

PIB Headquarters



Labour Codes Catalysing Growth in India's Export Sector

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Key Takeaways

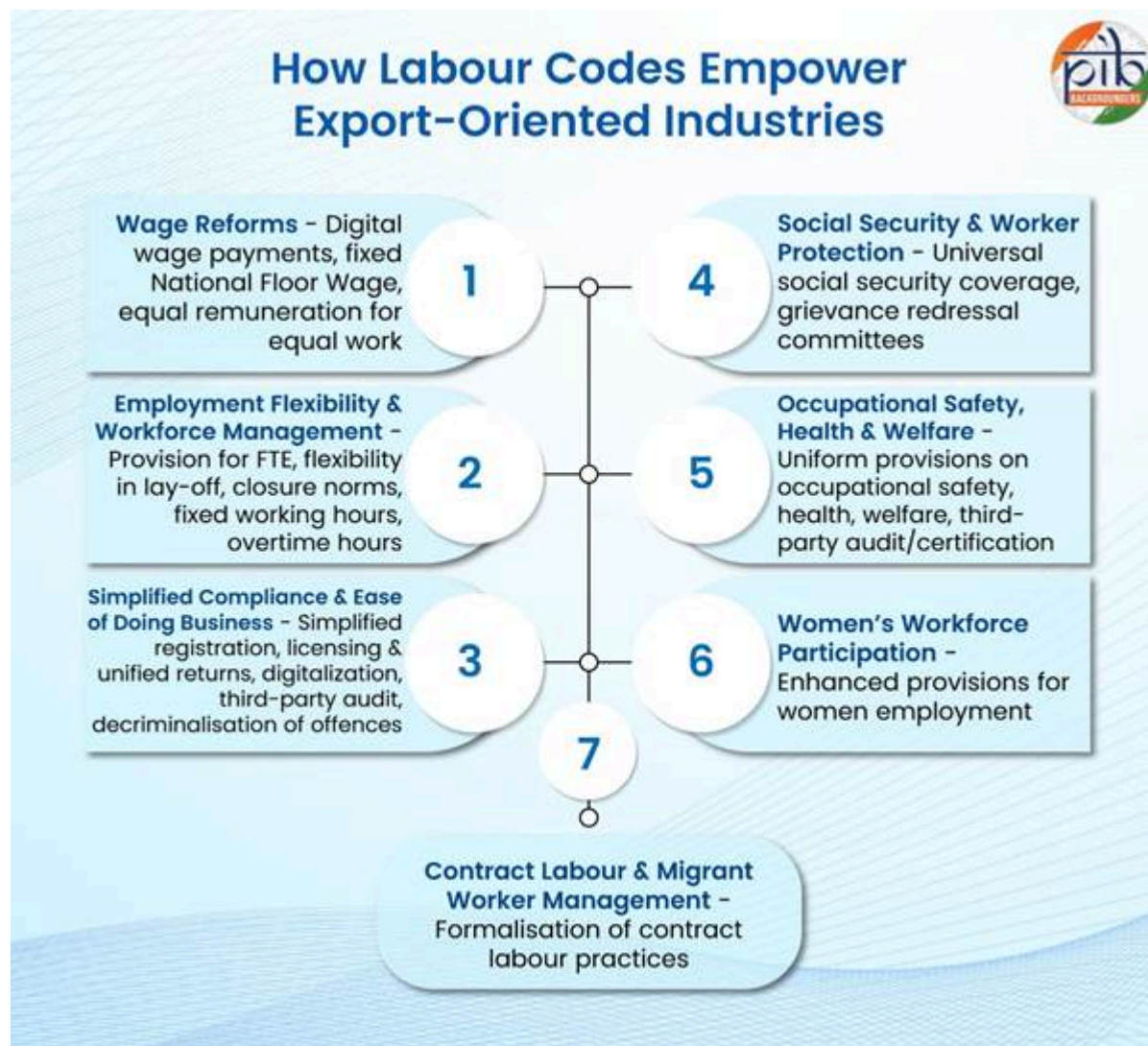
- **Uniform definition of “wages”** across all labour codes, eliminates the ambiguity created by multiple and inconsistent definitions.
- **Prohibition of gender-based discrimination** in recruitment and wages ensures **equal remuneration for equal work**.
- **Single registration and unified returns** reduce the multiplicity of licenses and inspections
- **Uniform and comprehensive provisions on occupational safety, health, and welfare** benefit export industries and workers.
- **Universalisation of social security** through provisions covering all employees

Labour Reforms for a Stronger Export Sector

India's export performance reflects a sustained push for innovation and deeper global integration. The **Export-Oriented Industries (EOIs)**- including textiles, garments, leather, electronics, gems & jewellery, pharmaceuticals, auto components and IT-enabled services- are critical contributors to India's employment and foreign exchange earnings. Their competitiveness depends heavily on the ability to maintain a flexible, compliant, and skilled workforce while adhering to international labour standards. In order to **catalyse the growth momentum** of the sector, the Government's recent integration of 29 laws into 4 streamlined Codes, enables an environment that promotes **industrial efficiency while safeguarding workers' interests**.

