

Research Article

Legal Reform as A Driver of Socioeconomic Development; A Study of India's Labour Law Codes and Their Implementation Challenges

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Abstract: Over the past decade India has embarked on one of the largest consolidations of labour legislation in the world, merging 29 central laws into four comprehensive labour codes: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Occupational Safety, Health and Working Conditions Code, 2020; and the Code on Social Security, 2020. The reforms promise administrative simplification, clearer definitions, and wider social protection, alongside a more predictable framework for enterprises and investors. Yet, full implementation remains pending in October 2025, primarily because both the Union and the states must notify rules and a common commencement date under India's federal scheme. This paper situates the labour codes within the broader literature that links legal reform to development, explains the codes' major design choices, examines their likely socioeconomic effects and distributional consequences, and analyses the principal obstacles that have slowed their roll-out. It shows how the same features touted as business-friendly simplifications may, if poorly sequenced or weakly enforced, undercut worker voice and dilute substantive protections in practice. The paper concludes with pragmatic recommendations to bridge centre-state gaps, strengthen inspection and data systems, ring-fence social security for unorganized and platform workers, and align the codes with India's human-capital and inclusion agenda.

Keywords: Labour Law Codes (India); Socioeconomic Development; Formalization; Industrial Relations; Social Security (Gig/Platform); Occupational Safety and Health (OSH).

INTRODUCTION

Legal reform has long been cast as a catalyst for economic growth when it reduces uncertainty, lowers transaction costs, and improves enforcement of rights. In labour markets, coherent regulation can encourage formal job creation, enhance productivity through safer workplaces and fairer pay, and enable structural transformation from low-productivity informal work to higher-productivity sectors. Conversely, fragmented or contradictory statutes generate compliance frictions, selective enforcement, and opportunities for regulatory arbitrage.

India's pre-reform labour regime—an accretion of colonial-era enactments and post-independence statutes—was frequently criticized for complexity, overlapping definitions, and varied thresholds that differed across laws and states. Consolidation into four codes therefore aimed to deliver clarity and a single compliance backbone while modernizing social protection for an economy where the informal sector still dominates and platform-mediated work has grown rapidly. The Government emphasized the move from 44 central labour laws to four codes, along with a vision of “one registration, one licence, one return.”

Beyond the classic “law-and-development” proposition, labour regulation sits at a normative crossroads where efficiency and equity are co-determinant. Production systems characterized by rapid demand fluctuations—textiles, logistics, platform services—require adaptable staffing and hours. Yet adaptability without floors and voice produces churn, skills atrophy, and safety externalizes that ultimately lower total factor productivity. Legal reform thus functions as a coordination device: it reduces information asymmetry about minimum entitlements, standardizes expectations about dispute resolution timelines, and signals the state's willingness to invest in enforcement capacity. India's codes also represent an epistemic shift—from prescriptive, inspector-eccentric micro-rules towards framework legislation with delegated rule-making and risk-based oversight. This shift can unlock experimentation, but it also raises concerns about discretion and unevenness. The paper takes the position that the success of framework statutes depends on robust meta-governance: statutory guidance for rule-making, reasoning requirements, and periodic independent evaluations that keep delegated legislation within constitutional and developmental guardrails.

THE PRE-REFORM LANDSCAPE AND THE CASE FOR CODIFICATION

Before codification, employers and workers navigated dozens of central and state laws on wages, industrial disputes, safety, contract labour, and social insurance. Each law carried its own definitions of “wages” and “worker,” with differing coverage thresholds and compliance calendars. Courts were burdened by definition disputes and procedural challenges, and firms devoted significant managerial time to reconciling inconsistencies.

Large firms could dedicate resources to compliance and litigation risk, while small and medium enterprises often operated outside the formal net, sometimes by design. Workers—especially women, migrants, and those in micro-enterprises—were least likely to benefit from statutory protections. The codification promised harmonized concepts of employee and worker, simplified licensing and returns, and broader social security.

