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RETRENCHMENT UNDER THE INDUSTRIAL RELATIONS CODE, 2020: REINTERPRETING ITS DEFINITION, CONDITIONS AND SCOPE IN LIGHT OF LEGISLATIVE CHANGES AND JUDICIAL PRECEDENTS

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ABSTRACT

The paper traces the concept of retrenchment in Indian labour law, tracking its evolution from the Industrial Disputes Act, 1947 through the amendments of 1953, 1976, and 1984, up to its consolidation under the Industrial Relations Code, 2020. It examines how the definition, preconditions, and scope of retrenchment have been shaped both by successive legislative interventions and by judicial pronouncements, moving from an initially narrow and technical reading of the term toward its recognition as a broader constitutional principle rooted in the right to livelihood and dignity under Article 21. The study also situates the framework within the Directive Principles of State Policy, showing how constitutional values have informed statutory interpretation over time. While acknowledging the IRC's modernising features, the paper highlights significant regressions, including a raised threshold for mandatory government permission before large-scale layoffs and the removal of contractual safeguards around superannuation. Most critically, it identifies the Code's silence on gig and platform workers as a serious constitutional gap, arguing that the exclusion of an increasingly large segment of the workforce from retrenchment protections raises concerns of unequal treatment under Article 14 and infringement of the right to livelihood under Article 21. The paper concludes that despite decades of progressive legal development, the retrenchment framework under the IRC remains incomplete and ill-suited to contemporary labour realities, and calls for its extension to cover all categories of working individuals, not merely those in traditional employment.

INTRODUCTION

The issue of retrenchment has a unique and leading position in the architecture of Indian labour law. It cuts across a type of termination that is not caused by any faultiness of the individual worker but rather is caused by conditions totally outside of him.[1] The Industrial Relations Code, 2020[2] which replaces and integrates the Industrial Disputes Act 1947[3], the Trade Unions Act 1926[4], and the Industrial Employment (Standing Orders) Act 1946[5], thus considers retrenchment an issue of acute public concern, something that occurs to an employee through no fault of his own, and that must be cushioned by the law in terms of notice, compensation, and procedural fairness.

Retrenchment as a concept emerged in Indian labour law in reaction to the structural imbalance between capital and labour that came with the early Indian industrialisation. The demand and the technological change or monetary restraint, often caused adjustments in the workforce by industrial enterprises, especially in manufacturing and mining. Such adjustments in the absence of legal regulation led to sudden unemployment of workers who had low power of bargaining and low economic security. The legislative reaction aimed to bring up managerial prerogative with social accountability as acceptability that industrial peace was not only based on the productivity but equally on equity in ending employment.

The statutory framework has been developed over time with the legislative interventions that have increased the protective scope and the regulatory expertise of the labour law. The 1953 amendment[6] came with clear provisions on ensuring that employees would not lose their jobs without warning and procedural requirements aimed at addressing the social implications of workforce reduction. These requirements were further limited in the amendments of 1976[7] and 1984[8], and the most notable was the expansion of the previous governmental permission to the establishment with at least one hundred and more workmen.

Retrenchment law does not operate in a constitutional vacuum. The Normative basis of the

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[1] Aditya Bhattacharjea, 'Labour Market Flexibility in Indian Industry: A Critical Survey of the Literature' (Working Paper No 296, Centre for Development Economics, Delhi School of Economics) http://www.cdedse.org/pdf/work296.pdf accessed 15 August 2026.
[2] The Industrial Relations Code, 2020
[3] The Industrial Disputes Act, 1947
[4] The Trade Unions Act, 1926
[5] The Industrial Employment (Standing Orders) Act, 1946
[6] The Industrial Disputes (Amendment) Act 1953 (Act 43 of 1953)
[7] The Industrial Disputes (Amendment) Act 1976 (Act 32 of 1976)
[8] The Industrial Disputes (Amendment) Act 1984 (Act 46 of 1984)

protective architecture built by the Parliament is in the Parts III and IV of the Constitution. The right to livelihood has been inferred as widely construed since the case of *Maneka Gandhi v Union of India*[9] to include Article 21[10], which has a constitutional but not merely statutory impact, in that arbitrary or otherwise procedurally flawed retrenchment has constitutional implications. Articles 39(a)[11], 41[12], 43[13] of DPSP which instruct the State to obtain sufficient means of livelihood, to secure the right to work, and to ensure a living wage provide the indirectly teleological goggles through which the ambiguous statutory provisions should be interpreted.

