THE LAWWAY WITH LAWYERS JOURNAL
VOLUME:-28 ISSUE NO:- 28 , October 11, 2025
ISSN (ONLINE):- 2584-1106
Website: www.the lawway with lawyers.com
Email: thelawwaywithelawyers@gmail.com
Authored By : Adv. Monica Madaan[1]
Co Authored by:- Arryan Mohanty[2]

INDUSTRIAL DEMOCRACY IN TRANSITION: EVALUATING THE IMPACT OF THE INDUSTRIAL RELATIONS CODE, 2020

Abstract

This paper explores the transformative dimensions of industrial democracy within the Indian context through a rigorous assessment of the Industrial Relations Code, 2020. We initiate our discourse by scrutinising the fundamental construct of industrial relations, underscoring the intricate interplay among employers, employees, and governmental entities and their pivotal role in fostering workplace equilibrium and advancing workers' rights. The impetus for reform was catalysed by the intricacies and disjunctions inherent in prior labour legislation, which frequently impeded adherence and inadequately mirrored the contemporary realities of the labour market. The Industrial Relations Code, 2020, positioned as one of the quartets of labour codes instituted by the Indian government, endeavours, to amalgamate and streamline principal legislative frameworks, encompassing the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947. Its prominent attributes consist of expedited provisions for the acknowledgement of trade

[1] KR Mangalam University, Gurugram, India
[2] Symbiosis Law School, Nagpur, India

unions, simplified mechanisms for the resolution of disputes, broadened applicability criteria for layoffs and retrenchments, alongside the introduction of fixed-term employment arrangements. This investigation evaluates how these reforms aspire to reconcile the dual objectives of facilitating business operations while safeguarding workers' rights. We examine whether the Code engenders authentic industrial democracy or inadvertently fortifies managerial authority. By analysing its prospective ramifications on collective bargaining, job security, and the involvement of workers, we seek to ascertain whether this legislative transformation empowers labourers or diminishes their agency in the decision-making processes. Ultimately, this manuscript enriches the prevailing discourse surrounding labour reforms by examining how the Industrial Relations Code, 2020, may potentially redefine the future of work in India.

Introduction

An organisation operates through the combined contributions of two essential elements: technology and human resources. A defining feature of all industrial societies is their dependence on wage employment. In nations like India, a large population is searching for stable job opportunities and better industrial conditions. Nevertheless, effectively managing a workforce presents a complicated and demanding challenge. In the current environment, effective human resource management is crucial for the seamless operation of any organisation. Poorly managed employer-employee relationships can lead to misunderstandings and create toxic work environments. Such mismanagement can result in high employee turnover, increased indiscipline, lower productivity, and escalating operational costs, among other market-related challenges. The notion of industrial relations is formed by industry and relations. It pertains to the link between employers and employees within a work environment. In this sense, an industry includes any productive endeavour involving individuals or groups participating in production. Economically, it falls under the secondary sector and consists of essential elements like land, labour, capital, enterprise, materials, finances, human resources, and machinery. The word relations refers to the interactions and connections between the workforce and management in the industrial setting. Therefore, industrial relations delineate the overall relationship between employees and their employers, often from the broader interactions between trade unions and organisational leadership. In any organisation, different types of relationships naturally arise between employees and their employers, among the employees themselves, and even among employers. These interactions

promote growth, cooperation, and a positive work environment across all organisational levels. Several key participants shape the structure of industrial relations, including workers, management, the government, employers' associations, trade unions, and judicial entities like courts and tribunals. Industrial relations are a formal platform that encourages communication and collaboration among these groups within an agreed-upon set of norms and professional boundaries. Although numerous scholars have provided various definitions of industrial relations based on their viewpoints, a shared understanding is that it includes all interactions between employers and employees, influenced by legal, economic, and social factors. These relationships are not isolated but are greatly influenced by government policies, labour laws, and broader societal conditions. One viewpoint posits that industrial relations signify the overall dynamics between workers and management, primarily resulting from interactions between unions and management. Another perspective views it as the systematic administration of the employer-employee relationship, recognising the diverse factors and engagements that shape this professional connection. [3]

In the broader scope, industrial relations refer to the interactions among trade unions, employers, employees, and government entities. Labour and industrial laws together provide the framework for employment regulations. Employment law pertains to the legal structure that governs workplace relationships and the rights of employees. Labour law focuses explicitly on issues related to industrial relations and employment standards. Since labour is included in the Concurrent List (List III) of the Indian Constitution, the Central and State governments hold the power to legislate in this domain. Before 2020, India had an extensive array of labour laws, over 100 at the state level and more than 40 at the central level, each addressing different facets such as dispute resolution, employee welfare, social security, and wages. This multitude of laws resulted in administrative inefficiencies and obstructed the effective execution of labour welfare initiatives. The fragmented legal framework confused and posed a significant obstacle to adequately addressing workers' rights. Recognising these issues, the Second National Commission on Labour (2002) emphasised simplification. It pointed out that inconsistent definitions and outdated provisions did not meet contemporary societal requirements. The Commission advocated integrating central labour laws into a cohesive code to enhance clarity, facilitate enforcement, and streamline the legal framework.[4]

---

[3] Nimisha Dublish, Industrial Relations and Labour Laws, iPleaders (19 July 2025, 06:39 A.M.) https://blog.ipleaders.in/industrial-relations-and-labour-laws/

[4] Priya Kumari and Aniket Sahu, Industrial Relations Code 2020 and Its Impact on Labourers- A Critical Analysis, Vol 2 Issue 16, WBLLJ, 1-11 (2024)

In response to these recommendations, the government put forth four reformative bills in 2019 to consolidate 29 existing central laws. Among these was the Industrial Relations Code, 2020, which aimed to unify various disparate regulations into a coherent statute. These bills underwent scrutiny by the Standing Committee, leading to the introduction of revised bills in 2020. The Industrial Relations Code, 2020, signifies a significant reform as it standardises the regulations governing labour unions, employment conditions, and mechanisms for conflict resolution across various industries. It delineates the processes for resolving workplace disputes and aims to foster harmonious relations between employers and employees. While the Code consolidates and revises several prior laws, it also incorporates new provisions. A comprehensive examination of its components is essential to comprehend its effects on worker rights and organisational practices.[5] These Codes provide a thorough framework to protect workers' rights, especially concerning forming trade unions. It aims to minimise disputes between employers and employees while creating clear protocols for addressing industrial conflicts. Introduced by the Central Government, this Code has led various state labour departments to formulate corresponding regulations, which are anticipated to be enacted soon.

The main objective of this Code is to unify, simplify, and replace three significant central labour laws, thereby clarifying the current legal framework. The three acts it consolidates are the Trade Unions Act of 1926, the Industrial Employment (Standing Orders) Act of 1946, and the Industrial Disputes Act of 1947. Overall, the Code consists of 104 sections, organised into fourteen chapters, along with three schedules. These schedules pertain to the provisions regarding standing orders, unfair labour practices, and the procedures that must be followed concerning changes in service conditions that require prior notification. This legislative update aims to govern several vital aspects of industrial relations. It addresses the registration, cancellation, and modification of trade union names and the steps for forming a registered union. Additionally, it provides for creating Work Committees and Grievance Redressal Committees, which are intended to resolve workplace issues effectively. Moreover, it incorporates measures for recognising a negotiating union within a company and requires the development and registration of standing orders that regulate service conditions. In

---

https://www.whiteblacklegal.co.in/details/industrial-relations-code-2020-and-its-impact-on-labourers---a-critical-analysis-by---priya-kumari

[5] Dr. Abhishek Sharma Padmanabhan & Prof (Dr.) Sapna S, A Critical Analysis of the Industrial Relations Code, 2020 in promoting Industrial Harmony and Employee Participation, Vol 13 No 1, IJLPR, 131-138 (2024) https://www.researchgate.net/publication/377410793_A_Critical_Analysis_Of_The_Industrial_Relations_Code_2020_In_Promoting_Industrial_Harmony_And_Employee_Participation

addition, the Code establishes frameworks for creating Industrial Tribunals to resolve disputes. It explicitly defines what constitutes illegal strikes and lockouts while laying out legal procedures for retrenchment and the reinstatement of retrenched employees. Provisions are also included for compensating workers during business transfers, and it enforces limitations on layoffs and the closure of industrial establishments without proper procedures. The Industrial Relations Code 2020 aims to maintain a balanced and equitable relationship between employers and employees. It strives to modernise labour laws, enhance transparency, and facilitate business operations across different sectors. Ultimately, the Code endeavours to promote industrial peace and harmony by encouraging mutual understanding and collaboration among all participants in the industrial landscape. India has traditionally experienced one of the highest frequencies of strikes led by trade unions globally. This trend necessitated implementing measures to curtail unnecessary or unjustified strike actions. Consequently, industrial establishments must now provide at least fourteen days' notice before any strike occurs. In this implementation, a particular focus has been placed on the official acknowledgement of trade unions. Under the new regulations, only registered trade unions can negotiate with companies and industrial organisations. Furthermore, unlike in the past, where multiple unions could collectively influence one organisation, the Code permits only one recognised union to function within a facility. If there are various unions, the union that maintains the backing of at least 51% of the workforce, according to the muster roll, will be recognised as the negotiating representative. Nevertheless, a significant limitation persists in identifying a negotiating union that requires only basic registration and lacks rigorous qualifications or standards. Additionally, while the Code mentions the acknowledgement of central and state-level trade unions, it does not outline transparent processes or criteria for such recognition by the relevant authorities.[6]

