

THE LIMITS OF INDIAN RETRENCHMENT LAW IN ADDRESSING LARGE-SCALE EMPLOYMENT DOWNSIZING: A CRITICAL STUDY OF THE INDUSTRIAL DISPUTES ACT, 1947 AND THE INDUSTRIAL RELATIONS CODE, 2020

by

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ABSTRACT

Indian retrenchment law developed around a specific paradigm: a firm terminates workers because it can no longer afford to employ them. This paper tests whether that paradigm remains adequate when economically viable enterprises undertake large-scale workforce reductions for reasons unconnected to financial distress, including organisational restructuring, automation and changing business models. Using doctrinal analysis of the Industrial Disputes Act, 1947 and the Industrial Relations Code, 2020, which came into force on 21 November 2025, the paper examines the statutory definitions of retrenchment, lay-off and closure, the threshold-based permission regime, and the newly operative Worker Re-Skilling Fund under Section 83 of the Code. It uses Oracle Corporation's 2025 to 2026 restructuring, including its reported effect on the company's Indian workforce, as an illustrative case study of downsizing by a company that was not in financial distress. The paper compares the Indian position with the European Union's collective redundancy framework, United Kingdom consultation law and German co-determination practice. It finds that Indian retrenchment law regulates the legality and financial consequences of termination with reasonable rigour but contains no mechanism distinguishing distress-driven layoffs from discretionary restructuring, imposes no disclosure obligation tied to cause, and treats consultation as largely optional outside the collective bargaining context. The Worker Re-Skilling Fund represents a genuine, if modest, legislative acknowledgment of transition costs, but it is compensatory rather than preventive and untested in practice. The paper concludes that the working hypothesis is partially supported: Indian law provides real procedural and compensatory protection but remains structured around the fact of termination rather than the reasons behind large-scale downsizing, and it proposes a calibrated set of disclosure, redeployment-consideration and reporting reforms.

KEYWORDS

Retrenchment; Industrial Relations Code, 2020; Industrial Disputes Act, 1947; workforce restructuring; Worker Re-Skilling Fund; comparative labour law; collective redundancy.

1. INTRODUCTION

In September 2025, employees of Oracle Corporation in India began receiving early-morning termination emails as part of a global restructuring exercise that, according to contemporaneous reporting, affected thousands of employees across the company's Indian operations over successive rounds through 2026.¹ Oracle was, by its own financial disclosures, not a company in distress. Its revenue and capital expenditure were rising sharply over the same period, driven substantially by investment in artificial intelligence and cloud infrastructure.² The termination communications cited "broader organisational change" rather than any inability to meet payroll.³ Oracle is not an isolated instance. It is one recent and reasonably well-documented example of a pattern that has become increasingly common among large, profitable enterprises: workforce reduction driven by restructuring, automation, consolidation or changing business models, rather than by the losses, insolvency or contraction in demand that Indian retrenchment law was historically built to address. The Industrial Disputes Act, 1947 ("the ID Act") and its successor, the Industrial Relations Code, 2020 ("the IR Code"), regulate retrenchment through a framework of notice, compensation, seniority-based selection and, above defined worker thresholds, prior government permission. This framework asks two questions of a proposed retrenchment: has the correct procedure been followed, and has adequate compensation been offered. It does not, on the face of the statute, ask why the workforce reduction is occurring, and it draws no formal distinction between a company

¹Business Today, "Oracle Layoffs Hit India: Engineers, Senior Employees Affected as Cuts Spread Globally" (15 Sept. 2026); The Independent, "Oracle Lays Off Thousands by 6am Emails Amid AI Data Centre Drive" (Sept.

2025), reporting approximately 12,000 employees in India affected in the September 2025 round, a figure not confirmed by Oracle; Deccan Herald, "Oracle Begins Fresh Round of Layoffs; Over 1,000 Indian Employees Set to Lose Jobs" (Sept. 2026). All headcount figures in this paper are drawn from media reporting rather than company filings and should be treated as estimates rather than verified data.

²Analytics Insight, "Oracle Layoffs in India: 1,500 Employees Reportedly Affected" (Sept. 2026), reporting Oracle's fiscal 2026 capital expenditure at approximately USD 55.7 billion, attributed principally to data-centre and AI infrastructure

retrenching because it is losing money and a company retrenching because it has decided, as a matter of business strategy, that fewer workers are required to do the same or more work.

