Inspira- Journal of Modern Management & Entrepreneurship (JMME)
ISSN : 2231–167X (Print), Impact Factor: 7.866, Volume 15, No. 03, July-September, 2025, pp. 197-203

FROM LEGISLATION TO EXECUTION: ANALYZING THE OBSTACLES IN THE APPLICATION OF INDIA'S NEW LABOR CODES

Abhishek Choudhary[1*] & Prof. Garima Saxena[2]

[1]Research Scholar, Department of Business Administration, University of Rajasthan, Jaipur, Rajasthan, India.
[2]Professor, Department of Business Administration, University of Rajasthan, Jaipur, Rajasthan, India.

[*]Corresponding Author: choudhary.abhishek139@gmail.com

Citation: Choudhary, A., & Saxena, G. (2025). FROM LEGISLATION TO EXECUTION: ANALYZING THE OBSTACLES IN THE APPLICATION OF INDIA'S NEW LABOR CODES. Journal of Modern Management & Entrepreneurship, 15(03), 197–203.

ABSTRACT

Union government of India consolidated 29 central labour laws into four umbrella Codes between 2019 and 2020:

1. The Code on Wages

2. The Industrial Relations Code

3. The Code on Social Security

4. Occupational Safety, Health and Working Conditions (OSH) Code

New labour laws consolidated the existing labour laws without fundamental changes there are certain modification. Keeping future vision these new codes are framed to comply the transition taking place over time. Old labour laws were proving useless in shortcomings and loopholes existed in them. New labour laws , despite the benefits the implementation has encountered several challenges. This research paper will try to analyze the institutional, administrative, economic, and political obstacles hampering in application of the Codes. We propose and detail a assessment, on ground compliance behaviour across sectors and states. Using staggered rulemaking and implementation as quasiexperimental variation, we outline an identification strategy to estimate impacts on compliance costs, worker protections, dispute incidence, and coverage of social security. We conclude with policy measures to accelerate credible rollout while minimizing disruption for micro, small and medium enterprises (MSMEs) and informal workers.

***Keywords**: Labour Codes, Implementation, India, Regulatory Governance, Industrial Relations, Social Security, OSH, Gig Work, State Capacity, MSMEs.*