Instances in which multiple unions are involved in the same industrial issue often result in internal conflicts or disputes among unions. According to the Code, such disputes that arise within a single union's members are to be exclusively settled by the Industrial Tribunal. Civil courts have been stripped of jurisdiction over these issues, and appeals can only be directed to authorities appointed by the government. However, the Code provides no detailed directions or regulatory framework to govern these proceedings, leaving a procedural gap. In addition to reforms concerning trade unions, the Code introduces mandatory grievance redressal

[6] Vanshika Poddar, An Analysis of the Industrial Relations Code, 2020, Mondaq (19 July 2025, 07:43 AM) https://www.mondaq.com/india/employee-rights-labour-relations/1177324/an-analysis-of-the-industrial-relations-code-2020

mechanisms for all industrial establishments, as mandated under Section 4. These mechanisms must ensure equal representation of employers and employees, thus promoting a fair and balanced platform for addressing grievances and resolving conflicts. The Code also encompasses provisions regarding layoffs, retrenchments, and closures. An establishment must submit a 60-day notice to the relevant government authority when it intends to shut down completely. Employees who have worked continuously for at least one year are entitled to compensation. For non-seasonal businesses, employers must pay 50% of the basic salary, allowances to affected employees and give one month's notice. Additionally, establishments with more than 300 employees must seek approval from the central or state government before proceeding with layoffs, retrenchments, or closures. A three-month notice and provisions to re-employ those retrenched are also mandated for any retrenchment. This transformation in the labour law framework indicates a necessary reform in India's labour jurisprudence. Historically, trade unions have played an essential role in addressing the imbalances in employer-employee relations, and the legal recognition of their functions through this Code marks progress for worker rights. Notably, the Code introduces the notion of 'fixed-term' employment, a crucial addition lacking in previous legislation. This change ensures fairer treatment of fixed-term employees regarding their wages and working conditions while recognising the legitimacy of term-based employment and settlement processes. However, while these updates modernise the framework, critics assert that the previous regime provided stronger collective bargaining mechanisms, supported by a balanced role of state intervention. In contrast, the current Code tends to move away from this model, potentially diminishing union influence by easing the process of deregistration and reducing state support in industrial relations.

India's vast industrial sector is essential to the country's economic advancement. Within this sector, the significance of industrial relations is paramount for ensuring stability and promoting long-term growth. Healthy industrial relations are essential for cultivating a supportive workplace culture, encouraging a favourable work environment, and protecting the interests of both employers and employees. A key function of industrial relations is to promote harmony and collaboration in the workplace. By fostering mutual respect and trust between workers and management, industrial relations help create a cooperative and peaceful working environment. This harmony ultimately results in increased efficiency, greater productivity, and improved overall performance of industrial organisations. Industrial relations also act to resolve conflicts between employers and employees. Through structured

mechanisms such as mediation, arbitration, and negotiation, these relations assist in addressing grievances before they escalate into significant disruptions like strikes or lockouts, which can severely affect production and financial performance. Moreover, effective industrial relations ensure employees have a voice concerning their rights and working conditions. When workers participate in decision-making and policy development, it enhances job satisfaction. It fosters a more substantial commitment to the organisation while adequately handling their welfare. Finally, well-functioning industrial relations play a crucial role in promoting economic growth. Policies that foster an environment conducive to industrial development encourage business expansion and facilitate the fair distribution of wealth and resources. Upholding strong and effective industrial relations is vital for establishing India's stable, productive, and inclusive industrial environment. It helps maintain workforce morale, supports industrial achievements, and ultimately aids the nation's economic development.[7]

The push for changes in labour legislation stems mainly from the conviction that current laws are outdated and no longer reflect the changing nature of work driven by technological advancements, globalisation, and evolving employment trends. Despite having a large workforce, India's manufacturing sector continues to lag, with slow job creation. This stagnation is frequently attributed to the perceived rigidity of labour laws.[8] Consequently, advocates for reform contend that providing more flexibility for employers would improve efficiency, even if it compromises employee job security. It is commonly claimed that rigid labour markets hinder the adaptability of the workforce, raise operational expenses, decrease production efficiency, and ultimately weaken competitiveness while discouraging investment. However, this perspective overlooks a crucial point: most labour laws apply solely to formal sector establishments employing ten or more workers. Since most businesses in India are smaller and not covered by these regulations, they remain exempt. Considering that less than 10% of the Indian workforce is engaged in the formal sector protected by these laws, it seems improbable that labour regulations are the key factor behind broader employment generation challenges. One of the most contentious aspects is Chapter V-B of the Industrial Disputes Act, 1947, which mandates that companies in the manufacturing, mining, and plantation

---

[7] Yogesh Joshi, Managing Industrial Relations: What Things changed in the new Code of Industrial Relations 2020, Vol 8 Issue 6, IJNRD, 243-256 (2023) https://www.ijnrd.org/papers/IJNRD2306228.pdf

[8] Aishwarya Bhuta, Imbalancing Act: India's Industrial Relations Code, 2020, Vol 65 Issue 31, IJLE, 1-10 (2022) https://www.researchgate.net/publication/362936423_Imbalancing_Act_India's_Industrial_Relations_Code_2020

sectors obtain government approval for retrenching permanent employees if the establishment has 100 or more workers. Despite numerous suggestions to either increase this threshold or eliminate the approval requirement, it is crucial to realise that this provision only pertains to a small segment of the organised sector, not most Indian businesses. This limited applicability calls into question the assertion that Indian labour laws are inflexibly applied across the board. Moreover, the assumption that Indian labour markets are inflexible does not consider the actual situation. Most labour regulations are inadequately enforced, and a significant portion of formal sector workers are informally employed, estimates indicate around 60%, which leaves them unprotected by these laws. These circumstances suggest that widespread non-compliance, rather than legal inflexibility, is a more accurate explanation of the current state of the Indian labour market. While the argument for greater flexibility in employment practices is often touted as boosting productivity, empirical data indicates otherwise. Numerous studies have demonstrated that robust labour protections can increase hourly productivity. Furthermore, the link between labour market flexibility and overall economic growth appears weak. Increased flexibility may worsen labour-capital relations without sufficient social and financial safeguards, potentially resulting in decreased productivity rather than enhanced output. Sanjay Gandhi was key in establishing Maruti Suzuki in the Permit Raj era, providing a vital alternative to the prevalent Ambassador car. Nevertheless 2012, the company encountered a significant crisis at its Manesar facility due to a breakdown in industrial relations. The unrest resulted in substantial financial losses for Maruti Suzuki, alongside a tragic event in which a senior Human Resources executive was killed and the plant suffered considerable damage. This turmoil was associated with intense trade union activities. Although the management had chances to react more swiftly to the workers' valid grievances, the situation deteriorated before appropriate actions could be implemented. The principal issue arose from discontent with the current Maruti Udyog Kamgar Union (MUKU), which many employees believed did not adequately address their concerns, especially regarding wages and the regularisation of fixed-term contracts. Consequently, workers at the Manesar plant sought to establish a separate union, an endeavour that Maruti refused to acknowledge.[9] The situation was further complicated by the absence of legal provisions in Haryana state law and central labour legislation to formally acknowledge trade unions, where only one union is given exclusive collective bargaining rights, limiting others. Had such a legal framework existed, the situation might have been mitigated. In the

[9] King Stubb & Kasiva Advocates and Attorneys, Analyses of Industrial Relations Code, 2020 (19 July 07:59 AM) https://ksandk.com/litigation/analyses-of-industrial-relations-code-2020/

significant judgment of All India Bank Employees' Association v. National Industrial Tribunal,[10] the Supreme Court of India recognised that trade unionism and collective bargaining are safeguarded under the fundamental right to freedom of speech and expression as stated in Article 19 of the Constitution.[11] This tenet has been reinforced in various additional rulings, underscoring India's strong legal basis for trade union rights. However, in B. Srinivasa Reddy vs. Karnataka Urban Water Supply and Drainage Board Employees Association & Others, the Supreme Court clarified that for trade unions to claim any legal rights or protections, they must be registered. As a result, unregistered unions do not possess standing under the law.[12]

Evolution of Industrial Relations in India

To grasp the current state and importance of industrial relations in India, examining their historical progression, covering the pre-independence era, the period after independence, and the continuing changes driven by evolving business landscapes.

