International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

# Assessing the Effectiveness of India's New Labour Codes: Implications for the Unorganised Sector

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**Abstract**

The Indian economy features a large unorganised workforce making up nearly 85–90% of total employment, contributing significantly to the nation's output but largely lacking social security and formal protections. In 2019–2020, the Government of India merged 29 central labour laws into four comprehensive labour codes — the Code on Wages, the Code on Social Security, the Industrial Relations Code, and the Occupational Safety, Health and Working Conditions (OSHWC) Code. These reforms aimed to simplify compliance, encourage formalisation, and improve worker welfare. Nonetheless, concerns remain about the inclusiveness and enforceability of these codes in protecting informal and unorganised workers.

This paper critically analyses the effectiveness of India's new labour codes from the standpoint of the unorganised sector. Through a review of policy documents, government data, and scholarly analyses, the study examines the conceptual intent, institutional preparedness, and practical outcomes of these reforms. The findings reveal persistent implementation challenges, definitional ambiguities, and limited outreach to the informal workforce. Despite progressive provisions such as the e-Shram portal and expanded social security coverage, the reforms' effectiveness remains contingent upon state-level execution, awareness generation, and digital inclusion. The paper concludes by offering policy recommendations for inclusive enforcement, participatory governance, and adaptive regulatory frameworks.

**Keywords:** Labour codes, unorganised sector, social security, informal employment, India, labour reforms

## I. Introduction

India's labour market has historically been characterised by a high degree of informality. According to the Periodic Labour Force Survey 2022–23, more than 80% of workers are employed in the unorganised sector, often without written contracts, minimum wages, or access to social protection.[1] The unorganised sector[2] includes wage workers[3], construction workers, home-based workers[4], contract labour[5], domestic

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[1] Periodic Labour Force Survey, Annual Report July 2023 -June 2024, Ministry of Statistics and Programme Implementation. Available at: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2057970&reg=3&lang=2

[2] Code on Social Security, S.2 (85)

[3] Code on Social Security, S.2 (90)

[4] Code on Social Security, S.2 (36)

[5] Code on Social Security, S.2 (19)

workers, self-employed workers[6], street vendors and gig[7] and platform workers[8], many of whom remain outside formal regulatory coverage.

The complexity of India's pre-reform labour laws — numbering more than 40 central and 100 state-level legislations — created overlapping jurisdictions, compliance burdens, and interpretational inconsistencies. In response, the Government of India initiated a landmark codification process that culminated in the enactment of four new labour codes between 2019 and 2020. On November 21, 2025, by notifications released by the Ministry of Labour and Employment, Labour Codes come into force in their entirety.[9] The objective was to rationalise and consolidate existing labour laws to foster "ease of doing business" while ensuring "ease of living" for workers.

The rationale behind codification lay in addressing the dual challenge of regulatory complexity and inadequate labour protection. Multiple laws with inconsistent definitions of "worker," "wages," and "establishment" created enforcement challenges. Moreover, the pre-existing legal framework was largely suited to the formal industrial sector, leaving the informal economy largely unregulated.

The new labour codes aimed to harmonise definitions, digitise compliance, and universalise minimum wages and social security. Notably, the ***Code on Wages (2019)*** seeks to ensure wage standardisation and matters related with bonus of workers; the ***Code on Social Security (2020)*** extends social security benefits to all employers and workers belonging from organised as well as unorganised sector; the ***Industrial Relations Code (2020)*** aims to balance employer flexibility with worker protection, amended laws relating to Trade unions, investigation and settlement of industrial disputes; and the ***Occupational Safety, Health and Working Conditions Code (2020)*** consolidates safety norms during the course of employment for the welfare of the workers.

## II. Objectives

1. To examine the scope and intent of the new labour codes vis-à-vis the unorganised workforce.
2. To assess implementation challenges and institutional readiness.
3. To evaluate their impact on social security, wage equity, and working conditions.
4. To identify policy measures for inclusive enforcement and long-term sustainability.

