

**Advances in Strategic Human Resource Management**  
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**HRM in Start Ups and Family Owned Firm**  
**Lecture - 07 D**  
**New Labour codes in India**

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**New Labor Codes**

- Code on Wages
- Industrial Relations Code
- Occupational Safety, Health and Working Conditions Code
- Code on Social Security

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We will talk about new Labor Codes. New labor codes are related to wages, industrial relations, occupational safety, health and working condition and on social security. Before we look at the peculiar features of these codes.

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We need to understand why these codes are so necessary and why this is an important reform. In 1991 India did the economic reform, but labor reform is still unfinished agenda and these codes seems to be promising in addressing the issues of labor reform.

This is very important, because otherwise there are 200 state laws and about 50 central laws to govern HRM at workplace. You can understand how complicated this task can be. There are so many provisions related to paid union, working condition, compensation, leave. There are; there is overlap in the several central laws, there is also overlap on the central laws and the state laws.

Some state laws are very peculiar. They were formed at one stage, when it was very important for the state to implement that law, but some state government sometime dig out some of these laws and they use those laws to untwist the commercial establishments.

So, that also happens there are so, many examples like this. So, now there is a need to have some stability and simplicity and if elegance, if it is possible in the labor laws in India to address this issue these codes were suggested.

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**Code on Wages**

1. **New definition of wages.** The new code defines wages to be at least 50 percent of the total gross remuneration of an employee.
2. **Fewer minimum wages:** The Wages Code has shrunk the list of minimum wages, and it introduces the concept of "floor wages" to be set by the federal government. States won't be able to set a minimum wage below this floor.
3. **Gender neutrality.** The Equal Remuneration Act has provisions for equal pay for any gender.

<https://www.shrm.org/resourcesandtools/hr-topics/global-hr/pages/india-new-labor-laws.aspx>

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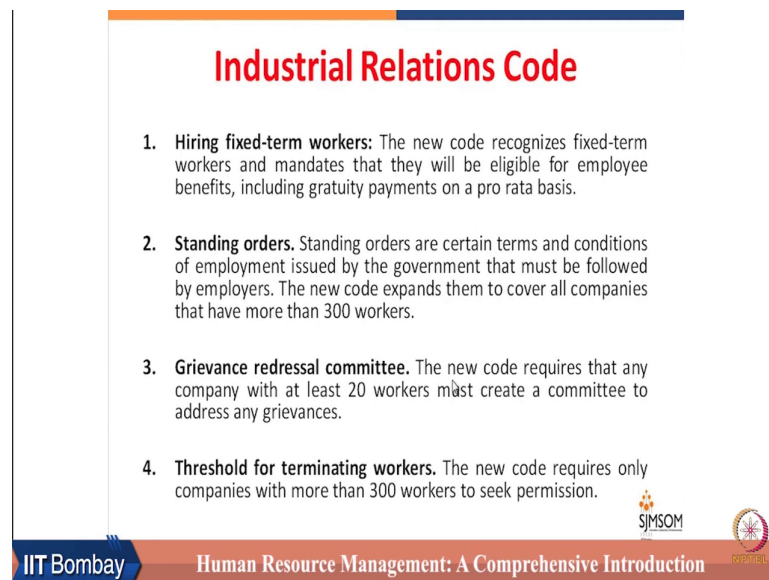
So, we will look at all these four codes in terms of their special features. So, codes on wage, codes on wage says that at least 50 percent of the wage must be the gross remuneration. Till now what happens? Many organizations have even up to 60, 75 percent of the wage given as incentives, as performance linked incentive.

When the component of the core wage is less, they save on PF and they save on many other benefits which are calculated on the total gross remuneration on the core wage, core element of the wage. So, in the new code it is made mandatory to have at least 50 percent of the total gross remuneration as a core wage of the employee. Fewer minimum wages.

Till now, minimum wages are set by different stage states according to the economic condition of the state. That brings lot of complexity because different states have different minimum wage. So, floor wage is something which is set by the federal government and state cannot set the minimum wage below this floor wage. So, that will ensure some kind of uniformity in the minimum wages across the states.