Pre-Independence Era

Traditionally, India was predominantly an agricultural economy, with farming as the main occupation throughout ancient and medieval periods. The dynamic between employers and workers during this time resembled that of enslavers and enslaved people, particularly under practices that endorsed slavery. Skilled artisans and craftsmen established informal groups or guilds to safeguard their interests, relying on the power of collective action. However, foreign invasions severely disrupted local industries, especially in handicrafts. Numerous artisans were uprooted, lost their traditional skills, and became like bonded labourers. Conditions improved during the Mughal period, particularly under Emperor Akbar, when industrial centres developed in cities like Agra, Lahore, Fatehpur, and Ahmedabad, enabling artisans to regain their professional identities. Under British colonial rule, the industrial relationship was markedly hierarchical, with employers wielding significant control over employees. Initially, the British government maintained a laissez-faire attitude, but later imposed penalties for contractual violations. The First World War significantly awakened the Indian workforce's awareness of its economic significance. Workers started to understand that their labour was vital for sustaining wartime production. This era also experienced global influences, such as

[10] 1962 SCR (3) 269
[11] The Constitution of India, Art 19
[12] AIR 2006 SUPREME COURT 3106

the 1917 Russian Revolution, the founding of the International Labour Organisation (ILO) in 1919, and the introduction of landmark legislation like the Indian Trade Unions Act of 1926 and the Trade Disputes Act of 1929, all of which accelerated the development of organised labour and industrial relations in India.

After the Second World War, the British implemented two key measures. First, statutory controls were established to ensure the consistent supply of goods and services during the war, including compulsory arbitration of industrial disputes. This resulted in the enactment of the Industrial Disputes Act in 1947. Second, a tripartite consultation structure was created, establishing organisations like the Indian Labour Conference (ILC) and the Standing Labour Committee (SLC). These bodies were responsible for discussing labour issues of national significance. They laid the groundwork for crucial labour laws, such as the Minimum Wages Act (1948), the Employees' State Insurance Act (1948), and the Employees' Provident Funds Act (1952), which are still applicable today.

Post-Independence Era

Upon gaining independence, India continued to adhere to the colonial structure of industrial relations. However, new political leaders promised to implement policies that would uphold the dignity and rights of workers. The Industrial Policy Resolution 1956 aimed to promote the growth of public sector enterprises at both the state and national levels. This was complemented by voluntary initiatives to encourage cooperation between management and workers and educate the labour force on industrial relations. These efforts ultimately established the First National Commission on Labour in 1969. A pivotal moment occurred during the Emergency in 1975 under Prime Minister Indira Gandhi. Constitutional amendments were introduced during this time to enhance worker involvement in industrial management. One notable legislative change was the introduction of Chapter V-B to the Industrial Disputes Act, 1947, which mandated prior government approval for layoffs, retrenchments, and closures in large industrial establishments. The late 1970s and 1980s saw a rise in judicial activism, which has impacted industrial relations. The judiciary began to adopt a more proactive role in advocating for labour rights and shaping employment law. These developments led to greater legal recognition of workers' concerns, establishing a foundation for a more structured and rights-oriented approach to handling industrial disputes and labour relations in the nation.

Need and Importance of Industrial Relations

In recent years, industrial relations have attracted increased focus due to the changing dynamics of workplaces shaped by globalisation and technological advances. These shifts have profoundly impacted organisational operations, strongly emphasising productivity and quality. Fulfilling harmonious workplace relationships has never been more crucial as businesses adjust to competitive international markets. Technological advancements have also transformed the working environment. While many traditional roles have been eliminated, there is now a higher demand for new skill sets. Since technology relies on human operation, having a well-trained workforce and a positive workplace culture is essential for successfully adopting new technologies. Industrial relations are critical in managing these transitions by promoting effective communication and collaboration between employers and employees.

Contribution to Economic Development

Robust industrial relations are key to creating a stable and peaceful work environment, supporting national economic development. Many individuals may initially find adapting to the organisational structure in diverse work settings challenging. A strong relationship between management and employees fosters teamwork and helps both groups strive toward common objectives. When employees feel valued and supported, their contributions boost productivity, benefiting the company and the wider industry.

Ensuring Continuous Production

To ensure continuous and smooth production, it is vital to nurture positive industrial relations. Minimising workplace conflicts and fostering cohesive teamwork lead to more efficient resource use and a higher likelihood of achieving production goals. Consistent operational performance guarantees a reliable income stream and promotes growth.

Minimising Industrial Conflicts

Implementing effective industrial relations substantially decreases the frequency of disputes. Labour disagreements often highlight deeper communication issues or unresolved complaints. A strong industrial relations framework offers tools such as grievance resolution, negotiations, and constructive dialogue to address problems. This proactive approach prevents disruptions and encourages a more collaborative organisational culture.

Upholding Industrial Democracy

One of the main objectives of industrial relations is to advance industrial democracy, ensuring that all parties, including workers, management, and shareholders, have a say in the organisation's decision-making processes. This philosophy reflects the socialist ideals of collective ownership and centralised governance. Fostering stakeholder involvement promotes transparency, accountability, and shared responsibility within a business.

Fostering Collective Bargaining

Collective bargaining is a crucial mechanism for maintaining industrial harmony. It enables workers, often represented by trade unions, to negotiate wages, working conditions, and other employment issues with management. This practice not only reconciles the interests of both sides but also encourages self-governance among employees by involving them in significant organisational decisions. Successful collective bargaining enhances trust, satisfaction, and morale in the workplace.

Strengthening Employee Discipline and Morale

Positive industrial relations help develop a disciplined and well-informed workforce. When employees clearly understand their responsibilities and recognise the advantages of firm performance, they are more inclined to remain motivated and productive. A motivated workforce directly contributes to achieving organisational goals, improving individual and collective outcomes.

Minimising Resource Wastage

A workplace grounded in mutual respect and cooperation tends to experience less wastage—be it of materials, time, or human resources. Open communication and collaboration between departments ensure optimal use of resources. This leads to cost efficiencies, enhanced productivity, and overall operational excellence.

Facilitating a Mental Shift

A primary goal of strengthening industrial relations is to instigate a change in perspective for both employers and employees. Workers should perceive themselves as active contributors to the organisation's success, while employers must recognise the critical role of their personnel. When both sides appreciate each other's contributions, it fosters greater industrial peace and enhances overall performance.

Goals, Nature, Scope and Functions of Industrial Relations

The central aims of industrial relations involve improving the economic conditions of workers and fostering a harmonious and cooperative work environment. It seeks to safeguard the interests of both employers and employees through mutual respect and teamwork. Enhancing productivity by adopting improved production methods, encouraging industrial democracy, and addressing the workforce's economic, social, and political needs are additional essential goals. In addition, industrial relations strive to ensure full employment and contribute to the nation's economic growth by facilitating efficient productivity. Fostering positive relationships between labour and management and encouraging the development of trade unions are also critical aspects. These unions provide a forum for workers to express their concerns and advocate for improved working conditions.

Industrial relations aim to safeguard employees' interests while nurturing a constructive and cooperative relationship with management. Its fundamental objective is to balance various workplace components—such as employee expectations, demands from trade unions, employer objectives, and societal and economic considerations—thereby fostering a stable and productive organisational environment. The notion of industrial relations is extensive and has been defined in diverse ways by different scholars and institutions. The International Labour Organisation (ILO) states that industrial relations include the interactions between employers and employees and between the government, employers' associations, and trade unions. This broad perspective highlights the complexity of contemporary workplaces and the numerous stakeholders involved in upholding industrial harmony. Within a company, the industrial relations department fulfils several critical functions. These roles include managing labour relations, developing and implementing employment policies and programs, keeping employee records, and overseeing public relations efforts that reflect the organisation's position on labour-related matters. It serves as the link between the workforce and management, facilitating smooth communication and effective operations.

Industrial relations are vital for an organisation's smooth and efficient operation. This role's key aspect is cultivating a positive and cooperative relationship between employees and management. This type of relationship fosters mutual trust and lowers the chances of conflict. Industrial relations also encourage innovation and teamwork among staff, intending to enhance industrial standards and boost employee involvement. By establishing a culture of creativity and collaboration, organisations can increase both productivity and job satisfaction

at the same time. Another essential function is to ensure that trade unions act responsibly and play a role in peacefully and constructively resolving disputes. This is crucial in preventing the development of a toxic, unethical, or chaotic work environment and supports a professional method of managing conflicts. Industrial relations prioritise maintaining internal harmony and operational effectiveness to ensure the workforce aligns with the organisation's objectives. This is accomplished by developing policies that foster understanding, encourage teamwork, and support practices that enhance productivity at all organisational levels. Additionally, industrial relations aim to improve working conditions and ensure employees are actively involved in various organisational processes. Promoting worker participation increases their sense of ownership and belonging and cultivates a more democratic and inclusive workplace culture.