Benefits for Export-Oriented Industries/ Employers

The Labour Reform brings about a series of benefits for India's export sector, especially simplifying compliance for employers and enabling improved workforce management.



Wage Reforms

- **Uniform Definition of Wages**- One of the most impactful reforms is the introduction of a uniform definition of “wages” across all labour codes. **This provision eliminates the ambiguity created by multiple, inconsistent definitions in earlier laws.** For EOIs

operating in multiple states, it simplifies payroll administration and compliance, ensuring uniformity in wage calculations for social security contributions, bonus, and gratuity.

- **National Floor Wage & Minimum Wage Rationalisation-** The provision for fixing a National Floor Wage by the Government establishes a benchmark below which no state can fix its minimum wage. For EOIs functioning across states, this offers **predictability in labour cost structures and eliminates regional disparities**.
- **Digital Payment of Wages-** The legal recognition of digital wage payments encourages the **adoption of transparent and traceable payment systems**. EOIs benefit from the ability to maintain verifiable payment records, which are often required by global buyers and compliance audits.
- **Equal Remuneration & Non-Discrimination-** The prohibition of gender-based discrimination in recruitment and wages ensures **equal remuneration for equal work**. For EOIs, this aligns domestic practices with international labour and human rights standards, particularly those demanded by global retail and sourcing partners.

Employment Flexibility & Workforce Management

- **Fixed Term Employment (FTE)-** The provision for FTE allows employers to hire workers directly for a specific duration or project, with all statutory benefits equivalent to those of permanent workers. This is particularly beneficial to EOIs that experience fluctuating or seasonal demand linked to global order cycles. Industries gain flexibility to scale their workforce up or down **without resorting to informal or contractual hiring**, thereby remaining compliant with law and maintaining a positive image among international clients.
- **Flexibility in Lay-off & Closure Norms-** Raising the threshold for prior government approval for lay-off, retrenchment, or closure from 100 to 300 workers offers industries **operational flexibility** to adjust to changing export orders and global market conditions. This provision gives exporters the confidence to **expand employment during peak demand periods** without the fear of excessive rigidity during downturns.
- **Flexibility in fixing working hours & overtime hours-** The Governments (State/Central, as applicable) have been given full flexibility for fixing the limit of working hours. Earlier this limit was 75 overtime hours in a quarter which now can be fixed by the (State/Central, as applicable) Government. This flexibility in hours of work will **enable industry to fix the hours of work as per the business needs including when they get peak orders**. It will also generate growth and employment.

Simplified Compliance & Ease of Doing Business

- **Simplified Registration, Licensing & Unified Returns-** The introduction of **single registration and unified returns** provisions reduces the multiplicity of licenses and inspections under different labour laws. EOIs, which often operate multiple production units or engage numerous contractors, benefit from simplified compliance and reduced administrative costs.

- **Digitalisation & Portability of Records-** The codes promote digital maintenance of employment records, registers, and returns. EOIs, which are frequently audited by overseas clients and certification agencies, gain credibility through **transparent and traceable digital documentation**.
- **Inspector-cum-Facilitator & Randomised Digital Inspections-** This provision aims to reduce the traditional “inspector raj,” where inspections were often seen as intrusive and burdensome. **Inspectors will function more as facilitators- helping employers comply with law, creating awareness among workers.** This shift promotes harmonious environment and facilitates ease of doing business.
- **Third-Party Audit & Certification-** Provision has been made for third-party audit and certification of start-up establishments or class of establishments. It will help EOIs to assess and improve health & safety without intervention of Inspector-cum-Facilitator.
- **Compounding of Offences-** First-time offences that carry only a fine can now be settled by paying 50% of the maximum penalty. Offences that earlier involved a fine, imprisonment, or both can be settled by paying 75% of the maximum penalty, **making the law less punitive and more focused on encouraging compliance.** Further, employers can avoid prolonged litigation by paying a prescribed penalty that enables quicker resolution, minimizes litigation, and lowers compliance risk for small EOIs.
- **Improvement Notice & Decriminalisation of Offences-** The provision aims to replace criminal penalties (like imprisonment) with civil penalties (like monetary fines). The employer will be given mandatory 30 days’ notice for compliance before taking any legal action. **Several offences have been decriminalized replacing criminal penalties with fines** making the law less punitive and more compliance-oriented which will promote voluntary compliance, reduce fear of prosecution and make enforcement facilitative for export sector.