Third is gender neutrality. For the same work, similar wage must be given irrespective of the gender and that also includes transgender community. So, this is also one code which is implemented to ensure the equality at workplace.

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**Industrial Relations Code**

1. **Hiring fixed-term workers:** The new code recognizes fixed-term workers and mandates that they will be eligible for employee benefits, including gratuity payments on a pro rata basis.
2. **Standing orders.** Standing orders are certain terms and conditions of employment issued by the government that must be followed by employers. The new code expands them to cover all companies that have more than 300 workers.
3. **Grievance redressal committee.** The new code requires that any company with at least 20 workers must create a committee to address any grievances.
4. **Threshold for terminating workers.** The new code requires only companies with more than 300 workers to seek permission.

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The next set of codes are related to industrial relations. Some of the special features of industrial relations codes are hiring fixed-term workers. In the current time, the proportion of contextual worker in the organization happens to be very high. Even sometime for the core jobs of the organization, organizations hire workers on contract and they are not they do not happen to be on the payroll of the organization, but they happens to be on the roles of the contractor.

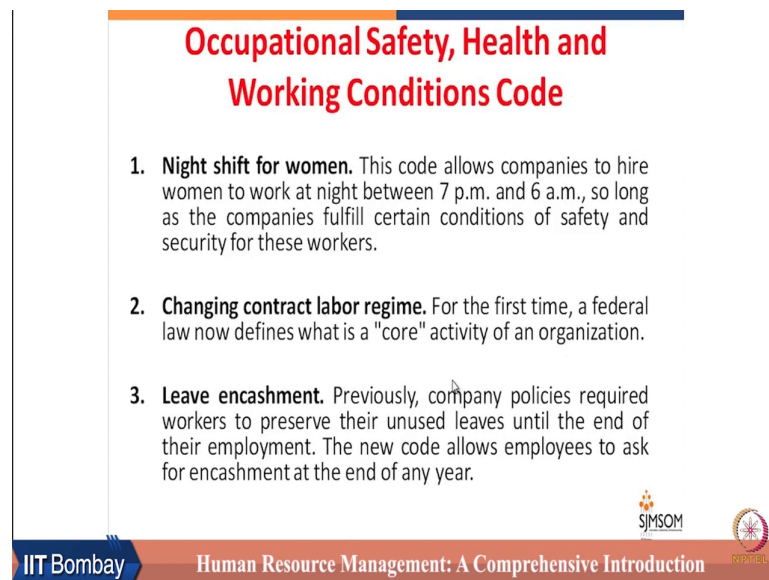
So, this new code suggests that an organizations must have fixed-term workers for their core job and employee benefit like gratuity payment has to be paid for to those workers. Standing order, standing order is a term and condition of employment that is issued by the government that must be followed by the employer. The new code says that all companies that have more than 300 workers have to follow the standing orders.

There are some exceptions also mentioned in the code, but the application of the standing order is not going to be much more uniform in the Indian market. New code also suggests to have a grievance redressal committee and in the grievance redressal committee, there has to be the representation of the workers as well and that has to be formed even in the companies with minimum 20 workers. So, that ensures the fairness of the treatment of the employees.

Threshold for terminating worker which till now was 100; that means, if we have to wind up the business and as a result if we have to say goodbye to all the workers or all the employees and that can happen that is a; that is not a uncommon situation in a capitalist market or when there is a dynamic market is becoming so; dynamic these things do occur.

Till now even company has 100 employees they have to take the permission to close down the business and to terminate all the workers in the; and they have to take the permission from the government, but now that limit is extended to 300. So, that is another flexibility or reforming brought in the new proposed codes.

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**Occupational Safety, Health and Working Conditions Code**

1. **Night shift for women.** This code allows companies to hire women to work at night between 7 p.m. and 6 a.m., so long as the companies fulfill certain conditions of safety and security for these workers.
2. **Changing contract labor regime.** For the first time, a federal law now defines what is a "core" activity of an organization.
3. **Leave encashment.** Previously, company policies required workers to preserve their unused leaves until the end of their employment. The new code allows employees to ask for encashment at the end of any year.

