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PRACTICE NOTE — LABOUR & EMPLOYMENT LAW (2 OF 4 NEW LABOUR CODES)

The Industrial Relations Code, 2020 — Key Points

Trade unions, standing orders, retrenchment/closure, strikes & lockouts, and dispute resolution — one of the four new Labour Codes

STRUCTURE

14 Chapters, 104 Sections

REPLACES

Trade Unions Act 1926; Industrial Employment (Standing Orders) Act 1946; Industrial Disputes Act 1947

CENTRAL RULES

Notified and in effect from 21 November 2025

STATE ROLLOUT

Uneven — most major States have notified rules; confirm State-wise commencement before advising

KEY SHIFT

Threshold for standing orders/retrenchment/closure raised from 100 to 300 workers

WORKER & "NEGOTIATING UNION" — KEY DEFINITIONS

"WORKER" — S.2(ZR)

- Includes persons in supervisory capacity drawing wages up to **₹18,000/month** (or as notified) — a codified monetary threshold distinguishing "workman" from "supervisor/manager" not present in this form under the old Industrial Disputes Act.

NEGOTIATING UNION / COUNCIL — S.14

- Where a trade union has support of **51% or more** of workers on the muster roll, it is recognised as the sole "negotiating union"; if none crosses 51%, a **negotiating council** is formed proportionately among unions with $\geq 20\%$ support.

STANDING ORDERS — CHAPTER IV

APPLICABILITY THRESHOLD

- Mandatory for industrial establishments employing **300 or more** workers (raised from 100 under the old Standing Orders Act) — model standing orders deemed to apply until certified orders are framed.

MODEL STANDING ORDERS

- Central Government to prepare model standing orders on classification of workers, hours of work, leave, termination, and disciplinary action — employers may adopt/adapt these.

GRIEVANCE REDRESSAL COMMITTEE — S.4

GRC — MANDATORY FOR ESTABLISHMENTS WITH 20+ WORKERS

- Bipartite Grievance Redressal Committee mandatory in every establishment employing **20 or more workers**, with equal representation of employer and workers (women members proportionate to women workforce, subject to a minimum).
- Application for grievance redressal must be resolved by the GRC within **30 days** of receipt; if unresolved, worker may approach the Conciliation Officer.

RETRENCHMENT, LAY-OFF & CLOSURE — CHAPTER X

PRIOR GOVERNMENT PERMISSION

- Establishments with **300 or more workers** require prior permission of the appropriate Government before retrenchment, lay-off, or closure — raised from the 100-worker threshold under the old ID Act.
- Below 300 workers: retrenchment/lay-off/closure permitted with notice and compensation, without prior permission.

COMPENSATION & NOTICE

- Retrenchment compensation: **15 days' average pay** for every completed year of continuous service (or part thereof exceeding 6 months), plus notice pay/notice period as prescribed.
- Government may also prescribe a **Reskilling Fund** contribution — employer required to contribute an amount equal to **15 days' wages** for each retrenched worker into the fund.

STRIKES & LOCKOUTS — S.62

EXTENDED NOTICE REQUIREMENT — 60 DAYS

- No worker in **any** industrial establishment (not just public utility services as under the old Act) shall go on strike, or employer declare a lockout, without giving **60 days' prior notice** and during the pendency of conciliation/tribunal proceedings and 60 days thereafter.
- This extends the strike/lockout notice regime — previously confined largely to "public utility services" — to all industrial establishments.

DISPUTE RESOLUTION MACHINERY

FORUM	FUNCTION
Conciliation Officer	Mediates industrial disputes referred by parties or Government; endeavours settlement before adjudication.
Industrial Tribunal	Adjudicates disputes referred by the appropriate Government; replaces the earlier Labour Court/Tribunal dual structure with a unified two-member Tribunal (judicial + administrative member).
National Industrial Tribunal	Constituted by the Central Government for disputes of national importance or affecting establishments in more than one State.

TRADE UNIONS — REGISTRATION & RECOGNITION

REGISTRATION

- Any 7 or more members of a trade union may apply for registration under the Code (broadly continuing the position under the earlier Trade Unions Act), subject to the Registrar's scrutiny of the union's rules and objects.

RECOGNITION AS SOLE BARGAINING AGENT

- The 51% "negotiating union" mechanism (S.14, discussed above) is the primary statutory route to recognition — a structural shift from the earlier position where recognition was largely governed by a patchwork of State laws and voluntary codes.

FIXED-TERM EMPLOYMENT & FLEXIBILITY

FIXED-TERM EMPLOYMENT — FORMALLY RECOGNISED

- Fixed-term employees entitled to the same statutory benefits, working conditions, wages, and hours as permanent employees doing similar work — and are eligible for **gratuity on a pro-rata basis** even if their fixed term is less than 5 years (see Code on Social Security).

NO NOTICE/COMPENSATION ON CONTRACT EXPIRY

- Non-renewal of a fixed-term contract on its natural expiry is not treated as retrenchment — no notice or retrenchment compensation is payable merely because the fixed term has ended.

PENALTIES (ILLUSTRATIVE)

Illegal Strike/Lockout

Commencing or continuing an illegal strike or lockout: fine up to ₹50,000, extendable, or imprisonment up to 1 month in aggravated cases under the Rules/Code provisions.

Contravention of Standing Orders/Closure Provisions

Closure without following the prescribed procedure, or contravention of standing orders requirements, attracts fines and, on continuing default, further daily fines.

Compounding

Most offences (other than repeat offences within 5 years) are compoundable on payment of a prescribed sum, before or after prosecution is instituted.

PRACTICE NOTES

300-Worker Threshold Is the Headline Change

Many mid-sized establishments (100–299 workers) that previously needed Government permission for retrenchment/closure no longer do — but must still follow notice and compensation requirements; verify State amendments, as some States retain lower thresholds.

Audit Fixed-Term Contracts

With fixed-term employees now entitled to parity in benefits and pro-rata gratuity, advise clients using fixed-term arrangements to review contract templates and cost exposure.

For internal practice reference only — this note highlights select, frequently used provisions and does not cover all 104 sections. Cross-check exact section text, applicable State Rules, and the latest notifications before relying in advice or proceedings. Prepared 28 July 2026.

Primary sources: The Industrial Relations Code, 2020 (indiacode.nic.in); PRS Legislative Research Bill Summary; Ministry of Labour & Employment notifications and FAQs on the Labour Codes (2025–26).