Types of Industrial Relations

Industrial relations encompass many forms of engagement among diverse internal and external stakeholders. These interactions are pivotal for sustaining a productive and equilibrium-oriented work milieu. Industrial relations can be delineated into four principal categories:

Employer–Employee Relations

This represents the most foundational type of industrial relationship, characterised by the direct engagement between employers and employees within an organisation. A collaborative and respectful employer-employee dynamic is indispensable for attaining organisational objectives. When employees perceive themselves as valued and supported by their employers, they exhibit heightened motivation, productivity, and commitment to their duties. A robust foundation of trust and communication between both entities enhances operational efficiency, mitigates conflict, and promotes economic advancement. Conversely, substandard employer-employee relations can obstruct goal attainment and adversely impact workplace morale.

Group Relations

Group relations pertain to the interactions among various internal factions within the organisation, encompassing workers, supervisors, technicians, and other professionals. These relations significantly affect team dynamics, collaboration, and the organisational culture. Understanding group behaviour and social patterns is instrumental in fostering innovation

while honouring traditional values. Moreover, group relations extend beyond internal teams to encapsulate the organisation's alignment with the broader social, political, and economic milieu, influencing its responsiveness to external challenges and adaptability to change.

Labour Relations

Labour relations refer to the formalised interaction between trade unions and management. This domain encompasses collective bargaining, grievance redressal mechanisms, arbitration, and the establishment of agreements. Labour laws govern such relations and constitute a structured framework for addressing workers' demands, working conditions, remuneration, and other employment-related matters. Effective labour relations ensure that management and the workforce collaborate constructively, diminishing the likelihood of industrial disputes and fostering mutual understanding.

Public Relations

Within the industrial relations framework, public relations denotes the organisation's interactions with the external community, including customers, regulatory agencies, local populations, and the public. The cultivation and maintenance of a positive image alongside transparent communication with society are crucial for the long-term viability of any organisation. The organisation bolsters its reputation and ensures seamless operations within the broader socio-economic landscape by establishing trust and fulfilling its social obligations.

About the Industrial Relations Code

Salient Features

1. The Industrial Relations Code, 2020, is a comprehensive legislation with 104 sections spread across 14 chapters and three schedules. Its primary objective is to unify and amend the laws related to trade unions, employment conditions in industrial undertakings, and the mechanisms for resolving industrial disputes, along with related and incidental matters.
2. For the first time, the term "Industrial Relations" has been formally introduced in the title of the Code to reflect a broader framework that seeks to safeguard workers' rights. It also aims to reduce conflicts between employers and employees and offers structured mechanisms to redress and resolve disagreements.

3. The Code establishes two bipartite forums within industrial establishments: the Works Committee and the Grievance Redressal Committee. While the former encourages dialogue between employers and employees, forming a Grievance Redressal Committee is now mandatory under the Code.
4. A key reform introduced by the Code is employers' compulsory recognition of a trade union or a negotiating council. This move will streamline communication and negotiations between employers and the workforce. Employers must now acknowledge the trade union that qualifies as the representative body for collective bargaining purposes.
5. The definition of an industrial establishment under the Code aligns with the one provided in the Payment of Wages Act, 1936. It mandates that all industrial units employing 300 or more workers must draft standing orders per model guidelines provided by the Central Government. These standing orders must cover key aspects such as worker classification, work hours, holidays, wage structures, disciplinary procedures, and termination conditions.[13]
6. Additionally, the Code expands the definition of "strike" to include mass casual leave by 50% or more employees on a particular day. This broadens the scope of what can be classified as a strike, even when workers do not explicitly declare it as such.
7. Another necessary provision is the prohibition of strikes and lock-outs in all industrial establishments without a prior notice of 14 days. This measure aims to prevent abrupt disruptions and ensure better industrial stability.
8. To support workers affected by retrenchment, the Code introduces the concept of a "reskilling fund." Employers who terminate workers must now contribute to this fund by depositing an amount equivalent to 15 days of the employee's last drawn wages. This amount must be credited to the retrenched worker's account within 45 days, assisting them in acquiring new skills for future employment.
9. The penalty framework under the Code has also been made stricter. For instance, violations related to lay-offs, retrenchment, or closure by establishments can result in fines ranging from ₹1 lakh to ₹10 lakhs for the first offence. Repeat offenders may face penalties between ₹ 5 lakhs and ₹20 lakhs and imprisonment for up to six months.

---

[13] B Muthu Jeyakumari, The Industrial Relations Code, 2020: A Critique, Vol 6 Issue 5, IJLMH, 998 – 1007 (2023) https://ijlmh.com/wp-content/uploads/The-Industrial-Relations-Code-2020-A-Critique.pdf

10. Lastly, the Code empowers the appropriate government to exempt any newly established industrial unit or category of units from its provisions if such exemption is deemed in the public interest.[14]

Changes in Definitions:

One of the key reforms introduced by the Industrial Relations Code, 2020, is the comprehensive redefinition of the term employer. Previously, the Industrial Disputes Act, 1947, adopted a limited interpretation, primarily referring to the designated authority or department head as the employer.[15] However, the new Code significantly expands this definition. It now includes anyone who employs another individual, directly or indirectly, through an intermediary or representative. This broadened scope encompasses figures such as the head of a department, chief executive officer of a governmental body, occupier or manager of a factory, any person exercising ultimate control over an establishment's affairs, contractors, and even the legal representatives of deceased employers.[16] This inclusive framework increases the number of individuals subject to compliance with labour laws, assigning them responsibilities and certain legal protections. While the new definition introduces greater accountability and restricts the discretionary powers of more individuals engaged in managing businesses, it also extends the legislative safeguards meant for employers to a broader group. Nonetheless, considering that labour legislation traditionally aims to protect workers' rights, the burden imposed by the wider definition on employers is expected to outweigh the additional protections they receive.

The definition of industry has also been significantly revised under the Industrial Relations Code 2020. The original definition in the Industrial Disputes Act, 1947, was limited and reflective of the economic environment of that era.[17] This narrow understanding left considerable room for businesses to evade regulatory oversight by exploiting definitional loopholes. The updated Code closes this gap by incorporating a more inclusive definition of industry, bringing a vast range of enterprises within its purview.[18] This modification ensures that more businesses are subject to the Code's provisions, mirroring the effect of the

---

[14] Udita Prakash, Industrial Relations Code 2020: An Overview, iPleaders (19 July 2025, 10:12 AM) https://blog.ipleaders.in/industrial-relations-code-2020-an-overview/
[15] The Industrial Disputes Act, 1947, § 2(g)
[16] The Industrial Relations Code, 2020, § 2(m)
[17] The Industrial Disputes Act, 1947, § 2(j)
[18] The Industrial Relations Code, 2020, § 2(p)

expanded definition of employer and reinforcing the applicability of labour laws across the economic spectrum.

The Code has similarly revised the definition of worker. It now includes specific new categories of employees, such as journalists and sales promotion workers, reflecting a broader and more realistic understanding of the modern workforce. At the same time, it excludes interns or apprentices.[19] From the category of workers, the salary ceiling for excluding supervisory roles is raised from Rs. 10,000/- to Rs. 18,000/- per month.[20] These changes recalibrate the employer's obligations by exempting those not in typical employee roles. Excluding interns from the worker category is reasonable, recognising that interns typically do not have the same professional standing or expectations as regular employees. The revised monetary limit for supervisors also aligns with current salary trends and appropriately categorises higher-paid supervisory personnel outside typical worker protections. Nonetheless, including journalists and sales promotion employees brings additional responsibilities for employers, like the broader consequences observed in the definitions of employer and industry.

Furthermore, the Code formally recognises fixed-term employment, granting such employees the same rights as permanent employees, except for retrenchment compensation. A fixed-term contract clearly defines the duration of employment and specifies an end date. Under the new provisions, fixed-term workers are now entitled to all statutory benefits available to permanent employees, including provident fund contributions, gratuity, and various allowances.[21] While this ensures greater protection and equity for such workers, it also adds financial and administrative strain on employers. The intent of fixed-term employment, simplifying hiring processes and reducing associated costs, may be undermined as employers are now required to manage these workers similarly to permanent staff in many respects.

Creation of Grievance Redressal Committee

The Industrial Relations Code, 2020 mandates the establishment of a Grievance Redressal Committee (GRC) in every organisation employing 20 or more workers. This committee must include equal representation from the employer and the employees, and is responsible

[19] The Industrial Relations Code, 2020, § 2(zr)
[20] The Industrial Disputes Act, 1947, § 2(s)
[21] The Industrial Relations Code, 2020, § 2(o)

for addressing specific workplace disputes.[22] In cases where the Works Committee (applicable to establishments with 100 or more workers) cannot resolve conflicts, the GRC acts as the alternative internal mechanism. The Works Committee aims to foster a harmonious work environment and facilitate mutual understanding between employers and employees.[23] For establishments that employ between 20 and 100 workers, the GRC assumes complete responsibility for resolving possible disputes.

