

EVOLUTION OF LABOUR LAW IN INDIA

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Abstract:

The evolution of labour law in India reflects the socio-economic and political transformation of the country over time. Rooted in colonial influence and industrialization, Indian labour legislation has gradually shifted from a focus on employer control and industrial peace to the protection of workers' rights, welfare, and social justice. This paper traces the historical development of labour laws from pre-independence statutes such as the Factories Act, 1881, to post-independence reforms, including the landmark Industrial Disputes Act, 1947. It also examines contemporary developments such as the introduction of the four Labour Codes in 2020, aiming to simplify and consolidate existing laws. The study highlights the dynamic interplay between judicial interpretation, economic liberalization, globalization, and labour rights movements in shaping labour jurisprudence. Through a critical analysis, the paper evaluates whether these changes have effectively balanced the interests of workers and employers in a rapidly changing economic environment.

Keywords:

Labour Law, India, Industrial Disputes, Labour Codes, Workers' Rights, Industrial Relations, Social Justice, Legal Reform, Employment Legislation, Labour Welfare.

HISTORICAL BACKGROUND OF LABOUR LAW IN INDIA

Ancient India's Labour System

Labourers were essential to societal stability. Ancient texts like the Dharma Shastras, Artha Shastra, and works by Sukra, Narada, and Kautilya emphasized their welfare. Kings were duty-bound to protect labour rights and resolve disputes fairly. Wages were based on: Skill level, Type of work and Time or output. Good wages ensured a decent standard of living for the labourer and dependents. Harsh treatment or low pay was discouraged and seen as socially harmful. Sick leave: Full or partial wages during illness. Retirement: Long-term workers received pensions or benefits. Annual leave: 15 days off per year; daily rest breaks allowed. Employers had to pay even if a worker fell ill temporarily. Domestic servants were also protected under labour laws. Artisans (e.g., goldsmiths,

silversmiths) were paid based on quality of work and materials used. Payment could be in cash or kind (e.g., food, cattle, clothing). Workers formed guilds, which were state-recognized, protected worker rights and sometimes had political influence and acted as intermediaries. Housing had to meet state safety standards. Employers were expected to contribute to a provident fund for labourers. Labourers could pay taxes through work for the state, but not by force. - Work for public services was compensated fairly.

FACTORS SPECIFIC TO INDIA IN THE EVOLUTION OF LABOUR LEGISLATION

Colonial Rule and British Economic Interests

Early Indian labour laws were not motivated by worker welfare, but by British economic concerns. British manufacturers, especially in Lancashire and Birmingham, felt threatened by the cheap labour in Indian mills and factories.

To maintain competitiveness, they pressured the British colonial government to pass labour laws in India that would raise labour costs and limit Indian productivity. While Indian workers benefited incidentally, the primary aim was protecting British capitalists, *not Indian labour rights*.

British Administrative Influence

British civil servants brought with them democratic values and legal traditions from Britain. Indian laws during colonial rule often mirrored British models. Examples:

- Workmen's Compensation Act, 1923
- Indian Trade Unions Act, 1926
- Payment of Wages Act, 1936

These laws reflected British pragmatism and structure, though adapted to Indian conditions.

Nationalist Movement and Freedom Struggle

The freedom struggle significantly boosted the push for protective labour laws. Indian nationalist leaders championed workers' rights and pressured the colonial government to enact reforms. E.g., The establishment of the Royal Commission on Labour was a direct result of nationalist demands. The Indian Trade Unions Act was also influenced by this growing political movement. The solidarity between industrial workers and freedom fighters created a powerful alliance for legislative change.

Post-Independence Vision and the Constitution

After independence, labour welfare became a constitutional priority. National leaders had pledged a just and equitable social order, which was enshrined in:

- The Preamble of the Indian Constitution (justice, equality, dignity)
- Fundamental Rights (e.g., equality, right to life and livelihood)

- Directive Principles of State Policy (Articles 39, 41, 42, 43, and 43A)⁵¹⁰

These principles laid the foundation for modern Indian labour legislation, inspired by social justice and welfare ideals.