## III. Significance of the Study

The study contributes to the broader discourse on labour market formalisation in developing economies by analysing how comprehensive reforms affect informal workers. Given the centrality of the unorganised sector to India's economic and social fabric, evaluating these reforms' effectiveness is essential for achieving Sustainable Development Goals (SDG 8: Decent Work and Economic Growth) and social justice imperatives.

## IV. Overview of the New Labour Codes

The four new labour codes—enacted between 2019 and 2020—represent the most comprehensive restructuring of India's labour laws since independence. By consolidating central laws into four simplified

[6] Code on Social Security, S. 2(75)
[7] Code on Social Security, S.2 (35)
[8] Code on Social Security, S.2 (61)
[9] https://www.cyrilshroff.com/wp-content/uploads/2025/12/Guide-to-the-Labour-Codes.pdf Last visited 17 January, 2026.

codes, the government aimed to ensure uniformity, transparency, and ease of compliance. However, their practical implications for the unorganised workforce remain nuanced.

**The Code on Wages (2019)**

The *Code on Wages* consolidates four earlier legislations dealing with wages, bonus and remuneration of the workers. It introduces a uniform definition of "wages"[10] and ensures the universal right to a minimum wage[11]. Importantly, it applies to all employees—irrespective of sector—signalling an inclusive approach. For unorganised workers, the code theoretically guarantees wage equity[12] and payment regularity. However, the enforcement machinery, such as labour inspectors[13] and digital wage monitoring systems, remains limited in reach. States have been slow to finalise the floor wage[14] and publish notifications, delaying implementation.

**The Code on Social Security (2020)**

The *Code on Social Security* is the most significant for informal workers. It merges nine existing legislations, including the Employees' Provident Fund Act, the Employees' State Insurance Act, and the Unorganised Workers' Social Security Act (2008). For the first time, it introduces legal recognition for gig and platform workers, reflecting an awareness of emerging labour forms. A key provision mandates the creation of a National Social Security Board[15] and a centralised social registry, integrated through the *e-Shram portal*. According to the latest data as of 3rd August 2025, over 30.98 crore workers have already registered.[16] However, registration does not automatically translate into benefit access. The code's implementation depends on the schemes' extension, funding, and employer contributions.

**The Industrial Relations Code (2020)**

This code consolidates three laws: the Trade Unions Act (1926), Industrial Employment (Standing Orders) Act (1946), and Industrial Disputes Act (1947). It seeks to balance employer flexibility and worker rights by simplifying dispute resolution and allowing fixed-term employment. Yet, critics argue that the increased retrenchment threshold (from 100 to 300 workers) and restrictions on strikes may weaken collective bargaining—an essential mechanism for unorganised workers seeking representation through unions or associations.[17]

**The Occupational Safety, Health and Working Conditions (OSHWC) Code (2020)**

This code merges 13 laws relating to workplace safety and welfare. It introduces provisions for working hours, welfare facilities, and safety standards. However, its applicability is limited to establishments employing 10 or more workers, thereby excluding most micro-enterprises and home-based units that dominate the unorganised economy. In sum, while the new labour codes promote uniformity and modernisation, their reach and enforcement for informal workers remain partial. Codification without effective implementation risks perpetuating existing inequalities.

[10] Code on Wages, 2020, Section 2(y).
[11] Code on Wages, Section 5.
[12] Code on Wages, Section 3.
[13] Code on Wages, Chapter VII.
[14] Code on Wages, Section 9.
[15] Code on Social Security, Section 2(49) & Section 6(1).
[16] https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2153620&reg=3&lang=2 last visited 17 January 2026.
[17] Mehrotra, S. "The Unorganised Sector and the Labour Codes: A Lost Opportunity?" 57 (14) *Economic and Political Weekly*, 22-28 (2022).