This framework offers several advantages. Institutionalising an internal forum to settle disputes early reduces the likelihood of issues escalating into major conflicts. It also helps decrease the burden on formal adjudicatory forums such as tribunals and courts, thus promoting workplace efficiency and saving time and financial resources for both parties. The requirement for adequate female representation on the GRC[24] It is commendable to ensure that decisions consider diverse perspectives and are free from gender-based discrimination. Furthermore, the structure of equal representation on the committee provides an apparent sense of fairness and impartiality in resolving grievances.

However, establishing and operating such a committee inevitably involves resource allocation, potentially straining the management and employees. Forming the committee, conducting meetings, and carrying out negotiations may consume productive time, leading to financial implications for employers. Although these committees are designed to improve operational harmony, the associated costs of time and workforce cannot be ignored.

Another significant concern is the ease of access to the GRC, which might increase frivolous complaints. Since this internal mechanism is freely accessible and less formal than approaching a tribunal or court, workers may exploit it by filing baseless grievances. Additionally, the limitation period of one year for filing complaints[25] gives workers an extended window, which could be misused to disrupt operations for ulterior motives.

The decision-making process within the GRC is also skewed in favour of the employees. The committee, capped at a maximum of 10 members, operates on majority rule. However, for any decision to be valid, a simple majority of at least six members is required, out of which at least three must be worker representatives.[26] If this condition is not met, the matter is

[22] The Industrial Relations Code, 2020, § 4(1); The Industrial Relations Code, 2020, § 4(2)
[23] The Industrial Relations Code, 2020, § 3(3)
[24] The Industrial Relations Code, 2020, § 4(4)
[25] The Industrial Relations Code, 2020, § 4(5)
[26] The Industrial Relations Code, 2020, § 4(7)

considered unresolved and escalated to the Trade Union Conciliation Officer.[27] This arrangement grants worker representatives substantial control over the outcome. Even if employer representatives support a decision, without the backing of a minimum number of workers' representatives, it cannot be ratified. This voting power imbalance compromises the committee's neutrality and undermines the employer's influence in critical decisions affecting their business.

In cases where a decision cannot be reached or a worker is dissatisfied with the committee's resolution, the grievance is referred to the Conciliation Officer. However, considering the pro-worker orientation of Trade Unions, it is unlikely that such an officer would act against the interests of the workers. This makes the appeal process appear inherently biased. The Conciliation Officer's association with Trade Unions, whose fundamental role is safeguarding workers' welfare, reinforces the perception that decisions rarely go against employee interests.

If the employer or employee remains unsatisfied with the Conciliation Officer's decision, they may escalate the matter to the Industrial Disputes Tribunal.[28] While tribunals are relatively more impartial than the earlier stages, the Industrial Relations Code, 2020, a social welfare legislation, is often interpreted in favour of employees. Hence, although the tribunal stage may offer a more balanced approach, employers still approach it with apprehension, and many choose not to pursue the dispute this far due to concerns over probable bias and procedural fatigue.

The concern is that the current framework heavily favours workers, so an employer may feel practically excluded from resolving a dispute within their enterprise. Even after navigating four levels of grievance redressal, the employer's ability to influence outcomes is minimal. While the legislative intent behind this system is to protect worker interests, the embedded imbalance borders on employer suppression. Such an environment may deter entrepreneurial initiative and restrict industrial growth by discouraging business owners from scaling up or hiring beyond a certain threshold due to fear of overregulation and reduced decision-making autonomy.

Negotiating Union / Council

[27] The Industrial Relations Code, 2020, § 4(8)
[28] The Industrial Relations Code, 2020, § 4(10)

The Industrial Relations Code, 2020, introduces a significant reform that simplifies employer–employee negotiations by establishing a Negotiating Union or Negotiating Council. This is a crucial development that streamlines the process of collective bargaining and serves the interests of employers by reducing the complexity previously associated with engaging multiple trade unions during industrial disputes. A Negotiating Council is constituted when an establishment has numerous registered trade unions. To be part of this council, each union must have the support of at least 20% of the workforce, and for every 20% representation, one representative is included in the council.[29] Consequently, the maximum number of representatives that can be appointed is five, with decisions determined by the majority vote of these representatives. In cases where a trade union holds more than one representative due to having over 20% of the workforce under its membership, each of its representatives is entitled to an independent vote, potentially allowing the same trade union to exercise multiple votes during negotiations.[30]

However, where a single registered trade union has the support of 51% or more of the workforce, it is designated as the sole negotiating union.[31] Likewise, if only one trade union exists in an establishment, it is automatically recognised as the sole negotiating body.[32] This provision removes the need to form a council in such scenarios and simplifies the negotiation process.

The tenure of a Negotiating Union or Council is set to a minimum of three years and may extend up to five years, providing much-needed stability in collective bargaining.[33] This fixed term prevents disruptions due to frequent changes in trade union membership or internal political manoeuvres, which often compromise the integrity of the negotiation process. By establishing a clear and stable structure, the law ensures that the focus remains on resolving disputes and promoting worker welfare rather than navigating shifting union politics.

The primary advantage of this new structure is that it allows streamlined, centralised negotiations between the employer and the workforce. Under the previous regime, employers were required to engage separately with multiple unions, each having distinct and often conflicting demands. This prolonged the negotiation process and increased costs, operational inefficiencies, and administrative burdens. The new model reduces such complications by

[29] The Industrial Relations Code, 2020, § 14(4)
[30] The Industrial Relations Code, 2020, § 14(5)
[31] The Industrial Relations Code, 2020, § 14(3)
[32] The Industrial Relations Code, 2020, § 14(2)
[33] The Industrial Relations Code, 2020, § 14(6)

enabling collective dialogue through a single union or a unified council, depending on the workforce's composition. As a result, conflict resolution becomes faster and more cost-effective, ultimately contributing to a more stable and cooperative industrial environment.

Standing Orders

Standing Orders are formal directives that outline the conditions of service and operational procedures within an establishment. These include rules related to working hours,[34] attendance protocols,[35] leave procedures,[36] termination of service,[37] and even employee checks upon entry,[38] Among several other employment-related matters. Initially governed by the Industrial Employment (Standing Orders) Act, 1946,[39] the regulation of Standing Orders is now incorporated into the Industrial Relations Code, 2020, following the consolidation of older labour laws into a unified framework.

A key change under the new Code is the applicability threshold, which has been raised from 100 workers (under the previous legislation)[40] to 300 workers.[41] This increases benefits for employers by exempting smaller establishments from the complex and resource-intensive processes of drafting, negotiating, and certifying Standing Orders. It also reduces the likelihood of disputes with workers over the content and enforcement of these Orders. However, this change can simultaneously be viewed as detrimental to employers, as the absence of formal Standing Orders removes the statutory backing of workplace rules. Without codified procedures, enforcement becomes difficult, and disciplinary actions against non-compliant employees may face challenges before tribunals or other adjudicatory forums.

Another critical issue is the certification process of the Standing Orders. While it is reasonable and necessary to involve employees, through Trade Unions or Negotiating Councils, in the drafting process,[42] The procedure adopted under the Code gives substantial power to employees in finalising the document. Once the Draft Standing Orders are submitted to the Certifying Officer, they are again shared with the employees (through their

---

[34] The Industrial Relations Code, 2020, Schedule I, § 1
[35] The Industrial Relations Code, 2020, Schedule I, § 4
[36] The Industrial Relations Code, 2020, Schedule I, § 5
[37] The Industrial Relations Code, 2020, Schedule I, § 8
[38] The Industrial Relations Code, 2020, Schedule I, § 6
[39] The Industrial Employment (Standing Orders) Act, 1946, § 3, 4, 5, & 6
[40] The Industrial Employment (Standing Orders) Act, 1946, § 1(3)
[41] The Industrial Relations Code, 2020, § 28(1)
[42] The Industrial Relations Code, 2020, § 30(2)

representative body) for approval or modification.[43] The Standing Orders will only be certified after incorporating the changes the employees suggested or obtaining approval. This employee-dominated process also applies to any future amendments.[44]

Effectively, this means that employees may exert more influence than employers over the rules governing their service conditions. Suppose employees find any terms of the draft Standing Orders too strict or unfavourable. In that case, they can delay or prevent certification, compelling the employer to compromise on matters that may be crucial to the operation of the business. This power imbalance undermines the employer's autonomy and ability to run the establishment per its operational needs.

Though employers have the option to appeal decisions of the Certifying Officer before the Central Labour Commissioner or Industrial Tribunal,[45] this comes with the burden of lengthy and costly litigation, to assert the right to determine internal rules. Similarly, employees dissatisfied with the certified Standing Orders can also file an appeal, and given the welfare-oriented nature of the Code, appellate bodies may lean in favour of employee interests. Consequently, employers often find themselves at a disadvantage throughout the process.

