BACKGROUNDERS
Press Information Bureau
Government of India

Labour Codes: Transforming India's Textile Sector with Simplified Compliance and Stronger Worker Welfare

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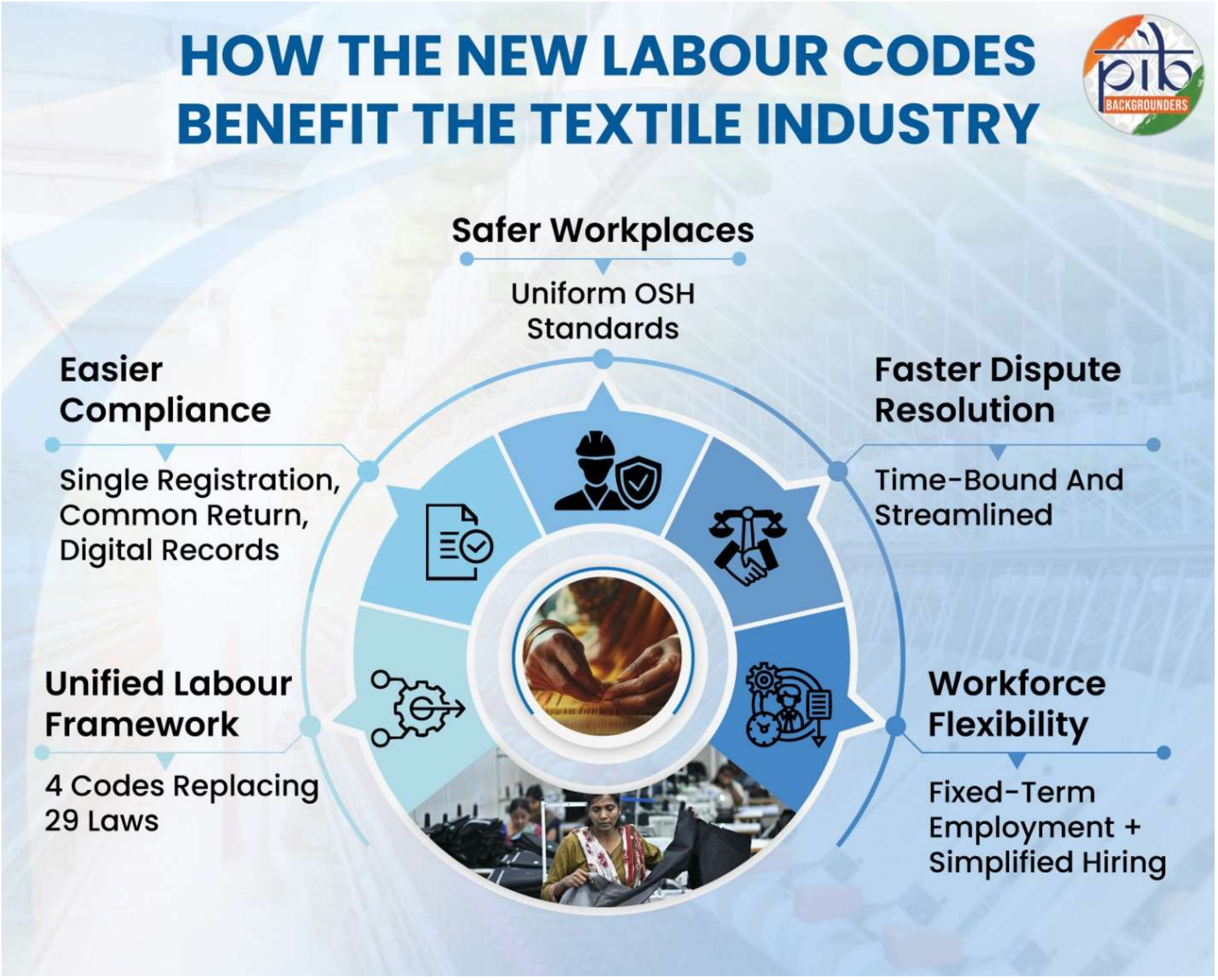
Key Takeaways