Indian labour laws were influenced not just by global industrial trends, but also by Colonial economic interests, British legal traditions, Freedom movement activism and the vision of an independent India committed to justice and equality. These India-specific factors added **unique** political and ethical dimensions to the development of labour legislation, differentiating it from Western labour laws.

We have plethora of labour legislations immediately after independence the Factories Act, 1948 The E.S.I. Act, 1948 The Minimum Wages Act, 1948 Mines Act, 1952 Employees P.F. & Miscellaneous Provisions Act, 1952 Plantation Labour Act, 1951 Payment of Bonus Act, 1965.

ROLE OF THE JUDICIARY

The Indian judiciary, particularly the Supreme Court and High Courts, has played a pivotal role in interpreting labour laws progressively.

Social Welfare Act

Workmen of M/S Firestone Tyre and Rubber Co. of India v. Management⁵¹¹, the Supreme Court held that the Industrial Disputes Act of 1947 is a beneficial piece of legislation enacted for the welfare of employees and in the interest of the public good. Emphasizing its pro-worker intent, the Court applied the beneficial rule of interpretation, choosing to favor employees in case of a dispute by exercising leniency towards their welfare. However, it was also clarified that the amended provisions of the Act would not apply retrospectively; they would only be applicable to disputes filed after the 1947 amendment, and not to those initiated prior to it.

⁵¹⁰ INDIA CONST.

⁵¹¹ AIR 1973, SC 1227, 1973 SCR (3) 587

Appropriate Government: Central & State

Steel Authority of India Ltd. v. National Union Waterfront Workers⁵¹², In this case, the appellants, Steel Authority of India Limited (SAIL), a Central Government enterprise, were involved in manufacturing and trading of iron and steel products, and contracted out goods handling at their stockyards. The Government of West Bengal issued a notification under Section 10(1) of the Contract Labour (Regulation and Abolition) Act, 1970, prohibiting contract labour at certain Calcutta stockyards, but later kept this notification in abeyance until August 31, 1994. Contract labourers petitioned the Calcutta High Court for absorption into SAIL's regular workforce, arguing the prohibition notice triggered such absorption. The High Court ruled that the "appropriate government" under the Act at the time of the notification was the State Government. On appeal, the Supreme Court examined the definition of "appropriate government" under Section 2(1)(a) of the Act and concluded that any company operated under the authority of the Central Government—like SAIL—would fall under Central Government jurisdiction, irrespective of where its branches were located. Thus, it held the Central Government was the appropriate authority under the Act for SAIL.

Hindustan Aeronautics Ltd. v. Workmen⁵¹³, in the case the appellant, Hindustan Aeronautics Limited, a company registered under Section 617 of the Companies Act, 1956 and fully owned by the Central Government, faced a dispute involving 1000 workers employed at its repair unit in Barrackpore, West Bengal. The dispute concerned job permanency, allowances for education, and lunch revisions. The West Bengal Government referred the matter to adjudication under Section 10(1) of the Industrial Disputes Act, 1947. While the Industrial Tribunal granted partial relief, the appellants contested whether the State Government was the "appropriate government" to refer the case. The Supreme

Court upheld that since the Barrackpore unit was a separate and distinct industrial unit within West Bengal, and its officials locally managed operations and paid wages, the West Bengal Government was the appropriate authority. It emphasized that for localized industrial units, the responsibility of resolving disputes and ensuring industrial peace lies with the respective state government.

Industry Definition

In the Bangalore Water Supply case⁵¹⁴ involved a seven-judge Supreme Court panel that defined "industry." It introduced the "triple test," focusing on systematic activity, employer-employee cooperation and goods/services production for human needs. Philanthropic activities or lack of profit motive were irrelevant.