The courts have equally contributed to this environment in a commensurately decisive manner. Over time, the courts of law have interpreted the statements of law, settled conflicting interests, and made sure the statutory protection is uniformly enforced with constitutions values to turn retrenchment into a broad principle as well as the fairness of a termination initiated by the employer.

This project analyzes the definition, preconditions, and a changing scope of retrenchment as described under the IRC, evaluating the legislative history of the original enactment of Articles 14[14], 19(1)(g)[15], 21[16] and the guiding Principles, through an analysis of the legislations along with amendments done in 1947, 1953, 1976, 1984, and the consolidation of 2020. It is also critically engaged with the pressures that are exerted on a statutory structure by the whims of a modern labour market such as the gig economy, platform work, and serial fixed-term contracting, which all have an Indian factory-floor-focused statutory scheme imposed upon them.

[9] 1978 AIR 597
[10] Constitution of India 1950, art 21
[11] Constitution of India 1950, art 39(a)
[12] Constitution of India 1950, art 41
[13] Constitution of India 1950, art 43
[14] Constitution of India 1950, art 14
[15] Constitution of India 1950, art 19(1)(g)
[16] Constitution of India 1950 (n 10)

CHAPTER-1

RESEARCH METHODOLOGY

Research Design: -

The research approach is a doctrinal legal approach which entails largely researching case laws, legal commentaries, as well as scholarly articles.

Data Collection Sources: -

Here, the researcher collected data from two sources: primary and Secondary.

Primary sources include statutes like the Industrial Relations Code 2020, Industrial Disputes Act, 1947 etc. Landmark case laws have been taken into account. These sources provide the legal foundation and judicial opinions on the issue.

The secondary sources mainly contain books, academic articles, and research papers, etc, authored by jurists, sociologists, and scholars, providing a critical lens to examine the research question. As these are secondary materials, they help to complement the legal provisions by providing theoretical and pragmatic discussions that facilitate a holistic understanding of the issue.

Research Question: -

How has the definition, conditions, and scope of retrenchment evolved under Indian labour legislation from the Industrial Disputes Act, 1947 to the Industrial Relations Code, 2020, and to what extent has judicial interpretation expanded or constrained the statutory framework to meet the competing demands of worker protection and employer flexibility and and whether the IRC's deliberate silence on gig workers and platform workers renders its retrenchment framework constitutionally unjustifiable and unfit for the realities of twenty-first century India ?

CHAPTER-1

DEFINITION OF RETRENCHMENT

Section 2(zh)[17] of the Industrial Relations Code, 2020 defines retrenchment as the termination by the employer of the service of a worker for any reason whatsoever, otherwise than as punishment inflicted by way of disciplinary action. The definition is deliberately expansive in its main operative clause, the phrase "any reason whatsoever" signals a legislative intent to cast the widest possible net over employer-initiated terminations but is then narrowed by five enumerated exceptions: voluntary retirement, superannuation, non-renewal of a fixed-term contract on expiry, completion of fixed-term employment tenure, and termination on account of continued ill-health. Another interesting introduction of the 2020 consolidation is the introduction of fixed-term employment completion as a separate exception under Section 2(zh)(iv)[18], which, in a way, represents the recognition of fixed-term employment under Section 2(o)[19] of the IRC in a more formal form. The general architecture is thus that of wide inclusion through particular, narrowly-defined exclusions.

In a way, industrial Dispute Act, 1947[20] was more beneficial to workers. Under this when a worker became old and at the age of retirement, the employer could only dismiss him without giving any compensation provided such written in the work contract. But in case the contract made no mention of retirement age, the employer still had to abide by all the regulations and compensate the employee accordingly. However, this condition was eliminated in the new law, the Industrial Relations Code, 2020[21]. There may be nothing in the contract about the age at which the worker is expected to retire, the employer will still be able to discontinue the worker at his own will when he reaches old age without paying him any form of compensation.[22] This is to imply that the worker is deprived of his rights not at his own will, but simply as the new law declares. This does not appear to be a fair thing since the new law was expected to be superior to the old law in this context is where it is actually inferior to the worker.