This paper examines whether that omission matters. It does not assume that Indian retrenchment law is defective; the working hypothesis, stated at the outset and tested rather than presumed, is that the retrenchment framework supplies important procedural and compensatory protection but is structured principally around the legality and financial consequences of termination rather than the broader social and employment consequences of large-scale downsizing by financially viable enterprises. The paper is deliberately not organised around artificial intelligence as a discrete legal category. Automation is treated here as one instance, among several, of the broader phenomenon of organisational and technological restructuring; the analysis is intended to hold regardless of whether the proximate cause of a given retrenchment is software, outsourcing, consolidation of functions or a change in business model.

The central research problem is whether the existing Indian retrenchment framework provides an adequate legal and social protection framework when economically viable enterprises undertake large-scale workforce reductions for reasons other than financial distress or closure. The paper proceeds doctrinally, examining the statutory text and judicial interpretation of the ID Act and the IR Code; comparatively, situating the Indian position against the European Union, the United Kingdom and Germany; and through a case study, using Oracle's 2025 to 2026 restructuring to test the statutory framework against a documented, if incompletely verified, pattern of profitable-company downsizing. Part 2 synthesises the relevant scholarship. Part 3 traces the historical development of Indian retrenchment law. Parts 4 and 5 analyse the ID Act and the IR Code respectively, including the Code's commencement on 21 November 2025 and the new Worker Re-Skilling Fund under Section 83. Part 6 develops the paper's central analytical distinction between distress-driven and restructuring-driven downsizing. Part 7 applies this analysis to Oracle. Part 8 undertakes the comparative study. Parts 9 and 10 identify legal and policy gaps and propose a reform framework. Part 11 concludes.

2. LITERATURE REVIEW

Existing doctrinal writing on Indian retrenchment law tends to read the subject principally through the lens of procedural compliance: whether notice was given, whether compensation was

correctly computed, and whether the seniority rule in Section 25G was observed. This is not a shortcoming particular to any one commentator; it reflects the structure of the statute itself, which, as Part 4 demonstrates, asks whether termination has occurred and whether the statutory conditions attached to termination have been satisfied, and is agnostic on the question of underlying cause. A comprehensive citation survey of this commentary lies beyond the scope of what could be independently verified for this draft, and is flagged in the author's note at the end of this paper as an item for further library research before submission.

A separate, independently verifiable law-and-economics literature examines the relationship between dismissal protection and innovation. Acharya, Baghai and Subramanian find that stronger dismissal protection is associated with greater firm-level innovation, because employees are shielded from being penalised for the short-run failure that experimentation entails.⁴ A related institutional literature argues that this innovation-enhancing effect depends on complementary institutions, including skill formation and social security systems, rather than on dismissal law in isolation.⁵ This literature establishes that dismissal law and technological change are already understood by economists as interconnected, but it studies innovation as something protected workers help produce, not as a process that directly displaces those same workers. It addresses, in effect, the reverse of the situation this paper considers.

A more theoretical strand of comparative scholarship treats technological unemployment as a legal rather than a purely economic category. McGaughey argues that whether automation produces mass unemployment is substantially a matter of legal and social choice, including the design of dismissal protection and full-employment policy, rather than an unavoidable technological fact.⁶ Hrdy extends this claim into intellectual property law, showing that legal doctrine well outside the employment relationship already shapes the pace of automation-driven job loss.⁷ This literature resists the assumption that technology-driven layoffs are simply an

⁴Viral V. Acharya, Ramin P. Baghai and Krishnamurthy V. Subramanian, "Labor Laws and Innovation" (2013) 56 *Journal of Law and Economics* 997; Acharya, Baghai and Subramanian, "Wrongful Discharge Laws and Innovation" (2014) 27 *Review of Financial Studies* 301.

⁵Filippo Belloc, "Institutional Complementarities Between Labour Laws and Innovation" (2019) 15 *Journal of Institutional Economics* 235.

⁶Ewan McGaughey, "Will Robots Automate Your Job Away? Full Employment, Basic Income and Economic Democracy" (2022) 51 *Industrial Law Journal* 511.

⁷Camilla A. Hrdy, "Intellectual Property and the End of Work" (2019) 71 Florida Law Review 303.



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inevitable market outcome beyond the reach of regulation, but it is written substantially for United States audiences and does not engage the text of Indian retrenchment law.

