

Industrial Relations Code, 2020

Introduction

The Government of India introduced the Industrial Relations Code, 2020 (“IR Code”) with the objective of consolidating and rationalising key labour legislations governing trade unions, standing orders, and industrial disputes. The Code represents a significant shift in India's labour law framework by attempting to balance workers' rights with the operational flexibility required by modern businesses. The IR Code consolidates the provisions of the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947 into a single comprehensive legislation.

During the third session of Mehta & Mehta's Labour Laws Webinar Series, industry experts discussed the practical implications of the IR Code, recent developments in implementation, and the compliance expectations for organisations operating across India.

Evolution of the Industrial Relations Framework

The Industrial Relationship Code is not merely a consolidation exercise. It is a reform initiative aimed at simplifying compliance, modernising industrial relations, and creating a more collaborative employer-worker ecosystem. The Code seeks to replace fragmented regulatory requirements with a unified framework that addresses trade unions, conditions of employment, industrial disputes, collective bargaining, strikes, lockouts, retrenchment, lay-offs, and closures.

The legislative intent behind the Code is to create a balanced framework that protects worker interests while enabling businesses to respond effectively to changing market conditions and global competition.

Key Structural Reforms under the Code

1. Recognition of Negotiating Union and Negotiating Council

One of the most significant reforms introduced by the IR Code is the statutory recognition of a Negotiating Union and Negotiating Council. Where a single registered trade union exists, it may be recognised as the sole negotiating union. In establishments with multiple trade unions, a union enjoying 51% or more support of workers on the muster rolls may be recognised as the sole negotiating union. Where no union achieves this threshold, a Negotiating Council may be constituted.

This framework aims to bring greater clarity to collective bargaining processes and reduce the operational challenges arising from multiple unions claiming representative status.

2. Fixed-Term Employment

The Code formally recognises fixed-term employment, enabling employers to engage workers for specific projects or defined periods without resorting to intermediary contractual arrangements. Fixed-term employees are entitled to benefits comparable to permanent employees performing similar work, subject to the provisions of the Code.

This provision provides organisations with workforce flexibility while ensuring fair treatment of fixed-term employees.

3. Enhanced Grievance Resolution Mechanisms

The IR Code emphasises early-stage dispute resolution through institutional mechanisms such as Works Committees and Grievance Redressal Committees (GRCs).

A Works Committee may be required in industrial establishments employing 100 or more workers and serves as a platform for fostering harmonious employer-worker relations and addressing workplace concerns before they escalate into industrial disputes.

Similarly, industrial establishments employing 20 or more workers are required to constitute Grievance Redressal Committees to facilitate timely resolution of individual worker grievances.

Changes in Standing Orders Regime

The Code revises the threshold for applicability of standing orders from 100 workers to 300 workers. Industrial establishments meeting this threshold are required to define and communicate employment conditions relating to classification of workers, attendance, leave, misconduct, disciplinary procedures, termination, and other service conditions. The revised threshold is intended to provide greater operational flexibility to smaller establishments while maintaining procedural safeguards for larger industrial units.

Non-compliance with standing order requirements may attract substantial monetary penalties and operational risks arising from inconsistent disciplinary administration.

Strikes and Lockouts – A More Structured Approach

The Code introduces a more structured framework for strikes and lockouts. Workers are required to provide prior notice before commencing a strike, and similar obligations apply to employers intending to declare a lockout. This notice mechanism is designed to facilitate conciliation and dispute resolution before industrial action is undertaken. The objective is to reduce abrupt disruptions and promote dialogue between employers and employees.

Lay-Off, Retrenchment and Closure

The Code distinguishes between lay-off, retrenchment, and closure:

- **Lay-off** refers to a temporary inability of the employer to provide employment while the employment relationship continues.
- **Retrenchment** involves termination of service for reasons other than those specifically excluded under the Code.
- **Closure** refers to the permanent closing of an establishment or part thereof.

Special provisions relating to lay-off, retrenchment, and closure apply to establishments covered under Chapter X of the Code, where prior governmental approval may be required depending upon the applicable thresholds and circumstances.

Employee vs. Worker – A Critical Distinction

One of the most important compliance considerations under the IR Code is the distinction between an “employee” and a “worker”.

While the term employee is broad and includes persons engaged in managerial, administrative, supervisory, technical, operational, clerical and other capacities, several protections relating to industrial disputes, retrenchment, lay-offs, and strikes are specifically available to workers. Organisations must therefore evaluate the actual nature of duties and responsibilities rather than relying solely on job titles or designations.

Current Status of Implementation

The Industrial Relations Code came into force on 21 November 2025 and is supported by the Industrial Relations Central Rules, 2026. However, implementation across States remains uneven, with only a limited number of States and Union Territories having notified their final rules. Consequently, organisations operating across multiple jurisdictions must closely monitor State-specific developments and compliance requirements.

Conclusion

The Industrial Relations Code, 2020 marks a significant transformation in India's labour law landscape. Beyond compliance, the Code encourages organisations to adopt a structured approach towards employee engagement, collective bargaining, grievance management, workplace discipline, and dispute prevention. By creating formal mechanisms for consultation and negotiation while providing greater flexibility to employers, the Code seeks to foster industrial harmony and improve the ease of doing business in India.

For employers, HR professionals, company secretaries, and legal practitioners, successful implementation of the IR Code will require not only an understanding of the statutory provisions but also the development of practical systems that support sustainable employer-employee relationships and long-term organisational growth.

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