

Industrial Relations Code, 2020: Promoting Harmony and Ease of Doing Business

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Introduction



The success of workers and industries are deeply connected; one cannot thrive without the other. When industries grow, they create stable jobs, fair wages, and social security for workers. Likewise, a motivated and secure workforce drives productivity and innovation, ensuring the industry's long-term survival.

National Commission on Labour highlighted a need to rationalise and simplify the exiting labour laws with an aim to protects interests of the workers. Consolidation of three existing laws viz i.e. Industrial Disputes Act 1947, Trade Unions Act 1926 And Industrial Employment (Standing Orders) Act 1946 into The Industrial Relations Code, 2020 is a step in this direction.

Integrated Law: Industrial Relations Code, 2020

The Industrial Relations Code, 2020 is designed to consolidate & amend the laws regarding trade Unions, retrenchment, industrial disputes and simplifying compliance by providing uniform definitions. The Code seeks to promote industrial harmony by balancing worker protection with business flexibility and facilitating ease of Doing Business.

With the introduction of The Industrial Relations Code, 2020 the number of rules has been reduced from 105 to 51, number of forms from 37 to 18 and number of registers from 3 to zero, thereby **reducing the overall compliance burden to spur employment.**

The Industrial Relations Code, 2020 creates a balanced and progressive framework that benefits workers, employers, and the economy alike. It is pro-labour, ensuring fair representation, job security, and quicker dispute resolution. At the same time, it is pro-employment, simplifying compliance and promoting flexible hiring. With pro-women measures encouraging equal representation and working flexibility, it fosters inclusive participation. Overall, the Code is pro-growth, by focusing on uniform, faster, and efficient system.

Uniform Definitions to Simplify Compliance

Definitions of “Worker” has been expanded

To ensure that more workers have **access to basic labour rights**, inclusive definition of ‘worker’ has been established. Pursuant to Section 2(zr) of Industrial Relations Code, 2020, the definition of ‘worker’ has been expanded to include sales promotion employees, working journalists, and supervisory employees earning up to ₹18,000 per month, thereby extending statutory labour protections to a wider segment of the workforce.

Pro-Labour Benefits

It helps create policies that **recognize their contribution** and ensure fair treatment

Improved **economic resilience** at both individual and societal levels.

Reduction in income inequality.

Access to benefits like healthcare and sick leave.

Expansion of the definition of “Industry”

As per Section 2(p) of Industrial Relations Code, 2020, the term “industry” now encompasses any systematic activity carried on by cooperation between employer and worker, regardless of whether capital is invested or profit is intended, thereby bringing non-profit and low-capital activities within its ambit.

Pro-Labour Benefits

Extends labour rights to employees in non-profit and non-capital-based organisations.

Expands access to formal dispute resolution through Conciliation Officers and Industrial Tribunals.

Broadens collective bargaining rights to more workers

Statutory benefits (like notice for change of service conditions, retrenchment compensation, and grievance redressal mechanisms) to be given to workers in newly included sectors.

Change in definition of “Wages”

A **single, consistent definition of wages** has been applicable across all labour codes. The Industrial Relations Code, 2020 provides the **50% ceiling on exclusions** to ensure that statutory benefits such as gratuity, retrenchment compensation, and social security contributions are calculated on a fair and

substantial portion of actual earnings, preventing employers from artificially splitting wages to reduce obligations. Legally, this aligns with the principle of **beneficial construction in social welfare legislation**, giving courts a clear statutory basis to protect workers' entitlements and reducing ambiguity that previously led to disputes.

Pro-Labour Benefits

Establishes a **uniform definition** of "wages" across all labour codes.

Increases social security benefits with a **larger wage base**.

Ensures **higher lay-off and retrenchment compensation**, ensuring higher payouts

Prevents wage manipulation through inflated allowances and reduced benefits

Promotes transparency and reduces wage-related disputes.

Statutory recognition to the Trade Unions

Trade unions that previously lacked formal recognition now have a **clear pathway to legal recognition**. A union with **51% membership in an establishment** can be categorised as a **Negotiating Union** with exclusive rights to represent workers in collective bargaining and grievance redressal. In case this threshold is not met, **Negotiating Council** shall be constituted comprising representatives of all trade unions with at least 20% membership.

Pro-Labour Benefits

Grant **formal recognition to unions**, empowering them to represent workers officially.

Gives **statutory collective bargaining rights** over wages, service conditions and workplace policies.