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[17] The Industrial Relations Code 2020, s 2(zh)
[18] The Industrial Relations Code, 2020, s 2(zh)(iv)
[19] The Industrial Relations Code 2020, s 2(o)
[20] The Industrial Disputes Act (n 3)
[21] The Industrial Relations Code (n 2)
[22] Mahendra Soni, '"Termination of Service for Any Reason Whatsoever" and "Employment at Will": A Comparative Analysis of the Indian and US Labour Laws' https://doi.org/10.53555/kuey.v30i1.9702 accessed 10 August 2026.

CHAPTER-2

DLEGISLATIVE DEVELOPMENTS: THE AMENDMENTS OF 1953, 1976, AND 1984

India After independence, the first major law that was passed to safeguard the workers was the Industrial Disputes Act, 1947[23]. However, at its inception, it was not quite explicit about what retrenchment entailed and what principles the employer was obliged to take into account prior to terminating employees. And thus as the years went by Parliament needed to continue enacting new rules to make the law more effective and more powerful.

The initial significant transformation was in 1953. This was due to the fact that the Supreme Court had indicated in a renowned case named *Hariprasad Shivshankar Shukla v A D Divikar*[24] that the meaning of retrenchment was very small and this implied that a large number of employees who were rendered jobless in the country could not benefit under the law. This was not palatable to parliament which promptly amended the law. They also provided a proper meaning of retrenchment and also indicated that any employer who wishes to fire an employee must provide one month notice or payment to the employee instead of giving him a month notice, he must pay the employee fifteen days salary per year worked in the organization and also he must report to the Government. These three regulations turned into the simplest and the most significant regulations of the retrenchment law.

In 1976 the Parliament made the law even more efficient. This made them concerned with the fact that the big businesses were retrenching a huge number of employees simultaneously and this was swiftly resulting in numerous issues within the society. They therefore provided a new Chapter known as Chapter VB that states that once a company employs three hundred and above workers, then it cannot dismiss them without seeking permission with the Government.[25] This was a very big change because before this, the employer could decide entirely on his own.

In 1984, however, Parliament decreased this figure of three hundred workers to one hundred workers. This translated to the fact that many companies sought the Government leave to

[23] The Industrial Disputes Act (n 3)
[24] 1957 AIR 121
[25] Industrial Disputes Act 1947, ch V-B (ss 25K–25S).

retrench workers, which saved a great number of workers throughout the country.[26]

Slowly all these three amendments contributed to the powerful retrenchment law that we currently have, despite the fact that the Industrial Relations Code, 2020[27] has reinstated the number to three hundred workers, which many believe is retrogressive in protecting the workers.

[26] Kaushik Basu, Gary S Fields and Shub Debgupta, 'Labor Retrenchment Laws and Their Effect on Wages and Employment: A Theoretical Investigation' in *Statistical Science and Interdisciplinary Research* (World Scientific 2009) 185 https://doi.org/10.1142/9789812839428_0009 accessed 12 August 2026.

[27] The Industrial Relations Code (n 2)

CHAPTER-3
CONDITIONS PRECEDENT

1. Chapter IX — General Conditions

The Industrial Relations Code, 2020 section 70[28] provides the basic conditions precedent to retrenchment, which is applicable to all industries in which a worker has not less than one year of uninterrupted service. The retrenchment should be made lawfully and three conditions are required. The worker should be provided with first one month written notice of the causes of retrenchment, or alternate wage. Second, the employee should be subject to payment of the retrenchment compensation, which is similar to fifteen days of his or her average wage per year of uninterrupted service, or any fraction thereof of more than six months. Third, the notice should be served on Government or such authority as it may be nominating. These three are conjunctive in nature, that is, all should be met, and none of this is met and the retrenchment is illegal in the first place.