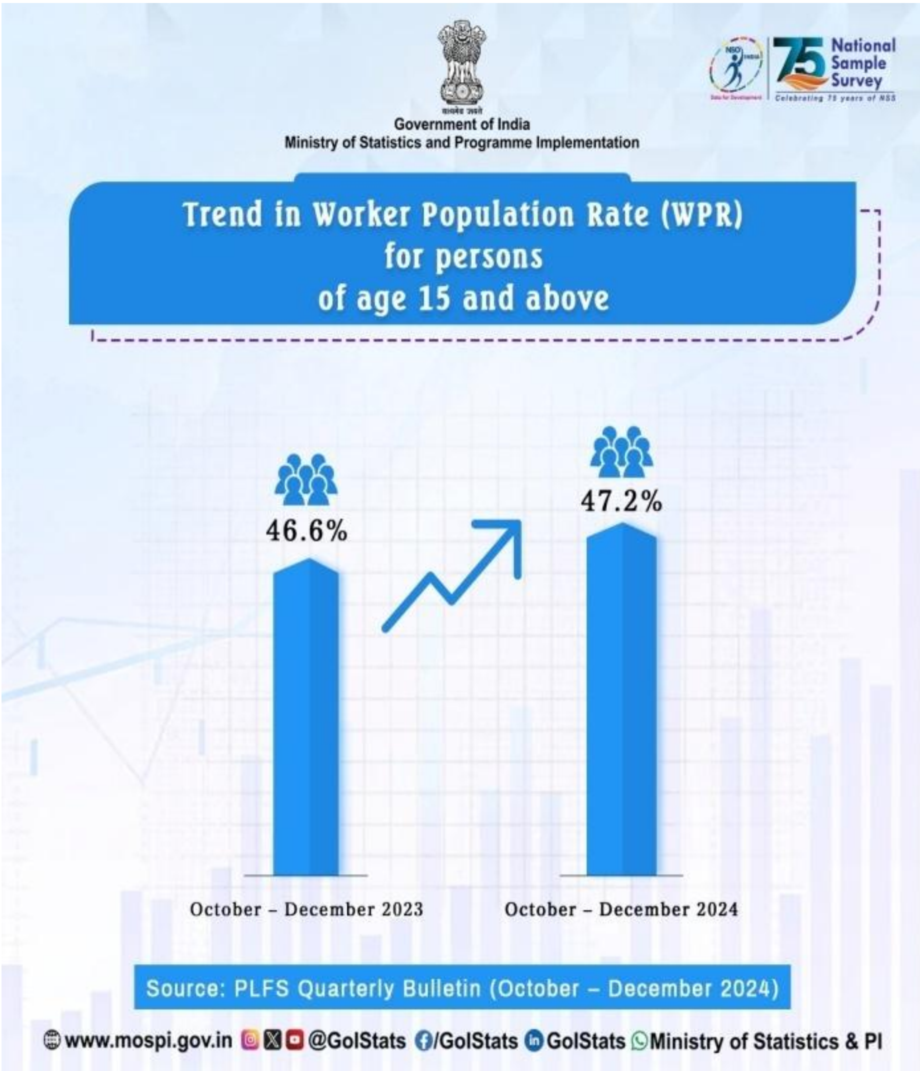
Introduction

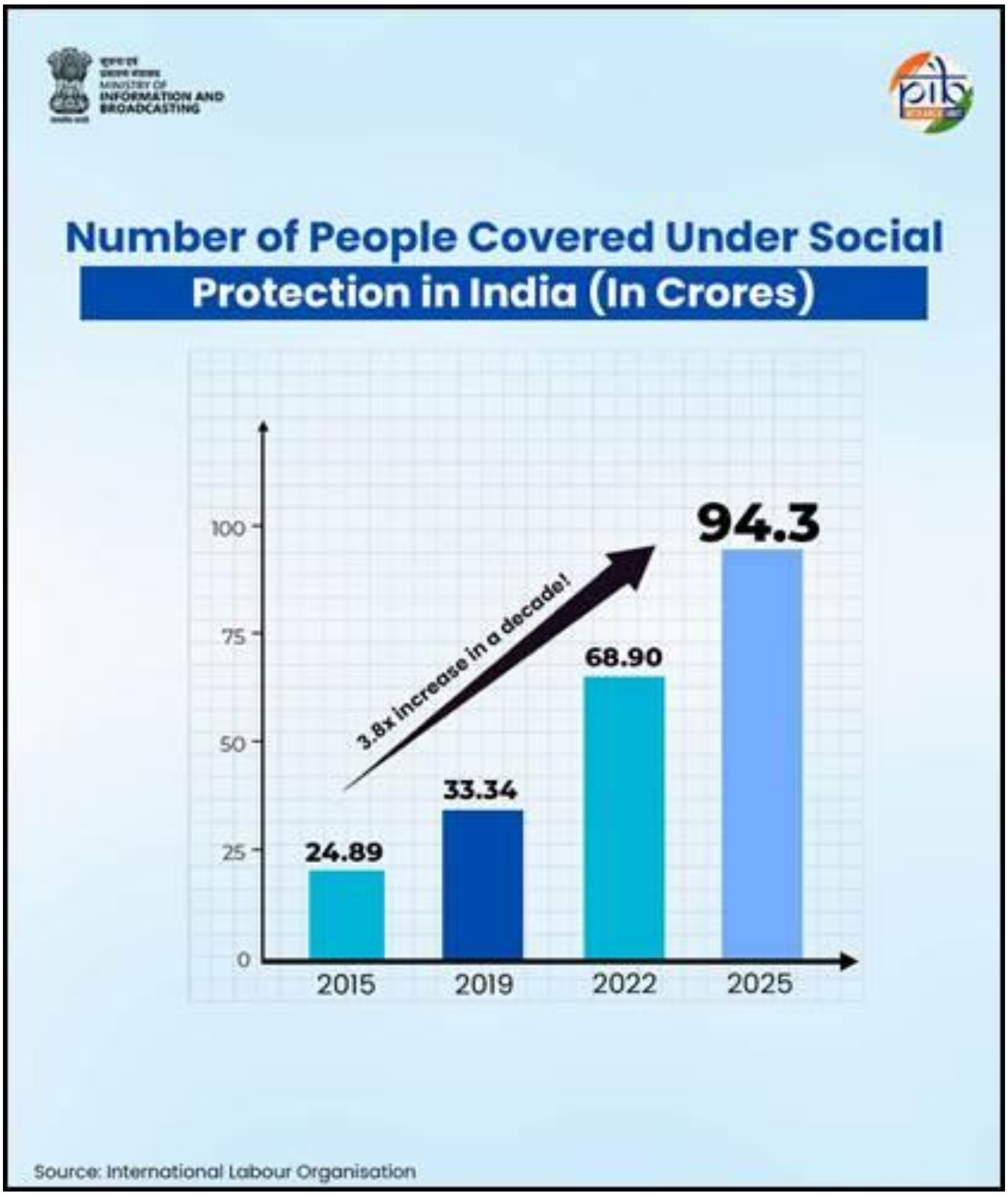
Satyamev Jayate to Shramev Jayate

Keeping this vision new labour laws were framed. Central Government has taken historical step of integration of 29 laws into 4 Codes. The four newly enacted labour codes were designed to streamline existing labour legislation by consolidating multiple laws into a single, comprehensive framework. This consolidation aims to address the confusion arising from the multiplicity of labour regulations, while simultaneously extending essential social security and improved working conditions to informal sector workers. These labour codes have been formulated to ensure that all categories of workers receive the protections and benefits afforded by labour laws. Typically, labour-related issues are discussed through a tripartite mechanism involving the government, employers, and workers. The development of these four labour codes represents a significant legal undertaking with profound socioeconomic implications that affect the broader population.

Through these four Labour Codes, framed to ensure that all these workers will get the benefit of Labour Laws. The creation of the four new codes represents a significant legal endeavor with substantial socioeconomic effects impacting us all.

However, multilevel governance, broad subordinate rulemaking, digital infrastructure, and behavioral compliance by businesses and employees are all necessary for the transition from law to execution. This essay poses the following questions: How can the gap between the legislative aspirations and the practical implementation of India's new labor laws be closed List the administrative and institutional procedures needed to fully operationalize the four Codes. Determine the main challenges in the areas of administrative capability, market structure, stakeholder incentives, legal design, and federal coordination.





Source: Ministry of Statistics & Programme Implementation, Government of India

Background: The Four Labour Codes

- Code on Wages, 2019 (consolidates Payment of Wages Act, Minimum Wages Act, Payment of Bonus Act, Equal Remuneration Act). Introduces floor wage and uniform wage definition influencing PF/gratuity bases.
- The Industrial Relations (IR) Code, 2020 (Merges the Trade Unions Act, the Industrial Employment Act, and the Industrial Disputes Act). Revised And updated criteria and processes for layoffs/closures, acknowledgment of unions, and conflict resolution as per future vision.
- Code on Social Security (SS), 2020 (harmonises EPF, ESI, gratuity, maternity benefits, and creates a framework for gig/platform worker schemes with an aggregator contribution).

