

# Bill Summary

## The Industrial Relations Code, 2020

- The Industrial Relations Code, 2020 was introduced in Lok Sabha on September 19, 2020. It seeks to replace three labour laws: (i) the Industrial Disputes Act, 1947, (ii) the Trade Unions Act, 1926, and (iii) the Industrial Employment (Standing Orders) Act, 1946.
- **Trade unions:** Under the Code, seven or more members of a trade union can apply to register it. Trade unions that have a membership of at least 10% of the workers or 100 workers, whichever is less, will be registered. The central or state government may recognise a trade union or a federation of trade unions as Central or State Trade Unions, respectively.
- **Negotiating unions:** The Code provides for a negotiation union in an industrial establishment, having registered trade unions, for negotiating with the employer. If there is only one trade union in an industrial establishment, the employer is required to recognise such trade union as the sole negotiating union of the workers. In case of multiple trade unions, the trade union with support of at least 51% of workers on the muster roll of that establishment will be recognised as the sole negotiating union by the employer.
- **Unfair labour practices:** The Code prohibits employers, workers, and trade unions from committing any unfair labour practices listed in a Schedule to the Code. These include: (i) restricting workers from forming trade unions, (ii) establishing employer sponsored trade union of workers, (iii) coercing workers to join trade unions, (iv) damage to employer's property, and (v) preventing any worker from attending work. Any person who commits unfair labour practices is punishable with a fine between ten thousand rupees and two lakh rupees.
- **Standing orders:** All industrial establishments with at least 300 workers must prepare standing orders on certain matters. These include: (i) classification of workers, (ii) manner of informing workers about hours of work, holidays, paydays, and wage rates, (iii) termination of employment, (iv) suspension for misconduct, and (v) grievance redressal mechanisms for workers. The central government will prepare model standing orders, based on which the industrial establishments will prepare their standing orders.
- **Notice of change:** Employers must not change the conditions of service in certain matters without giving notice of the proposed changes to the workers being affected, or within 21 days of giving such notice. These matters include wages, contribution, allowances, working hours, and leave.
- **Lay-off and retrenchment:** Employers of non-seasonal industrial establishments such as mines, factories, and plantations with 50 to 300 workers must (i) pay 50% of basic wages and dearness allowance to a worker who has been laid off, and (ii) give one month's notice or wages for the notice period to the retrenched worker. Lay-off is the inability of an employer from giving employment to a worker due to reasons such as shortage of coal, power, or breakdown of machinery. Retrenchment means termination of services of a worker for reasons other than disciplinary action. Any person who contravenes these provisions is punishable with a fine between fifty thousand rupees and two lakh rupees.
- Non-seasonal industrial establishments with at least 300 workers must take prior permission of the central or state government before lay-off, retrenchment or closure. The central or state government may increase this threshold by notification. Such establishments must pay 50% of basic wages and dearness allowance to a worker who has been laid off. In case of retrenchment, the employer must either give three months' notice or pay the retrenched worker for the notice period. Any employer who violates these provisions will be punishable with a fine between one lakh rupees and ten lakh rupees.
- Within one year of retrenchment of workers, if an employer seeks to re-employ a person, he must prefer retrenched workers over other persons.
- **Voluntary arbitration:** The Code allows for industrial disputes to be voluntarily referred to arbitration by the employer and workers through a written agreement. After investigating the dispute, the arbitrator will submit the arbitration award to the government. Industrial disputes include disputes related to terms of employment, non-employment and dismissal, retrenchment, or termination of workers.
- **Resolution of industrial disputes:** The central or state governments may appoint conciliation officers to mediate and promote settlement of industrial disputes. These officers will investigate the dispute and hold conciliation proceedings to arrive at a fair and amicable settlement of the dispute. If no settlement is arrived at, either party to the dispute can make an application to the Industrial Tribunal, constituted under the Code. The central government may also constitute National Industrial Tribunals for settlement of industrial disputes which: (i) involve questions of national importance, or (ii) could impact industrial establishments situated in more than one state. The tribunals will have two members each, one judicial member and one administrative member with the specified qualifications.
- **Exemptions from the Code:** The 2020 Bill provides that the central or state government may exempt any new establishment or a class of new establishment from all or any provisions of the Code in public interest.

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