The Chapter IX of the IRC is arranged in the same way as Section 25F[29] of the Industrial Disputes Act, 1947, viz. one month notice, fifteen days compensation per year of service, and notification to the Government are not altered at all. The most exceptional amendment, however, in the IRC is the flexibility added to the Section 70(b)[30], which gives the chance to the relevant Government to provide the notification of a different number of days of average pay as remuneration which gives the executive some calibration power that would otherwise be missing with the unbending fifteen days formula used in the 1947 Act.

[28] The Industrial Relations Code 2020, s 70
[29] The Industrial Disputes Act 1947, s 25F
[30] The Industrial Relations Code 2020, s 70(b)

2. Chapter X — Special Provisions for Larger Establishments

The IRC lays an extra and more rigorous set of obligations on the bigger establishments under section 79[31]. Chapter X has the effect of requiring that the worker be given three months written notice in lieu of one month and most importantly, the employer must seek the previous approval of the relevant Government prior to effecting retrenchment. The request to be granted permission has to be written electronically or in any other preferred way with clear explanation of the reasons of the proposed retrenchment and at the same time a copy of the request must be served upon the respective workers. Then the Government has to investigate, listen to both sides and deliver a well-grounded order within sixty days; failure to issue an order within sixty days leads to the conferred permission. Any retrenchment effected without seeking or obtaining such permission is considered as an illegal retrenchment as of the date of notice and the worker is entitled to receive all benefits as there would be no such retrenchment had taken place.

The more important and more controversial changes can be found in Chapter X. This is the most consequential threshold question: Section 25K[32] of the 1947 Act addressed establishments that employed one hundred or more workmen, and in contrast, Section 77[33] of the IRC increases the number of employees to three hundred or more.[34] This tripled growth would imply that those institutions which hire one hundred and two hundred and ninety nine employees a numerically significant group in the Indian industrial context are now under only the light Chapter IX regime and do not have to seek previous governmental approval before laying off employees.

Additionally, the IRC introduces the phrase "electronically or otherwise" in Section 79(2)[35], modernising the application procedure. The role of the "specified authority" as an alternative to the appropriate Government, present in Section 25N[36] of the 1947 Act, is notably absent from Section 79[37], which centralises permission solely with the appropriate Government

[31] The Industrial Relations Code 2020, s 79
[32] Industrial Disputes Act 1947, s 25K
[33] The Industrial Relations Code 2020, s 77
[34] G K Roy and A Dubey, 'A Note on Industrial Relations Code, 2020' (2022) 65 *Indian Journal of Labour Economics* https://doi.org/10.1007/s41027-022-00368-8 accessed 15 August 2026.
[35] The Industrial Relations Code 2020, s 79(2)
[36] Industrial Disputes Act 1947, s 25N
[37] The Industrial Relations Code (n 31)

which is a subtle but meaningful consolidation of governmental authority over retrenchment decisions in larger establishments.

CHAPTER-4

COMPARISON OF ANCILLARY RETRENCHMENT PROVISIONS: IDA 1947 AND IRC 2020

An analytical comparison between the ancillary retrenchment provisions of the Industrial Disputes Act, 1947[38] and the Industrial Relations Code, 2020[39] has shown that most of the provisions have been brought forward without any substantive change, however, one important change warrants serious consideration.

The process of retrenchment provided in Section 25G[40] of the 1947 Act and Section 71[41] of the IRC has the same substance. The two provisions also set the principle of the Last-In-First-Out which obligates the employer to retain the worker who was last hired in a given category before any other worker so that it leaves this arrangement only under documented reasons.

Equally there is a virtual standardisation in the transfer compensation provisions of the 1947 Act that were seen in Section 25FF[42] and that of the IRC in Section 73[43] that the employees who have one year of continuous service are entitled to compensation that is equivalent to retrenchment at the event of change of ownership or management, subject, again, to the three protective conditions of service continuity and no deterioration of terms and the legal liability of the new employer. The differences between the two provisions are all terminological, with the term workman being substituted with worker and the term undertaking being substituted with establishment, as the 2020 consolidation has a broader definition.

The re-employment provision is the most significant and criticisable change. The 1947 Act under Section 25H[44] provided workers who were retrenched with a right to preference, which was open ended and continuing whenever the employer was planning to hire any new individual, and there was no time limit to it. The IRC in Section 72[45] narrows this right down to within one year of retrenchment without uttering even a peep. One single change carries colossal practical implications.

