bargaining**

The labour codes, particularly the Industrial Relations Code, impose restrictions on the right to strike by mandating prior notice and expanding the scope of essential services. While the right to strike is not recognised as a fundamental right, it remains an essential mechanism through which workers can collectively express grievances and negotiate better working conditions. These restrictions may significantly weaken trade unions, which have historically played a crucial role in protecting workers' interests. By limiting the ability of workers to engage in collective action, the reforms may tilt the balance of power in favour of employers. This imbalance can lead to unfair labour practices, reduced wages, and deteriorating working conditions.

Moreover, collective bargaining is a cornerstone of industrial democracy. It ensures that workers have a voice in decision-making processes that affect their livelihoods. Weakening this mechanism may result in the marginalisation of labour interests and the erosion of participatory governance in industrial relations.

## **Social Security**

The Code on Social Security, 2020, represents an important step towards expanding coverage to previously excluded categories of workers, including gig and platform workers. This reflects a recognition of the changing nature of employment in the modern economy.

However, the effectiveness of social security provisions under the Code is limited by the absence of clearly defined entitlements and enforceable rights. The Code largely relies on schemes to be framed by the government, which introduces uncertainty regarding implementation. Without a robust legal framework ensuring accountability, these provisions may remain largely aspirational. In a country where a significant portion of the workforce operates in the informal sector, access to social security is essential for ensuring basic economic security. The lack of clarity regarding funding mechanisms and administrative structures further complicates the issue. As a result, the expansion of coverage, while commendable in principle, may not translate into meaningful benefits in practice.

## **Informal Sector**

The informal sector constitutes a substantial portion of India's workforce, making it a critical

area of concern in labour law reforms. Despite the stated objective of extending protections to all workers, the labour codes face significant challenges in addressing the realities of informal employment.

One of the primary issues is the lack of effective mechanisms for identifying and registering informal workers. Without proper documentation and institutional support, many workers remain outside the scope of legal protections. Additionally, weak enforcement mechanisms and limited administrative capacity hinder the implementation of labour laws in this sector. The informal sector is also characterised by low wages, poor working conditions, and a lack of job security. The failure to adequately address these issues may perpetuate existing inequalities and undermine the objectives of labour reform. Therefore, while the labour codes attempt to bring informal workers within the legal framework, their impact remains limited without effective implementation strategies

## **ROLE OF JUDICIARY IN PROTECTING LABOUR RIGHTS**

The judiciary has played a pivotal role in shaping and protecting labour rights in India by adopting a progressive and expansive interpretation of constitutional provisions. Through its judgments, the Supreme Court has consistently reinforced the idea that labour rights are integral to human dignity and social justice. In *Bandhua Mukti Morcha v. Union of India*, the Court recognised the plight of bonded labourers and held that the right to live with dignity under Article 21 includes protection against exploitation. This case marked a significant step in acknowledging labour rights as fundamental human rights.

Similarly, in *Olga Tellis v. Bombay Municipal Corporation*<sup>12</sup> The Court held that the right to livelihood is an essential component of the right to life. This judgment established that deprivation of employment directly affects an individual's ability to live with dignity, thereby linking labour rights with constitutional guarantees. In *Consumer Education and Research Centre v. Union of India*<sup>13</sup> The Court emphasised the importance of social security and safe working conditions, holding that these are essential for ensuring the well-being of workers. These judicial pronouncements demonstrate that labour rights are deeply embedded in constitutional principles. They also serve as a reminder that legislative reforms must align with

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<sup>12</sup> *Olga Tellis v. Bombay Municipal Corp.*, AIR 1986 SC 180.

<sup>13</sup> *Consumer Educ. & Research Ctr. v. Union of India*, AIR 1995 SC 922.

these principles to ensure that workers are not deprived of their fundamental rights.

## **CRITICISM AND CHALLENGES**

The labour codes have been subject to significant criticism from scholars, trade unions, and policy analysts. One of the primary concerns is that the reforms prioritise economic growth and ease of doing business over labour welfare. The dilution of job security provisions, particularly through increased thresholds for layoffs, is seen as a major setback for workers' rights. Similarly, restrictions on collective bargaining mechanisms weaken the ability of workers to negotiate fair conditions. Another major challenge is the reliance on delegated legislation. Many key provisions of the labour codes are left to be defined through rules and schemes, which may lead to inconsistencies and a lack of accountability. This creates uncertainty regarding the implementation of the reforms. Additionally, the reforms may disproportionately affect vulnerable groups, including contract workers, migrant labourers, and those in the informal sector. These groups already face significant barriers in accessing legal protections, and the changes introduced by the labour codes may exacerbate their vulnerabilities.

## **SUGGESTIONS**

To ensure that labour law reforms achieve their intended objectives without compromising workers' rights, several measures can be adopted. First, it is essential to strengthen job security provisions by reintroducing safeguards against arbitrary dismissal. This may include lowering the threshold for layoffs or introducing alternative mechanisms for worker protection. Second, the implementation of social security schemes must be made more effective by establishing clear entitlements, funding mechanisms, and accountability structures. This will ensure that benefits reach the intended beneficiaries. Third, enforcement mechanisms need to be strengthened through improved institutional capacity and greater awareness among workers. This includes simplifying registration processes and ensuring access to grievance redressal mechanisms. Finally, a balanced approach must be adopted that recognises the importance of both economic growth and labour welfare. Policies should aim to create a fair and inclusive labour market that benefits both employers and employees.

## **CONCLUSION**

The labour law reforms in India represent a significant transformation in the country's

regulatory framework. By consolidating numerous laws into four comprehensive codes, the government has attempted to simplify compliance and promote economic efficiency.

However, this transformation has also raised critical concerns regarding the protection of workers' rights. The analysis in this paper demonstrates that while the reforms introduce certain progressive elements, they also risk diluting key protections related to job security, collective bargaining, and social security. Labour law must continue to function as an instrument of social justice, ensuring that workers are protected from exploitation and have access to fair working conditions. The challenge lies in achieving a balance between flexibility and security, which requires careful policy design and effective implementation. Ultimately, the success of labour law reforms in India will depend on their ability to uphold the right to dignity. Unless these reforms are implemented with a rights-based approach, they risk transforming labour law from an instrument of social justice into a tool of economic regulation.