The pre-code regime fostered a compliance market in which consultancy and litigation inter-mediation substituted for clear obligations. Fragmentation multiplied thresholds—by headcount, by process, by line of business—creating incentives for strategic sizing and the outsourcing of core functions to avoid particular statutes. For workers, particularly in small workshops and construction, the result was a patchwork of entitlements that depended less on risk exposure than on legal happenstance. Codification, properly executed, curbs such arbitrage by converging definitions and consolidating returns. It also simplifies judicial review: when terms are unified, appellate courts can more readily harmonize precedent, lowering uncertainty costs. Yet codification is not a panacea. If the unified definition of “wages” is not mirrored across social insurance schemes, firms will still face interpretive battles over allowances and exclusions. Similarly, if state inspectorates lack digital tools or are incentive only for quantity of visits, legacy adversarial can persist under a new statutory skin. The case for codification must therefore be twinned with a governance compact on staffing, training, metrics, and data disclosure.

The Four Labour Codes: Design Choices

(a) Code on Wages, 2019

The Code on Wages expands minimum wage coverage, introduces a nationally determined floor wage, and presses states to peg their wages above it. It also reiterates equal remuneration and prohibits gender-based wage discrimination. Implementation, however, depends on periodic methodology and state enforcement capacity.

A central design choice is the floor-wage methodology. An inflation-indexed, evidence-based approach—anchored in consumption baskets, household composition, and regional price levels—can stabilize expectations and prevent long periods of real-wage erosion. The Code's success will also hinge on synchronizing wage notifications with procurement practices: public buyers that award contracts below cost-reflective wage assumptions inadvertently induce wage theft along value chains. Embedding minimum-wage compliance clauses in government tenders,

alongside randomized payroll audits, would extend the Code's reach through public spend. Equally vital is remedies architecture. Administrative orders for underpayment must be prompt, deterrent, and coupled with back-pay that reaches workers swiftly, including migrants with intermittent residence. Without speed and certainty in redress, the signaling power of the wage floor weakens, particularly in competitive low-margin sectors.

(b) Industrial Relations Code, 2020

The Industrial Relations Code re-calibrates the balance between flexibility and worker representation. It raises the threshold for prior government permission for layoffs and retrenchment from 100 to 300 workers, expands fixed-term employment, and reshapes union recognition. Critics warn it weakens job security, while proponents stress competitiveness.

The Code implicitly bets that permitting easier adjustment at the 100–300 worker band will nudge firms to scale. But threshold-based deregulation can backfire if it triggers “bunching” below the line or accelerates sub-contracting of core functions. A smarter approach is to pair the higher threshold with countervailing voice mechanisms—such as mandatory workplace committees with information-sharing duties in medium establishments—and to publish simple recognition protocols that avoid interminable recognition disputes. Fixed-term employment, if used as a bridge to permanence with pro-rated benefits, can increase hiring during demand spikes; if used as a revolving door, it depresses investment in firm-specific skills. The Code's promise lies in how rules shape these margins: notice periods, conversion pathways, and transparency around headcount composition. Rather than viewing collective bargaining as a transaction cost, firms in quality-sensitive sectors increasingly treat stable representation as insurance against reputation and operational shocks. The Code can institutionalize that insight.

(c) Occupational Safety, Health and Working Conditions Code, 2020

This code consolidates thirteen statutes, envisions risk-based inspections, and introduces the “inspector-cum-facilitator” model. Proponents argue it modernizes compliance, while sceptic warn of weakened deterrence if not backed by resources.

Safety is a systems challenge spanning design, training, equipment, and culture. The “inspector-cum-facilitator” model must therefore be backed by a risk taxonomy that weights hazards—chemical exposure, confined spaces, working at heights—over crude establishment size. A credible risk engine uses multi-source data: accident reports, hospital admissions, insurance claims, and prior violations. Where risk is high, inspectors should retain strong surprise-inspection and closure powers. Where risk is low, facilitation and self-certification may suffice. The Code also offers an opportunity to professionalize safety roles. Requiring certified safety officers above certain thresholds, mandating toolbox talks, and recognizing workers' rights to refuse imminently dangerous work can shift norms from post-accident blame to prevention.

Finally, safety data should be public by default. Establishment-level dashboards—frequency rates, severity rates, rectification timelines—create reputation incentives that supplement formal sanctions.

(d) Code on Social Security, 2020

The Social Security Code extends protection to unorganized, gig, and platform workers. It envisages social security funds and portable benefits, but key design matters are delegated to rules, raising uncertainty on financing and enforcement.