The bias is further evident in the penal provisions. Employees who violate the certified Standing Orders are subject to a fine between ₹1,00,000 and ₹2,00,000.[46] In contrast, no statutory penalties exist for employees who contravene the same. Although disciplinary action may be initiated against a worker, any punitive measure can be contested before tribunals, which again may favour the employee due to the overarching pro-worker tilt of the law. This creates an environment where the employer bears legal and financial liabilities for non-compliance with rules shaped mainly by employees. In contrast, the employee faces no equivalent statutory repercussions.

Disputes over Standing Orders could be resolved through mediation or mutual agreement. Still, in practice, if employee demands are unreasonable or antagonistic to the employer's operational interests, conciliation efforts are unlikely to succeed. Despite the evident tilt against employers, there has been judicial recognition of their rights. In the case of S.K. Seshadri v. H.A.L. & Ors., the Supreme Court upheld the employer's discretion to frame

[43] The Industrial Relations Code, 2020, § 30(5)
[44] The Industrial Relations Code, 2020, § 35(3)
[45] The Industrial Relations Code, 2020, § 32
[46] The Industrial Relations Code, 2020, § 86(11)

Standing Orders that include provisions beyond those listed in the Model Standing Orders.[47] The Court clarified that Model Standing Orders are advisory templates, not mandatory rules, and deviations are permissible if they do not violate the broader statutory framework. This ruling relieves employers by affirming their right to create regulations suited to their business needs, even if not entirely aligned with the model provisions.

Industrial Action

Strikes

One of the most significant pro-employer reforms under the Industrial Relations Code, 2020, pertains to strikes. Traditionally viewed as a collective refusal to work, the Code expands the definition to include concerted casual leave and collective decisions or coordinated refusals to work under a common understanding.[48] This prevents workers from disguising strikes as mass casual leave and brings such conduct within the purview of strike regulations.

The Code introduces stringent preconditions for initiating a strike. A fourteen-day prior notice is mandatory, and the strike must occur within the specified timeframe of that notice.[49] This framework ensures that employers are not caught off guard by sudden industrial action and can prepare accordingly, whether by addressing the root cause, planning limited operations, or notifying clients about potential delays, thus avoiding financial and reputational harm.

Furthermore, strikes are strictly prohibited:

- During conciliation proceedings and for seven days after their conclusion,[50]
- While arbitration is underway and for sixty days post-termination,[51]
- During proceedings before Industrial or National Industrial Tribunals, extending for sixty days after conclusion,[52]
- During the currency of an award or settlement on the same issue.[53]

These restrictions preserve the integrity of the adjudicatory process and prevent industrial actions from undermining ongoing or concluded resolutions. Workers are legally barred from

[47] ILR 1983 KAR 634
[48] The Industrial Relations Code, 2020, § 2(zk)
[49] The Industrial Relations Code, 2020, § 62(1)(b) & 62(1)(c)
[50] The Industrial Relations Code, 2020, § 62(1)(d)
[51] The Industrial Relations Code, 2020, § 62(1)(f)
[52] The Industrial Relations Code, 2020, § 62(1)(e)
[53] The Industrial Relations Code, 2020, § 62(1)(g)

strikes during these periods, even if dissatisfied with the proceedings or outcomes. This upholds due process and provides legal protection to employers pursuing dispute resolution through appropriate forums.

Violations carry legal consequences. An employee who initiates, continues, or supports an illegal strike may face a fine of ₹1,000 to ₹10,000 and/or imprisonment up to one month.[54] Those who incite or finance such strikes may incur more severe penalties: fines between ₹10,000 and ₹50,000 and/or imprisonment up to one month.[55] Funding an illegal strike is similarly penalised.[56] These provisions help shield employers from strikes backed by rival entities or political agendas, ensuring that behind-the-scenes instigators are also held liable.

As a result, this legal framework is a strong deterrent to unlawful strikes, significantly reducing the probability of such disruptions without financial or external support. For employers, this is a primary legislative safeguard.

Despite these statutory controls, Indian jurisprudence has often supported the right to strike. In Crompton Greaves Ltd. v. Workmen, the Supreme Court observed that while strikes are legal tools for workers, even technically illegal strikes may be legitimised based on situational factors.[57] The Delhi High Court, in Indian Express Newspapers Bombay Pvt. Ltd. v. T. M. Nagarajan, recognised the workers' right to conduct peaceful strikes to pressurise employers.[58] The emphasis on the word "force" reveals judicial tolerance for strikes as a method of leverage.

In B.R. Singh v. Union of India, the Supreme Court acknowledged that workers could resort to strikes to bolster trade union membership.[59] Even though employers bear no responsibility for union enrolment, the Court justified using strikes to remedy low participation, indirectly allowing employers to suffer consequences for matters outside their control.

Hence, even though the Industrial Relations Code, 2020 narrows the scope of legal strikes and broadens the ambit of illegality, judicial precedents may override these statutory protections and allow workers to engage in industrial action without facing consequences.

---

[54] The Industrial Relations Code, 2020, § 86(13)
[55] The Industrial Relations Code, 2020, § 86(15) & 86(16)
[56] The Industrial Relations Code, 2020, § 64
[57] Crompton Greaves Ltd. v. Workmen (AIR 1978 SC 1489)
[58] 1987 (15) DRJ 212
[59] 1989 SCR Supl. (1) 257

This divergence reflects a systemic tension: the legislature offers employers significant protection against disruptive action, but the judiciary favours workers' rights to strike even at the employer's expense.

Lock-Outs

A lock-out occurs when an employer temporarily closes the workplace or refuses to permit workers to perform their duties.[60] Prolonged disputes, financial constraints, or external interference, such as pressure from unions or political groups, may trigger this.

Under the Industrial Relations Code, 2020, a lock-out is permitted in response to an illegal strike.[61] Similarly, a strike is allowed in response to an illegal lockout. This reciprocal right ensures that neither party has unchecked power and promotes accountability from both sides.

The procedural requirements governing lock-outs are identical to those applied to strikes.[62] Employers must comply with notice and embargo periods, just as employees must in the case of strikes. This reflects a balanced approach, emphasising continuous industrial operations and promoting sound employer–employee relations.

However, penalties for illegal lockouts are more severe than those for unlawful strikes. Employers may be fined ₹50,000 to ₹1,00,000 and/or face imprisonment for up to one month.[63] This disparity is perhaps justified by the employer's typically superior financial position and greater bargaining power. A higher penalty is a proportional deterrent, ensuring employers do not misuse their authority.

The Code provides a comprehensive and equitable structure for industrial actions. While it grants employers greater procedural protection against unannounced strikes, it also ensures that legal responsibilities equally bind employers in case of a lockout. Nonetheless, given the judiciary's historical deference to workers' rights, employers must remain cautious, as legislative reforms may not always withstand judicial interpretation.

Lay-Off, Retrenchment and Closure

Continuous Service

[60] The Industrial Relations Code, 2020, § 2(u)
[61] The Industrial Relations Code, 2020, § 63(3)
[62] The Industrial Relations Code, 2020, § 62(2)
[63] The Industrial Relations Code, 2020, § 86(14)

Understanding the concept of continuous service is essential when analysing the provisions related to lay-offs, retrenchment, and closure under the Industrial Relations Code, 2020 (IRC). The Code retains the definitions and computation mechanisms under the Industrial Disputes Act, 1947.[64]

For most industries, a worker is deemed to have completed one year of continuous service if they have worked for at least 240 days in the preceding year. For workers employed in mines, this threshold is reduced to 190 days.[65] Similarly, six months of continuous service is completed upon 120 days of work in general industries and 95 days in the case of mines.[66]

The calculation of continuous service includes periods of authorised leave due to sickness, accidents, maternity, lawful strikes, lock-outs (not attributable to the worker), and lay-offs.[67]

Lay-Off

The term lay-off refers to a situation where the employer is temporarily unable to provide work to employees who have not been retrenched due to factors beyond their control, such as a shortage of raw materials, machinery breakdown, stockpiling, or natural disasters.[68]

The provisions governing lay-offs under the IRC apply to all establishments that employed at least 50 workers on average in the preceding calendar month, excluding seasonal industries.[69] For establishments employing 300 or more workers on average during the previous twelve months, employers are prohibited from laying off workers without prior permission from the appropriate government, except in natural disasters or power shortages.[70]

Employers must formally apply for approval to lay off workers, a process that involves inquiry and the opportunity for all concerned parties to be heard.[71] The appropriate government has 60 days to respond to such applications, failing which, approval is deemed granted.[72]

This procedural requirement has been widely criticised for being unjust to employers. If a lay-off becomes necessary, the employer must go through bureaucratic processes before

---

[64] The Industrial Disputes Act, 1947, § 25B
[65] The Industrial Relations Code, 2020, § 66 Explanation 1(a)
[66] The Industrial Relations Code, 2020, § 66 Explanation 1(b)
[67] The Industrial Relations Code, 2020, § 66 Explanation 2
[68] The Industrial Relations Code, 2020, § 2(t)
[69] The Industrial Relations Code, 2020, § 65(1)
[70] The Industrial Relations Code, 2020, § 77(1); The Industrial Relations Code, 2020, § 78(1)
[71] The Industrial Relations Code, 2020, § 78(4)
[72] The Industrial Relations Code, 2020, § 78(5)

acting. During this time, they must continue to employ and compensate the workers in question. This places a heavy financial burden on the employer and could potentially threaten the long-term survival of the establishment.