- The **new Labour Codes simplify 29 laws into 4 unified Codes**, reducing compliance burden for textile MSMEs and **improving ease of doing business**.
- **Faster dispute resolution**, digital records, single registration, and time-bound approvals **strengthen efficiency across textile clusters**.
- **Revised safety standards**, **third-party audits**, and **uniform national OSH norms** enhance **workplace safety** and **align India with global labour expectations**.
- **Workers gain stronger protections** through **universal minimum wages**, **double overtime pay**, ESIC coverage, appointment letters, and **paid annual leave**.
- Women workers benefit from **gender-neutral recruitment**, **expanded safety norms for night shifts**, and broader family coverage under social security.
- **Fixed-term employment with equal benefits** boosts **flexibility for employers** while ensuring **fairness and stability for seasonal textile workers**.

Introduction

The **textile sector is one of India's oldest and most vital industries**, **contributing significantly to the nation's economy, employment, and exports**. Accounting for **2.3% of GDP**, **13% of industrial production**, and **12% of total exports**, it is also the **second-largest employment generator,** after agriculture, with over **45 million people engaged** directly, many of them women and rural workers. Nearly **80% of the industry operates through MSME clusters**, reflecting its inclusive structure.

The implementation of the **new Labour Codes** has important implications for the textile industry. By creating a **unified framework for wages**, employment contracts, workplace safety, social security and dispute resolution, **the Codes simplify compliance while strengthening worker welfare**. For a labour-intensive sector like textiles, these **reforms ensure fair treatment**, **safer working conditions**, and **better social protection**, while **providing employers greater flexibility in workforce management**.



Benefits to Textile Sector Employers under the Labour Codes

1. Consolidation of Labour Laws

The **consolidation of 29 existing labour laws into four simplified Codes**—on Wages, Industrial Relations (IR), Occupational Safety, Health and Working Conditions (OSH), and Social Security—**eliminates duplication** and **overlapping provisions**. Textile employers will now operate under a **unified legal framework** with a single set of definitions and authorities, **reducing administrative confusion** and ensuring **uniform compliance across units and states**. This simplification particularly **benefits large textile clusters** operating in multiple jurisdictions by saving time and costs, enabling faster decision-making, and improving business predictability.

2. Higher Threshold for Standing Orders (100 to 300 workers)

Raising the applicability threshold for standing orders from 100 to 300 workers reduces the compliance burden on small and medium textile enterprises, which make up a significant share of India's apparel and fabric manufacturing base. **Exempting smaller units from the requirement of certified standing orders**

will enable them to focus resources on productivity and export readiness rather than procedural compliance, thereby **improving their competitiveness in the global textile value chain**.

3. Simplified Industrial Dispute Resolution

Earlier, industrial disputes could only be referred to tribunals at the discretion of government officials, often causing delays. The Codes streamline this process by **promoting faster conciliation and reducing litigation**. Textile units, which depend on timely production cycles to meet export orders, will **benefit from quicker resolution of disputes**, ensuring continuity of operations and industrial harmony.

4. Single Registration, Return, and All-India Licenses

The introduction of a **single registration**, **common return**, and five-year **all-India license** with deemed approvals significantly **enhances "Ease of Doing Business."** For textile companies operating integrated supply chains across states, **these measures reduce bureaucratic delays and administrative costs**, enabling **faster start-up**, **expansion**, and **scaling of production capacities**. Additionally, the OSH & WC Code provides for common licensing for engaging contract labour and operating establishments electronically. This simplifies subcontracting of specialised textile processes such as dyeing, embroidery, or finishing, ensuring seamless supply-chain operations.

5. Revised Factory Licensing Threshold and Time-bound Approvals

The **threshold raised for factory licensing (from 10 to 20 workers with power and from 20 to 40 without power)**, will **exempt small textile units from licensing obligations**. Further, a **30-day time limit for granting permissions for factory construction**, **expansion**, or hazardous processes introduces certainty and efficiency. These provisions will help textile manufacturers quickly respond to new export orders, set up new units, or expand existing ones without procedural bottlenecks.