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[38] The Industrial Disputes Act (n 3)
[39] The Industrial Relations Code (n 2)
[40] The Industrial Dispute Act 1947, s 25G
[41] The Industrial Relations Code 2020, s 71
[42] The Industrial Dispute Act 1947, s 25FF
[43] The Industrial Relations Code 2020, s 73
[44] The Industrial Dispute Act 1947, s 25H
[45] The Industrial Relations Code 2020, s 72

Consider a simple example. Ramu is an Odia factory worker who is retrenched in January 2024 when the factory is experiencing financial difficulty. He gives the whole year in a desperate search of another employment to provide food to his family. After only a month has passed after the one-year limit ends (February 2025), the factory not only recovers, but also the employer begins hiring new employees. Ramu could have had a prima facie right under the 1947 Act to be first offered re-employment. The employer is not liable to him in any way under the IRC. Ramu, the victim of losing his job through no fault of his own, sees a stranger occupy the position that he used to occupy and he has no chance at all to be redressed by the law.

The one-year limit imposed by the IRC on workers is an example of the way in which the IRC has turned what would have been a solid and sustained worker right into a formality that can be easily bypassed by the employer by merely holding off on hiring again. This has been undermined by the 2020 consolidation that was supposed to modernise and strengthen the labour law, in this regard lightly but essentially, a protection that workers had enjoyed throughout more than seventy years.

CHAPTER-5
JUDICIAL INTERPRETATIONS

1. Early Narrow View: Hariprasad Decision

The first major involvement of the Supreme Court in the meaning of retrenchment was in *Hariprasad Shivshankar Shukla v A D Divikar*[46] in which the Court was requested to determine whether the termination which followed an actual closure of an undertaking was to count as retrenchment under Section 2(oo)[47] of the IDA, today maintained as Section 2(zk)[48] of the Industrial Relations Code, 2020. The Court decided that it did not, and it based its decision on the fact that the so-called retrenchment right was a matter of layoffs of surplus labour in an ongoing business and was not an issue of retrenchment based on a bona fide closure or winding up. Although the Court recognised the expansive nature of the term "for any reason whatsoever," it used the ordinary meaning of the word within the industry to limit the scope of the statute. This created a consistent, albeit narrow, body of case of closures, and transfers of undertaking, and in some cases discharges, being treated under their own terms, now contained

in Sections 55[49] and 56[50] of the IRC on compensation on transfer and closure, instead of the general retrenchment regime. The real effect was to revoke the retrenchment benefits on a large group of laid-off employees. The legal justification was justifiable on all its own, but it did not sit well with the plain meaning of Section 2(zk) of the IRC or even the greater protection philosophy underlying the consolidated labour codes.

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[46] (n 24)
[47] The Industrial Disputes Act 1947, s 2(oo).
[48] The Industrial Relations Code 2020, s 2(zk).
[49] The Industrial Relations Code 2020, s 55.
[50] The Industrial Relations Code 2020, s 56.

2. State Bank of India v Shri N Sundara Mani (1976)

A very strong break with the Hariprasad decision came in *State Bank of India v Shri N Sundara Mani*[51], where the Court was put the question whether the removal of a temporary employee at the expiry of his temporary engagement constituted retrenchment. Krishna Iyer J had no doubts that it did. The test expressly applied in Section 2(zk)[52] of the IRC, namely any reason whatsoever, was not susceptible to importation of extra-statutory meaning of redundancy or surplusage. In case a termination was in the main limb and had not been brought within an express exclusion, it was retrenchment and the conditions precedent under Section 70[53] of the IRC must be met before it could be effectively brought about. The case was important in two respects. Substantively, it provided labour code coverage to temporary and fixed-term workers - the group that is most vulnerable to precarious work and is the least likely to attract an efficient industrial action. Part of this concern has since been resolved by the IRC, 2020 formally by the inclusion of Fixed Term Employment as a provision of Section 2(o)[54] and thus such workers are now entitled to pro-rata retrenchment compensation on expiry of the contract. Section 2(zk)[55] was set to be interpreted literally and broadly, exceptions being interpreted strictly and purposely. Any dismissal made without meeting the pre-requisites conditions as mandated in Section 70[56] is ab initio and the worker is entitled to seek reinstatement or other financial compensation before the Industrial Tribunal established under Section 44[57] of the IRC.

