INDIAN JOURNAL OF LEGAL REVIEW

VOLUME 6 AND ISSUE 1 OF 2026

INSTITUTE OF LEGAL EDUCATION

INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN - 2583-2344

(Open Access Journal)

Journal's Home Page – https://ijlr.iledu.in/

Journal's Editorial Page - https://ijlr.iledu.in/editorial-board/

Volume 6 and Issue 1 of 2026 (Access Full Issue on - https://ijlr.iledu.in/volume-6-and-issue-1-of-2026/)

Publisher

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INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 6 AND ISSUE 1 OF 2026

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

Institute of Legal Education

https://iledu.in

FROM FRAGMENTED COMPLIANCE TO UNIFIED CODES: A COMPARATIVE ANALYSIS OF OLD LABOUR LAWS, COMPLIANCE CHALLENGES, AND EMERGING JUDICIAL TRENDS UNDER INDIA'S NEW LABOUR CODES

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BEST CITATION - ASHIMA BHAGAT, FROM FRAGMENTED COMPLIANCE TO UNIFIED CODES: A COMPARATIVE ANALYSIS OF OLD LABOUR LAWS, COMPLIANCE CHALLENGES, AND EMERGING JUDICIAL TRENDS UNDER INDIA'S NEW LABOUR CODES, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 6 (1) OF 2026, PG. 272-277, APIS – 3920 – 0001 & ISSN - 2583-2344.

Abstract

The Indian labour law regime has always been marked by fragmentation, multiple jurisdictions, and a heavy burden of compliance in the wake of central legislation over almost three decades, in addition to state legislation. This paper presents a critical and comprehensive doctrinal and comparative study on the transition in the Indian labour law regime, hitherto a 'silo-based' regime, to the 'Four Labour Codes,' to wit: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health, and Working Conditions Code, 2020. The purpose and intent of the 'Four Labour Codes' will also be explored in this paper, specifically in terms of ease of doing business, formalizing the workforce, increasing the scope of social security, and the need to update the 'colonial-era' labour laws. The paper highlights the procedural and substantive changes brought about by the Codes, such as standardized definitions of wages, expanded coverage of the minimum wage and social security, mandatory appointment procedures, simplified safety norms, and a new framework of industrial relations. Special emphasis is given to the changing compliance framework, characterized by digitization, single-window registration, reduced number of registers, and the new role of labor inspectors as facilitators, not enforcers. This paper also critically examines the transition issues relating to staggered implementation, double obligations, savings provisions, and ambiguities surrounding wage structure and benefits. In addition, it examines the effects of state-level rule-making with regards to uniformity, pointing to the ways in which the simultaneous role of labor continues to produce regional disparities, even under centralized codification. This article points to the contemporaneous significance of pre-Code judicial decisions through an analysis of Supreme Court decisions regarding maternity benefits, regularization, and worker classification, and tracks current judicial trends regarding gig and platform workers under the current regime. This article concludes by stating that, while a major milestone in terms of a more cohesive and modernized system of labor regulation, the Labour Codes' effectiveness will be dependent upon successful rule-making, federalism, administrative capacity, and a supportive judicial philosophy during and after the transition period.

I) Background and Rationale of Labour Law Reforms

India's former labor law structure was "silo-based, complex and in some places outdated," comprising 29 central acts. In this context, there was a move to simplify and upgrade this structure through the consolidation of laws in four "Omnibus Codes," recommended by the Second National Commission on Labour. The rationale for this move includes ease of compliance for businesses, enhanced security

for employees, and alignment with modern needs. In this regard, some of the objectives include securing minimum and timely payments for all employees, providing social security to gig employees/fixtures employees, providing formal letter appointments, and improving workplace security through annual health checks. In this regard, the Codes are presented as "transformational" in upgrading colonial-era laws.

