Industrial Relations Code, 2020: Key Insights from Mehta & Mehta Webinar

The Industrial Relations Code, 2020 (IRC) represents a cornerstone of India's labour law reforms, consolidating and modernising the framework governing trade unions, standing orders, industrial disputes, and employer–employee relations. In a recent knowledge-sharing webinar organised by Mehta & Mehta, experienced professionals and subject experts deliberated on the legislative intent, structural changes, and practical implications of the Code for employers, employees, and compliance professionals.

The session formed part of the New Labour Codes 2025–26 Series and generated significant engagement from HR professionals, company secretaries, legal practitioners, and industry representatives, reflecting the widespread impact of the Code on industrial establishments across sectors.

Background and Rationale of the Industrial Relations Code

The Industrial Relations Code, 2020 subsumes three key legislations:

⇒ The Trade Unions Act, 1926

⇒ The Industrial Employment (Standing Orders) Act, 1946

⇒ The Industrial Disputes Act, 1947

These laws, largely pre-independence enactments, were found inadequate to address contemporary industrial realities, leading to fragmented compliance, prolonged disputes, and operational rigidity.

As highlighted during the webinar, the Code seeks to establish a **balanced framework** that protects labour rights while providing employers with procedural clarity, flexibility, and reduced compliance burden.

Applicability and Legislative Status

A recurring theme during the discussion was the applicability of the Code vis-à-vis State adoption. Since labour is a subject under the Concurrent List of the Constitution, the Code becomes operational only upon notification of rules by the respective State Governments.

Until such notification:

- Existing labour laws continue to apply;
- Employers must closely track State-wise developments;
- Transitional compliance planning is critical for multi-State establishments.

Key Structural Changes under the Code

Consolidation and Simplification

The Code replaces multiple overlapping laws with a unified compliance framework, reducing procedural complexity and rationalising filings, approvals, and forums.

Threshold Rationalisation

One of the most significant changes discussed was the increase in the threshold for prior government approval for:

- ⇒ Lay-off
- ⇒ Retrenchment
- ⇒ Closure

This threshold has been raised from **100 workers to 300 workers**, providing operational flexibility to medium-sized establishments while retaining safeguards for large workforces.

Expanded Definition of "Worker"

The Code introduces a revised and gender-neutral definition of "worker", focusing on the **nature of duties rather than designation alone**.

Key clarifications include:

- ⇒ Employees engaged in managerial or administrative roles are excluded;
- ⇒ Supervisory employees drawing wages exceeding ₹18,000 per month are excluded;
- ⇒ Sales promotion employees and fixed-term employees are now expressly covered, extending statutory protections to categories previously governed by separate or ambiguous regimes.

This expanded coverage was a focal point of participant queries during the webinar.

Fixed-Term Employment and Statutory Benefits

The webinar provided detailed clarity on **fixed-term employment**, a concept that previously lacked uniform statutory recognition.

Under the Code:

- ⇒ Fixed-term employees are entitled to the same wages, social security benefits, leave, and welfare facilities as permanent workers;
- ⇒ **Gratuity becomes payable on a pro-rata basis upon completion of one year of service** for fixed-term employees;
- ⇒ Termination upon expiry of the contract does not amount to retrenchment.

Speakers emphasised that this change significantly strengthens worker protection while allowing employers flexibility in workforce planning.

Trade Unions and Collective Bargaining

The Code introduces a structured mechanism for **recognition of negotiating unions**, addressing long-standing challenges of multiple unions and inter-union rivalry.

Key features discussed include:

- ⇒ Statutory recognition of a **sole negotiating union** with 51% or more membership;
- ⇒ Formation of a **negotiating council** where no single union meets the threshold;
- ⇒ Enhanced governance, disclosure, and audit requirements for registered trade unions.

The panel highlighted that only registered trade unions enjoy statutory immunities and formal bargaining rights under the Code.

Works Committee and Grievance Redressal Mechanism

To promote industrial harmony, the Code mandates bipartite forums:

Works Committee

- ⇒ Applicable to establishments employing 100 or more workers;
- ⇒ Equal representation of employers and workers;
- ⇒ Focus on resolving collective issues and promoting harmonious relations.

Grievance Redressal Committee

- ⇒ Mandatory for establishments with 20 or more workers;
- ⇒ Time-bound disposal of individual grievances;
- ⇒ Mandatory representation of women workers in proportion to workforce strength.

These mechanisms were described as critical tools for preventing escalation of disputes.

Strikes, Lockouts and Notice Requirements

A notable reform under the Code is the extension of mandatory prior notice for strikes and lockouts to all industries, not just public utility services.

The panel explained that:

- ⇒ Sudden and disruptive strikes are curtailed;
- ⇒ Non-compliance renders strikes illegal, resulting in loss of statutory protection;
- ⇒ Employers must align internal policies with revised notice requirements.

Dispute Resolution and Arbitration

The Code seeks to address delays in dispute resolution by:

- ⇒ Streamlining forums;
- ⇒ Encouraging conciliation and voluntary arbitration;
- ⇒ Providing direct access to Industrial Tribunals in specified cases such as dismissal or retrenchment.

Participants raised practical questions regarding representation before tribunals, to which it was clarified that **Company Secretaries may appear as authorised representatives**, subject to statutory conditions.

Practical Insight

Panelists emphasised that compliance under the Industrial Relations Code is not merely procedural. Employers must revisit:

⇒ Standing Orders;

⇒ Employment contracts;

⇒ HR policies on leave, termination, and disciplinary action;

⇒ Wage structures and classification of employees.

Special caution was advised against artificial restructuring to evade thresholds, as regulatory scrutiny under the new regime is expected to intensify.

Conclusion

The Industrial Relations Code, 2020 marks a decisive shift towards a modern, balanced, and transparent industrial relations framework. While it simplifies compliance and introduces flexibility for employers, it simultaneously strengthens worker rights and institutional mechanisms for dispute resolution.

Organisations that proactively realign their policies, documentation, and governance structures with the Code will be better equipped to manage regulatory risk and foster long-term industrial harmony.

To stay informed or access the webinar recording, visit the YouTube channel: 🎥 **"Decoding Corporate Laws with Mehta & Mehta"**