3. Punjab Land Development and Reclamation Corporation Ltd v Presiding Officer, Labour Court (1990)

The interpretation issue was definitively resolved by the Constitution Bench in *Punjab Land Development and Reclamation Corporation Ltd v Presiding Officer*[58], Labour Court which not only undertook a detailed examination of the definition of retrenchment but also traced the history of the legislative meaning of retrenchment since the IDA until the current

[51] 1976 AIR 1111
[52] The Industrial Relations Code (n 40)
[53] The Industrial Relations Code 2020 (n
[54] The Industrial Relations Code 2020 (n 19)
[55] The Industrial Relations Code (n 40)
[56] The Industrial Relations Code (n 28)
[57] The Industrial Relations Code 2020, s 44
[58] (1990) 3 SCC 682

Industrial Relations Code, 2020[59], as well as the constitutional requirements of social justice as expressed in the Directive Principles. The Bench was unanimous in the opinion that Section 2(zk)[60] of the IRC was broad and applied to all terminations by the employer based on any reason whatsoever, and is not subject to stated exceptions. The statement about any reason whatsoever was not surplusage; it was the main language of operation, which was aimed at making sure that the statement is as broad as possible. The Bench also explained that Hariprasad was a case of closure in itself and did not require a broad restrictive definition of the definition. Non-stigmatising discharge, termination simpliciter and any other dismissal caused by the employer but not included in the exclusion in the exploitation, i.e., in the exceptions to Section 2(zk)[61], receive the full force of Section 70[62].

The Tribunals established under Section 44[63] of the IRC have always believed that termination carried out without giving any notice, without compensation, or without providing the worker an opportunity to promote the principle of seniority under Section 71[64] is invalid and the worker is entitled to reinstatement as of right unless there are exceptional circumstances that make it impracticable.

Upon consideration of the entire legislative history and constitutional imperative of social justice, the Bench determined that the definition applies to all terminations initiated by the employer on any basis whatsoever, being limited in its application only by specified exceptions - which the phrase for any reason whatsoever constituted the dominant operative language of the provision, rather than its surplusage.

CHAPTER-6

SCOPE OF RETRENCHMENT: THE CASE FOR INCLUDING GIG WORKERS AND PLATFORM WORKERS

India is a developing country. We have millions of people who work every day to feed their families and build their lives. Some of them work in big factories and offices where the law protects them very well. But there are also millions of workers who drive cars on Ola and Uber,

[59] The Industrial Relations Code (n 2)
[60] The Industrial Relations Code (n 47)
[61] The Industrial Relations Code (n 47)
[62] The Industrial Relations Code (n 48)
[63] The Industrial Relations Code (n 49)
[64] The Industrial Relations Code 2020, s 71

deliver food on Zomato and Swiggy, and do small jobs through apps on their phones. These workers are called gig workers and platform workers. And sadly, the law does not protect them the same way it protects other workers.

Under the current state of affairs, the Industrial Relations Code, 2020[65] defines retrenchment in Section 2(zk)[66] as the dismissal of the service of a worker by an employer due to any reason at all. This definition however merely benefits those workers who are recognised as workers under the Code. The definition of gig workers and platform workers under Section 2(zzm)[67] of the Code on Social Security, 2020, does so separately, and are not subject to the retrenchment provisions of the IRC at all. This implies that in case a gig worker is abruptly de-platformed by a given app, or, an algorithm finds that he will not receive any work-related anymore, he cannot approach any court or tribunal and claim that he has been retrenched. He has no right to notice. He is not entitled to compensation. He merely loses his earnings one night and it is not taken into consideration by the law.

This is not fair. And to a nation such as India which is still expanding and evolving; this is not also smart. Each day our economy becomes highly reliant on gig and platform workers. There is no way that all young people in the country are finding regular jobs and that is why millions of them are opting to work this way. We will be leaving a very huge portion of our labor force totally without any protective net in case we do not safeguard these workers. This will add onto poverty, inequality and social ills in our land.

