

An Analysis of Impact of New Labour Code on Organised and Unorganised Sector in India

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Abstract: Indian Labour Legislations are playing pivotal role in maintaining harmony at Workplace in 2020, the - Govt of India had introduced New Labour codes to rationalising 29 existing labour laws in 4 labour codes namely the code on wages 2019, The IR CODE 2020, The code on social security 2020 & the occupational health & safety code 2020 with effect from 21st Nov, 2025. Labour reforms are an important component of economic development and workforce regulation in India. These reforms aim to simplify labour regulation, enhance worker protection, and promote ease of doing business. However, their implications differ significantly between the organized and unorganized sectors, which together form the backbone of India's labour market. This study conducts a systematic review of existing literature to examine how the labour codes influence employment conditions, social security coverage, compliance requirements, and worker welfare across both sectors. The review finds that while the codes provide regulatory simplification and improved compliance mechanisms for the organized sector, the unorganized sector faces challenges such as limited awareness, weak enforcement mechanisms, and barriers to accessing social security schemes. The study concludes that the success of labour codes depends on effective implementation, improved institutional capacity, and targeted policy support for informal workers.

Keywords: Labour Codes, Organized Sector, Unorganized Sector, Labour Law Reform, Social Security, India

1. Introduction

Labour legislation in India:

In India labour legislation is currently undergoing its most significant transformation since independence. The government has consolidated **29 central labour laws** into **four comprehensive Labour Codes** to simplify compliance, expand social security, and improve the ease of doing business.

The Four Labour Codes (Implemented Nov 2025)

These codes replaced a fragmented system of nearly 40 central and over 100 state laws.

- **Code on Wages, 2019:** Establishes a **universal minimum wage** for all sectors and introduces a "National Floor Wage" that states cannot go below. It ensures equal pay regardless of gender and mandates the timely payment of wages.
- **Industrial Relations Code, 2020:** Streamlines rules for trade unions, strikes, and industrial dispute resolution. It raises the threshold for government permission for layoffs or closures from 100 to **300 workers**.
- **Code on Social Security, 2020:** Extends social security benefits (like insurance and pensions) to **gig and platform workers** for the first time. It also makes fixed-term employees eligible for gratuity after just **one year** of service instead of five.
- **Occupational Safety, Health and Working Conditions Code, 2020:** Standardises safety norms across sectors like mines, factories, and plantations. It mandates **free annual health check-ups** for workers over 40 and formal appointment letters for all employees.

Key Working Condition Standards

- **Working Hours:** Maximum 8–9 hours per day and **48 hours per week**.
- **Overtime:** Compensation must be at **double the regular wage rate**.

- **Women's Rights:** Women can now work in **night shifts** (with consent and safety measures) and are entitled to 26 weeks of paid maternity leave.
- **Leave:** Eligibility for paid annual leave has been reduced from 240 days of work to **180 days**.

Constitutional & Legal Framework

- 1) **Concurrent Subject:** Labour falls under the **Concurrent List** (Schedule VII), meaning both Central and State governments can enact and enforce laws.
- 2) **Fundamental Protections:**
 - **Article 23:** Prohibits forced labour and trafficking.
 - **Article 24:** Prohibits child labour in hazardous industries.
 - **Article 42:** Directs the State to ensure just, humane work conditions and maternity relief
 - **POSH Act (2013):** Mandates an Internal Complaints Committee (ICC) in every organisation with 10+ employees to address sexual harassment.

Current Developments (2026)

The Labour code was recently published for public comment (as of March 2026), proposing further protections for "on-call" workers and a gender-neutral parental leave framework.

Role of ILO in Indian Labour Legislations:

The International Labour Organization (ILO) has played a foundational and ongoing role in shaping India's labour landscape. As a founding member since 1919, India has used ILO standards to transition from colonial-era regulations to a modern, rights-based legal framework.

1) Influencing National Legislation

The ILO's conventions and recommendations serve as the blueprint for several key Indian statutes:

- **Factories Act, 1948:** Directly influenced by early ILO conventions on working hours, safety, and health.

- **Minimum Wages Act, 1948:** Reflects ILO advocacy for a living wage to ensure workers are not paid below subsistence levels.
- **Child Labour (Prohibition and Regulation) Act, 1986:** Aligned with ILO's mission to abolish child labour, further strengthened by India's 2017 ratification of **Conventions 138** (Minimum Age) and **182** (Worst Forms of Child Labour).
- **Maternity Benefit Act, 1961:** Derived from ILO principles ensuring health and job security for pregnant employees.