6. National Standards and Centralized Board

Replacing multiple boards with a single **National Tripartite Board will bring uniform occupational safety and health standards across India**. For the textile sector, where units operate in multiple states under varied rules, this **uniformity will ensure fairness**, **predictability**, and **simplified compliance**. Harmonised national standards also align **India's textile industry** with **international labour norms**, **improving its global competitiveness and buyer confidence**.

7. Third-Party Audit and Certification

The OSH Code's provision for third-party audits enables textile establishments, especially start-ups, to obtain safety certification without direct inspection. This reduces inspector interference while ensuring **health and safety improvements**. **Independent audits** will enhance credibility in international compliance assessments, making **Indian textile products more acceptable to global brands** committed to ethical sourcing norms.

8. Digitization of Registers and Records

By **reducing the number of registers** to be maintained and **promoting digital recordkeeping**, the Codes make compliance paperless, efficient, and transparent. Textile units, especially those in export clusters with multiple subcontractors, will **benefit from simplified digital documentation**, improved traceability, and better audit readiness.

9. Time Limit for EPF Inquiries

Setting a **five-year limit for initiating EPF inquiries**, with completion required within two years (extendable by one year), **ensures timely and predictable compliance for textile employers**. This **reduces prolonged**

investigations and enhances legal certainty, enabling management to focus on productivity and workforce welfare.

10. Reduced Deposit for EPFO Appeals

Reducing the mandatory deposit for appeals before the EPFO Tribunal from 40–70% to 25% of the assessed amount eases the financial burden on textile employers. This facilitates **fair dispute resolution** while ensuring **better liquidity for ongoing business operations**.

11. Abolition of Suo Motu Reopening of Cases

The **discretionary power to reopen cases on a suo motu basis under the EPF & MP Act, 1952 has been removed** under the Social Security Code, 2020, enhancing predictability and **reducing compliance-related uncertainty**.

12. Decriminalization of Offences

Replacing imprisonment with monetary penalties for procedural lapses, and **providing 30 days for compliance before legal action**, shifts enforcement **from punitive to facilitative**. This **encourages voluntary compliance** and reduces fear of prosecution among textile entrepreneurs, **promoting a collaborative regulatory environment**.

13. Compounding of Offences

Allowing first-time offences punishable with fines to be compounded at 50% of the maximum amount **provides a practical mechanism** for resolving minor infractions without litigation. **Textile firms can address compliance issues swiftly**, maintain production continuity, and avoid legal uncertainty.

14. Inspector-cum-Facilitators and Web-based Inspections

Replacing traditional inspectors with **inspector-cum-facilitators** and adopting randomized, technology-based inspections improves transparency and trust. For textile employers, this **reduces harassment and ensures uniform, objective inspections**. **Inspectors now act as compliance partners rather than enforcers**, promoting cooperation and adherence to safety and welfare standards.