## V. Analysis and Discussion

- **Coverage and Legal Inclusion:** The *Code on Wages* is the only one explicitly universal in scope, theoretically covering every worker. Yet, the other three codes introduce threshold-based exclusions—such as establishment size or employee count[18]—that disproportionately affect the unorganised sector. For instance, the OSHWC Code applies only to establishments employing at least 10 workers, excluding millions of home-based units, agricultural workers, and street vendors.[19] Similarly, the *Social Security Code* makes registration voluntary for gig and platform workers. Although inclusive on paper, it relies on digital self-registration, which excludes workers without smartphones or digital literacy. Moreover, the lack of clarity on financing mechanisms—whether through employer contributions or state subsidies—raises sustainability concerns.
- **Implementation Gaps and Institutional Challenges:** The implementation of the new labour codes is contingent on state-level rulemaking, as labour is a concurrent subject under India's Constitution. Another major challenge is the capacity of enforcement institutions. The transition from labour inspectors to "facilitators" reduces the deterrence of non-compliance. In the unorganised sector—where employment relations are often unwritten—inspection remains the only realistic enforcement mechanism. It was argued that this shift represents "delegalisation by design," weakening state oversight.[20] Moreover, most unorganised workers lack awareness of rights and grievance mechanisms. The registration of workers on the E-Shram portal faces various challenges, as it requires three mandatory things: an identification card, a bank account and a functioning phone number for registration. Secondly, due to a lack of knowledge and language, as the portal is in English and Hindi, many workers who are aware only of their regional languages are unable to register on the portal. Thirdly, the majority of informal workers were unaware of the e-Shram portal or social security codes.
- **Wage Regulation and Equity:** The Code on Wages requires that every worker earn at least a statutory minimum wage and that wage setting adhere to a national minimum wage standard.[21] However, differences between states still exist. As of 2024, the national minimum wage was ₹178 per day, although many states had lower actual wages due to inflation.[22] In practice, enforcement remains weak. Unorganised workers often receive less than half the notified wage, particularly in construction and domestic work.[23] The lack of written contracts, weak trade unions, and the prevalence of subcontracting limit legal recourse. The new code introduces digital wage payments, yet cash transactions dominate rural and informal employment.
- **Social Security Inclusion:** The *Social Security Code* represents the most ambitious but challenging reform. By legally recognising gig and platform workers, it aligns India with global trends of "universal social protection." However, implementation barriers persist as registration on e-Shram does not automatically provide benefits such as health insurance or a pension. Secondly, funding models for unorganised workers are unclear; current schemes, such as Pradhan Mantri Shram Yogi Maandhan, depend

[18] Occupational Safety, Health and Working Conditions Code, 2020 Section2(v)(i) states that "establishment" means a place where any industry, trade, business, manufacturing or occupation is carried on in which ten or more workers are employed.
[19] Dasgupta. S, "Social Security for the Informal Workforce in India: Issues and Policy Options" *63(2) Indian Journal of Labour Economics*, 221-238 (2020).
[20] Srivastava, R. (2021). *Labour Law Reforms and Informalisation in India: A Critical Review. Economic and Political Weekly*, 56(12), 45-53.
[21] Code on Wages, 2020 Section 9.
[22] https://tradingeconomics.com/india/minimum-wages Last visited January 20, 2026.
[23] https://www.ilo.org/publications/annual-report-2023 Last visited January 20, 2026

on voluntary contributions. Thirdly, fragmented data sharing between ministries hinders integrated social protection delivery. A policy brief observed that India's approach remains scheme-based rather than rights-based, which limits enforceability.[24] While e-Shram registration is a step forward, linking databases with benefit schemes is crucial for tangible impact.

- **Occupational Safety and Working Conditions:** The Occupational Safety, Health and Working Conditions Code aims to establish unified safety standards. However, excluding micro and home-based enterprises from coverage undermines the very goal of universal safety. For instance, home-based garment and bidi workers—predominantly women—remain outside its ambit. Even where applicable, enforcement capacity is minimal, with only one inspector for every 250,000 workers in some states.
- **Gender and Social Inclusion Dimensions:** The unorganised sector is heavily feminised, with women disproportionately engaged in lower wages and insecure work. The new codes mention gender neutrality but provide limited operational mechanisms for maternity benefits, crèche facilities, or redressal of harassment in informal settings.[25] It is notable that by relying on formal employment definitions, many women workers remain unrecognised as "employees," excluding them from benefits.[26] Similarly, migrant workers face barriers in accessing benefits across state boundaries. While the *Inter-State Migrant Worker* provisions in the OSHWC Code are progressive, they depend on interstate coordination and worker registration—both of which are weak in practice.