2) Adoption of "Core" Conventions

India has ratified **6 out of the 8 fundamental ILO conventions**, demonstrating a commitment to global human rights at work:

- **Forced Labour:** Conventions 29 & 105.
- **Discrimination:** Conventions 100 (Equal Remuneration) & 111 (Employment and Occupation).
- **Child Labour:** Conventions 138 & 182.
- **Note:** India has **not ratified** Conventions 87 and 98 (Freedom of Association and Collective Bargaining) due to technical conflicts with statutory rules for government servants.

3) Constitutional Integration

The Indian Constitution's **Directive Principles of State Policy** (Articles 39, 41, 42, and 43) echo the ILO's philosophy of social justice and decent work:

- **Article 39:** Mandates equal pay for equal work for both men and women.
- **Article 42:** Directs the State to provide just and humane conditions of work and maternity relief.
- **Article 43:** Promotes the securing of a living wage and decent standard of life.

4) Tripartism and Social Dialogue

India adopted the ILO's **Tripartite Structure**, which brings together the government, employers (e.g., Council of Indian Employers), and workers (e.g., Central Trade Unions). This model is institutionalized through the **Indian Labour Conference (ILC)**, which advises the government on policy changes and legislative reforms.

5) Judicial Reference

The Supreme Court of India frequently cites ILO conventions to interpret fundamental rights. For instance:

- In **Bandhua Mukti Morcha v. Union of India**, the court invoked ILO norms to define and eradicate bonded labour.
- In cases involving gender equality, courts often refer to **Convention 111** to address workplace discrimination.

Organised & Unorganised Sector Employees:

In India, the labour force is largely divided into organised and unorganised sectors, with over 90% of workers in the latter, which lacks job security and legal protections. The **organised sector** consists of registered enterprises, government jobs, and large firms that follow labour laws, providing fixed wages, benefits like PF/insurance, and formal contracts. Conversely, the **unorganised sector** includes agriculture, small-scale enterprises, and street vendors, operating without regulation or formal contracts, often offering lower wages and no social security. While organized workers enjoy stable

employment, unorganised workers face irregular income and vulnerability to exploitation.

Key Aspects of Indian Employment Sectors:

- **Organised Sector:** Provides, on average, higher, stable wages, regular work hours, and adherence to labour laws (e.g., minimum wage, insurance).
- **Unorganised Sector:** Comprises the vast majority of the workforce (over 90%), characterized by small, scattered units, seasonal employment, and lack of formal safety nets.
- **Worker Vulnerability:** Unorganised workers are highly vulnerable, often working in dangerous environments without safety gear or legal recourse.
- **Economic Contribution:** While the unorganised sector provides massive employment, the organised sector contributes significantly to formal GDP.
- **Social Security:** While the government aims to cover unorganised workers through initiatives, access to benefits like pensions and health insurance is limited compared to the organised sector.

New Labor Code:

India's new Labour Codes, effective November 21, 2025, overhaul employment laws by consolidating 29 central laws into four codes: Wages, Social Security, Industrial Relations, and Occupational Safety

(OSHC). Key changes for 2026 include a 50% basic pay structure, universal minimum wages, mandatory appointment letters, and extended social security to gig/platform workers.

Key 2026 Changes & Impact:

- **Salary Structure:** Basic pay must be at least 50% of total salary, potentially reducing takehome pay but increasing PF/gratuity contributions.
- **Gratuity:** Eligible after one year of service for fixed-term employees.
- **Working Conditions:** Mandatory appointment letters for all employees. o **Women Empowerment:** Women can work night shifts in all sectors, provided safety, transportation, and consent are ensured.
- **Compliance:** Replaces multiple filings with single, digital, pan-India registration.

Implementation Status:

The government issued draft rules for these codes in December 2025, seeking stakeholder feedback. These changes are designed to modernize the labor market, promoting formalization and safety.

Intention of New Labor Code:

The New Labour Codes, effective in India from November 21, 2025, aim to consolidate 29 central laws into four codes (Wages, Social Security, Industrial Relations, OSHWC) to simplify compliance, boost ease of doing business, and modernize worker welfare. The core intention is to create a digital, formal, and transparent ecosystem—including gig workers- while enhancing safety, wages, and reducing administrative bottlenecks.