The ruling encompassed organised activities meeting these criteria as "industry," irrespective of trade/business and extended to professions, clubs, educational institutions, etc. The "dominant nature test" determined an undertaking's nature based on the most significant department. Sovereign functions were exempted and separable industry units within sovereign departments fell within Section 2(j) of the Industrial Disputes Act.

Individual Dispute vs. Industrial Dispute

Central Provinces Transport Ltd., Nagpur v. Raghunath Gopal Patwardhan⁵¹⁵, In this case, the Supreme Court clarified the distinction between an individual dispute and an industrial dispute under the Industrial Disputes Act, 1947. The issue arose when an individual employee's dismissal was challenged without the support of a trade union or fellow workmen. The Court held that an individual dispute does not automatically qualify as an industrial dispute unless it is espoused or supported by a body of workmen or a union. Thus, in the absence of such collective backing, the dispute remains personal and outside the purview of the Industrial Disputes Act. This judgment

⁵¹² AIR 2001, Appeal (civil) 6009–6010 of 2001

⁵¹³ 1975 AIR 1737, 1976 SCR (1) 231.

⁵¹⁴ AIR 1978, 1978 AIR 548, 1978 SCR (3) 207,
⁵¹⁵ 1957 AIR 104, 1956 SCR 956

established a key precedent in defining the scope and nature of industrial disputes in India.

Employer Definition

In *Hussainbhai Calicut v. Alath Factory Thozhilali Union*⁵¹⁶, the Supreme Court broadened the interpretation of the term "employer" under labour law. The Court held that even if workers are hired through intermediaries or contractors, the principal employer can still be considered the actual employer if the workers are economically dependent on and controlled by the principal establishment. The Court emphasized the need to look at the *substance over form*, focusing on the real relationship between the worker and the entity benefiting from the work. This judgment was significant in preventing the exploitation of workers under the guise of contractual arrangements.

Workman Definition

*Arkal Govind Rajrao v. Ciba Geigy of India Ltd*⁵¹⁷, in this case, the Supreme Court clarified the definition of "workman" under the Industrial Disputes Act, 1947. The Court held that the designation or job title of an employee is not decisive. Instead, the nature of duties performed must be considered to determine whether the employee qualifies as a workman. If the employee's work is primarily manual, technical, clerical, or operational, and not managerial or supervisory in nature, then he would fall under the definition of a workman.

*National Engineering Industries Ltd. v. Kishan Bhageria*⁵¹⁸, the Supreme Court reiterated that job designation is not sufficient to disqualify an employee from being termed as a "workman." Even if an employee is given a managerial title, if the actual work performed does not involve substantial supervisory, administrative, or managerial duties, the employee will still be considered a workman. The decision emphasized examining the *actual duties and responsibilities* rather than relying solely on nomenclature.

Strikes and Lockouts

*Syndicate Bank and Ors v. K. Umesh Nayak*⁵¹⁹, in this case, the Supreme Court observed that the right to strike is not a fundamental right under the Constitution of India. While workers do have the right to peaceful protest and to form associations, the right to strike is governed and restricted by statutory provisions under the Industrial Disputes Act, 1947. The Court emphasized that strikes must follow proper legal procedures, and any illegal or unjustified strike can be subject to penalties or disciplinary actions.

*Excel Wear v. Union of India*⁵²⁰, the Court addressed the closure of a business establishment under the Industrial Disputes Act. It held that while the right to close a business is a part of the fundamental right to carry on a trade or business under Article 19(1)(g) of the Constitution, reasonable restrictions can be imposed in the interest of the general public. However, an absolute restriction or a complete denial of the right to close down a business would be unconstitutional. The decision struck a balance between employer rights and worker protection.

Retrenchment

*Municipal Corporation of Greater Bombay v. Labour Appellate Tribunal of India*⁵²¹, this case clarified that retrenchment must comply strictly with the Industrial Disputes Act. The Court emphasized the need for procedural fairness and proper justification for terminating workers, reinforcing that retrenchment cannot be used arbitrarily by employers.