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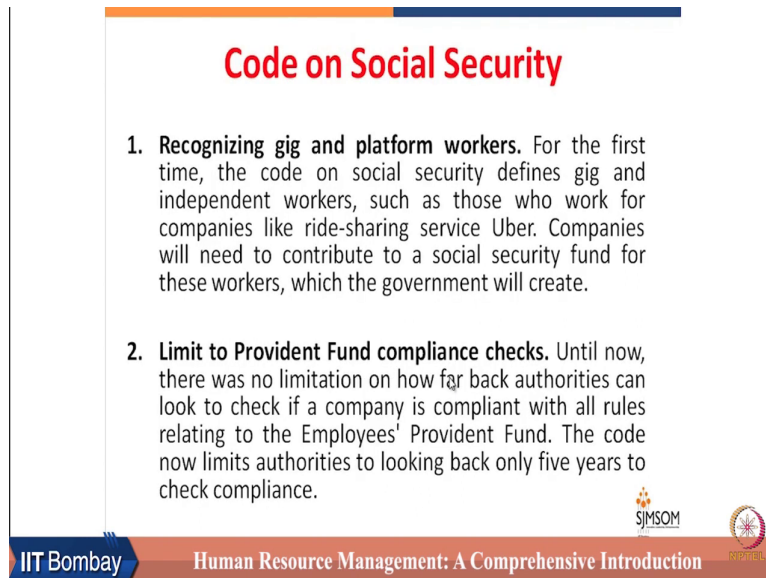
There are codes related to occupational safety, health and working conditions. So, night shift has been the issue of contention. Night shift for the women was prohibited in some of the laws in some of the state laws is it was permitted. So, there was a situation of confusion.

The code specifies that companies can hire a women worker at night between 7 pm to 6 am. But they have to ensure the safety condition and security of the women not only at workplace, but getting them from their residence from their where they stay to the workplace that responsibility also has to be taken up by the employer.

Changing contract labor regime that is like first time federal law now defines the core activity of the organizations and they need to appoint full time workers, not the contract labor for the core activities of business. Leave encashment happens at the time of retirement in the current provisions, but the new code suggests that leave encashment that is taking money against the

leave not being utilized, not exhausted that procedure can be conducted that is permissible year after year. In the organization. So, this is another code being introduced by the ministry.

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**Code on Social Security**

- 1. Recognizing gig and platform workers.** For the first time, the code on social security defines gig and independent workers, such as those who work for companies like ride-sharing service Uber. Companies will need to contribute to a social security fund for these workers, which the government will create.
- 2. Limit to Provident Fund compliance checks.** Until now, there was no limitation on how far back authorities can look to check if a company is compliant with all rules relating to the Employees' Provident Fund. The code now limits authorities to looking back only five years to check compliance.

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Hopefully it will be notified these codes will be notified soon. There is also a code on social security. On the social security front the gig economy and platform worker these are very important segments of the employees, segments of the labor about which there was no law because these are the result of the new technologies.

So, whether Uber drivers or Zomato delivery boys these are not employees in the sense that factory workers are employees to their employer. But none the less they have to be taken care of at least to some extent and some security has to be provided, economic security and other form of security has to be provided by the aggregator.



So, codes are formed about the security norms social security to be provided to the gig economy workers by the aggregator companies. Of course, it is not similar to what is being suggested for the employees of the conventional employers, but there has to be some security measures to be offered to the gig workers and those codes are specified in the those provisions are also included in the new code.

Limit to provident fund compliance this is a in a kind of addressing the inspector Raj wherein inspection authorities could come and check the whether employer has deposited the provident fund against for the employees may be many many years ago and if they find one problem in the record that case can go on again for many years that problem is resolved.

Now, in the new code it is instructed that authorities can check only the PF related compliance only for the last 5 years of the employers. So, this is again a proposed reform included in the code. You can see many of these codes are relevant for the small firms as well.

These are applicable for the small firms as well as large firms. And these codes also specify the number of employees to be considered for any code to be applicable.