Portability is the hinge on which social security for a mobile workforce turns. Contribution histories and entitlements should follow the worker across employers, states, and platforms via a unique, privacy-respecting identifier. For gig and platform work, contribution collection is most efficient at the transaction layer, embedded in payout rails with transparent statements accessible to workers in their preferred language. But financing alone will not secure coverage. Awareness and enrolment remain binding constraints for unorganized workers. The Code's vision will underperform unless accompanied by last-mile facilitation through worker facilitation centers, community-based registration drives, and grievance kiosks at transport hubs and industrial clusters. For small employers, simplified contribution slabs and default auto-enrolment can raise compliance without steep administrative costs.

IMPLEMENTATION STATUS IN 2025

Despite passage by 2020, nationwide enforcement has not commenced as of October 2025 because states must finalize rules under India's federal scheme. Most states have pre-published draft rules under at least two codes, but commencement remains unannounced. This limbo prolongs uncertainty for both employers and workers.

A prolonged interregnum between enactment and commencement carries its own risks. Firms freeze investment in compliance tooling, waiting for final rules; workers and unions confront a moving target, diluting mobilization and training efforts; and states drift into divergent practices. A pragmatic response is “modular commencement”: begin with elements that enjoy strong consensus and are administratively ready—such as common registration IDs, standardize definitions, and wage-floor methodology—while phasing in contentious or back-end-heavy pieces like dispute-resolution redesign and aggregator levies. Modular roll-out should be coupled with authoritative FAQs, state-wise readiness scorecards, and time-bound technical assistance plans. By bringing stakeholders into a published calendar, the Union can replace uncertainty with credible commitment, preserving momentum without sacrificing deliberation.

Socioeconomic Stakes

Labour-law consolidation can reduce compliance costs, compress extreme wage disparities, and improve productivity through safer workplaces. The codes are also central to boosting formalization and female labour force

participation, which official surveys place at around 41 per cent for 2023–24.

The codes intersect with human-capital accumulation in subtle ways. Safer workplaces reduce the scarring effects of injury and occupational disease, which otherwise propagate through households as lost incomes, educational disruption, and inter-generational debt. Minimum-wage enforcement, by boosting low-end earnings, has multiplier effects in local economies with high marginal propensities to consume. Social security cushions against shocks, stabilizing demand during downturns and enabling risk-taking by households—migration for better jobs, investment in skill upgrades—thereby increasing dynamic efficiency. Formalization, if achieved through simplification rather than exclusion, broadens the tax base, lowers informality premia, and improves macro-stability. But formalization is not cost-less; it must be sequenced with credit and market access so that compliance does not push marginal firms into exit. The development payoff thus depends on policy complements: logistics infrastructure, export market linkages, and credit instruments that reward compliant firms with better terms.

Distributional Tensions

The Wage Code's floor-wage mechanism risks being too low or too high if not methodologically sound. The Industrial Relations Code's higher threshold for layoffs may incentive firms to cap employment below 300. The OSHWC Code risks becoming symbolic if inspectorates are not strengthened. The Social Security Code's promise for gig workers depends on contribution clarity and portability across states.

Distributional analysis should move beyond averages to job ladders. A higher layoff-permission threshold might raise entry into wage employment for some while increasing exit risk for others clustered just below 300 workers. The net effect depends on monopoly power in local labour markets, the prevalence of multi-establishment corporate structures, and supply-chain governance by large buyers. Similarly, a uniform wage definition may expand the base for social insurance contributions, raising future entitlements but compressing take-home pay today; low-income households with liquidity constraints might prefer higher cash now unless credible benefit portability is visible. Policymakers can mitigate these tensions by phasing changes, offering contribution rebates for first-time formalization, and targeting enforcement to high-risk sectors rather than blanket crackdowns. A justice-oriented reform is one that anticipates these micro-incentives and designs around them.

Political Economy and Consternation

Trade unions have mobilized against aspects of the labour codes, framing them as pro-employer. Business groups argue reforms reduce digitizes deterring investment. Political contestant has delayed commencement, with protests recorded in 2024–25.

