

# IMPACT OF THE NEW LABOUR CODES ON HR COMPLIANCE PRACTICES IN INDIAN ORGANIZATIONS

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**Abstract:** The introduction of the new labour codes in India marks a significant transformation in the country's labour regulatory system. By consolidating multiple labour laws into a unified framework, these reforms aim to simplify compliance while strengthening employee welfare. This study explores the impact of these labour codes on HR compliance practices within Indian organizations. Primary data were collected through a structured questionnaire and a live interview with an HR professional. The research examines levels of awareness, organizational preparedness, policy revisions, and implementation challenges. The findings reveal that although organizations have initiated policy updates and possess basic awareness, issues such as employee adaptation, training requirements, and gaps in digital systems continue to hinder effective implementation. The study recommends focused HR training, adoption of digital compliance tools, and stronger managerial support to enhance compliance outcomes. This research contributes practical insights for HR professionals and policymakers while adding value to academic literature.

**Keywords:** HR Compliance, Labour Codes, India, HR Practices, Organizational Readiness.

## I. INTRODUCTION

The newly introduced labour codes in India aim to modernize and rationalize existing labour laws while ensuring improved protection for employees. By merging several legislations into a streamlined framework, these codes increase the responsibility of organizations to maintain legal compliance. Human Resource departments play a central role in interpreting these legal provisions and translating them into organizational policies and practices. HR professionals are required to revise employment policies, payroll structures, working hour regulations, employee documentation, and social security benefits. Despite the intention to simplify labour regulation, organizations face several challenges during implementation, including limited awareness, resistance to change among employees, and inadequate technological infrastructure. This study investigates how the new labour codes influence HR compliance practices, identifies key challenges, and proposes actionable recommendations to support effective implementation.

**According to Dr. Sonal Rawal and Dr. Hiral Shukla** examine the critical implications of the new labour codes on workers' rights and the regulatory framework in India. They highlight that while the codification of multiple labour laws aims to simplify compliance and improve transparency, it also presents challenges in interpretation and effective implementation within organizations.

## II. LITERATURE REVIEW

Several scholars have examined the impact of India's new labour codes on organizational compliance and HR practices. **Sharma and Verma (2021)** describe the new labour codes as a significant reform aimed at simplifying and unifying India's complex labour law framework. They argue that consolidation improves clarity but requires strong institutional readiness for effective execution.

**Kumar and Rao (2020)** emphasize that organizational awareness and proactive involvement of top management play a crucial role in ensuring compliance with new labour regulations. Their study highlights that firms with informed leadership adapt more efficiently to legislative changes.

**According to Singh and Patel (2019)**, employee communication and participation are essential during policy transitions. They note that transparent communication reduces uncertainty and resistance among employees when new labour policies are introduced.

**Mehta (2021)** finds that organizations implementing structured training and capacity building programs experience fewer compliance gaps during regulatory transitions. The study suggests that continuous learning initiatives enhance employee understanding of legal obligations.

**Gupta and Malhotra (2020)** identify digital HR platforms and compliance management software as critical tools for tracking statutory requirements and minimizing administrative errors. Their research indicates that technology driven HR systems improve monitoring and reporting accuracy.

However, Banerjee (2022) points out that challenges such as limited employee awareness, resistance to revised HR policies, and inadequate infrastructure continue to hinder smooth implementation, particularly in small and medium enterprises.

Building on these studies, the present research contributes to the existing literature by proposing a customized HR Compliance Readiness Model and integrating primary insights gathered from HR professionals, thereby offering a practical framework for effective implementation of the new labour codes.

### **III. THEORETICAL FOUNDATION**

This research is grounded in Strategic Human Resource Management (SHRM) theory and Compliance Theory. SHRM theory emphasizes the alignment of human resource policies and practices with organizational goals and statutory requirements to achieve long-term organizational effectiveness. In the context of the new labour codes, SHRM highlights the strategic role of HR departments in redesigning policies related to wages, industrial relations, social security, and working conditions to ensure both legal compliance and workforce efficiency. By integrating compliance requirements into strategic HR planning, organizations can minimize legal risks while supporting sustainable organizational performance.

Compliance Theory focuses on the establishment of structured systems, procedures, and controls to ensure adherence to laws, regulations, and standards. Under the new labour codes, this theory becomes particularly relevant as organizations are required to adapt to consolidated legal provisions and enhanced regulatory oversight. Compliance Theory explains how mechanisms such as internal audits, documentation processes, standardized HR practices, and compliance monitoring tools help organizations meet statutory obligations, reduce non-compliance risks, and enhance organizational accountability.