- OSH Code, 2020 (streamlines provisions on health, safety, and working conditions; licensing and registration changes; single registration vision).

There is no specific reasons for the delay in implementation except that states are still drafting rules. Recently it came to notice that all the major states, except a few, have completed the rule-making exercise.

Objectives

- Mapping the institutional and administrative steps required for full operationalisation of the four Codes.
- Identify major obstacles across legal design, federal coordination, administrative capacity, market structure, and stakeholder incentives.
- analyze the institutional, administrative, economic, and political obstacles hampering in application of the Codes
- Generate actionable recommendations for the Union, states/UTs, regulators, and employers

Key Issues

Almost every law is enacted to benefit society in democracy. of course there may be differences between the different section of the society due to mutual conflict regarding views on law like new labour has been supported as well as opposed by employers trade union state gov't and other stakeholders also. lawmaker most of the time are unaware of what circumstances faced by affecting people i.e. bottom of the pyramid

Even with the government's promotional activities, the new Labour Codes remain unimplemented. The main reason stems from the intricate governance framework of labor laws in India. Labour legislation falls under the Concurrent List of the Indian Constitution, indicating that both the Central government and the States possess the power to enact laws in this regard. Although the Centre has enacted the four codes, numerous states have not yet formulated and released the necessary rules for their enforcement

According to recent reports, eight states have failed to draft or release rules for certain or all of the new codes. This setback has resulted that many employees of informal sector are being deprived of the benefits guaranteed by these reforms.

- **Transformational Concern**

New labour code is pushing toward formalization of employment, In india where almost 90% workers work in in dormal sector. by simplifying compliance procedure new codes are trying to provide better access to social security benefits to unorganized sector. This formalization procedure has put challenge on small medium enterprise(SME). Which not habe enough knowledge to pave the regulatory landscape.

In order to formalize the record of employee benefit salary scale, wages infrastructure with health and safety measures are required. SME like retail shopkeeper textile industry private transport are habitual with informal work culture maintaining records online is challenge in implement labour code related to wages.