## VI. Findings

The analysis suggests several key findings regarding the new labour codes' effectiveness in the unorganised sector:

1. **Codification ≠ Implementation:** While legal consolidation simplifies regulatory architecture, it does not automatically expand protection. State-level enforcement remains inconsistent.
2. **Inclusion Limited by Design:** Threshold-based applicability, digital dependencies, and voluntary registration exclude large sections of informal workers.
3. **Weak Institutional Capacity:** Inspection mechanisms have been diluted; digital systems remain untested in low-connectivity regions.
4. **Awareness Deficit:** Limited knowledge among workers and employers undermines the potential benefits of the new frameworks.
5. **Gender and Migration Blind Spots:** Women and migrant workers remain disproportionately excluded due to definitional and logistical barriers.
6. **Potential for Long-Term Gains:** If effectively implemented, the codes can harmonise labour protection and improve social security integration through digital databases and unified governance.

## VII. Policy Recommendations

The consolidation of India's labour laws into four comprehensive codes marks a landmark reform moment. Yet, translating legislative intent into real improvements for unorganised workers requires robust

[24] International Labour Organization, "Extending social protection coverage to informal economy workers: What workers' organizations need to know" Policy Brief, July 2022.
[25] The Occupational Safety, Health and Working Conditions Code, 2020.
[26] Das, R. and Mehta, A., "Gendered Informality and the Labour Codes: Missing Women in Policy Reform." 53(2) *Social Change* 175-190 (2023).

implementation strategies, institutional accountability, and participatory governance. The following recommendations emerge from the preceding analysis.

**Strengthen Institutional Capacity and Coordination:** The Ministry of Labour and Employment should establish an integrated monitoring cell linking the central and state labour departments. A unified data-sharing dashboard can track rule notifications, compliance levels, and worker registrations. Convergence between welfare boards (construction, beedi, and domestic work) and digital databases such as *e-Shram* and *Ayushman Bharat* can prevent duplication and improve benefit portability.

**Simplify Compliance for Micro and Small Enterprises:** Given that over 90 per cent of Indian enterprises fall within the micro-enterprise category, there is an urgent need to simplify labour compliance systems to foster formalisation and sustainable growth within this segment. A graded compliance framework should be developed, wherein the regulatory obligations are proportionate to the enterprise's size and risk exposure. Such differentiation would prevent smaller firms from being overregulated while ensuring adequate safeguards in larger or high-risk establishments. Furthermore, the establishment of a "one-click" digital return system—integrating submissions related to wages, social security, and occupational safety—would streamline administrative processes and enhance compliance efficiency. To encourage the registration of informal workers, fiscal incentives such as tax credits or co-contributions to social security schemes should be introduced. Collectively, these measures would not only improve compliance rates but also contribute to formal job creation, productivity enhancement, and inclusive economic development**.**

**Strengthen the e-Shram Ecosystem:** The *e-Shram* portal is a promising inclusion tool, but faces three challenges—awareness, digital access, and benefit linkage. Firstly, nation-wide awareness campaigns should be conducted through trade unions, self-help groups, and local governance institutions. Secondly, offline registration centres at panchayat and municipal offices should be facilitated to include digitally excluded workers. Lastly, e- Shram IDs should be linked with *Jan-Dhan* accounts, *Aadhaar*, and *Ayushman Bharat* to create a portable welfare identity.

**Enhance Enforcement and Accountability:** Replacing labour inspectors with "facilitators" may undermine enforcement and accountability; hence, a hybrid model is advisable. Labour inspectors should be retained with limited quasi-judicial powers to address serious violations, while digital grievance-redress systems should allow workers to report wage or safety issues anonymously. Additionally, tripartite review boards involving government, employers, and workers can periodically assess compliance outcomes, ensuring both effective regulation and participatory oversight.