Key intentions and changes for 2025-2026:

- **Consolidation & Simplified Compliance:** 29 laws are replaced with 4 codes, introducing single registrations, PAN-India licenses, and simplified digital returns.
- **Formalization & Social Security:** Expands social security coverage to gig workers, platform workers, and unorganized sector workers via the e-Shram portal.
- **Minimum Wages & Timely Payment:** Establishes a national floor wage, broadens the definition of wages to include 50% of total remuneration, and ensures payment by the 7th of every month.
- **Worker Welfare & Safety:** Mandatory, free annual health check-ups, enhanced safety standards, and allowing women to work in all sectors (including night shifts) with consent.
- **Fixed-Term Employment (FTE):** Promotes direct hiring, with fixed-term workers receiving benefits equivalent to permanent staff, including pro-rata gratuity after one year.
- **Industrial Relations:** Aims for smoother conflict resolution and more flexible hiring/firing rules for employers, reducing litigation.

These reforms aim to balance increased labor productivity with stronger worker rights, driving a more inclusive and productive economic environment by 2026

Objectives of the Study:

- To study different labour legislation in Indian context.
- To study impact of ILO on designing New Indian labour code
- To study the concept of new labour code 2025
- To study new labour code organised & unorganised sector in India.

2. Review of Literature

According to the **Economic Survey 2025-26** and the latest **Periodic Labour Force Survey (PLFS)** data, India's total workforce is approximately **56.2 crore (562 million)** as of late 2025.

The distribution between the organised and unorganised sectors is roughly as follows:

1) Unorganised Sector (Informal Economy)

This sector continues to be the primary source of employment in India, accounting for nearly **90%** of the total workforce.

- Total Workers:** Estimated at **43.99 crore to 50 crore** based on various government surveys.
- e-Shram Registrations:** As of **January 2026**, over **31.48 crore** unorganised workers have registered on the e-Shram portal, which serves as a national database for this sector.
- Key Components:**
 - **Agriculture:** Employs approximately **42.4%** of the total workforce, mostly in an unorganised capacity.
 - **Self-Employed:** Accounts for **55.8% to 57.3%** of all Indian workers.
 - **Casual Labour:** Represents about **18.9% to 21.8%** of the workforce.
 - **Gig Economy:** A fast-growing sub-sector within the unorganised category, employing **1.2 crore (12 million)** workers in FY25, projected to reach 2.35 crore by 2029-30.

2) Organised Sector (Formal Economy)

The organised sector, characterized by regular wages and social security benefits, makes up the remaining **10%** of the workforce.

- **Total Workers:** Estimated at approximately **6 crores to 6.5 crore**.
- **Recent Growth:** The organised manufacturing sector added over **10 lakh jobs** in FY24 alone.
- **Regular/Salaried Jobs:** This category constitutes about **20.9%** of the total workforce (some of whom are in informal contracts within the organised sector).
- **Urban Concentration:** Urban employment is highly formalised, with **49.8%** of urban workers in regular wage or salaried positions.

GIG Economy

India's gig workforce, estimated at 7.7 million in 2020-21, is projected to grow to 23.5 million by 2029-30, driven by sectors like delivery, transportation, and freelance services. While offering flexibility, these workers often face challenges like job instability, lack of social security, and inconsistent income, averaging ₹18,000–₹20,000 monthly.

Gig Workers in India:

- Workforce Size & Growth:** The gig economy is rapidly expanding, with an estimated 7.7 million workers in 2020-21, projected to reach 23.5 million by 2029-30.
- Sector Distribution:** Gig work comprises roughly 47% medium-skilled, 31% low-skilled, and 22% high-skilled jobs. Key sectors include transportation (Ola/Uber), food delivery (Swiggy/Zomato), and e-commerce (Amazon/Flipkart).
- Demographics:** The average age of a gig worker in India is 27, and roughly 71% are the primary earners for their families.
- Earnings & Economics:** Average monthly income ranges from ₹18,000 to ₹20,000, with 77.6% of gig workers earning ₹2.5 lakh or less per year.
- Key Challenges:**
 - **Lack of Benefits:** Limited access to health insurance, paid leave, or retirement benefits.
 - **Income Volatility:** Inconsistent earnings and long working hours (8–12 hours/day).
 - **Job Insecurity:** Risk of arbitrary account suspension by platforms.
- Regulatory Framework:** The Code on Social Security (2020) recognizes gig and platform workers, intending to provide social security benefits such as life/disability insurance, health benefits, and maternity benefits through a specialized fund.
- Recent Developments:** The Union Budget 2025 introduced initiatives for identity cards and better healthcare coverage to improve financial inclusion for gig workers.