Code on Social Security, 2020 has made a small step forward by acknowledging gig workers and platform workers in Section 113[68] to 114[69] and establishing a social security scheme on behalf of them.[70] This demonstrates that Parliament is aware of the presence of these workers and they should be somehow provided with protection. However, social security is not

[65] The Industrial Relations Code 2020
[66] The Industrial Relations Code (n 40)
[67] The Code on Social Security 2020, s 2(zzm)
[68] The Code on Social Security 2020, s 113
[69] The Code on Social Security 2020, s 114
[70] Chitranshu Bhaskar, Nisha Kumari Agarwal and Arpita Bhaskar, 'The Effects of the Code on Social Security, 2020, on the Welfare and Working Conditions of Gig and Platform Workers in the Indian Informal Economy' (2025) 7(6) *International Journal for Multidisciplinary Research* https://doi.org/10.36948/ijfmr.2025.v07i06.65135 accessed 14 August 2026.

sufficient. These workers actually need protection against unlawful and unintended termination, which is what the retrenchment law is meant to offer.

This is because India is becoming a large and more powerful economy; we should ensure that our laws expand alongside us. The retrenchment should also be widened to include gig workers and platform workers. This does not imply that the law must be very tight that the companies cease doing business in India. It merely implies that when one platform chooses to fire an employee, it must provide some kind of a notice, compensation, and a reasonable reason. These are not that huge demands. They are basic human rights that every working person deserves, whether he works in a factory or on a phone app.

India's strength is its people. And if we want to be a truly developed nation, we must first take care of the people who are doing the work that is building our country every single day.

CONCLUSION

The retrenchment law has travelled far long way since 1947. At the time that the Industrial Disputes Act was initially enacted, it lacked even a legitimate definition of what constitutes retrenchment, and it was a very weak protection to the workers. Gradually, however, by the amendments of 1953, 1976, and 1984, a solid framework was erected by Parliament. The Amendment of 1953 provided the retrenchment with the correct definition and brought the three fundamental conditions of the notice, compensation, and intimation to the Government. The Amendment of 1976 required previous governmental permission of large establishments and Amendment of 1984 gave this protection to even greater numbers of workers by decreasing the threshold to one hundred workmen.

The judiciary was also very instrumental in this journey. *Hariprasad Shivshankar Shukla v A D Divikar* by the Supreme Court began on a very narrow understanding of retrenchment where many workers were left uninsured. However this was rectified as in the case of *State Bank of India v Shri N Sundara Mani* whereby the words any reason whatever were taken by the Justice Krishna Iyer in their complete and natural meaning. The case of *Punjab Land Development and Reclamation Corporation Ltd v Presiding Officer*, Labour Court has since definitively resolved the law in that the definition of it is extensive and includes all employer-initiated dismissals that do not fall into the express exceptions. With this judicial experience, retrenchment has become a special rule of technical narrowness into a general constitutional principle that preserves the dignity and livelihood of workers.

Nevertheless, modernising the law in most respects, the Industrial Relations Code, 2020, also made certain steps backwards. It increased the minimum number of workers required to persuade the government beforehand to seven hundred workers to three hundred such that many workers in medium-sized enterprises were left without the protection they used to have. It also abolished the contractual conditionality of the superannuation exception that is, workers can now lose their rights not through an agreement but through mere passing of age.

Above all, the IRC is totally silent when it comes to gig workers and platform workers. Such silence is not merely a gap in the legislation in a nation where millions of youth rely on apps and platforms as their source of livelihood, it is a constitutional issue. Given the case of a platform worker being eliminated by an algorithm without even being warned or compensated overnight, his right to livelihood according to Article 21 is infringed. His right to equality by Article 14 is also not adhered to since a factory worker in the same case would have enjoyed full legal protection but he does not. Articles 39(a), 41 and 43 of the Directive Principles also require that the State should defend all working people not only the traditional employees.

Gig and platform workers are now recognised in the Code on Social Security, 2020 in Sections 113 to 115, indicating that Parliament is aware of their existence. However, the benefits of recognition without protection of retrenchment would be partial. India is becoming rapidly developing and the labor force is evolving. The law must change with it. The retrenchment should be extended to all the working individuals as the power of any country rests in how well it secures the individuals doing its work.

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