**Focus on Gender and Migration Inclusion:** Women and migrant workers represent the most vulnerable groups within India's unorganised workforce, necessitating targeted policy interventions. Gender-responsive safety standards and maternity benefits should be made mandatory across all enterprise sizes to promote equitable labour conditions. The inter-state portability of social-security benefits must be ensured by integrating migrant worker data into the e-Shram portal. Additionally, establishing community childcare centres and implementing skill-upgrading programmes under the Social Security Code would enhance both welfare and employability among these disadvantaged segments.

**Strengthen Financial Sustainability of Social Security:** Expanding social protection for informal workers necessitates innovative financing mechanisms that ensure sustainability and inclusivity. Establishing a Social Security Fund for Informal Workers, financed through a nominal cess on platform-based transactions and matched by government grants, would provide a stable resource base. Additionally, promoting public-private partnerships in health and pension schemes can enhance coverage and efficiency.

Regular social audits and independent impact assessments should be conducted to evaluate performance, accountability, and effectiveness in achieving social security objectives.

**Foster Participatory Governance:** Inclusive labour governance requires the active participation of trade unions, cooperatives, and civil-society organisations to ensure representation and accountability. This can be achieved by institutionalising consultation mechanisms with informal-sector associations at both central and state levels, thereby embedding worker perspectives in policymaking. Supporting worker-led data collection and monitoring initiatives would strengthen evidence-based governance, while partnerships with NGOs and academic institutions can enhance worker education on rights, registration, and grievance procedures, fostering empowerment and compliance from the ground up.

**Promote Evidence-Based Policymaking:** Future labour policy must be grounded in credible and comprehensive data to ensure informed decision-making. The Periodic Labour Force Survey should be expanded to capture detailed indicators on informal employment quality, wage arrears, and access to welfare schemes, enabling a clearer understanding of workforce realities. Furthermore, academic-government collaborations should be promoted to conduct real-time impact assessments of labour code implementation, fostering evidence-based reforms and continuous policy improvement.

## VIII. Conclusion

India's labour-law codification represents a bold attempt to modernise an outdated regulatory framework and align it with the realities of a transforming economy. The consolidation of 29 statutes into four codes symbolises both simplification and aspiration: simplification of compliance for employers and aspiration of universal protection for workers.

The trajectory of India's recent labour codification reflects a significant yet incomplete stride toward inclusive labour governance. While the consolidation of labour laws into comprehensive codes signifies an intent to universalize worker protections, the experience so far reveals that codification alone has not ensured inclusion. The vast unorganised workforce—comprising domestic workers, street vendors, agricultural labourers, home-based producers, and gig workers—continues to remain outside the effective ambit of regulation. The Code on Wages embodies a promise of universality, but its transformative potential is undermined by weak enforcement mechanisms. Similarly, the Social Security Code marks a progressive recognition of emerging worker categories, yet practical impediments—digital exclusion, institutional fragmentation, and fiscal uncertainty—limit its tangible impact.

The inherent structural characteristics of the unorganised sector—informality, small enterprise scale, and limited collective representation—pose enduring implementation challenges. Without parallel efforts to strengthen grassroots institutions, augment inspection and monitoring capacity, and foster meaningful social dialogue, the labour codes risk devolving into symbolic reforms rather than substantive instruments of equity.

Nonetheless, the foundations established through these reforms offer an opportunity to advance inclusive and sustainable growth. Realising this potential requires sustained political will, participatory governance involving worker organisations, and continuous policy adaptation to evolving labour realities. In a broader developmental framework, the new labour codes should be perceived not merely as regulatory consolidations but as pivotal components of India's emerging social contract—one that seeks to balance flexibility with fairness, productivity with protection, and growth with justice. Inclusive implementation is thus indispensable to achieving the constitutional vision of social and economic equality and to fulfilling the Sustainable Development Goal of Decent Work for All.

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