Lay Off

Management of Karibetta Estate, Kotagiri PO v. Rajamanickam, 1960 AIR 893, 1960 SCR (3) 371, the Supreme Court distinguished between "lay-off" and "retrenchment," holding that lay-off implies a temporary inability to provide employment due to specific reasons like

⁵¹⁶ AIR 1978, 1978 AIR 1410, 1978 SCR (3) 1073

⁵¹⁷ 1985 AIR 985, 1985 SCR Suppl. (1) 282

⁵¹⁸ 1988 AIR 329

⁵¹⁹ 1995 AIR 319, 1994 SCC (5) 572

⁵²⁰ 1979 AIR 25, 1979 SCR (1) 1009,

⁵²¹ AIR 1957 Bom 188

machinery breakdown or shortage of raw materials. The employer-employee relationship continues during a lay-off.

Suits of Employment Indian Express Newspaper v. State of West Bengal⁵²² the Calcutta High Court ruled on the scope of employer authority and the rights of journalists under the Working Journalists Act. It reiterated that employment conditions must conform to statutory protections and cannot be altered to the detriment of employees without due process.

Settlement

Bata Shoe Co. Ltd. v. D.N. Ganguly⁵²³, this landmark case held that a settlement reached outside the conciliation process is binding only on the parties directly involved. The Supreme Court also underlined the importance of proper conciliation mechanisms and fair bargaining in resolving industrial disputes.

Execution Proceedings

M/S K. K. Sasturi and Sons Pvt. Ltd. v. N. Salivateswaran⁵²⁴, In this case, the Supreme Court held that a labour court's award can be enforced through execution proceedings similar to a civil court decree. It reinforced the authority of labour tribunals and ensured that workers have a clear legal pathway to enforce awards in their favour.

Equal Work = Equal Pay

Randhir Singh v. Union of India⁵²⁵, This landmark judgment recognized "Equal Pay for Equal Work" as a constitutional right under Article 14 (Right to Equality). The Court held that the state cannot discriminate in pay between persons performing the same duties and responsibilities. It laid the foundation for pay parity in public employment.

Bonded Labour

Bandhua Mukti Morcha v. Union of India⁵²⁶, The Supreme Court took a landmark step in

protecting the rights of bonded labourers, holding that the existence of bonded labour is a direct violation of Articles 21 and 23 of the Indian Constitution. The case was initiated through a public interest litigation by an NGO that exposed the inhumane conditions of labourers working in stone quarries in Haryana. The Court emphasized that the right to live with human dignity, free from exploitation, is an essential part of the right to life. It also held that the state has a constitutional obligation to identify, release, and rehabilitate bonded labourers under the Bonded Labour System (Abolition) Act, 1976. This judgment significantly widened the scope of fundamental rights and established the judiciary's role in enforcing socio-economic justice.

Miscellaneous Public Interest / Labour Rights Cases

People's Union for Democratic Rights v. Union of India⁵²⁷, In *People's Union for Democratic Rights v. Union of India* (1982 AIR 1473), the Supreme Court expanded the scope of Article 21 and Article 23 by holding that non-payment of minimum wages amounts to forced labour, thereby making it unconstitutional. The Court emphasized the state's duty to ensure basic labour rights.

Delhi Transport Corporation v. D.T.C. Mazdoor Congress⁵²⁸, the *Congress* (1991 AIR 101), the Court held that the principle of natural justice must be followed in public employment, especially in disciplinary actions and termination of employees, reinforcing the need for fairness and reason in administrative actions.

Mathurwa Gramin Bank Karmchari Sangthan v. Management of Gramin Bank⁵²⁹, the Court upheld the importance of employees' rights in cooperative and regional rural banks, ruling on service conditions and fair treatment, thus reinforcing the judicial commitment to labour welfare in diverse work settings.