Social Security & Worker Protection

- **Universal Social Security Coverage-** The universalisation of social security through provisions covering all employees (including fixed-term, contract, gig workers), strengthens the protection net for workers in export industries. Employers in export sectors benefit from clarity and consolidation of earlier fragmented schemes such as provident fund, ESI, and gratuity under one framework.
- **Grievance Redressal & Collective Dialogue-** The mandatory establishment of **Grievance Redressal Committees in workplaces** employing 20 or more workers ensures that issues are resolved internally and promptly. Export industries, which must maintain uninterrupted production schedules, benefit from the reduction in industrial unrest and legal disputes.

Occupational Safety, Health & Welfare

- **Occupational Safety, Health & Welfare Standards-** Uniform and comprehensive provisions on occupational safety, health, and welfare benefit export industries by providing a **single, harmonised set of standards applicable across states and sectors.**

Compliance with these standards enhances workplace safety and supports certification under international social compliance regimes, which are increasingly demanded by global buyers.

Women's Workforce Participation

- **Enhanced Provisions for Women's Employment-** The provision permitting **employment of women during night shifts**, subject to their consent and adequate safety measures, greatly benefits EOIs that function on a 24-hour production cycle to meet international orders. Industries in sectors like apparel, electronics, and IT-enabled services can now legally employ women during late hours with proper transportation, security, and welfare arrangements. This supports continuous production and order fulfilment.

Contract Labour & Migrant Worker Management

- **Regulation of Contract Labour & Inter-State Migrant Workers-** Provisions requiring registration of contractors and licensing of principal employers help **formalise contract labour practices** in export units. EOIs benefit from reduced legal uncertainty and improved oversight of their supply chains.

Benefits for Export Sector Workers

With expanded social security, stronger protections and nationwide portability of entitlements, the Labour Reform places workers, especially women, youth, unorganised, gig and migrant workers, firmly at the centre of labour governance.