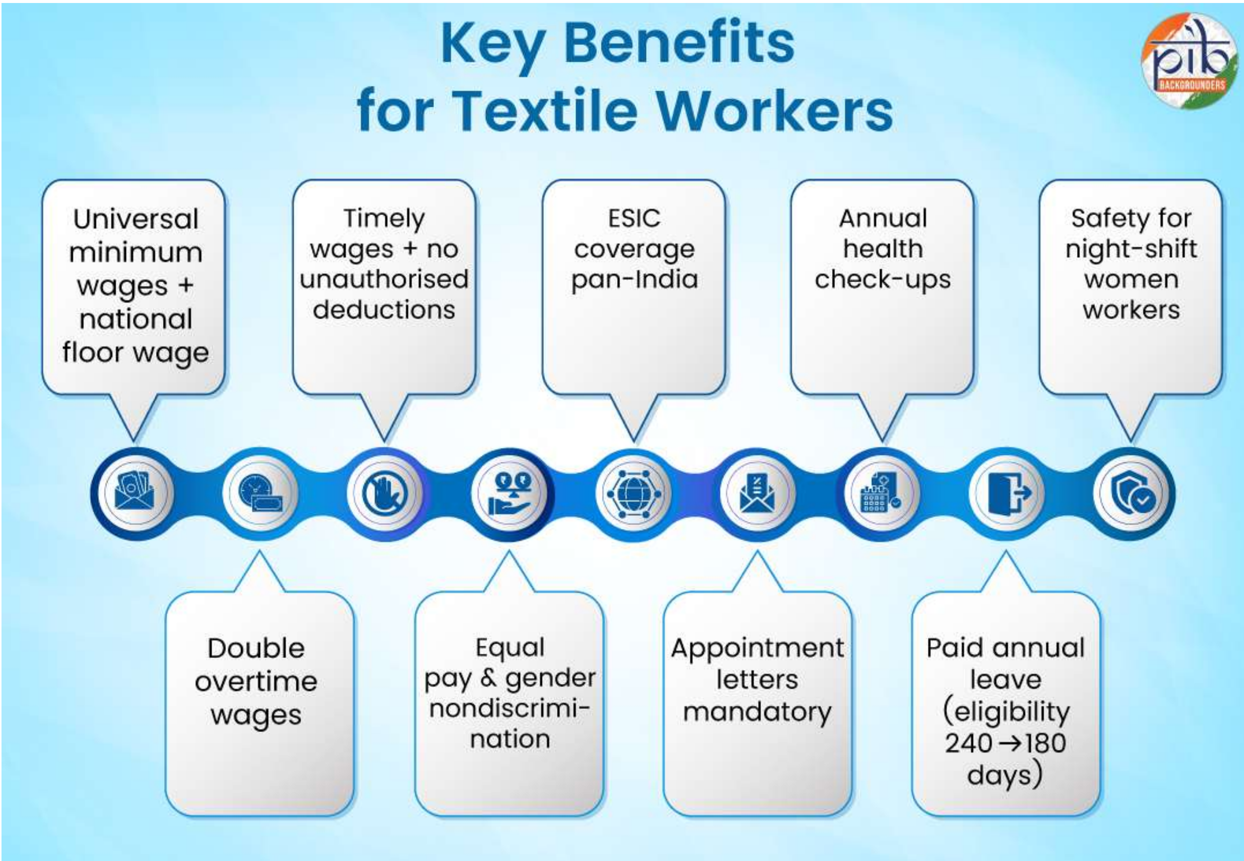
15. Fixed Term Employment (FTE)

The Codes allow employers to hire workers on a fixed-term basis, with **equal pay and benefits** as permanent employees. This enables textile units, especially those handling export orders with fluctuating seasonal demand, to adjust workforce strength without relying heavily on contract labour or retrenchment. It **provides flexibility while ensuring workforce stability during peak production periods**.

16. National Database for Unorganized Workers (NDUW)

The Code, accessed through the **e-Shram portal**, is provisioned in the **Code on Social Security, 2020**. Employers in **textile clusters can use the national database to source verified and skilled workers**, especially during peak seasons. This helps address the chronic labour shortage issue and facilitates quick recruitment of trained workers.

Benefits to Textile Workers under the Labour Codes



1. Universalisation of Minimum Wages

All textile workers, irrespective of employment category or nature of work, are now **entitled to minimum wages**. Extending this protection beyond scheduled employment ensures fair compensation across spinning, weaving, garmenting and processing units, reducing wage disparities and preventing exploitation.

2. Floor Wage

A **national floor wage set by the Central Government**, based on minimum living standards, guarantees a basic income threshold. This **prevents wage-based migration across states** and will ensure that textile workers in low-wage regions receive **fair and comparable remuneration**.

3. Overtime Wages

Mandatory payment of double the ordinary rate for overtime work benefits textile workers, especially in **export-oriented units** with high production demand. It ensures **fair compensation for extended hours** and **discourages unpaid overtime**.