⁵²² (2005) ILLJ 333 Cal

⁵²³ 1961 AIR 1158, 1961 SCR (3) 308

⁵²⁴ 1958 AIR 328

⁵²⁵ 1982 AIR 879

⁵²⁶ 1984 AIR 802

⁵²⁷ 1982 AIR 1473

⁵²⁸ 1991 AIR 101

⁵²⁹ (2011) 9 SCC 620

IMPACT OF ECONOMIC LIBERALIZATION (POST-1991)

The economic liberalization of 1991, aimed at accelerating growth and reducing poverty, significantly altered India's labour landscape. While it succeeded in opening markets and boosting GDP, it simultaneously weakened labour protections, particularly for informal and unorganised workers. Secure, formal employment declined, giving way to a surge in contractual and casual jobs. Employers increasingly relied on subcontracting and short-term hires to bypass regulations and undermine trade unions. Wages in the organised sector fell, job security diminished, and voluntary retirements became more common. The reforms also disproportionately affected women, widening the gender pay gap as many were pushed into lower-paying, non-unionized roles. Employment generation slowed, and the rise of contract labour—from 15% in 1995 to 35% in 2011—further highlighted the growing precarity of work. Though courts like in *Olga Tellis v. BMC*⁵³⁰ and *Shivashakti Sugars v. Shree Renuka*⁵³¹ acknowledged the need to balance economic interests with social justice, the overall trend pointed to a decline in union power and an erosion of workers' rights. In essence, liberalization brought growth but also intensified economic inequality and worker vulnerability, underscoring the urgent need for balanced and inclusive labour reforms.

OVERVIEW OF THE FOUR LABOUR CODES

Code on Wages, 2019

The Code on Wages, 2019 is a significant reform aimed at ensuring fair and timely remuneration for all workers across both organised and unorganised sectors in India. It consolidates and replaces four earlier laws: the Payment of Wages Act, Minimum Wages Act, Payment of Bonus Act, and Equal Remuneration Act. A key feature is the introduction of a **national floor wage**, which sets a baseline below which no state can fix its minimum wages, thereby

ensuring a minimum standard of living for workers across regions. The Code prohibits **gender-based wage discrimination** for the same or similar work and mandates regular and timely payment of wages. It provides stricter penalties, including fines and imprisonment, for violations such as non-payment of the minimum wage. The Code simplifies compliance for employers and strengthens wage protection for workers, making it a landmark step towards ensuring wage justice and financial inclusion for India's vast workforce.

Code on Industrial Relations, 2020

The Code on Industrial Relations, 2020 aims to modernize and streamline India's labour dispute framework by consolidating three key laws: the Industrial Disputes Act, Trade Unions Act, and Industrial Employment (Standing Orders) Act. **It broadens the definition of "worker"** to include those in technical, clerical, manual, and operational roles, and permits the hiring of fixed-term employees with benefits equal to those of permanent workers. The Code facilitates ease of doing business by allowing **industrial** establishments with fewer than 300 workers to conduct layoffs, retrenchments, or closures without prior government approval—a significant shift from the previous threshold of 100. It mandates a 14-day notice period for strikes and lockouts, introduces a re-skilling fund for retrenched workers, and provides a helpline for migrant workers to address grievances. While the Code promotes flexibility and simplifies compliance, it has raised concerns about the dilution of trade union power and reduced job security, especially in smaller enterprises.

Code on Social Security 2020

The Code on Social Security, 2020 aims to extend social protection to a wider segment of the workforce, including those in the unorganised, gig, and platform sectors. It consolidates and rationalises nine previous laws, such as the EPF Act, ESI Act, and Maternity Benefit Act, into a single, streamlined

⁵³⁰ 1986 AIR 180, 1985 SCR SUPL
⁵³¹ (2007) 4 SCC 723

framework. The Code expands the definition of "employee" to include construction workers, inter-state migrant workers, film industry workers, and gig/platform workers, ensuring they too can benefit from schemes like EPF, ESI, and gratuity. It empowers the Central Government to formulate welfare schemes and establish a Social Security Fund for unorganised sector workers. Notably, fixed-term employees are now entitled to gratuity regardless of their service period. The Code also proposes the creation of a National Database of Unorganised Workers, aimed at improving portability of benefits across state lines. Overall, the Code is a transformative step toward inclusive and universal social protection, though its full potential hinges on effective implementation and participation from both employers and state governments.

