

New labour codes to increase formalisation 15%: SBI report

SHIVA RAJORA,

New Delhi, 25 November

The recently notified four new labour codes will boost formalisation of the labour force by at least 15 per cent and increase the social sector coverage to 85 per cent, said a State Bank of India (SBI) report on Tuesday.

The new codes are also estimated to generate 7.7 million new jobs and reduce unemployment rate by 1.3 per cent over the medium term, thus resulting in a consumption boost of approximately ₹75,000 crore.

“The implementation of new labour codes will empower both workers and enterprises, building a workforce that is protected, productive and aligned with the evolving world of work — paving the way for a more resilient, competitive and self-reliant nation. There are primarily four tangible benefits that will accrue as the labour codes are implemented,” the report noted.

This assessment is based on the current labour force participation rate of individuals aged 15-years and above at 60.1 per cent, and the average working-age population at 70.7 per cent

across rural and urban regions. It further noted that this will depend on the reform implementation, firm-level adjustment costs, and complementary state-level rules.

The report also noted that around 440 million people in India currently work in the unorganised sector, out of

which nearly 310 million workers are registered on the e-Shram portal. By assuming that 20 per cent of these workers move from informal payroll to formal payroll, around 100 million individuals could directly benefit from improved job security, social protection and

formal employment benefits.

“With this transition, India’s social security coverage is expected to reach 80-85 per cent in the next 2-3 years,” the report said.

On Friday, the centre notified the four new comprehensive labour codes, which were enacted by Parliament in 2019 and 2020.

“Though, the new codes will escalate the cost of operation for the employers, it will reduce compliance burden substantially,” the report noted.

**THE NEW CODES
ARE ALSO
ESTIMATED TO
GENERATE
7.7 MN NEW JOBS
AND REDUCE
UNEMPLOYMENT
RATE BY 1.3%**