II) Overview of the Old Labour Law Regime

The Codes replaced a large number of Acts in the labor system of India. The major Central Acts were: Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; Equal Remuneration Act, 1976; Industrial Disputes Act, 1947; Trade Unions Act, 1926; Industrial Employment (Standing Orders) Act, 1946; Factories Act, 1948; Mines Act, 1952; Contract Labour (Regulation & Abolition) Act, 1970; ESI Act, 1948; Employees' Provident Funds Act, 1952; and Maternity Benefit Act, 1961. Each state also had its own Shops & Establishments legislation and labor laws. This resulted in overlapping jurisdictions. The inspectors were required to maintain multiple registers & licenses (78 registers under various Acts, according to one state's review). This resulted in ambiguity (for example, multiple definitions of "wages"). There were also gaps in coverage. "The country," according to one government's press note on the Codes, "was governed by 'fragmented, complex… provisions' under 29 Acts," thereby hindering ease of doing business.

III) Introduction to the New Labour Codes

To deal with these problems, Parliament has introduced four new Labour Codes: *Code on Wages, 2019; Industrial Relations Code, 2020; Code on Social Security, 2020; and Occupational Safety, Health, and Working Conditions (OSH) Code, 2020.* These Codes have been notified as Acts during 2019 and 2020, and they have been brought into force with government notification on November 21, 2025. These Codes will replace, or rather, subsume the existing 29 laws within their respective areas. Key points include: a common definition of "wages" to remove inconsistencies among existing laws; mandatory formal appointment letters for all employees; extension of social security schemes like maternity benefit, provident fund, ESI, to hitherto excluded employees, including gig and platform workers; equality of benefits for fixed-term and regular employees; and liberalized leave policies, with annual leave granted after 180 days of service. Industrial Relations Code provides for centralized union registration and dispute settlement, increases the threshold for government permission for lay-off from 100 to 300 employees, and requires strict notice periods for strikes. In short, new Codes promote ease of compliance, with digital single registration or license, and also retain essential worker rights.

IV) Comparative Analysis: Old Labour Laws vs New Labour Codes

The transition from old laws to codes brings many important changes, such as:

A) **Coverage:** Now, the Code on Wages provides a right to minimum wages and timely payment to all employees covered under it. This removes any gaps existing earlier. It also brings five existing acts, namely Payment of Wages, Minimum Wages, Bonus, and Equal Remuneration, under one common scheme. Earlier, only around 40% of employees were covered under the scheme of minimum wages, but this code will cover all sectors, with wages set by states.

B) **Formalization:** Instead of the previous practice of appointing people through ad hoc recruitment, there is now a written letter of appointment for all employees. Fixed-term employees are entitled to the same benefits as permanent employees, such as gratuity after one year of service, instead of five years for permanent employees. Women are allowed to work at night and in danger-prone processes with their consent.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]
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C) **Union Rights & Dispute Resolution:** The Industrial Relations Code combines trade union legislation and rules for industrial disputes. Strikes must now give a notice of at least 14 days, while there are more restrictions in key sectors. The Code has increased the employee limit for mandatory retrenchment approval from 100 to 300.

D) **Social Security**: The Social Security Code widens welfare programs. It increases coverage of Provident Fund, ESI, and pensions to more employees (for example, contract employees working in shops). Most importantly, it brings gig and platform workers within the definition of "unorganised workers" who can benefit from welfare programs. Unlike having different schemes running simultaneously, it provides a single scheme for pensions, insurance, and maternity/Social Security.

E) **Safety & Health:** The OSH Code rationalizes the Factories Act, Mines Act, Dock Workers Act, etc. It provides for medical check-ups every year for senior workers and also includes all establishments (within a specified limit) for safety. Many standards have become central (e.g., no overtime of more than 48 hours a week) that applied only to factories before.

Such variations, taken together, simplify regulation. Thus, the definition of 'wages' in the Code on Wages, which includes basic wages and 50% of basic wages as allowances, and the focus on timely payment of wages harmonize different understandings of the former laws. Employers' freedom to recruit on a fixed-term employment contract, to retrench more people, is offset by strict procedural requirements, such as mandatory ESI/EPF membership and heavier penalties.