Code on Occupational Safety, Health and Working Conditions (OSH), 2020

The Code on Occupational Safety, Health and Working Conditions (OSH), 2020 consolidates 13 existing labour laws into a unified framework aimed at ensuring safer and healthier workplaces for all employees. It applies to factories, mines, docks, construction, and other establishments with specified worker thresholds—20 workers with power-based manufacturing or 40 without. The Code mandates a hazard-free work environment, free annual health check-ups for certain categories, and ensures that workers receive appointment letters, encouraging formal employment. It limits the working day to 8 hours, and notably allows women to work in all sectors and night shifts, provided safety measures are in place. It also promotes worker welfare by mandating clean drinking water, canteens, restrooms, and crèches where applicable. The Code aims to harmonise safety standards across sectors while simplifying compliance for employers. Although progressive in intent, its success depends on robust enforcement and worker awareness to truly elevate occupational health and safety standards across India.

FUTURE OF LABOUR LAWS IN INDIA

India's labour law reforms in recent years mark a transformative effort to modernize the country's regulatory framework to align with global economic standards and meet the evolving needs of its workforce. The most significant step has been the consolidation of 29 central labour laws into four major labour codes: the Code on Wages, Industrial Relations Code, Social Security Code, and Occupational Safety, Health and Working Conditions Code. This consolidation aims to simplify the previously complex and overlapping laws, reduce the compliance burden for employers, and enhance clarity and uniform protection for employees. A major focus of the reforms is on expanding social security coverage, especially through the inclusion of unorganised, gig, and platform workers in welfare schemes under the Social Security Code, which introduces universal coverage, provident fund benefits, insurance, maternity benefits, and gratuity, including for fixed-term employees. Simultaneously, the Industrial Relations Code introduces greater flexibility in hiring and retrenchment, allowing firms with up to 300 workers to lay off staff without government approval and promoting dispute resolution through negotiation and mediation. The OSH Code brings standardised safety norms across sectors, mandates annual health checkups, ensures the right to a safe, hazard-free work environment, and empowers women to work in all sectors, including night shifts, subject to safety provisions. Furthermore, the push toward digitalisation of compliance through online portals has made the filing of returns, payment of dues, and grievance redressal more efficient and transparent, especially benefiting small and medium enterprises (SMEs). These reforms are intended to balance worker welfare with business efficiency, but concerns remain around the weakened power of trade unions and potential exploitation in the name of flexibility. Ultimately, the success of these reforms depends on timely implementation, the cooperation of state

governments, and the adaptability of all stakeholders in India's labour ecosystem.

CONCLUSION

The evolution of labour law in India reflects a continuous journey shaped by historical shifts, socio-political movements, economic reforms, and judicial activism. From the welfare-oriented practices of ancient India to the colonial-era laws influenced by British economic interests, and from the nationalist movement's push for protective legislation to the post-independence constitutional commitment to social justice, India's labour law framework has undergone significant transformation. The judiciary has played a vital role in interpreting these laws progressively, expanding the scope of worker rights and ensuring equitable treatment in employment relations. The economic liberalization of the 1990s introduced new challenges, especially in terms of informalization and weakened union power, highlighting the need for a more inclusive and adaptive legal framework. In response, the consolidation of 29 central labour laws into four comprehensive Labour Codes marks a landmark reform, aiming to simplify compliance, extend social security, promote workplace safety, and foster a more flexible industrial relations environment. However, the true impact of these reforms will depend on their effective implementation, cooperation between the Centre and states, and the continued balancing of economic growth with labour welfare. As India moves forward in its economic journey, labour law will remain a critical pillar in achieving equitable and sustainable development.

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