In addition, Institutional Theory supports this framework by explaining how organizations respond to regulatory pressures imposed by government reforms such as the new labour codes. Indian organizations are increasingly compelled to align their HR compliance practices with legal norms to gain legitimacy, avoid penalties, and maintain stakeholder trust. This theory helps in understanding variations in compliance practices across organizations based on size, resources, and industry context. Perspective highlights the importance of HR readiness and employee awareness in achieving effective compliance outcomes.

Collectively, these theoretical perspectives provide a comprehensive framework for analyzing the impact of the new labour codes on HR compliance practices in Indian organizations. They enable the study to examine how strategic alignment, regulatory adherence, institutional pressures, and change management processes influence organizational preparedness and compliance effectiveness under the reformed labour law regime.

#### **HR Compliance Readiness Model**

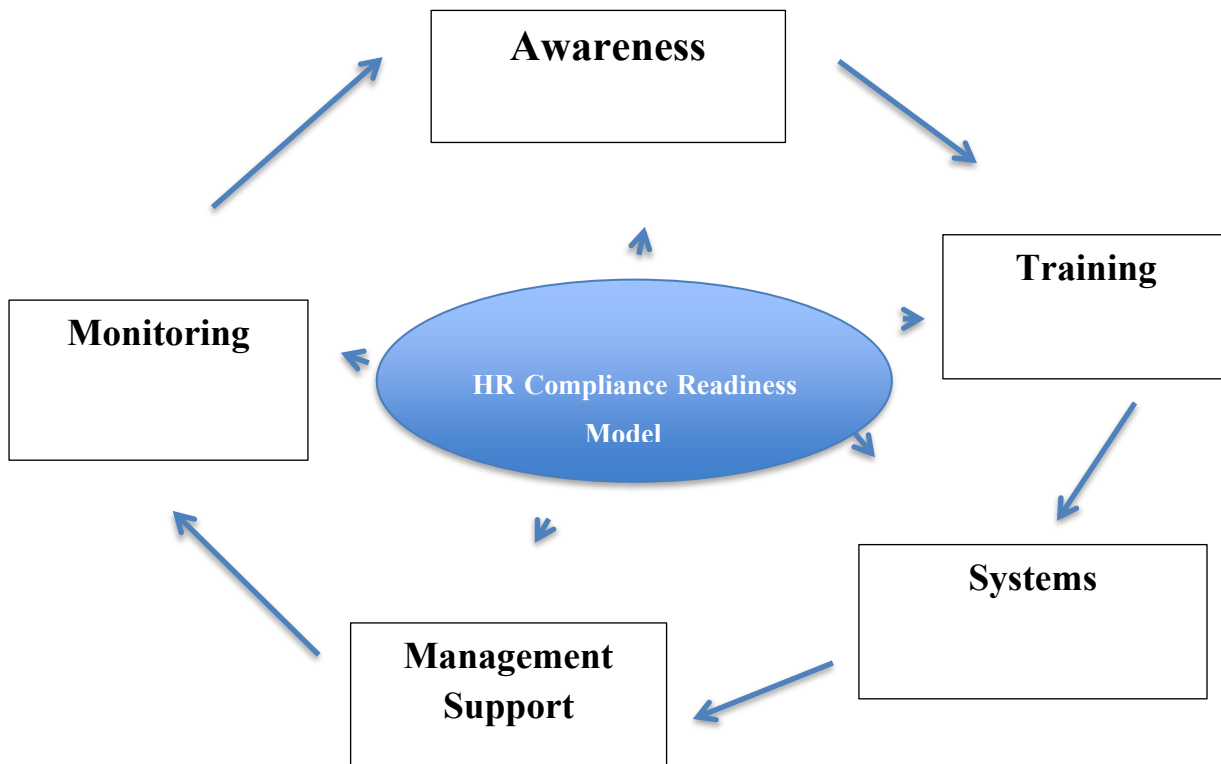
**Awareness:** Understanding of new labour codes by HR professionals

**Training:** Employee and HR capacity-building programs

**Systems:** Digital tools and processes to monitor compliance

**Management Support:** Leadership commitment to compliance

**Monitoring:** Regular tracking and audits of compliance practices



#### IV. RESEARCH METHODOLOGY

**Research Design:** Descriptive and analytical study

**Data Collection:**

**Primary Data:** Structured questionnaire + live interview with one HR professional

**Secondary Data:** Government publications, policy reports, and recent articles

**Sample:** One HR professional live interview and 10–15 HR executives for survey validation

**Analysis:** Descriptive statistics and qualitative interpretation

#### V. RESULTS AND ANALYSIS

Live HR interview currently working as a hr manager in an organization for the past 20 years.  
 Name confidential for some privacy purpose

**Questions**

1.Are you aware of key provisions of the new labour codes?