V) Evolving Compliance Framework under the New Codes

The Codes bring in a new regime regarding compliance. The most notable change in this regard is the *single-window online compliance.* This means that employers are required to make only one registration/licence and file only one annual return on the government's Shram Suvidha Portal. This is in contrast to earlier practices in which employers had to make different filings under different Acts. There is a shift in the role of the labor inspectors to "facilitators" and not just "enforcers". For instance, in Uttar Pradesh, the role of the inspectors has been redefined to aid in compliance (such as conducting an audit and charging compounding fees) rather than immediate prosecution. The number of mandatory registers has been drastically reduced (from 78 under previous laws to approximately 8 under the OSH Code). Such changes signify an effort to make officials more of an advisory capacity and move away from the 'inspector raj' regime.

Other compliance changes include: mandatory electronic returns, online platform for grievance redressal, and portability of labour identification (worker codes) envisioned. The 'uniform factory license' replaces 'state factory licenses'. The specific regulations (e.g. number of hours in a day, overtime rate of pay, leave terms) have to be set by the states, but these have to comply with the Codes. The overall framework of compliance is more centralized and online, although its form is to be determined in detail in rules to be finalized.

VI) Practical Compliance Challenges during the Transition Phase

The transition period has been quite challenging. As the new Codes have repealed the old Acts only through phased notifications, employers have been facing double compliance. As explained in the clarification issued by the Ministry, "old rules will remain in force till final notification of the new rules". This translates to the fact that until the state and central governments provide notification for the replacement regulations, which, as of early 2026, remains an ongoing process, a legacy register needs to be maintained by the concerned business entities. According to a Lexology analysis, Section 6 of the General

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Clauses Act, 1897, with the help of savings clauses in the Codes, preserves any rights, liabilities, or inspections that may be taking place under the old laws. For instance, any case pending in respect of industrial disputes, as governed by the Industrial Disputes Act, shall be heard in accordance with the Industrial Disputes Act until the matter is disposed of. But in the area of, for example, worker benefits, one of the transitional issues is that the "Social Security Code has repealed the EPF Act (Pension Scheme) partly in the first instance, and so the existing EPF Scheme shall continue for the time being".

Other factors that may affect the company include wage calculation uncertainty (the "50% rule" for allowances), changes in mandatory leave reporting, and training HR professionals on the new system. Overall, the period of the transition (which is expected until mid-2026 or later) is one where the industry will need to adapt to both systems simultaneously. This is the legacy of the overlap of laws, ironically, the problem the Codes were intended to solve.

VII) State-Level Variations and Their Impact on Uniformity

Labor being a concurrent subject, the role of the States in enforcing the Codes is of prime importance. Generally, the Central Law shall prevail over any repugnant State Law unless the State Law or Rules obtain the assent of the President. States are entrusted with informing regulations regarding issues left unspecified (such as hours of work, spread-over times, and welfare contributions). As a result, there has been considerable variation in these aspects. For example, in the state of Tamil Nadu, known for its worker-friendly legislation (such as liberal child-care leave policies), there was a swift issuance of amendments to the Factory Rules of 1950 regarding allowing women in prohibited hazardous occupations and working at night shifts as per the new Codes. This step has been widely contested, with unions complaining that there is no safety measures provided for in the draft, emphasizing how countries can adjust the application of the law according to local needs.

In Uttar Pradesh, on the other hand, various committees have been established to "fine tune the Codes according to local needs," after which suggestions will be taken for final notification. Maharashtra, being a major industrial state, also has to reconcile the Codes with its own labor laws. Variations also exist in the minimum wage rates. While the Codes prescribe that the state governments are required to notify the uniform minimum wage rates for different industries, the central government has yet to prescribe any minimum wage rates.

This means that, despite having Codes at a national level, it will not be an exact set of rules everywhere. This implies that companies will not only have to comply with rules at a central level but also with rules at a state level. However, any repugnant provision at a state level would render it null and void, provided it has been approved by the President, ensuring there is a degree of centralization.

VIII) Role of Judicial Interpretation and Continuing Relevance of Old Case Law

However, the courts have stressed the element of continuity in the legislative overhaul. The Supreme Court has observed that "the new Codes do not wipe the slate clean"; Section 6 of the General Clauses Act provides that a right, liability, or legal remedy acquired under a repealed law shall not be affected. Hence, precedents already established in court are still applicable in determining the application of similar provisions. For instance, in the case of *Kavita Yadav vs. Secretary, Ministry of Health & Family Welfare (2023)*, the SC asserted that when a woman satisfies the eligibility criteria to claim maternity benefits, those benefits *"can travel beyond the tenure of the contract"*. This is based on earlier precedents, for example, *Municipal Corporation of Delhi v. Female Workers (Muster Roll), (2000) 3 SCC 224*, which also held that a right to maternity benefit is not affected by the termination of a contract. The

Code of Social Security and Wages also include maternity provisions, and thus, the principle of Kavita Yadav will be applicable in disputes under the new codes.