Protects recognised unions from employer interference or victimization.

Involves **worker representatives** in internal grievance committees.

Strengthens industrial democracy through structured dialogue and negotiation.

Enhances job security by preventing arbitrary layoffs and unfair practices.

Pro-Growth Benefits

Legal backing to negotiating unions.

Single majority unions/councils to deal with the employer.

Introduction of Fixed-term Employment

The concept of Fixed Term Employment (FTE) has been introduced, which allows engagement of workers through a direct written contract between the employer and the employee for a specified duration. Such **workers are entitled to all benefits**, including working hours, wages, allowances, and statutory benefits, **on par with permanent employees**.

It is a win-win situation for employee and employer as this provision is expected to reduce excessive contractualization and offer cost efficiency to employers.

Pro-Labour Benefits

FTE Shall be provided **safe and healthy working conditions** equal to permanent staff.

FTEs shall be made **eligible for all statutory benefits** equivalent to a permanent staff.

FTEs shall be **eligible for gratuity** on completion of 1 year of service.

Freshers can gain experience in a short span of time and enhance specialized skill.

Pro Employment Benefits

It encourages **more flexible hiring**, especially in sectors with seasonal or project-based work, leading to greater overall employment opportunities.

This provision is expected to **reduce excessive contractualization** and offer cost efficiency to employers.

Pro-Growth Benefits

Universal applicability for all establishments.

No restriction on tenures, time period or nature of work.

It will provide **flexibility to the employer** for hiring FTEs directly for all nature of work.

Amended Definition of “Strike”

To discourage flash strike and to promote industrial harmony, the definition of strike has been amended. It includes “mass casual leave also within the ambit”, which comprises of cases where casual leave has been taken by more than fifty percent of the workers on a given day.

Pro-Growth Benefits

Pave the way for **Ease of Doing Business**

It protects workers’ rights by ensuring that **collective action** occurs through lawful procedures

Encourages negotiation rather than abrupt protest

Simplified Dispute Resolution Process

Decriminalization and compounding of offences

Under the Chapter XII of Industrial Relations Code, 2020, several minor offences that previously attracted imprisonment or criminal liability have been decriminalized, and certain contraventions can now be compounded by paying a specified penalty (in case of first-time convictions):

Pro-Growth Benefits

For an offence punishable with fine only, with payment of 50% of the maximum fine provided for that offence.

For an offence punishable with imprisonment for a term which is not more than one year and also with fine, with payment of 75% of the maximum fine provided for that offence.

Once an offence is compounded, no prosecution will be instituted against the offender for that offence.

Pro-Labour Benefits

Reduces legal harassment for workers and employers.

Promotes **quicker resolution** of disputes.

Ensures that minor procedural breaches **do not jeopardize employment** or subject workers to criminal proceedings

Create a more **worker-friendly and less adversarial enforcement environment**, balancing compliance with protection of labour rights.

Pro-Growth Benefits

Shifts focus from **imprisonment to monetary penalties, making compliance easier for employers.**

Employers are more likely to comply when penalties are fair, predictable, and non-criminal in nature.

Compounding avoids lengthy court trials, saving time and resources for employer.

Reduces fear of criminal prosecution, thereby encouraging investment and smoother industrial operations.

Streamlined Dispute Resolution Mechanism

Time-bound adjudication of disputes has been introduced to ensure speedy disposal of the dispute. Industrial tribunals will now have 2 members (judicial and administrative member). This mechanism is in line with other tribunals and widens the experience of members. Two members Industrial Tribunal will help in speedy disposal of labour disputes. The move is pro-growth as it creates a **uniform, faster, and efficient system** for resolving industrial conflicts.

Direct Access Mechanism to Approach the Tribunal

The concerned party may **make application directly to the tribunal** in the **matters not settled by the conciliation officer within 90 days** from the date of receipt of failure of conciliation by the party. Disputes no longer require discretionary reference by government officials, which was a time-consuming process. This reduces delays in the resolution of the industrial disputes and litigations.

Regulation of Strikes and Lockouts

For speedy resolution of disputes, to reduce conflict and to avoid abrupt stoppage of work. The Industrial Relations Code, 2020 states mandatory provisions before strike for all establishment with 14 days prior notice. Strikes are restricted during conciliation or tribunal proceedings

Pro-Growth Benefits

By requiring **14 days' prior notice**, it prevents sudden strikes or lockouts that disrupt production.

Fair Opportunity for Resolution – Gives time for conciliation or negotiations before disputes escalate.