In most cases, employers would not resort to layoffs arbitrarily, as doing so would harm productivity and workforce morale. Lay-offs typically arise from genuine issues such as input shortages or demand downturns. Yet, under the Code, employers are compelled to continue paying unproductive wages, which may result in worsening business losses and ultimately force closure, detrimental to both employer and employee.

Compensation Provisions

Even after the lay-off is approved, employers are still liable for compensating workers who have completed at least one year of continuous service. Compensation is mandated at 50% of total wages, including dearness allowance, for all working days the employee is laid off up to 45 days in 12 months, unless a different duration is specified in an agreement.[73]

The employer may retrench the worker if the lay-off period exceeds 45 days. In such a case, compensation paid during the lay-off period may be adjusted against retrenchment compensation.[74]

A worker forfeits their right to lay-off compensation if they refuse alternate employment offered by the same employer within an 8 km radius, provided the work is similar. It does not require additional qualifications or training, and pays equivalent wages.[75] Workers participating in a strike or industrial action in another department of the same establishment may also be disqualified from receiving lay-off compensation.

While these provisions aim to strike a balance between employee welfare and employer constraints, they do not account for situations where employers themselves are financially crippled, as would be the case in a resource or demand crisis, or during force majeure events like natural disasters.

Practical Challenges and COVID-19 Example

Although the alternate employment clause appears to be a safeguard for employers, it may be impractical. Suppose multiple units of an employer are located within an 8 km radius. In that

[73] The Industrial Relations Code, 2020, § 67
[74] The Industrial Relations Code, 2020, § 69(i)
[75] The Industrial Relations Code, 2020, § 69(iii)

case, it is plausible they are all similarly affected, particularly in cases of systemic disruptions such as pandemics or regional calamities. A stark illustration of this was seen during the COVID-19 lockdown, where all establishments, irrespective of size or sector, faced a complete operational halt.

Although the Industrial Relations Code, 2020, was not yet in force, its precursor, the Industrial Disputes Act, 1947, contained similar provisions. Despite the shutdown, the government issued advisories asking employers to continue full wage payments. Employers, with zero income and escalating liabilities, faced legal and financial burdens far beyond their capacity. They were also responsible for the health and safety of employees and customers, which further restricted operations. While worker compensation during lay-offs is justifiable on humanitarian and welfare grounds, there is an urgent need to consider economic viability and business sustainability. The IRC does not currently provide for exceptions in extreme cases where employers cannot pay, leaving them vulnerable to insolvency and closure. This scenario ultimately results in the retrenchment of all workers.

Retrenchment

Retrenchment refers to the employer's termination of a worker's service for reasons other than disciplinary action, superannuation, or the natural expiry of a fixed-term contract.[76] For establishments employing fewer than 300 workers on an average daily basis over the previous 12 months, the law requires that employees who have served continuously for at least a year must be given a notice period of one month or wages instead of notice.[77]

In contrast, establishments with 300 or more employees on an average daily basis over the prior 12 months[78] must provide three months' notice or compensation in lieu thereof.[79] This distinction, which is based solely on the organisation's size, is arbitrary and discriminatory. The Industrial Relations Code, 2020, does not distinguish between the types or roles of workers, yet imposes a significantly harsher notice requirement merely based on establishment size. For instance, a senior line manager in a smaller company may receive just a month's notice, whereas a low-skilled worker in a larger unit would be entitled to three months' notice. This not only creates inequity between employers but also among workers, failing to account for their roles or contributions.

---

[76] The Industrial Relations Code, 2020, § 70(a)
[77] The Industrial Relations Code, 2020, § 79(1)(a)
[78] The Industrial Relations Code, 2020, § 79(1)(b)
[79] The Industrial Relations Code, 2020, § 79(2)

A more pressing concern arises with the requirement that establishments with 300 or more workers must seek approval from the appropriate government before retrenching.[80] An application must be made,[81] Followed by a government-led inquiry, during which both parties are heard.[82] As the legislation leans heavily in workers' favour, retrenchment approvals are seldom granted, further disempowering the employer.

Moreover, employers must wait at least 60 days after applying before proceeding, and only if no response is received within that period is permission considered granted.[83] The procedural delay adds uncertainty and administrative burden on businesses, particularly during financial distress.

Even if permission is obtained and a worker is retrenched, the employee can challenge the decision before an Industrial Tribunal.[84] Again, the bias is generally tilted in favour of the worker.

This regulatory regime erodes managerial autonomy and makes business decisions heavily contingent on government intervention. Such excessive restrictions deter businesses from expanding and hiring, fostering a climate where employers either stay small or circumvent the system by engaging workers informally, depriving them of formal protections.

In addition to notice and procedural hurdles, the financial liability on employers is substantial. Retrenched workers are entitled to 15 days' average wages for every completed service year and any portion exceeding six months.[85] While this serves a social objective, it may be economically unviable, especially if the retrenchment is due to a downturn. Employers are burdened with the paradox of being unable to sustain wages and simultaneously having to pay retrenchment compensation, often more than the cost of continued employment, potentially pushing businesses into closure.

The law also mandates a "last in, first out" principle, requiring workers with the least tenure to be retrenched first.[86] While this may appear equitable, it disregards merit, skill, and productivity. A recently hired worker with superior skills or relevance to the business may be

---

[80] The Industrial Relations Code, 2020, § 79(3)
[81] The Industrial Relations Code, 2020, § 79(4)
[82] The Industrial Relations Code, 2020, § 79(6)
[83] The Industrial Relations Code, 2020, § 70(b); The Industrial Relations Code, 2020, § 79(9)
[84] The Industrial Relations Code, 2020, § 71
[85] The Industrial Relations Code, 2020, § 72
[86] The Industrial Relations Code, 2020, § 79(8)

more valuable than an older, less efficient employee. Still, the law offers no room for this distinction.

Even after retrenchment, employer control is restricted further. If the business decides to hire again within a year, the retrenchment-affected employees must be given priority in recruitment. This impinges on the freedom of employers to make fresh hiring decisions best suited to evolving business needs.

Although the Code provides limited exceptions, such as in the event of the employer's death[86] or through mutual agreements to bypass the "last in, first out" rule[87] these are rare and offer little relief from an otherwise rigid framework.

Furthermore, the Worker Re-Skilling Fund under the Code requires the employer to contribute the equivalent of 15 days' wages for every retrenched worker,[88] regardless of tenure, unlike retrenchment compensation, which applies after one year of continuous service. This amount must be transferred to the worker's account within 45 days.[89] As this is in addition to retrenchment compensation, it further escalates the financial burden on employers.

In the case of Armed Forces Ex-Officers Multi Services Cooperative Society Ltd. v. Rashtriya Mazdoor Sangh (INTUC), the Supreme Court ordered reinstatement with 75% back pay, even though the employer had terminated workers due to violent protests and paid all dues under the Industrial Disputes Act. The Court found the dismissal malafide, as the stated reason of closure was false, and interpreted the action as retrenchment.[90] This case exemplifies judicial inclination to interpret provisions favouring workers, even where the employer was arguably justified.

Ultimately, the framework on retrenchment under the Industrial Relations Code, 2020, is not only onerous and procedurally convoluted but also heavily skewed against employers. The ability to retrench is rendered practically inaccessible, and where retrenchment is achieved, the financial penalties are so significant that they discourage compliance. While socially motivated, these provisions undermine the economic logic of businesses, damaging both the industry and the national economy.

---

[87] The Industrial Relations Code, 2020, § 83(1)
[88] The Industrial Relations Code, 2020, § 83 (2)
[89] The Industrial Relations Code, 2020, § 83 (3)
[90] 2022 (175) FLR 544

Rather than overregulating business decisions, a better approach would be to focus on re-employment support, vocational training, and skill enhancement programs for retrenched workers. The excessive bureaucracy and unfettered discretion of government authorities must be curtailed for the Code to become commercially viable and socially effective.

Closure

Closure signifies the permanent termination of the operations of an establishment or any part thereof.[91] The conditions imposed on employers for closure largely align with those governing lay-offs and retrenchment, reflecting similar procedural and compensatory obligations.

