

Industrial Relations Code, 2020

The Industrial Relations Code, 2020 (IRC) is one of India's four consolidated labour codes aimed at modernising industrial relations, simplifying compliance, balancing employer–employee interests, and improving ease of doing business, while safeguarding workers' rights to collective bargaining and dispute resolution.

➤ **Objective and Legal Intent:** The Code aims to:

- Consolidate and rationalise industrial relations laws
- Promote harmonious employer–employee relations
- Simplify dispute resolution mechanisms
- Regulate trade unions and collective bargaining
- Introduce flexibility in workforce management with legal safeguards

➤ **Laws Repealed and Consolidated:** The IRC replaces:

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

➤ **Applicability and Thresholds**

- *Standing Orders:* Mandatory for establishments with 300 or more workers (earlier threshold: 100)
- *Trade Unions & Dispute Resolution:* Applicable to all establishments, subject to provisions

Professional Impact: *Increased operational flexibility for establishments employing up to 299 workers.*

➤ **Key Definitions Introduced or Revised:**

Worker (replaces “Workman”) includes persons employed in:

- *Manual, technical, operational, clerical, or supervisory roles*
- *Excludes managerial and administrative staff above prescribed wage limits*

Fixed-Term Employment recognised statutorily with:

- *Same benefits as permanent workers*
- *Pro-rata gratuity eligibility*

Industry:

- *Refined definition with specific exclusions to reduce interpretational disputes.*

➤ **Trade Unions and Collective Bargaining**

Recognition of Negotiating Union / Council (New)

- *Negotiating Union: Trade union with 51% or more worker support*
- *Negotiating Council: Formed when no union has majority support*

Professional Insight: *Single-window collective bargaining reduces inter-union rivalry and negotiation delays.*

➤ **Standing Orders Framework**

- Model Standing Orders issued by the Government
- Establishments may adopt Model Standing Orders or frame certified Standing Orders
- Digital publication and employee accessibility mandated

Key Change: *Threshold increased to 300 workers.*

➤ **Industrial Dispute Resolution Mechanism:**

Dispute Resolution Bodies

- Works Committee
- Grievance Redressal Committee
- Conciliation Officers
- Industrial Tribunals

Timelines

- Mandatory grievance redressal before dispute escalation
- Time-bound conciliation and adjudication

➤ **Strikes and Lockouts – Stricter Regulation**

Mandatory Notice Period

- 14 days' prior notice required for strikes and lockouts
- Applicable to all establishments (earlier limited to public utility services)

Prohibition Period

- During conciliation and adjudication proceedings

Professional Insight: *Enhanced predictability and business continuity.*

➤ **Layoff, Retrenchment, and Closure**

Government Permission Threshold

- Required only for establishments with 300 or more workers
- Earlier threshold: 100 workers

Notice and Compensation

- Retrenchment compensation: 15 days' wages per completed year
- Prior notice or wages in lieu mandatory

Professional Insight: *Greater flexibility for MSMEs and mid-sized enterprises.*

➤ **Re-Skilling Fund (New Introduction)**

- Employers to contribute an amount equal to 15 days' wages of retrenched workers
- Funds used for worker re-skilling and redeployment

➤ **Fixed-Term Employment — Strategic Impact**

- No requirement of notice for expiry of fixed-term contracts
- Equal pay and benefits with permanent workers

➤ **Inspector-cum-Facilitator Model**

- Web-based, risk-based inspections
- Emphasis on compliance facilitation rather than enforcement

➤ **Offences and Penalties**

- Monetary penalties enhanced
- Imprisonment for serious or repeat violations
- Compounding of certain offences permitted

- ***Transition and Implementation Status***
 - Existing registrations and approvals deemed valid
 - Code effective upon notification of Central and State rules
 - Employers must align policies, contracts, and HR practices

- ***Strategic Implications for Employers:*** Employers should:
 - Reassess workforce structuring and contract models
 - Update Standing Orders and HR policies
 - Train HR and IR teams on revised thresholds
 - Prepare dispute resolution and grievance frameworks
 - Review retrenchment and closure strategies

The Industrial Relations Code, 2020 introduces a balanced and modern industrial relations framework, providing employers with enhanced flexibility while ensuring structured collective bargaining and dispute resolution. The increase in statutory thresholds, recognition of negotiating unions, and introduction of re-skilling obligations reflect a shift towards sustainable workforce management.