- **Universal Application is Far Away**

The new labor codes covers almost complete unorganised industries, but their seems to exist a problem of customization issue in different sector due to their different nature of work. industries like IT hospital are quicker to adopt the new regulations, while others, such as textile min shopkeepers farmers, might lag behind due to the less education and less use of technology. Agriculture remains the largest informal sector in India,. The sector's informality, characterized by seasonal employment, small-scale operations, and lack of formal contracts, makes it challenging to implement the new labor codes effectively. For instance, the construction sector employs over 50 million workers, according to the Building and Other Construction Workers' Welfare Board. However, a significant portion of these workers are engaged on a casual or temporary basis, complicating efforts to enforce the Occupational Safety, Health, and Working Conditions Code.

- **Cost Factor**

The new labor codes directly impact the financial obligations of employers of smaller businesses with tighter profit margins, making it difficult to manage cash flow while meeting new legal obligations in multiple ways. These include gratuity, which under the Code on Social Security, 2020, must now be paid to fixed-term employees even if they haven't completed five years of service. Provident fund contributions are likely to increase as the definition of wages has been broadened, potentially raising the base on which contributions are calculated. Leave encashment policies may also see adjustments, with the new codes mandating that workers are entitled to carry forward their leave or encash it under specific circumstances. Maternity benefits, as outlined in the Maternity Benefit Act, 1961, now incorporated into the Code on Social Security, will continue to require employers to provide 26 weeks of paid leave, with additional provisions for crèche facilities in establishments with 50 or more employees. Additionally, the cost of compliance—such as upgrading payroll systems, hiring legal consultants, changing the Labour Compliance Management Services and training staff.

- **Opposed by Trade Unions and Workers**

It has noticed that trade unions and workers of the informal sector have not opposed openly on the codes, they have expressed their disappointment in private. They said that these labour laws are good but there ground level implications will be harder. Trade unions continued to oppose labor codes, because they were asked for input suggestions on the raw draft for there opinion but their opinions were ignored during Completing the codes. They asserted that the complete process of developing the four labor codes was motivated by the concept of 'ease of doing business', which alleviates the burden of compliance Simpler for the employer. the updated labor codes enforce tighter regulations for trade unions. Acknowledgment, which labor organizations worry will hinder their ability to negotiate collectively and protect. Rights of workers. Trade unions' demonstrations stayed confined to typical actions such as protests, some general work stoppages and sporadic unrest

- **State Struggles and Challenges**

State governments are responsible for framing rules under the new labor codes, as labor is a concurrent subject in India. However, many states have faced delays in this process, leading to inconsistencies in implementation across regions. This creates confusion among businesses and hinders uniform compliance. Additionally, implementing the labor codes requires substantial capacity building, particularly in terms of training labor inspectors and other enforcement officials. States with limited resources may struggle to provide the necessary training and infrastructure, resulting in weak enforcement.

Further, ensuring that the labor codes are effectively implemented and that they achieve their intended outcomes requires robust monitoring and evaluation mechanisms. The central government must invest in data collection, digital infrastructure, and feedback loops to track progress and make necessary adjustments.

By focusing on capacity building, improving digital infrastructure, and fostering dialogue between stakeholders, these challenges can be handled effectively. Technology has the potential to significantly ease the implementation of the new labor codes by streamlining compliance processes, improving transparency, and reducing administrative burdens. Automated Labour Compliance Management Services and digital tools such as automated payroll systems, automated HR Compliance Management Services, RegTech and mobile apps can help businesses, especially SMEs, navigate the complexities of the new regulations. Additionally, the government's push towards Digital Public Infrastructure, Automated Labour Compliance Management Services & HR Compliance Management Services, etc. can reduce the reliance on physical inspections and minimize the scope for corruption and delays leading to more efficient and consistent enforcement. With adoption of technology and certain practices the businesses can navigate through the complexities of the new labour codes smoothly.

- **The Disregard for Labor Laws by the Working Class**

Formality in the Indian context is defined as the ability to acquire employee state insurance benefits and provident fund benefits. A person is regarded as a formal worker if they are eligible for both ESI and EPF. The others are not formal. It should be mentioned that a number of informal laborers are also employed by the official sector. This is accomplished by expanding the workforce's casualization and contractualization. All construction companies, for instance, are formal, but the majority of the individuals they hire are not.

Gig and platform workers have become much more prevalent in recent years. Because the idea of an employment connection is purposefully left vague in the gig and platform economies, these workers are essentially exempt from the labor laws' protective framework.