GIG Economy:

India's gig economy is rapidly expanding, with an estimated 7.7 million workers in 2020-21, projected to reach 23.5 million by 2029-30, driven by digital platforms in logistics, retail, and services. It contributes significantly to GDP and offers flexible employment, though workers face challenges regarding job security, benefits, and income instability.

Key Aspects of India's Gig Economy:

- **Workforce Growth:** The workforce, currently at 7.7 million, is expected to grow to 23.5 million by 2029-30, comprising about 4.1% of India's total workforce.
- **Sector Distribution:** Gig work is concentrated in medium-skilled jobs (47%), followed by lowskilled (31%) and high-skilled (22%) roles. Major sectors include food delivery, ride-hailing, logistics, and professional services.
- **Economic Impact:** The gig economy is growing at a 17% CAGR, with projections to contribute significantly to India's GDP and aid in economic decentralization towards Tier-2 and Tier-3 cities.
- **Key Drivers:** High youth population, digital adoption, smartphone penetration, and the need for flexible work options (especially for women) are primary drivers.
- **Regulatory Framework:** The Code on Social Security, 2020 recognizes gig workers, and the Rajasthan Platform Based Gig Workers (Registration and Welfare) Act, 2023 is a pioneering state-level effort to provide social security and benefits.
- **Challenges:** Key issues include lack of formal employer-employee relationships, income volatility, lack of social security benefits, and algorithm-driven task allocation.
- **Future Outlook:**
- **AI and Automation:** Emerging AI-powered automation and drone deliveries in cities like Bengaluru and Gurugram pose threats to low-skill delivery jobs.
- **Growth Potential:** The industry is expected to continue growing as it provides a vital, flexible source of income for millions.
- Globally, the gig economy is expanding rapidly, with estimates suggesting that 10% to 11% of the workforce in some developed countries relies on alternative, non-traditional work arrangements.

Future of Indian Labour Legislation

In the future, labour legislation in India is expected to become **more flexible, technology-driven, and inclusive**. Digital compliance systems, streamlined dispute resolution, and broader coverage of unorganized sector workers will likely improve labour governance. However, effective implementation, awareness among workers, and balancing employer flexibility with worker protection will remain important challenges.

Overall, the new labour codes represent a **major shift toward modernizing labour laws, promoting ease of doing business, and strengthening social security for the workforce in India**.

3. Finding of the Study

The study finds that the implementation of the four labour codes- Code on Wages, 2019, Industrial Relations Code, 2020, Code on Social Security, 2020, and Occupational Safety, Health and Working Conditions Code, 2020- has simplified India's labour law framework by consolidating 29 laws into a unified structure. The organized sector is likely to benefit from easier compliance, digital registration, and clearer wage definitions, while workers may gain from improved social security and transparency. However, in the unorganized sector, challenges such as lack of awareness, weak enforcement, and limited access to registration systems

like e-Shram may restrict the actual benefits reaching informal and gig workers.

4. Suggestions of the study

To ensure the success of the new labour codes, the government should focus on strong implementation, awareness programs for unorganized workers, and effective monitoring mechanisms. Simplified registration processes, better coordination between central and state authorities, and accountability of employers— especially in the gig economy—are essential to make the reforms inclusive and beneficial for both organized and unorganized sectors.

5. Conclusion

The introduction of India's labour codes represents a major structural reform in the country's labour regulatory framework. The consolidation of multiple labour laws into four codes aims to simplify compliance, expand social security coverage, and encourage formal employment.

The systematic literature review reveals that while the organized sector may benefit from regulatory simplification and improved labour market flexibility, the unorganized sector continues to face significant challenges related to awareness, registration, and enforcement of labour protections.

For labour codes to achieve their intended objectives, policymakers must focus on strengthening institutional capacity, improving worker awareness programs, and ensuring effective implementation mechanisms, particularly for informal sector workers.

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