**Ans:** Yes, as an HR professional I am aware of the main provisions of the new labour codes related to wages, working hours, and employee benefits.

2.Has your organization updated HR policies due to new labour codes?

**Ans:** Yes, our organization has updated HR policies to align with the new labour codes especially in payroll and statutory compliance.

3.Does your organization use any tools or systems to monitor labour law compliance?

**Ans:** Yes, we use HR software and internal records to monitor labour law compliance on a regular basis.

4. What is the biggest challenge?

**Ans:** The biggest challenge is communicating the changes to employees and ensuring smooth implementation across the organization.

5. what are you doing to make everyone understand the new labour codes and to ensure everyone is aware of them?

**Ans:** we are using structured training programs and continuous communication to help employees understand the new labour codes and stay updated about the changes

**HR Response Summary**

The live HR interview indicates that while basic awareness of the new labour codes exists, deeper understanding is still required. Organizations have updated HR policies and payroll systems; however, employee adaptation remains a major operational challenge. Partial use of digital systems for compliance monitoring was observed. These findings align with existing literature emphasizing the critical role of HR in translating legal reforms into workplace practices. The gap between policy formulation and employee-level implementation highlights the need for structured training and continuous communication.

Analysis from collected questionnaire

Table:1 awareness of new labour codes

Awareness level	frequency	percentage
Yes	9	64.3%
No	1	7.1%
Partially/may be	4	28.6%
Total	14	100

**Interpretation:**

the results show that 64.3% of respondents are aware of the new labour codes, while 28.6% are only partially aware, indicating that although awareness is reasonably high, complete clarity has not yet been achieved across organizations.

Table:2 level of understanding of new labour codes

Understanding level	Frequency	Percentage
Excellent	6	42.9%
good	6	42.9%
Average	2	14.2%
Total	14	100

**Interpretation:**

A majority (85.8%) of respondents reported a good to excellent understanding, reflecting strong conceptual awareness among HR professionals, through a small proportion still possesses only average understanding.

Table :3 areas of familiarity with new labour codes

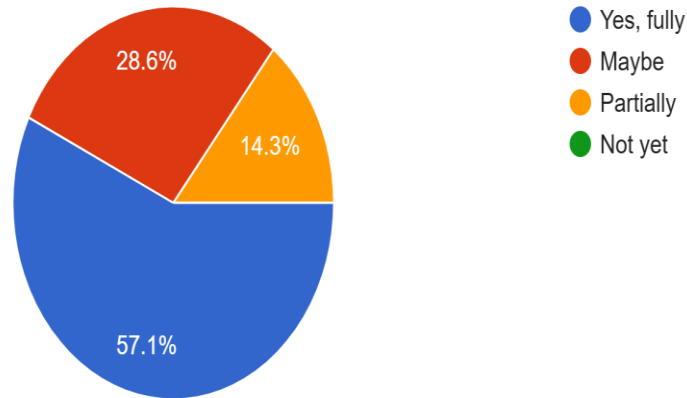
Area familiarity	Frequency
Industrial relations	8
Employee benefit and social security	7
Working hours and leave	7
Workplace safety	6
Wages & bonuses	5

**Interpretation:**

The findings indicate that industrial relations is the most familiar area, followed by employee benefits and working hours, suggesting that organizations prioritize employee facing compliance dimensions.

Chart:1 status of HR policy updates for compliance

14 responses



**Interpretation:**

Half of the organization have fully updated HR policies, while the rest are either partially compliant or in the process of the implementation, indicating a transitional phase in adapting to the new labour codes

Table :4 training and awareness programs on labour codes

Training frequency	Frequency	Percentage
Regularly	10	71.4%
occasionally	4	28.6%
Rarely/never	0	0.0
total	14	100

**Interpretation:**

The majority of the organizations conduct regular training programs highlighting the importance of continuous communication in ensuring HR compliance.

Table:5 challenges in implementing new labour codes

Challenge identified	Frequency	Percentage
Lack of employee awareness	9	64.3%
Resistance to change	7	50.0%
Updating policies & documentation	7	50.0%
Technology /digital systems issues	4	28.6%
Lack of management support	2	14.3%

**Interpretations:**

The most significant challenge faced by organizations is lack of employee awareness, followed by resistance to change and documentation updates, emphasizing the need for structured training and digital support systems.

Table:7 statistical analysis of mean & standard deviation of key variables

Variables	Mean	Standard deviation
Awareness of new labour codes	4.00	0.93
Understanding of new labour codes	4.29	0.83
HR policy updates for compliance	3.93	0.92
Training & awareness programs	4.21	0.80
Ease of maintaining HR compliance	3.86	0.77
Management support for HR compliance	4.07	0.73

**Interpretation:**

Mean values close or above 4.0 indicate a high level of awareness, supportive management, and proactive compliance practices. The relatively low standard deviation suggests consistency in respondents’ perception across organizations.