Reform sustainability correlates with perceived fairness. Where unions and civil-society groups see transparent

consultations—draft rules published with reasoned responses to comments, minutes of advisory boards made public—resistance often shifts from street mobilization to institutional engagement. Conversely, opacity begets zero-sum narratives. Business associations, too, are heterogeneous: export-oriented manufacturers often value compliance clarity and reputation protection, whereas local commodity producers prioritize cost minimization. Building a coalition for implementation therefore requires targeted messaging: for investors, the codes promise predictable compliance; for workers, tangible enforcement and grievance redress; for SMEs, reduced paperwork and advisory support. The state's role is to mediate these constituencies while holding the line on non-negotiable—safety, wage payment, social insurance—and allowing experimentation at the margins.

Sub-national Experiments

Karnataka enacted a law in 2025 to extend social security to gig workers, funded by a welfare fee on aggregators. Delhi, meanwhile, issued draft rules under the Social Security Code in August 2025. These illustrate both innovation and risks of fragmentation.

India's federalism can be a laboratory if interoperability is designed upfront. State welfare boards for gig workers, for instance, can innovate on benefit baskets—accident insurance, health top-ups, income-smoothing funds—while committing to shared identifiers and payment rails so a driver crossing state borders does not lose coverage. Similarly, industrial-cluster-level OSH compacts, negotiated among state departments, firms, and unions, can pilot joint training academies and pooled safety audits. Where states deviate on thresholds or licensing processes, a “no-less-favourable” principle can preserve national floors. Adjacent legal domains matter, too: data-protection rules should safeguard worker data in registries; competition law should scrutinize no-poach agreements that undermine wage floors; procurement law should blacklist repeat violators of safety norms. Sub-national variation becomes a source of learning, not fragmentation, when there are channels to compare, evaluate, and converge.

Readiness Gaps

Effective enforcement requires digital integration, risk-based inspection engines, and consolidated registries. Without sufficient staffing and training, the shift to facilitation risks weakening oversight. Data gaps further undermine targeted interventions.

Readiness is partly cultural. Inspection historically carried a rent-seeking stigma; recasting it as a professional, analytic-driven service requires new incentives and career paths. Performance should track prevention metrics—reduction in high-risk exposures, time to rectify major hazards—rather than raw counts of visits. On data, harmonizing sachems across establishments, provident-fund accounts, and state welfare boards will prevent duplication and ghost records. Open APIs, with privacy safeguards, can enable civil-society monitoring and academic evaluation. Finally, grievance mechanisms must

be accessible: multilingual portals, assisted filing at facilitation centers, and strict anti-retaliation norms that deter victimization. Without credible recourse, even elegant statutory rights remain performative.

Gender, Inclusion, and Work Quality

Female labour force participation has risen, but much of it reflects low-quality, unpaid, or informal work. The codes must therefore prioritize equal remuneration, safety, and maternity protections. Gig and platform work, if adequately protected, can offer flexible opportunities for women.

A gender-responsive implementation blueprint would prioritize sectors where women are concentrated—garments, electronics assembly, food processing, care work—and align inspections with typical violations affecting women: pay discrimination via allowances, unsafe sanitation, night-shift transport, and harassment. The codes can be operational alongside enabling policies: subsidized creches within industrial parks; dormitory standards that balance safety with autonomy; and public transport schedules synced to shift timings. For platform work, women's participation often hinges on predictable earnings and fair deactivation processes. Transparent algorithmic policies—clear rating thresholds, appeal rights, and explanations for fare changes—are not merely tech issues; they are labour-rights issues. Embedding these standards in rules under the Social Security Code would merge digital governance with labour protection.

SMEs and Compliance

SMEs may benefit from unified registration but could face higher wage-related contributions. Digital self-certification, randomized audits, and advisory services can mitigate compliance burdens.

SMEs face lumpy compliance costs—first registrations, HRIS deployment, payroll alignment—that can be mitigated through shared services. Cluster-level compliance cells, co-funded by state governments and industry associations, can provide template contracts, wage calculators, and OSH checklists. Credit policy can also help: link priority-sector lending rates to verified compliance, rewarding early adopters and nudging laggards. For micro-enterprises on the margin of formalization, amnesty windows with prospective compliance and limited retrospective liability (except for egregious safety or wage violations) can widen the door without signaling impunity. The goal is to make the lawful path cheaper and clearer than the informal alternative, while preserving strong penalties for willful violators.