Solutions

In Code on Social Security, 2020 s has recommended a National Social Security Board and a State Unorganised Workers' Welfare Board, which considers the needs of unorganised workers. Unorganised Workers Social Security Act, 2008, had already established a similar framework. Despite the fact that it has been over fifteen years since the act was enacted, these boards have not yet functioned at their full potential or produced any significant results. Many state governments have created welfaree but board possesses limited financial resources to effectively execution of welfare programmes, in addition to that sometime state gov't do not consider the suggestion provided by these board due to financial burden or politics

Operationalising state unorganised workers' welfare boards and managing welfare initiatives for them is a daunting challenge for state governments. The following are some of the obstacles faced

Monitoring the Issues Faced by Informal Workers

Informal workers are found in various fields, making it difficult to establish feasible financial means to support these welfare programs for an extended duration. Structural transformation: Numerous jobs that belong to the unorganised sector are inherently exploitative. Although these boards might offer welfare through various schemes, can they ensure minimum pay, ensure a safe work environment, and reduce workplace hazards illnesses Ignorance: Employees and labor unions continue to be uncertain about how the new labor codes might be advantageous Communication with state authorities is essential to clarify the different clauses and their advantages and collect input on what micro-policy enhancements can be implemented based on the requirements of various jobs in the informal sector. Inactive boards: Certain states have established unstructured workers' welfare boards, yet they are essentially in a state of dormancy. The expectation is that the updated laws within the Code on Social Security will compel these state governments to implement these boards. The four new labour codes offer a pathway for unorganised workers to unite and participate with the government to present their requests. The codes were implemented with the assurance to standardise minimum wages and guarantee prompt wage payments. These labor codes are unlikely to create an impact unless the central and state governments engage in discussions with unorganised workers and their unions to grasp their demands. This would assist the state.

Recognize industry-specific difficulties and establish the essential measures to enhance labor conditions circumstances and formulate suitable plans. A robust political commitment is essential for grasping the issues to be resolved at government level.

Literature Review

- Codification and simplification of labour laws can reduce regulatory fragmentation but may face transitional frictions.
- Uniform wage definitions alter cost structures and can shift compensation towards allowances to manage PF/gratuity liabilities unless monitored.
- Digital compliance portals reduce discretion and transaction costs if accompanied by capacity building.
- Gig/platform worker coverage requires financing and robust beneficiary identification to be effective.
- *This review covers peer reviewed articles, policy briefs, PRS Legislative Research notes, and official booklets; a complete bibliography is provided at the end.*

Conclusion

In conclusion, for successful implementation of the new labor codes spirit of laws should be supported instead of detailed procedure. It represents a important modification in the labour reforms. The consolidation of various laws into a new code has provided simplicity and clarity to all stakeholders. While the intention for these reforms is to protect interest of employers as well as employees. All In a move aimed at reaching out to workers at the grassroots and employers at the bottom of the pyramid.

To be prepared for the new labor codes when they are enacted, a proactive mindset and a comprehensive strategy are essential. Examining the effects of modifications, performing a thorough assessment of current policies and compliance standards, forming a collaborative team, and ensuring internal systems are prepared can facilitate a seamless shift to the labor codes

The Way Forward

The implementation of the new labor codes in India represents a **vision towards** modernizing the country's labor laws. Labour Law codes for sure are going to create uniformity and would promote ‘ease of doing business’ However, the challenges faced—ranging from state-level delays and lack of awareness to compliance burdens and enforcement difficulties—highlight the complexity in implementation. Addressing these challenges will require coordinated efforts from the central and state governments, industry bodies, and businesses themselves.

References

1. Bhattacharjea, A. (2006). Labour market regulation and industrial performance in India: A critical review of empirical evidence. Indian Journal of Labour Economics, Vol. 49, No. 2, pp. 211-32.
2. Ricchard Mitchell, Petra Mahy, Peter G.Gahan, 2014, November, The Evolution of Labour Law in India: An overview and commentary on Regulatory Objectives and Development, Asian Journal of Law and Society, Volume 1, Issue 02.
3. VINEET CHATURVEDI1, Critical Analysis of New Labour Codes
4. Sarkar, Prabirjit, Deakin, Simon, 2011, Indian Labour law and its impact on unemployment, 1970-2006: A Leximetric study.
5. ET, 2024, April 8, Labour codes may top new govt’s 100-day economictime
6. Labour codes, Ministry of Labour & Employment.
7. Shraddha Chigateri, 2021, January, Labour Law Reforms and Women’s work in India: Assessing the New Labour Codes from a Gender Lens.

❑❑❑