

Rules and Regulations Review

Industrial Relations (Central) Rules, 2026

Key Features of the Rules

- ◆ Industrial establishments with 300 or more workers must seek prior permission from the central government for layoffs, retrenchment, and closure. Applications must be made at least 15 days before layoff, 60 days before retrenchment, and 90 days before closure.
- ◆ The Rules operationalise the re-skilling fund by requiring employers to deposit an amount equal to 15 days' last drawn wages of each retrenched worker within 10 days. The amount will be credited to workers within 45 days of retrenchment.
- ◆ The Rules specify the constitution and functioning of Works Committees (in establishments with 100 or more workers) and Grievance Redressal Committees (in establishments with 20 or more workers).

Key Issues and Analysis

- ◆ The Rules do not fully specify all required procedures on certain matters for which the Code requires the government to frame rules. These include procedures relating to grievance redressal committees and trade unions.

The Industrial Relations Code 2020 establishes a framework governing the formation of trade unions, regulating employer-employee relations, and outlining procedures for the resolution of industrial disputes. The Code replaced three labour laws: (i) the Industrial Disputes Act, 1947, (ii) the Trade Unions Act, 1926, and (iii) the Industrial Employment (Standing Orders) Act, 1946.¹

The Code empowers the appropriate government to make rules on certain matters. These include: (i) resolution of industrial disputes through conciliation, arbitration and adjudication, (ii) establishment of works committees and grievance redressal Committees, (iii) procedure for strikes and lockouts, (iv) procedure for layoffs, retrenchment and closure of establishments, and (v) formation and dissolution of trade unions. The Code specifies the central government as the appropriate government for: (i) establishments under the authority of the central government, (ii) certain establishments such as railways, banks and mines, and (iii) corporations, autonomous bodies or public sector undertakings where the central government holds at least 51% of the shares. The state government is the appropriate government for all other establishments. The Ministry of Labour and Employment released draft Industrial Relations (Central) Rules, 2025 for public consultation on December 30, 2025.² The Industrial Relations (Central) Rules, 2026 were notified on May 8, 2026.³ These Rules replace the Industrial Disputes (Central) Rules, 1957 and the Industrial Employment (Standing Orders) Central Rules, 1946. The Rules include details on: (i) constitution of works and grievance redressal committees, (ii) recognition of a sole trade union as the negotiating union, (iii) matters for negotiation, and (iv) layoffs, retrenchment and closure.

KEY FEATURES

These Rules will apply to industrial establishments for which the central government is the appropriate government under the Industrial Relations Code, 2020, including establishments such as railways, banks, and mines, central public sector undertakings, and establishments in Union Territories without a legislature.

Key features of the Rules are:

- **Constitution of Works Committee:** The Code provides for the constitution of Works Committees in establishments with 100 or more workers to secure good relations between workers and employers. The Rules state that the Works Committee will consist of up to 20 members. The Committee must have equal representation from the employer and the workers' sides. Various categories, groups and classes of workers in the establishment should be represented in the Committee. The Committee must include: (i) a Chairperson, (ii)

a Vice-Chairperson, (iii) a Secretary, and (iv) a Joint-Secretary among its office-bearers. The Committee must meet at least once in three months. The term of office for members of the Committee will be three years.

- **Grievance Redressal Committee:** The Code provides that industrial establishments with 20 or more workers must establish a Grievance Redressal Committee for resolving disputes arising out of individual grievances. Worker's representatives will be nominated by the negotiating unions or councils. Where there is no negotiating union or council, the workers will choose a representative from among themselves.
- **Recognition of negotiating union:** The Code provides that if there is a single registered trade union in an establishment, it will be the sole negotiating union. The Rules specify that, to be recognised as the sole negotiating union, the trade union must have at least 30% membership of total workers.
- **Layoffs, retrenchment and closure:** Factories, mines, and plantations with 300 or more workers need prior permission from the appropriate government before laying off or retrenching workers, or before closing an establishment. The application must be made at least 15 days before the intended date of layoff, 60 days before the intended date of retrenchment.
- **Re-skilling fund:** The Code proposed a re-skilling fund which will consist of contributions from employers, equal to 15 days (or as specified by the central government) of the last drawn wages of every retrenched worker. The Rules provide that within ten days of retrenchment, employers will be required to transfer 15 days' wages into an account maintained by the government. These funds will be transferred to workers within 45 days of receiving the amount from the employer.
- The Rules also provide for: (i) procedures for conciliation proceedings, voluntary arbitration, and filing of applications before Industrial Tribunals for resolution of industrial disputes, (ii) the form and manner of giving notice of strikes and lock-outs, (iii) recognition and protection of trade union office-bearers as protected workers, and (iv) the composition of offences committed under the Code.

KEY ISSUES AND ANALYSIS

Rules on several provisions of the Code not specified

The Rules do not prescribe rules for a number of matters delegated under the Code. We discuss these below.

Manner of selection to Grievance Redressal Committee

Code:
Section 4(2)
Rules: Rule 6

The Code provides that every industrial establishment with more than 20 workers will have a Grievance Redressal Committee for resolving disputes arising out of individual grievances. It shall consist of equal number of members representing the employer and the workers to be chosen in the prescribed manner. The Rules provide that for establishments where no recognised union or council exists, the workers shall choose a representative from among themselves. However, the manner of choosing the representatives is not specified.

Several Rules related to Trade Unions not specified

Code:
Chapter III;
Section 99 (f)
– (v)

The Code replaced the Trade Unions Act, 1926. The Central Trade Union Regulations, 1938 issued under the 1926 Act provide for various matters related to trade unions such as registration, registers, certificates, cancellation/dissolution, fees, rule amendments, appeals, annual returns, audit, inspection, and related forms. The Code requires Rules to be prescribed on these matters and additional ones such as membership fees, objects of the general fund, and matters related to negotiating unions/councils. The 2026 Rules do not repeal the 1938 Regulations and do not provide for Rules on the matters delegated under the Code. This implies that the 1938 Regulations issued under the repealed Trade Unions Act, 1926 remain in force.

1. Industrial Relations Code, 2020.

2. Draft Industrial Relations Code (Central) Rules, 2025, G.S.R. 930(E), Ministry of Labour and Employment, December 30, 2025, <https://egazette.gov.in/WriteReadData/2025/268942.pdf>.

3. Industrial Relations (Central) Rules, 2026, Ministry of Labour and Employment, May 8, 2026, <https://egazette.gov.in/WriteReadData/2026/272336.pdf>

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