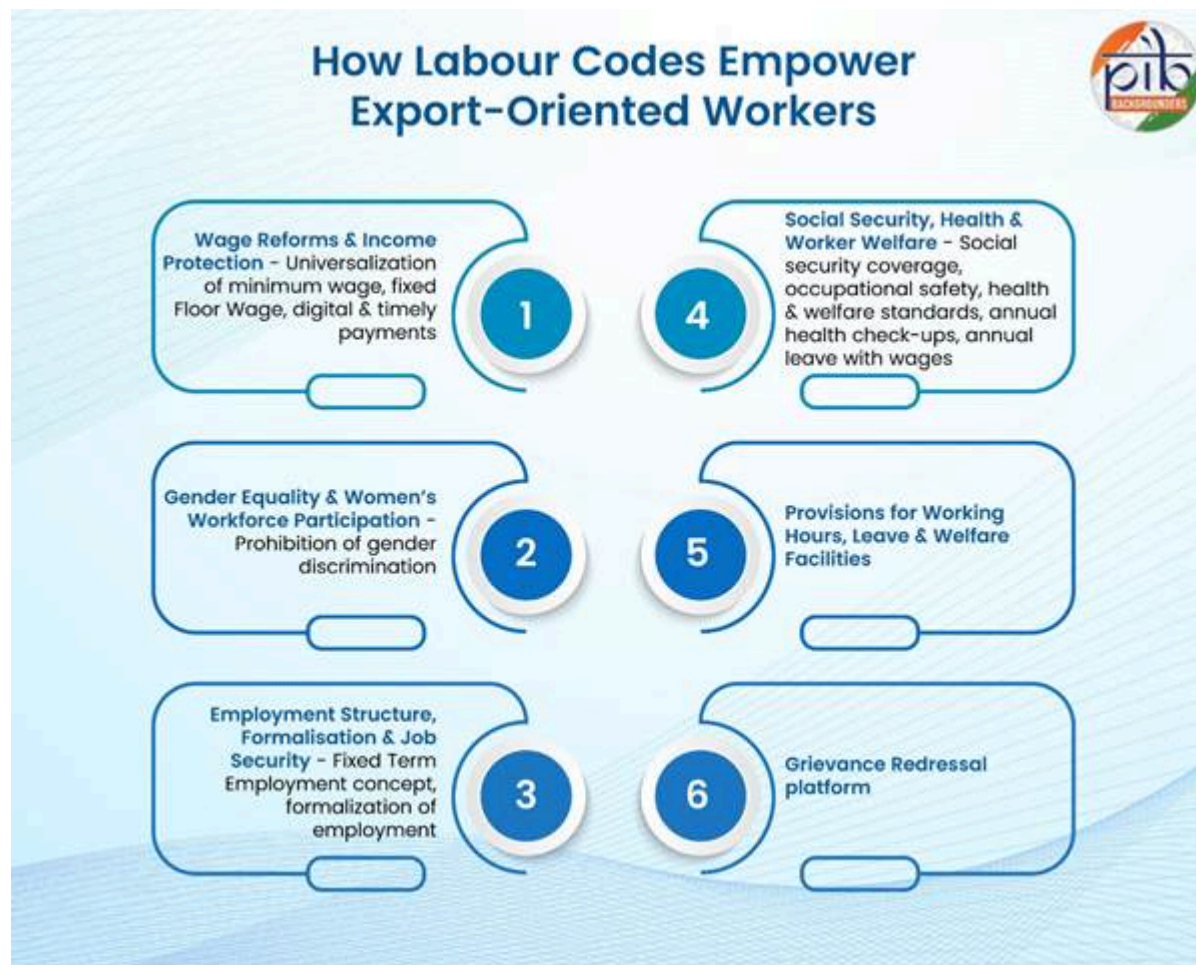
Wage Reforms & Income Protection

- **Minimum Wage Universalisation-** Previously, minimum wages applied only to scheduled employments, but now it covers all employees. The Government shall review or revise minimum rates of wages ordinarily at interval not exceeding five years. Further, the Government shall fix minimum rate of wages for timework, piece work for different wage period i.e. by hours, day or by month taking into account the skill of employee and complexity of the work. **For workers of EOIs, this ensures transparency and predictability in the computation of their take-home pay and benefits.** It also curbs the earlier practice of artificially splitting wages into multiple allowances to reduce statutory contributions. Notably, the uniform definition of wages **promotes fairness and transparency for workers.**
- **Floor Wage-** Floor wage will be fixed by the Government considering the minimum living standards of an employee including food, clothing etc. The Government will revise the floor wage at regular interval. For workers of EOIs, it **guarantees a minimum level of income protection** across regions, preventing exploitation in low-wage clusters and supporting basic living standards. By ensuring a decent floor, this provision also **strengthens India's compliance with international fair wage principles-** an important factor for exporters dealing with ethical and socially responsible buyers.

- **Digital Payment of Wages-** Through this provision, workers of EOIs will benefit through **timely credit of wages directly into their bank accounts**, reduction in cash handling risks, and creation of a formal financial record that supports access to credit and social benefits. Notably, this provision contributes to **financial inclusion and accountability in wage practices**.
- **Timely payment of wages & un-authorised deductions-** The provisions relating to timely payment of wages and un-authorised deductions from wages, which was earlier applicable only in respect of employees drawing wages up to ₹24,000 per month, is made applicable to all employees irrespective of wage ceiling. For workers in EOIs- where production pressure is high and order deadlines are strict- this ensures **financial stability, fairness, and transparency in remuneration**, while also promoting a sense of trust and accountability between employer and employee.
- **Overtime Wages-** Employers must pay employees at least **twice the normal wage rate for any work beyond normal working hours**. The provision is especially beneficial for workers in EOIs, where production demands often rise sharply to meet export deadlines or bulk orders. It will ensure that workers are fairly rewarded for additional hours of work.

Gender Equality & Women's Workforce Participation

- **Prohibition of Gender Discrimination-** Employers shall not discriminate on ground of gender including transgender in matter relating to recruitment, wages, or conditions of employment in respect of the same work or work of a similar nature done by employees. For workers, especially women who form a large part of the export workforce in garments, leather, and electronics sectors, it **guarantees equality, improves morale, and encourages greater female participation** in formal employment.
- **Allowing women to work in all types of employment (including night shifts)-** This reform is highly beneficial for female workers in EOIs such as textiles, garments, electronics, and IT-enabled services, where round-the-clock operations are common. It will **enable women to access higher-paying night-shift opportunities and enhances their employability and career progression** in industries driven by global time zones and just-in-time export schedules. Importantly, the provision is balanced with **mandatory safeguards-** such as safe working conditions, adequate transportation, rest facilities, and consent-based deployment- which ensure women's safety, dignity, and well-being.