For establishments employing between 50 and 299 workers,[92] employers must submit a notice 60 days in advance to the appropriate government before effecting closure.[93] Employees who have worked continuously for at least one year before the intended closure are entitled to compensation equivalent to retrenchment benefits, i.e., 15 days of average pay for every completed year of continuous service, and any portion of service exceeding six months.[94]

In cases where closure is attributed to unavoidable circumstances beyond the employer's control, excluding causes like financial losses, unsold inventory, expired leases, or licenses, or depleted raw materials, the maximum compensation liability is capped at three months' average pay,[95] which effectively equates to compensation for around six years of service. This exception offers limited economic relief but is narrowly defined and excludes the most encountered business hardships.

In exceptional cases, such as the employer's death or natural disasters, the requirement for a prior notice may be waived at the discretion of the appropriate government.[96] However, even in such extreme situations, the compensation obligation remains unchanged, reflecting the Code's consistent prioritisation of worker entitlements over employer hardships.

While these requirements are relatively balanced for smaller establishments, the same cannot be said for larger units, where the regulatory burden increases disproportionately, echoing the

---

[91] The Industrial Relations Code, 2020, § 2(h)
[92] The Industrial Relations Code, 2020, § 74; Proviso (i) The Industrial Relations Code, 2020, § 77(1)
[93] The Industrial Relations Code, 2020, § 74(1)
[94] The Industrial Relations Code, 2020, § 75(1); The Industrial Relations Code, 2020, § 70(b)
[95] The Industrial Relations Code, 2020, § 75(1) Proviso
[96] The Industrial Relations Code, 2020, § 74(2)

concerns raised in the retrenchment framework. For establishments with 300 or more workers, employers must apply for prior government permission at least 90 days before the planned closure.[97]

As per the standard procedure under the Industrial Relations Code, 2020, the government conducts an inquiry, inviting submissions from employers, workers, and other stakeholders. The government then assesses whether the reasons for closure are genuine and whether approving closure would be against the public interest.[98]

This provision represents a severe curtailment of the employer's autonomy, effectively requiring state permission to exit one's business. Ownership of an establishment logically implies the freedom to decide its future, yet the Code mandates that such decisions be subject to bureaucratic approval. While giving prior notice to employees is a fair requirement to help them transition, conditioning closure on state consent is intrusive and unjustified.

Historically, government authorities rarely grant such permissions, considering the impact on employment and public interest. Consequently, employers may be compelled to continue running an unsustainable or unwanted business, even if there are legitimate reasons for closure, such as commercial failure, retirement of the proprietor, outdated products or processes, or regulatory hurdles. The theoretical option to sell the business often does not exist in practice, especially when the establishment is struggling.

No rational employer willingly opts for closure unless compelled, as it involves loss of income, sunk costs, and legal obligations. Yet, the law imposes a needless gatekeeping mechanism, adding further friction to difficult circumstances.

If the government fails to respond within 60 days, permission is deemed to be granted.[99] but this "deemed approval" clause offers little comfort in practice. Any party, including workers, can challenge the closure by appealing to the Industrial Tribunal.[100] Even after the state formally or tacitly approves it, this opens the door to protracted litigation, further delaying the employer's exit.

Suppose the employer finally succeeds in closing the establishment. In that case, all workers are entitled to compensation equivalent to 15 days' average pay for every completed year of

---

[97] The Industrial Relations Code, 2020, § 80(1)
[98] The Industrial Relations Code, 2020, § 80(2)
[99] The Industrial Relations Code, 2020, § 80(3)
[100] The Industrial Relations Code, 2020, § 80(5)

service, including any portion beyond six months.[101] Unlike smaller establishments where only employees with at least one year of continuous service are eligible for such compensation[105] larger establishments must compensate all workers, regardless of tenure. This is another example of the Code's arbitrary classification, which discriminates based on establishment size rather than the nature of employment or service period.

A provision allows the government to waive the notice and permission requirements in exceptional cases like the employer's death, which is one of the few reasonable safeguards in favour of employers.[102] However, such reliefs are narrowly interpreted and seldom invoked.

Trade Unions

To be recognised or registered, a Trade Union must have the backing of either at least 10% of workers or 100 employees in an industrial organisation, whichever is less, according to the Code. These criteria must still be fulfilled even after the registration process. Trade Unions are acknowledged as corporate entities but are not governed by the Societies Registration Act of 1860, the Cooperative Societies Act of 1912, the Multi-State Cooperative Societies Act of 2002, or the Companies Act of 2013. The Code maintains the idea of a Works Committee. It establishes that a Trade Union with a minimum of 51% worker support (when multiple Trade Unions are present) will be recognised as the exclusive negotiating union or representative in a negotiating council. The Tribunal is responsible for resolving disputes between rival Trade Unions or between a Trade Union and its members. To guard against external or political influences on Trade Unions in the unorganised sector, the Code requires that at least 50% of a Trade Union's officeholders be workers from the same organisation or industry. The new Code has broadened the application of standing orders to industrial establishments with 300 or more employees, increasing the prior limit of 100 workers set by the earlier Industrial Disputes Act. The central government creates model standing orders that employers must adhere to. After consulting with the Trade Unions, Employers must submit their draft standing orders within six months, including necessary provisions. These draft standing orders must then be certified by a Certifying Officer. Regarding trade union jurisprudence development, the Code states that when multiple trade unions operate within a single

[101] The Industrial Relations Code, 2020, § 80(8)
[102] The Industrial Relations Code, 2020, § 80(7)

establishment, the union composed of over 51% of employee members will be the sole negotiating union.[103]

Recommendations

Following a thorough evaluation and meticulous review of the current framework, the subsequent suggestions and recommendations are presented to improve the effectiveness and efficiency of India's labour law system:

Implementation of Specific Legislation for Labour Laws

Introducing a specific and all-encompassing law that directly addresses labour regulations is necessary. This legislation should integrate all related statutes, guidelines, and provisions into a coherent framework to eliminate discrepancies and improve clarity.

Creation of an International Legal Framework

There should be a standardised international legal framework for labour regulations to accommodate the changing global economy. This would ensure internationally consistent labour standards and foster fair employment practices worldwide.

Encouragement of In-Depth and Specialised Research

Robust research initiatives should be promoted to gain a deeper understanding of the complexities of labour law. This would enable the government and regulatory bodies to remain informed about various aspects and emerging challenges in this field.

Learning from Previous Policy Shortcomings

Examining and assessing former deficiencies in the labour law system is essential. Gleaning insights from past policy failures can assist in designing more effective legal frameworks for the future.

Identification and Correction of Systemic Weaknesses

A concentrated effort must be made to pinpoint existing flaws and vulnerabilities in the current legal structure. Prioritising the resolution of these critical issues is essential to avoid repeating past complexities and inefficiencies.

---

[103] Ashwin Singh & Sakshi Dutta, Legislative Commentary on the "Industrial Relations Code, 2020," Vol 2 Issue 1, ILELLR, 9-15 (2023) https://llr.iledu.in/wp-content/uploads/2024/01/V2I13.pdf

Stakeholder-Centric Approach

A comprehensive understanding of the issues should consider diverse viewpoints, especially those of significant stakeholders like the government, regulatory bodies, and workers. Policy formulation should consider the direct effects on these stakeholders.

Global Comparative Analysis

A comparative review of the existing labour codes with those from other nations, particularly in common law jurisdictions, unveils areas of both similarity and difference. This comparative perspective underscores the necessity for broader structural reforms to align the national framework with international standards.

Conclusion

The Industrial Relations Code of 2020 signifies a major legislative change in India's labour environment, with the goal of modernizing and consolidating outdated labour laws to align with the evolving nature of industrial relations. Although its proclaimed intention is to encourage industrial democracy and mediate the interests of both employers and workers, the actual consequences of the Code reveal a more intricate situation. On one side, the Code presents streamlined processes for collective bargaining, requires the acknowledgment of trade unions, and formalizes systems for grievance settlement all key components of a functioning industrial democracy. Key provisions, such as the formation of negotiating unions, the establishment of formal grievance committees, and the broadening of standing orders, indicate an intention to safeguard worker rights and foster workplace harmony. However, a deeper examination shows that the Code tends to boost managerial power under the pretext of simplifying administration. The raised thresholds for applicability (for instance, standing orders now apply only to businesses with over 300 workers), stringent preconditions for strikes, and compulsory government approval for layoffs and shutdowns place considerable procedural and financial pressure on both employers and employees. Employers experience reduced flexibility, while workers face a framework that consolidates power within recognized unions, which may marginalize smaller or dissenting groups.

Additionally, the focus on formal dispute resolution processes and bureaucratic layers could deter industrial growth, particularly among small and medium-sized enterprises that are wary of stringent compliance requirements. Although the adjudicatory framework is thorough, it has faced criticism for perceived partiality and procedural exhaustion, which limits its

effectiveness in genuinely empowering all parties involved. While the Industrial Relations Code of 2020 aspires to move India's industrial structure towards a more effective and harmonious system, its ability to genuinely foster industrial democracy relies on its fair implementation. Future reforms should tackle structural disparities, minimize procedural complexities, and ensure that both employer freedom and worker agency are adequately upheld as the work environment continues to evolve.