



# Overview of the Industrial Relations Code, 2020

Presented by

SGC Services Pvt. Ltd.  
“Your Compliance Partner”

## INDUSTRIAL RELATIONS CODE, 2020

The code seeks to provide for a time-bound dispute resolution system in every institution.

Industrial Relations Code, 2020 subsumes and replaces three labour laws:


- 1.The Industrial Disputes Act, 1947;
- 2.The Trade Unions Act, 1926; and
- 3.The Industrial Employment (Standing Orders) Act, 1946.

## Highlights:

- The definition of worker has been revised and all the Worker/Employees with salary upto Rs18,000 will fall under the category of worker.
- Fixed Term Employment, now employer can keep Fixed Term Employees(FTE) for specific duration and retrenchment compensation not to be paid. These FTE will be entitled same salary or social security as regular Employee.
- Establishment with less 300 workmen can lay-off, retrenched, closed without government approval, earlier this limit was 100 workmen.
- Definition of “Appropriate Government” has been modified by including the establishments of the contractors, thus contractor appropriate government shall be of the establishment where the contract labour has been deployed.

- The appropriate government shall set up an reskilling fund and the fund shall consist of contribution by an employer equal to fifteen days wages last drawn by the worker immediately before the Retrenchment. The fund shall be utilised by crediting fifteen days wages last drawn by the worker to his account who is retrenched, within forty-five days of such retrenchment, in such manner as may be prescribed.
- Definition of “Employee” has been added in the code and the term 'employee' has been used invariably with the term worker. viz. 'employee/worker' or 'employee and worker' with a view to ensure that there is no discrimination in the applicability of labour laws to the employee/worker“ employee”

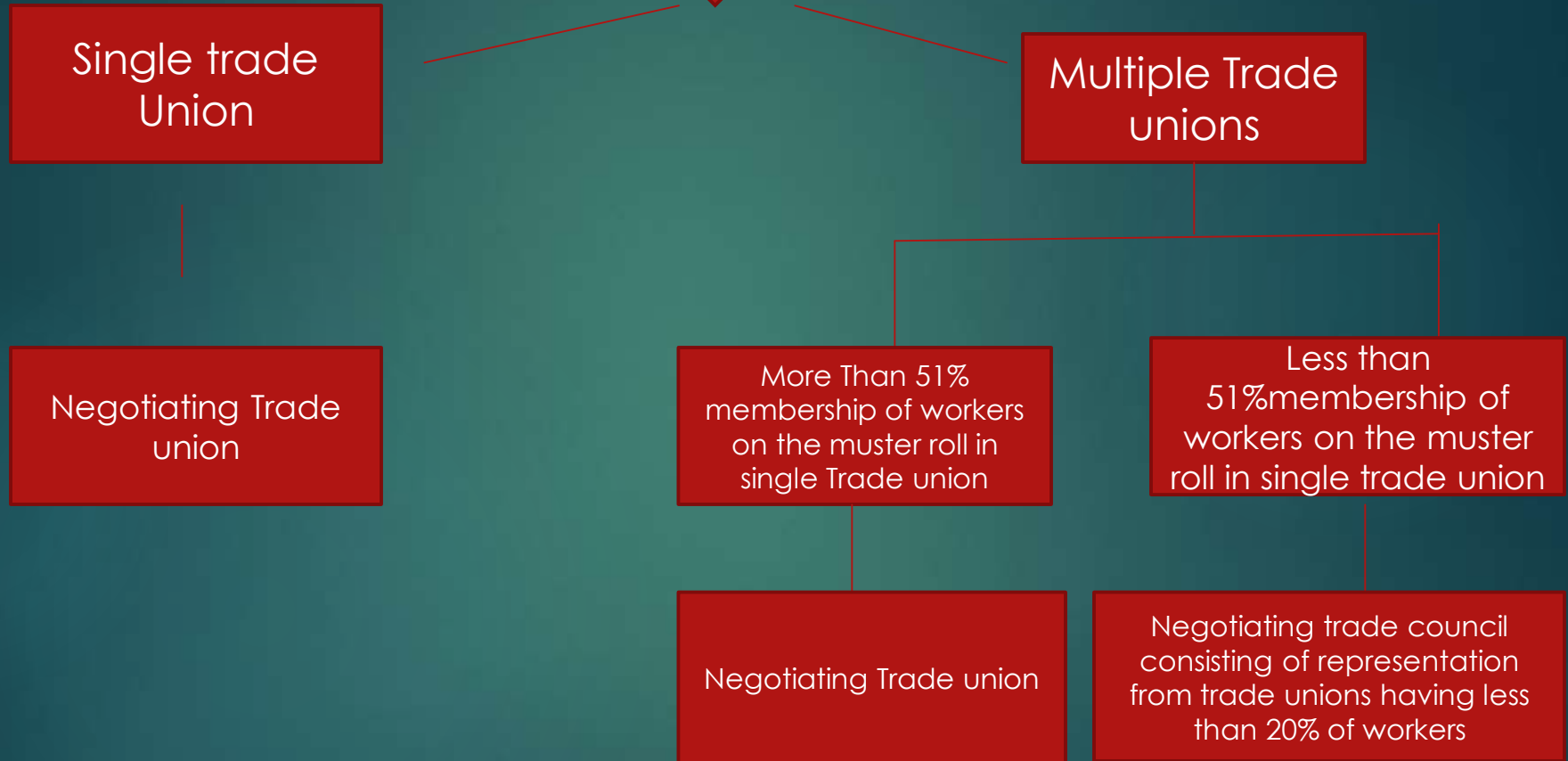
- Fixed Term Employment has been incorporated, which is major change introduced in the code:-
- ✓ The code provides that the fixed term employee will get all statutory benefits like ESI, EPF, bonus, wages, etc at par with regular employees who are doing work of same or similar nature.
- ✓ The termination of the service of a worker as a result of completion of tenure of fixed term employment would not be a retrenchment.
- ✓ The employee would be eligible for gratuity if he renders service under the contract for a period of one year.