4. Timely Payment and No Unauthorised Deductions

Ensuring time-bound wage payments and prohibiting unauthorised deductions strengthens financial security for textile workers, most of whom rely on monthly wages. These provisions **apply to all employees, ensuring fairness, transparency and trust in wage disbursal**.

5. Extended Limitation Period

Increasing the time limit for filing claims to three years allows textile workers to seek redressal for wage or benefit-related disputes that may arise over longer work cycles or through multiple employers.

6. Prohibition of Gender Discrimination

The **Code mandates gender equality in recruitment**, **wages and working conditions**. **This provision is vital for the textile sector**, where women form a substantial share of the workforce, ensuring parity, dignity, and non-discrimination in all employment aspects.

7. Commuting Accidents Covered

By recognising commuting accidents as arising out of employment, **textile workers gain extended compensation protection**, especially beneficial for those in industrial clusters and export parks who travel long distances.

8. Pan-India ESIC Coverage

Nationwide ESIC coverage, along with voluntary enrolment, ensures textile workers, especially those in small units or informal setups, gain access to medical, **disability and maternity benefits**, strengthening social protection.

9. Expanded Definition of Family

Including **parents-in-law within the definition of "family"** for female workers provides broader dependent coverage under social security benefits, **promoting inclusivity and family welfare in the textile sector**.

10. Formalisation through Appointment Letters

Mandatory appointment letters specifying terms of employment enhance job security, **legal recognition** and **access to social benefits**. For textile workers, many of whom are temporary or piece-rate employees, this ensures formal inclusion in the organised sector, protecting them from arbitrary dismissal and wage disputes.

11. Free Annual Health Check-ups

Compulsory annual health check-ups support preventive healthcare and early detection of occupational ailments, such as respiratory or ergonomic issues common in textile work. This **improves workers' long-term health and productivity** while helping employers maintain a healthier, more efficient workforce.

12. Annual Leave with Wages

Reducing the eligibility threshold from 240 to 180 working days enables more textile workers, especially **seasonal or contract workers**, to **qualify for paid annual leave**. This provides rest and recreation opportunities, safeguards health, and improves morale without income loss.

13. Broadened Definition of Inter-State Migrant Worker

By covering both directly employed and self-migrated workers, the new definition ensures comprehensive **protection for the large number of migrant workers in the textile industry**. They will now receive **equal treatment in wages, housing, and welfare benefits**, reducing vulnerability and exploitation.

14. Uniform Health, Safety and Welfare Facilities

Uniform standards for workplace facilities such as toilets, drinking water, restrooms, and canteens ensure basic dignity and comfort for textile workers, particularly in **large factories employing over 100 persons**. Consistent standards across states also **support international compliance audits**, **enhancing India's reputation** as a responsible sourcing destination.

15. Fixed Term Employment (FTE) with Equal Benefits

Textile workers hired on **fixed-term contracts receive the same pay**, **working conditions and social security benefits as permanent employees**, **including gratuity** (on pro-rata basis). This provides job security and formal recognition for seasonal workers.

16. Mandatory Welfare and Safety Standards for Women Workers

The **Codes mandate safe working conditions**, **transportation**, **lighting** and **security for women working night shifts**. In **24×7 textile export units**, this **will open more opportunities for women** and ensure gender equity at workplaces.

17. Skill Development and Re-Skilling Fund

The **IR Code**'s provision for a **re-skilling fund** for retrenched workers ensures **continuous employability for textile workers** affected by automation or industry shifts.

Conclusion

The **new Labour Codes** mark a **major step forward for India's textile industry** by creating a simpler, fairer, and **more efficient labour framework**. For employers, the Codes streamline compliance, enhance ease of doing business, and support expansion and **global competitiveness**. For workers, they ensure stronger **wage protection, safer workplaces, social security, and equal treatment, especially benefiting women**

and migrant workers. Together, **these reforms strengthen productivity**, formalisation, and industry resilience, helping the textile sector contribute more effectively to the vision of **Viksit Bharat 2047** and ensuring that growth is both inclusive and sustainable.

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