Reduces Losses – Protects both workers and employers from economic losses due to abrupt stoppages of work. Prevents loss of man days or work.

Encourages Responsible Action – Ensures strikes and lockouts are not misused and are exercised in a disciplined manner.

Balances Rights of Workers & Employers – Protects the workers' right to strike while ensuring industries are not destabilized.

Strengthens Government Role – Allows authorities to intervene during the notice period to mediate and prevent escalation.

- Prevents loss of man days or work.

Pro Employment Benefits

Gives employers confidence to **expand operations and hire more workers**, knowing productivity will be stable.

Provisions on Retrenchment Process

Worker Re-Skilling Fund

In case of any retrenchment of a worker by an employer, the employer will need to contribute equivalent to 15 days' last drawn wages of the retrenched worker, within 45 days of retrenchment.

Pro-Labour Benefits

Provides **short term relief** and helps worker upgrade skills to match current industry requirement.

Increases chances for retrenched workers to **secure new jobs quickly**.

Expands **protection for workers** beyond traditional severance, supporting long-term economic stability.

Increased Threshold for Lay-off, Retrenchment & Closure

The code establishes that the industrial establishment, employing **300 or more workers**, shall require prior permission from the appropriate Government, for lay-off, retrenchment, or closing down its industrial establishment. The threshold has been increased from 100 to 300, with flexibility for States

to enhance this limit further.

Pro Growth Benefits

Reduces procedural hurdles and simplifies compliance requirements attracting investments and supporting expansion of industries.

Quick adoption of economic situations by employer without waiting for government approvals

Small and medium enterprises gain operational freedom, ensuring both regulation and flexibility to expand or restructure without heavy approvals.

Easier compliance encourages sustainability of smaller industries.

Pro Employment Benefits

It will **encourage** formalisation of employment

Increased flexibility to manage workforce efficiently, without fear of lengthy government procedures if business conditions change.

Advancing Gender Equity at Work

Representation of women in the Grievance Redressal Committee

The Code provides for adequate representation of women in the Grievance Redressal Committee, not less than in proportion to their presence in the workforce in the industrial establishment. Thus, ensuring gender-sensitive dispute resolution and promoting equality and safety at the workplace.

Pro Women Benefits

Ensures women workers have a **fair voice in workplace** dispute resolution.

Women's perspectives help address issues more comprehensively and sensitively.

Women employees feel more secure raising concerns when represented by peers.

Matters such as **workplace harassment, maternity rights, and safety** can be better handled.

Balanced representation fosters fairness, reducing discrimination and conflicts.

Work From Home Provision

Model Standing Orders in service sectors now explicitly allow work from home subject to mutual agreement between employee and employer. This improves flexibility, particularly benefiting women.

Other Pro-Growth Provisions

Threshold for Applicability of Standing Orders

To **reduce the compliance burden** for the establishments, the provisions relating to the requirement of certified standing orders shall apply only to industrial establishments employing 300 or more workers (previously 100) on any day in the preceding 12 months.

Pro Growth Benefits

Smaller industries can manage workforce rules **without rigid formalities**, enabling adaptability

Clear applicability threshold **avoids unnecessary disputes** for small industries.

Workers and employers can **mutually agree** on service conditions without being bound by rigid certified standing orders.

Workers in smaller units enjoy more adaptability compared to rigid formal orders due to flexible practices (work timings, leave, job roles).

In small and medium industries, workers have a more personal say as decisions are often made through direct communication.

Flexible conditions make it easier for workers to shift roles or negotiate terms informally.

Digital Systems

The Code enables **electronic record-keeping**, registration, and communication. Digital filings and records reduce chances of manipulation and corruption, which results in **transparency**. Faster processing of registrations, returns, and compliance submissions **improves efficiency** and reduction in paper work, administrative costs, and delays, **saves cost**.

Conclusion

The Industrial Relations Code, 2020 revolutionizes labour laws by simplifying compliance and promoting harmonious employer and employee relations. It strengthens **collective bargaining, dispute resolution, and job security through clearer, uniform provisions**. The Code empowers workers with uniform definitions while granting employers greater flexibility in operations. Overall, it **fosters industrial peace, boosts productivity, and supports a balanced, growth-oriented work environment**.

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Ministry of Law and Justice

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Ministry of Labour and Employment

https://dtnbwed.cbwe.gov.in/images/upload/The-Industrial-Relations-Code-2020_GV7I.pdf

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