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EDITORIAL ANALYSIS

India's Labour Codes — Six Years On, the Implementation Gap Remains the Real Reform Challenge

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CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

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THE EDITORIAL ARGUMENT

When India enacted its four labour codes in 2019-2020 — consolidating 29 central labour laws into the **Code on Wages 2019, Industrial Relations Code 2020, Code on Social Security 2020, and Occupational Safety, Health and Working Conditions Code 2020** — the rhetoric was bold. India was finally simplifying a labour law framework so complex that it had become a barrier to formal employment, foreign investment, and worker welfare alike.

Six years on, on Labour Day 2026, the legislative project is complete and the implementation project remains stuck. Central rules have been notified. Most state rules have been drafted. Some have been notified. The codes are technically operational in some states for some provisions. The substantive transformation the codes promised is largely yet to materialise.

WHAT THE CODES WERE SUPPOSED TO DO

The four codes had three principal aims:

- 1. Simplification.** Replace 29 fragmentary laws — many predating Independence (Trade Unions Act 1926, Factories Act 1948) — with four unified codes. This would reduce compliance complexity for employers and improve coherent enforcement.
- 2. Worker protection expansion.** Extend social security to **gig and platform workers** for the first time (Section 2(35) and 2(60) of Social Security Code). Provide universal minimum wage. Expand maternity benefits.
- 3. Flexibility for employers.** Increase the **retrenchment threshold** for prior government approval from 100 to 300 workers. Restrict strike powers. These provisions face the strongest trade union opposition.

The third aim has overshadowed the first two in political debate, but all three are genuine elements of the reform.

WHY IMPLEMENTATION IS STUCK

State rule frameworks are inconsistent. Labour is a Concurrent List subject. While the Centre has notified all four codes' rules, states must frame their corresponding state-level rules. As of 2026:

- Gujarat, Maharashtra, Madhya Pradesh, Karnataka have notified some/all codes
- Tamil Nadu, West Bengal, Kerala have been slower
- North-East states have lagged

The result: a patchwork where workers and employers in different states face different effective regulations under codes that were supposed to be uniform.

Gig worker definitions remain contested. The Social Security Code's gig and platform worker provisions are landmark — but the definitions are imprecise enough that platforms (Ola, Uber, Zomato, Swiggy) and worker advocacy groups continue to disagree on coverage. The **e-Shram portal** has registered over 30 crore unorganised workers, but the conversion of registration into actual social security delivery is incomplete.

Trade union opposition. The Industrial Relations Code's strike restrictions and 300-worker retrenchment threshold have attracted sustained trade union opposition. Multiple all-India strikes (2020, 2022, 2024) have called for repeal or amendment. The political costs of full implementation in opposition-dominant states have been a deterrent.

Migrant worker portability is untested. The OSH Code expanded migrant worker definitions and promised portability of welfare benefits. The actual portable benefit infrastructure — across state lines, across employers — has not been built at scale.

THE COST OF IMPLEMENTATION LIMBO

The ongoing implementation gap has real costs:

For workers. Universal minimum wage is theoretically in force but operationally delayed in many states. Gig workers' social security contributions and benefits are incomplete. Migrant workers remain in an enforcement vacuum.

For employers. The promised simplification has been undermined by parallel state-level rule complexity. Larger firms can navigate this; smaller firms face the worst of both worlds — code complexity AND continuing legacy compliance.

For the formal economy expansion. A primary purpose of labour reform was to encourage firms to hire formally – to grow through formal employment rather than informal contracts. The implementation gap has not significantly altered this calculus. India’s informal employment share remains around 90%.

WHAT WOULD REAL IMPLEMENTATION LOOK LIKE

- 1 **Time-bound state rule notification** – Centre should set a hard deadline (e.g., December 2026) for state rule notifications, with *cooperative federalism* mechanisms to support lagging states.
- 2 **Gig worker social security delivery infrastructure** – Move from registration (e-Shram) to actual benefit delivery. Aadhaar-linked social security accounts. Mandatory platform contributions (already provisioned but partly unimplemented).
- 3 **Migrant worker portability pilot** – Inter-state worker registration system; cross-state benefit portability for at least PDS, healthcare, education.
- 4 **Labour code dashboard** – Public dashboard showing state-by-state implementation status, allowing political accountability for non-compliance.
- 5 **Sunset for the 29 replaced laws** – Many of the 29 replaced acts remain on the statute book in transitional form. Final repeal would create implementation clarity.

THE LARGER TEST

India’s labour reform project is the most consequential governance reform of the post-2014 period. Its fate will determine whether India can transition from informal-economy dominance to formal-economy growth – a transition every middle-income country has eventually faced. May Day 2026 is a useful marker: six years after enactment, the technical work is largely done. The political work of implementation has barely begun.

UPSC RELEVANCE

PAPER	ANGLE
GS3 – Economy	Labour reforms; informal economy; gig economy; ease of doing business
GS2 – Governance	Centre-State coordination; Concurrent List; rule notification
GS3 – Inclusive Growth	Social Security Code; gig workers; migrant workers; e-Shram portal

Mains Keywords: Four labour codes, Code on Wages 2019, Industrial Relations Code 2020, Social Security Code 2020, OSH Code 2020, gig workers, e-Shram portal, 300-worker threshold, ILO conventions, Concurrent List labour

Prelims Facts Corner

ITEM	FACT
Codes enacted	2019 (Wages); 2020 (IR, SS, OSH)
Number of laws replaced	29
Retrenchment threshold (IR Code)	300 workers (raised from 100)
Gig worker provision	Section 2(35) and 2(60), Social Security Code
e-Shram registrations	30+ crore (2026)
ILO conventions ratified	47 of total
Fundamental conventions ratified	6 of 8 (not 87, 98)
ILO founded	1919 (India is founding member)
Labour as constitutional subject	Concurrent List, Entry 22

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