Worker Voice and Dispute Resolution

Industrial peace depends on credible grievance mechanisms. If thresholds for retrenchment rise without effective conciliation, disputes may move to overburdened courts, undermining productivity gains.

Dispute systems design defines the lived experience of the codes. Early, interest-based mediation can settle many disputes before positional escalation. Where settlement fails, timelines must be tight and predictable, with case-

management systems that flag delay and publish anonymize performance dashboards. Technology can aid—not replace—adjudication: e-filing, virtual hearings for preliminary stages, and template orders for routine matters. But due process requires legal aid for unrepresented workers and protection against strategic litigation by deeper-pocketed parties. Training conciliators in sect-oral realities—piece rates in apparel, route allocation in logistics, platform deactivation logic—will improve settlement quality. Ultimately, productivity gains from reduced conflict materialize only when parties trust that rules are knowable, remedies are timely, and adjudicators are independent.

Gig and Platform Work

Recognition of gig and platform workers is pioneering, but without enforceable aggregator contributions and portability, protection risks remaining on paper.

Platform markets magnify classic principal-agent problems through algorithmic opacity. Workers bear income volatility, safety risks on roads or in customers' homes, and unilateral changes to pay formulas. A labour-law response should be proportionate and tech-savvy. Contribution levies can be calibrated to transaction values with DE-minimis thresholds for nascent platforms. Safety can be operational by mandating panic-button functionality, verified identity checks for customers, and insurance coverage triggered automatically upon trip acceptance. Deactivation due-process—clear reasons, notice, opportunity to respond, and independent review—should be a baseline. Crucially, the social security architecture must support multi-homing; workers often split time across apps and should not lose benefits when they do. This hybrid is not an anomaly but the modal condition of platform labour.

International Commitments

Global investors scrutinise labour standards. Transparent enforcement of India's codes can enhance trade competitiveness and reputation credibility.

Global value chains increasingly require supplier attestations on wages, hours, and safety, verified by audits that are themselves under pressure to become more rigorous and worker-centrist. India can convert the codes into a competitive asset by publishing verifiable enforcement data—inspection coverage, violation types, rectification rates—and by piloting worker-driven monitoring in high-risk sectors. Trade policy and labour policy can be mutually reinforcing; labour-compliance infrastructure lowers the risk of sanctions or buyer exit under evolving due-diligence regimes, while export success creates fiscal space for deeper social protection. For multinational investors balancing cost and compliance risk, a credible national labour framework reduces the premium they build into India-specific risk models.

Implementation Challenges

Obstacles include federal coordination, institutional capacity, and political contestant. Rule finalization across

states remains uneven, and commencement has been delayed repeatedly.

Three additional hurdles merit attention. First, legacy litigation: even after commencement, pending cases under prior statutes will shape behaviour unless transition provisions and judicial guidance are crisp. Second, heterogeneity in industrial structure: labour-intensive clusters (Tiruppur apparel, Rajkot engineering) and capital-intensive hubs (automotive belts) will respond differently; rules should allow sector-specific schedules without compromising floors. Third, state capacity asymmetries: a few states will race ahead; others will lag. A federal equalization mechanism—conditional grants tied to readiness milestones, common training curricula, and pooled procurement for digital systems—can compress these gaps. The alternative is a postcode lottery of protection that undermines both worker welfare and national competitiveness.

CONCLUSION

India's labour codes promise clarity and expanded coverage but remain in limbo five years after passage. To deliver socioeconomic dividends, reforms must be paired with investment in inspection, dispute resolution, and social security architecture.

Reform eras are judged not by the elegance of statutes but by the immunity of changed routines: payslips that reflect lawful wages, helmets actually worn on shop floors, grievance tickets resolved within weeks rather than years, and contribution histories visible on a worker's phone. India's labour codes have the architecture to enable such routines. What remains is execution with humility and resolve—humility to learn from sub national experiments and course-correct; resolve to invest in inspectorates, conciliators, and digital rails; and constancy in signaling that simplification is a means to dignified, productive work, not a euphemism for dilution. If policymakers, employers, and worker representatives co-produce this future, the codes can animate a growth model where competitiveness and capability rise together.

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