**Calculation of Percentage Distribution**

To determine the percentage distribution of responses, the number of responses in each category was compared with the total number of valid responses. The frequency of a specific response option was divided by the total sample size and then multiplied by 100 to convert it into a percentage value.

**Formula applied:**

$$\text{Percentage} = \frac{\text{Number of Responses}}{\text{Total Respondent}} \times 100 = 64.3\%$$

**Illustration:**

For the awareness variable, 9 out of 14 respondents indicated that they were aware of the new labour codes.

$$(9/14) \times 100 = 64.3\%$$

S. No.	Variable (Ordinal Multiple-Choice Questions)	Mean Score	Level
1	Understanding of the New Labour Codes	3.85	High
2	Frequency of Training / Awareness Programs	3.38	Moderate
3	Difficulty in Maintaining HR Compliance	3.86	Moderate to Easy
4	Management Support for HR Compliance Initiatives	3.93	High

**Scale Used:**

1 = Lowest level  
 5 = Highest level

Mean score analysis was applied **only to multiple-choice questions that have an inherent order and reflect levels or intensity of responses** (ordinal data). Questions with nominal responses such as *Yes/No* were excluded from mean calculation and analyzed using frequency and percentage methods.

The mean scores indicate a high level of understanding of the new labour codes (3.85), showing that awareness initiatives have been largely effective. However, the moderate mean score for training and awareness programs (3.38) suggests that training efforts are less consistently implemented across all organizations.

The mean score for difficulty in maintaining compliance (3.86) reflects that organizations generally find compliance manageable, though procedural challenges remain. Strong management support for HR compliance (3.93) further highlights leadership involvement as a critical factor in the effective implementation of the new labour codes.

**VI. ETHICAL AND DIGITAL DIMENSIONS**

Ethical HR compliance involves ensuring fair wages, transparency in employment practices, and the protection of employee rights as mandated under the new labour codes. Ethical practices in HR emphasize non-discrimination, equitable treatment, employee welfare, and adherence to statutory benefits such as social security, working hours, and occupational safety. With the introduction of consolidated labour laws, organizations are expected to uphold ethical standards not merely as legal obligations but as integral components of responsible human resource management.

The ethical dimension also highlights the role of organizational integrity and accountability in compliance practices. HR professionals are required to ensure that policies and procedures are implemented fairly and consistently across all levels of the workforce. Transparent communication regarding changes in labour policies, wage structures, and

employment conditions helps in building employee trust and reducing resistance to regulatory changes. Ethical HR compliance therefore contributes to improved employee morale, organizational credibility, and long-term sustainability. The digital dimension of HR compliance focuses on the adoption of technology-driven systems such as Human Resource Information Systems (HRIS), payroll automation, and compliance management software. These digital tools support ethical practices by improving data accuracy, ensuring timely statutory reporting, and minimizing manual errors in compliance processes. Under the new labour codes, digital systems play a critical role in managing employee records, monitoring working hours, tracking statutory contributions, and generating compliance reports for regulatory authorities.

Furthermore, digitalization enhances transparency and audit readiness by maintaining standardized documentation and real-time access to compliance data. The use of digital platforms enables HR departments to monitor regulatory updates efficiently and respond proactively to compliance requirements.

### **Managerial and Policy Implications**

- Organizations should conduct regular training programs for HR professionals
- And employees, invest in digital compliance systems, and ensure active managerial involvement in compliance initiatives.
- Policymakers can support organizations by offering clear guidelines, workshops, and awareness programs to facilitate smoother adoption of labour reforms.
- Active involvement of top management is essential to strengthen compliance culture and ensure effective implementation of labour reforms.

### **Limitations and Future Research**

The study is limited by a small sample size and reliance on a single in-depth HR interview.

Future research can include larger, sector-wise surveys, comparative studies between public and private organizations, and longitudinal analyses to track changes in HR compliance practices over time.

## **VII. CONCLUSION**

The new labour codes have a significant impact on HR compliance practices in Indian organizations. Although awareness and policy updates are evident, challenges related to employee adaptation, training, and technological readiness persist. Addressing these gaps through training, digitalization, and leadership support can enhance compliance effectiveness.

Overall, the study concludes that while the new labour codes provide a robust legal foundation, their successful implementation depends largely on organizational readiness, continuous capacity building, and strategic use of technology. Addressing existing gaps through focused training, digital transformation, and active managerial engagement can significantly improve HR compliance effectiveness and support sustainable organizational performance in the evolving regulatory environment.

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