- 
- Definition of Industrial Dispute has been modified to include the dispute arising out of discharge, dismissal, retrenchment or termination of such worker.
  - Maximum number of members in the Grievance Redressal Committee has been increased from 6 to 10 in an industrial establishment employing 20 or more workers.

## Trade Union

- The "Trade Union dispute" has been added, which provides dispute relating to Trade Union arising between two or more Trade Unions or between the members of a Trade Union.
- A new feature of "Recognition of Negotiating Union" has been introduced. 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.

# Trade Union





- Employee can raise dispute with the employer within the time limit of only 2 years instead of 3 years.
- Trade union have to give notice of 14 days before going on strike.
- The "Trade Union dispute" has been added, which provides dispute relating to Trade Union arising between two or more Trade Unions or between the members of a Trade Union.

## ➤ Definition of wages has been revised:-

- ✓ The First part includes all salary components express in terms of money are capable of being so expressed like basic salary, all reimbursements, all allowances, all benefits.
- ✓ Second part of the definition provide specific exclusion like:- Bonus payable under any law, Conveyance allowance, House rent allowance, Overtime Allowance ,House Accommodation, Supply of light water medical attendance, other amenities /service excluded by a General or special order of the appropriate government, Commission, contribution to provident fund/pension, Any sum paid to defray special expenses Gratuity, Retrenchment Compensation, Remuneration payable under any award or settlement between the parties.

The Third part of the definition provides that the total excluded components should not exceed 50% of the total remuneration. The third part of the definition provide limit as the definition very clearly specifies the list of exclusions so anything which is paid to the employees other than the exclusion would be covered and within this specific exclusion the limit cannot be more than 50%.

- The provisions of Standing Orders on Industrial establishments will be applicable having 300 or more than 300 workers as notified by the appropriate Government.
- The Code prohibits strikes or lock-outs in any establishment unless a prior notice of 14 days is provided. Similar provisions existed in the Industrial Disputes Act, 1947 for public utility services (such as, railways and airlines). The Code expands these provisions to apply to all industrial establishments. This will impact the ability of workers to strike and employers to lock-out.

14 days notice for  
Strike/Lock-out



Valid for 60  
days



Inform conciliation officer within 5  
days of receiving /giving notice

- In case any worker is suspended by the employer pending investigation or inquiry. The amount of subsistence allowance payable at 50% of the wages for the first 90 days of suspension; and at the rate of 75% of such wages for the remaining period of Suspension.

## Penalty:-

1. Penalty for unfair labour practice:-Rs.10 thousand to Rs 2 Lakhs.
2. Penalty for contravention of provisions on layoff, retrenchment or closure:-Rs.1 lakh to Rs.10 lakhs.
3. Penalty in case of violation of
  - (a) Rights of workers laid off for compensation
  - (b) Conditions for retrenchment of workers
  - (c) Compensation to workers in case of transfer of establishment
  - (d) Compensation to workers in case of closing down of industry

Fine of Rs. 50 thousand to Rs.2 lakhs