Employment Formalisation & Job Security

- **Fixed Term Employment-** The FTE is particularly beneficial for workers engaged in EOIs, where production cycles often depend on fluctuating global demand and seasonal orders. It would provide them **formal employment status, social security benefits, and legal rights** for the duration of employment. They also become **eligible for gratuity on a pro-rata basis**, even if their service period is less than five years. Moreover, working directly in reputed export units enhances **their skills, exposure, and employability**, offering them a credible pathway from informal or temporary work towards stable **and dignified participation in the formal sector**.
- **Formalization of employment-** The provision mandating the **issuance of appointment letters to all employees** plays a crucial role in promoting formalization of employment in EOIs, where a large segment of the workforce has traditionally been engaged informally. This provision establishes legal recognition and job transparency. It protects workers from arbitrary termination or denial of statutory

entitlements. For female and migrant workers in particular, it provides verifiable proof of employment that can be used to claim benefits or settle disputes.

Social Security, Health & Worker Welfare

- **Social Security Coverage for All Categories of Workers-** For workers, it ensures **inclusion in PF, ESI, maternity, and other benefits**, irrespective of the type or duration of employment. The introduction of **digital registration and portable account numbers** also allows continuity of benefits when workers move between export units or states. This promotes long-term welfare, loyalty, and stability among the workforce, while improving the industry's compliance image globally.
- **Re-skilling Fund & Retrenchment Compensation-** The provision for **setting up a Re-skilling Fund for retrenched workers** ensures that a portion of the employer's contribution (equivalent to 15 days' wages) is used to help workers acquire new skills and transition to fresh employment. For workers, it provides **financial and skill support at a critical transition stage**, reducing hardship and facilitating re-employment. This provision promotes sustainable employability in volatile global markets.
- **Occupational Safety, Health, and Welfare Standards-** The Government will prescribe uniform provisions for cleanliness, drinking water, toilets, rest rooms in factory mines employing 50 or more workers, canteens in the establishments employing 100 or more workers including contract labour. For workers, it ensures **better working conditions-** including safe workplaces, adequate ventilation, canteens, medical facilities, and restrooms. These provisions also include **mandatory medical check-ups, welfare officers, and safety committees** in larger establishments. The result is a safer and healthier working environment, reducing accidents and improving productivity.
- **Healthcare measures-** The provision for **free annual health check-ups** ensures that every employee, irrespective of their employment category, has access to preventive healthcare. In export sectors like textiles, leather, electronics, and garment manufacturing, workers are frequently exposed to dust, chemicals, noise, and ergonomic strain. **Regular health assessments** help in early detection of occupational illnesses, enabling timely treatment and preventing chronic conditions. For women workers, periodic check-ups provide crucial preventive care and contribute to overall well-being.
- **Annual leave with wages-** The provision of annual leave with wages- made available to every employee completing 180 days of work in a calendar year (reduced from the earlier 240-day requirement) will be beneficial for workers in EOIs, who often face intense production pressures and tight export deadlines, this ensures adequate rest, recovery, and work-life balance without any loss of income. Paid annual leave will enable them to spend time with their families, attend to personal or health needs, and return to work rejuvenated, leading to better morale and efficiency.

Working Conditions, Hours & Leave

- **Provisions for Working Hours, Leave & Welfare Facilities-** The rationalisation of working hours, weekly rest, and leave entitlements creates a uniform and predictable framework for export units. Workers will benefit from regulated work schedules, rest periods, and welfare amenities such as canteens, crèches, and medical facilities. The combination of structured work time and welfare will improve job satisfaction for the workers.

Industrial Harmony & Worker Representation

- **Grievance Redressal & Collective Dialogue-** For workers, it provides an accessible platform to raise concerns about working conditions, pay, or welfare without fear of reprisal. In addition, provisions for recognition of trade unions and negotiation councils strengthen collective bargaining and foster a cooperative industrial climate.

Conclusion



Each provision under the Labour Codes strengthens India's export ecosystem in a distinct yet interconnected way. **For EOIs**, the Codes offer the **flexibility, simplification, and predictability needed to compete in dynamic global markets** while meeting rising international compliance standards. **For workers**, these same reforms guarantee **fair wages, social security, safety, equality, and opportunities for upskilling- enhancing both their welfare and dignity at work**. Together, the Codes advance India toward a modern labour regime that balances ease of doing business with ease of living for workers, driving both economic growth and inclusive development across the export sector.

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