Concerns in Labour reforms

Mains: *GS Paper III | Economy*

Why in News?

Following the gazette notification of the implementation rules, the regulatory architecture to operationalize India's 4 consolidated labor codes is now fully finalized.

Who are Gig Workers?

- **Gig Economy -** A dynamic labor market paradigm characterized by the prevalence of short-term contracts, independent freelancing, and flexible, part-time engagements, as opposed to traditional, permanent employment structures.
- **Gig Workers -** Independent contractors or freelancers who leverage digital platforms or on-demand networks to secure task-based income, operating outside the conventional employer-employee legal matrix.

What are the key provisions of the new labour reforms?

- The labour market in India underwent a major transformation in 2025 with the *consolidation of 29 labour laws into four new Labour Codes.*
- These include the *Code on Wages, 2019, Industrial Relations Code, 2020, Code on Social Security, 2020, and Occupational Safety, Health, and Working Conditions Code, 2020*.

Code	Key Focus	Primary Reform	Major Structural Criticism
Wages (2019)	Universalizing Income Security	National baseline floor wage.	Retention of structural gender weights (0.8 vs 1.0) in wage fixing.

Industrial Relations (2020)	Operational Flexibility & Dispute Resolution	Prior permission threshold for retrenchment raised to 300 employees.	No legal limits or caps on sequential Fixed-Term Employment renewals.
Social Security (2020)	Comprehensive Welfare Expansion	Introduction of aggregator-funded social security fund for gig workers.	Continued classification of gig workers as "self-employed."
Occupational Safety, Health, and Working Conditions Code (2020)	Workplace Safety & Welfare Standardisation	Portability of migrant worker benefits and universal evening shifts for women.	Failure to ban cheap contract labor in core manufacturing operations.

What are the critical gaps in Statutory Governance?

- In administrative law, Rules establish the Standard Operating Procedures (SOPs) required to execute an Act.
- While they cannot contradict parent legislation, they are crucial for clarifying broad, open-ended statutes.
- Despite prolonged opposition from trade unions and academics, the newly notified Central Rules have failed to moderate the contentious aspects of the four Labour Codes, representing a significant missed opportunity for worker welfare.

The Industrial Relations (IR) Code Rules

- **Unregulated Fixed-Term Employment (FTE)-** Although the IR Code formally introduced FTE, neither the Code nor the final Rules prescribe a minimum contract tenure (e.g., one year) or place a cap on sequential contract renewals.
- **Risk of Permanent Informalization -** Without these regulatory boundaries, employers can indefinitely renew short-term contracts, systematically converting standard, permanent roles into insecure FTE positions.
- **Stricter Trade Union Recognition -** The Rules mandate that a sole registered trade union must command a ***minimum 30% membership threshold*** to secure formal recognition—a benchmark notably absent from the parent Code.
- This severely undercuts the collective bargaining power of smaller or

newly formed unions in large establishments.

Code on Wages Rules

- **Ambiguous "Floor Wage" Definition -** The Rules fail to clearly distinguish the concept of a national "floor wage" from the statutory "minimum wage."
- Furthermore, the mandated consultation mechanism with State governments remains vague and lacks a binding framework.
- **Institutionalized Gender Bias-** The Rules do not update the archaic calculation matrix for fixing minimum wages.
- By maintaining the convention that treats a 4-member family as 3 consumption units, an adult female is assigned a weight of 0.8 compared to 1.0 for an adult male, legally perpetuating a regressive wage bias.
- **Flawed Hourly Wage Derivation-** The Rules dictate that hourly wages are calculated as a simple *pro-rata* division of the daily wage by eight.
- This is conceptually flawed for informal, domestic, or gig sectors, as workers rarely secure a continuous eight-hour block of employment daily.
- Internationally, minimum hourly wages are determined independently to safeguard part-time workers.

Code on Social Security Rules

- **Lack of Legal Clarity on Employment Status-** The Rules fail to legally define the employer-employee relationship within the platform economy.
- Gig and platform workers continue to be classified merely as "self-employed," keeping them relegated to the unprotected unorganized sector.
- **Absence of Gratuity Insurance Modalities-** While the parent Code envisioned mandatory gratuity insurance to protect workers against employer default or insolvency, the Rules remain entirely silent on its operational modalities and implementation architecture.

Occupational Safety, Health, and Working Conditions (OSH) Rules

- **Exclusion of Sector-Specific Welfare -** Essential, occupation-specific statutory protections—such as mandatory housing and dedicated medical facilities historically guaranteed to plantation workers—have been omitted from the final Central Rules.
- **Blurring of Core vs. Non-Core Activities -** The Rules fail to specify the exact industrial activities for which contract labor can be legally engaged.
- By failing to draw a clear line between core and non-core operations, the

Rules leave a loophole for the aggressive informalization of regular, core factory operations through cheap contract labor.

Ethical Dimensions of India's Labour Reforms

- ***Erosion of Social Justice:*** *Raising retrenchment thresholds from 100 to 300 workers and allowing unrestricted contract renewals risks a complete* ***accountability vacuum****, trading basic worker livelihood security for industrial flexibility.*
- ***Institutionalized Inequality:*** *Retaining regressive gender weights (0.8 for women vs. 1.0 for men) in minimum-wage consumption formulas directly violates the fundamental ethical principle of* ***equal pay for equal work****.*
- ***Exploitation of Vulnerability:*** *Classifying gig workers merely as "self-employed" allows corporate platforms to extract economic value while entirely bypassing moral and legal obligations toward worker healthcare, safety, and retirement.*

What is the way forward?

- **Contractual Boundaries -** Amend rules to mandate minimum tenures and place strict caps on rolling Fixed-Term Employment renewals, preventing the systemic erosion of regular, permanent jobs.
- **Methodological Equity -** Eliminate archaic gender-consumption weights (for women vs. for men) in wage-fixing and establish independent hourly rates to protect fragmented gig and domestic laborers.
- **Operational Precision -** Clearly delineate core versus non-core industrial activities to restrict contract labor exploitation, while codifying explicit legal taxonomies and gratuity insurance modalities for platform workforces.

Reference

The Hindu | Labour Code Rules leave workers' concerns unaddressed

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