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## OVERVIEW OF THE INDUSTRIAL RELATIONS CODE

Government of India, Ministry of Labour and Employment (**Ministry**) has notified<sup>1</sup> that all provisions of the Industrial Relations Code, 2020 (**Code**) shall come into force effective November 21, 2025. As with the other recently implemented Labour Codes, the Ministry has clarified that until states finally notify their respective Rules<sup>2</sup> “...[T]he relevant provisions of the existing labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force.”<sup>3</sup>

Below is a brief overview of the Code with respect to commercial establishments.

### I. Applicability & Bi-Partite Forums (Chapters I & II).

It applies to ‘industrial establishments’ where any systematic activity is carried on by cooperation between employer and workers for the production, supply, or distribution of goods or services. The appropriate Government may require any establishment employing 100 or more workers to constitute a Works Committee to promote amity and good relations. Every establishment employing 20 or more workers must have one or more Grievance Redressal Committees (**GRC**) for resolving worker grievances. The GRC must have an equal number of representatives from the employer and workers, with adequate representation for women.

### II. Trade Unions & Negotiations (Chapter III).

1. **Registration:** Any 7 or more members may apply for registration of a trade union, provided that at least 10% of the workers or 100 workers (whichever is less) are members of the trade union.
2. **Negotiating Union/Council:** If only one registered trade union exists, the employer shall recognize it as the sole negotiating union. If multiple unions exist, a union with 51% or more support on the muster roll is recognized as the sole negotiator; otherwise, a negotiating council is formed consisting of unions with at least 20% support.

### III. Standing Orders (Chapter IV).

The provisions regarding Standing Orders apply to establishments employing 300 or more workers. Employer must prepare draft standing order based on the Central Government’s model standing orders within 6 months of the Code’s commencement. These orders must cover matters such as classification of workers, shift working, attendance, disciplinary process and termination procedures.

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<sup>1</sup> Notification S.O. 5321(E) dated November 21, 2025, available [here](#).

<sup>2</sup> While many states had issued draft Rules, the final Rules are yet to be finally notified.

<sup>3</sup> As per the Press Bureau of India press release ‘Government Makes the Four Labour Codes effective to Simplify and Streamline Labour Laws’ dated November 21, 2025, available [here](#).

#### IV. Notice of Change (Chapter V).

Employers proposing to change service conditions, such as wages, allowances, hours of work, or rest intervals must provide 21 days' notice to the affected workers.

#### V. Resolution of Industrial Disputes (Chapters VI & VII).

The Code provides several mechanisms for dispute resolution, including:

1. Conciliation: Appointment of Conciliation Officers to mediate and promote settlements.
2. Industrial Tribunals: Constitution of Industrial Tribunals and National Industrial Tribunal with judicial and administrative members to adjudicate disputes. The Ministry has notified that: “[T]he existing Labour Courts, Industrial Tribunals and National Industrial Tribunals constituted under the Industrial Disputes Act, 1947 shall continue to adjudicate the existing as well as new cases, for the purpose of ensuring continuity of adjudication and avoiding any legal or administrative vacuum until the constitution of Industrial Tribunals and National Industrial Tribunals under the Industrial Relations Code, 2020.”<sup>4</sup>
3. Voluntary Arbitration: Parties may agree in writing to refer disputes to an arbitrator.

#### VI. Strike & Lockout (Chapter VIII).

The Code introduces strict requirements for strike and lock-out in all industrial establishments:

1. Notice: No person can go on strike or declare a lock-out without giving 60 days' notice.
2. Prohibitions: Strikes and lockouts are prohibited during the pendency of conciliation, tribunal, or arbitration proceedings

#### VII. Lay-off & Retrenchment (Chapters IX & X).

1. General Provisions (Chapter IX): Applicable to establishments with 50 or more workers. Workers with one year of continuous service are entitled to compensation of 50% of basic wages and dearness allowance during a lay-off. Retrenchment requires one month's notice (or wages in lieu), retrenchment compensation of 15 days' average pay for every completed year of service and filing of notice with relevant authority.
2. Special Provisions (Chapter X): Applicable to establishments with 300 or more workers. Employers in these establishments must obtain prior permission from the appropriate Government before any lay-off, retrenchment, or closure.

#### VIII. Worker Re-skilling Fund (Chapter XI).

The Code mandates the setting up of a Worker Re-skilling Fund. For every retrenched worker, the employer must contribute an amount equal to 15 days' last drawn wages to this fund, which will be utilized for the worker's benefits.

#### IX. Offences & Penalties (Chapter XIII).

1. Illegal Lay-off/Retrenchment: Fines range from INR 1-10 Lakh.
2. Unfair Labour Practices: Engaging in practices specified in the Second Schedule (such as victimizing workers for union activities) can result in fines between INR 10,000 and INR 2 Lakh.
3. Breach of Settlement/Award: Penalties include imprisonment up to 3 months or a fine up to INR 2 Lakh.

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<sup>4</sup> Notification S.O. 5683(E) dated November 21, 2025, available [here](#).

## Conclusions.

The implementation of the Code marks a significant shift in managing industrial relations – starting from replacing ‘disputes’ with ‘relations’ in the title to this law. It will be advisable for employers to immediately prioritize the following to ensure seamless compliance as state-specific rules are being finalized:

- Reviewing their updating grievance redressal mechanisms by creating Works Committee and Grievance Redressal Committee;
- Certifying the new Standing Orders;
- Complying with requirements of fixed-term employment;
- Ensuring fair lay-off, retrenchment and closures; and
- Recognising and registering trade unions, if any.

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This *Counselence Connect* contains information in a nutshell on a recent change in law.

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