Likewise, provisions related to regularization will continue to apply. In *Uma Devi v. State of Karnataka, (2006) 4 SCC 1*, it was held that a "back door" entry into public services was not permissible, but subsequently, courts clarified that it was never intended to affect casual workers who had long service. In *Jaggo v. Union of India (2024),* the SC reiterated that persons doing "ongoing and necessary" work for long durations will not be denied regularization on technical grounds. This is because the principle that equity is always in favor of the conversion of long-term casual employees to permanent employees would be applicable in the new IR Code in the context of the provisions for permanent as opposed to temporary work. Other established principles, such as the "industry-region" test for wage revision in *VVF Employees' Union v. VVF India Ltd., 2024,* and the wide override in Section 27 of the Maternity Benefits Act in the case of Kavita Yadav will guide judicial interpretations of the Codes. Thus, precedents of judicial decisions, as quoted here for illustration: *Uma Devi v. Karnataka, (2006) 4 SCC 1; MCD v. Female Workers, (2000) 3 SCC 224; and Kavita Yadav v. Secy., MoHFW, (2023) SCC OnLine SC 1067,* will remain valid till they are explicitly nullified by judicial pronouncements, as the judiciary seeks to incorporate the old into the new.

IX) Emerging Judicial Trends under the Labour Codes

There are not yet many cases on the Codes themselves, but there is early judicial interest on related matters. One of the most prominent cases currently before the courts is *Indian Federation of App-based Transport Workers v. Union of India (WP(C) No.1068/2021),* where the Supreme Court is considering whether app-based "gig" drivers can be considered "unorganised workers" entitled to social security guarantees under Articles 14 and 21. The SC is also pushing the government regarding the delay in the implementation of Social Security Code provisions regarding gig economy workers, which shows that there is a trend of judicial review regarding issues of inclusion and equality. In 2024, the Court also decided important matters regarding contract labor and regularization (such as *Mahanadi Coalfields Ltd. v. Coal Mines Workers' Union and Jaggo v. UOI*), all of which are based on substance over form in regard to the classification of employees, a philosophy that will also be applied in matters involving the new Codes.

High Courts will probably read the Code with fundamental rights in mind. Questions are bound to pop up, like whether state benefits, such as Tamil Nadu's maternity schemes for women, can exist alongside the new uniform Codes, or what happens when the national "one licence" rule clashes with older state licensing systems. We're still waiting for more cases under these Codes, but right now, courts seem to lean toward a rights-focused, active stance. They're quick to enforce worker rights things like maternity leave, equal pay, PF and ESI contributions and they don't hesitate to call out unfair denials, especially for workers who've been around a long time or are more vulnerable. In summary, early judicial activity suggests courts will adapt established labor jurisprudence (favoring broad worker protections) to any ambiguities in the new framework.

X) Conclusion and Way Forward

The labour law reforms in India signify the beginning of a historical change aimed at unifying the system of labour legislation that existed for over a century through Codes. Theoretically, the new system simplifies compliance and expands protections (compensation, security, and safety) to many more workers. But to successfully implement the new system, there have to be detailed regulations and a strong emphasis on enforcing those regulations. Currently, a hybrid system of existing laws (which are still in effect) and new

Code laws is in place. In the future, a fine-tuning of laws (feedback-based) and judicial scrutiny will be essential. Old case laws may be used to clarify ambiguities created by the Codes. Suggestions by stakeholders include improving online portals like Shram Suvidha, training inspectors to act as facilitators, and ensuring equality in other areas. When fully implemented, the combined Codes may lead to increased transparency and worker benefits. "The way forward" will be to strike a right balance between flexibility and protection, and keeping a watch on judicial pronouncements regarding issues like gig workers' rights.

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