A further, more India-specific body of writing is said to document the displacement of workers, particularly in the information technology sector, by automation, and to argue that Indian labour codes respond to this displacement reactively rather than anticipatorily. This paper does not cite specific titles in that body of writing, because the particular sources originally identified for this project could not be independently located and verified in the form cited, and citing unverified secondary sources would be inconsistent with the sourcing standard this paper otherwise applies. The general proposition, that Indian regulatory attention to automation-driven job loss has so far been reactive rather than anticipatory, is consistent with the doctrinal analysis in Parts 4 and 5 below, which is independently supported on the statutory text itself and does not depend on any unverified secondary source.

Taken together, the verifiable literature supports three propositions that structure the present paper. First, the law-and-economics literature on dismissal protection and innovation treats protected workers as beneficiaries of, rather than casualties of, innovation, and so does not address the reverse scenario this paper considers. Second, the comparative literature on technological unemployment as a legal category is written for jurisdictions outside India and does not engage Indian retrenchment doctrine. Third, no verified work identified for this paper tests the statutory question Indian retrenchment law actually asks, namely whether the employer can afford to keep paying its workers, against a documented case of a financially healthy employer restructuring at scale. This paper addresses that gap doctrinally rather than through an artificial-intelligence-centred framing, because the underlying legal problem, an absent inquiry into cause, is broader than any single technology and rests on the statutory text and case law examined in Parts 3 through 5, not on secondary commentary.

3. HISTORICAL DEVELOPMENT OF INDIAN RETRENCHMENT LAW

The ID Act, enacted in 1947, did not originally contain the elaborate retrenchment machinery familiar today. The definition of retrenchment in Section 2(oo) and the notice-and-compensation regime in Section 25F were later insertions, driven by early litigation over the scope of

protection available to workers whose jobs were eliminated for reasons other than individual misconduct.

A foundational interpretive question arose almost immediately: did retrenchment, defined broadly as termination of service for any reason whatsoever, extend to the termination of an entire workforce upon the closure of a business, or was it confined to the elimination of surplus labour within a continuing industry? In *Hariprasad Shivshankar Shukla v. A.D. Divekar*, a Constitution Bench held that Section 2(oo) presupposed the continued existence of the industry and did not cover termination resulting from a bona fide closure of the undertaking, since once the undertaking itself ceased to exist there was no continuing industrial relationship for the Act to regulate.⁸ This left workers terminated through closure outside the compensation regime available to workers retrenched from an ongoing enterprise, a gap Parliament closed in 1957 by inserting Sections 25FF and 25FFF, which extended notice and compensation entitlements to workers terminated by the transfer or closure of an undertaking on terms broadly equivalent to retrenchment.⁹

A second, related controversy concerned whether the phrase "any reason whatsoever" in Section 2(oo) should be read literally, so as to include even routine, non-culpable terminations such as the natural expiry of a fixed-term contract, or narrowly, so as to be confined to the discharge of surplus labour. In *State Bank of India v. N. Sundara Money*, the Supreme Court took the literal, expansive view, holding that Section 2(oo) covered termination for any reason whatsoever, including termination on the expiry of a specified period under an agreement, since the statutory proviso to Section 25F(a) would otherwise serve no purpose.¹⁰ Later decisions, including *Hindustan Steel Ltd. v. Presiding Officer, Labour Court, Orissa* and *Delhi Cloth and General Mills Co. Ltd. v. Shambhu Nath Mukherjee*, accepted that the ratio of the closure cases did not extend beyond termination on account of closure itself, and confirmed the broader reading of "any reason whatsoever" for terminations occurring within a continuing enterprise.¹¹ A five-judge bench subsequently reconciled these strands, confirming that the closure cases rested on

⁸*Hariprasad Shivshankar Shukla v. A.D. Divekar*, [1957] SCR 121 (AIR 1957 SC 121).

⁹*Management of Hindustan Steel Ltd. v. Presiding Officer, Labour Court, Orissa*, [1977] 1 SCR 585 (tracing the legislative response to *Hariprasad Shivshankar Shukla*).

¹⁰*State Bank of India v. N. Sundara Money*, [1974] 3 SCR 160.

¹¹*Hindustan Steel Ltd. v. Presiding Officer, Labour Court, Orissa*, [1977] 1 SCR 585; *Delhi Cloth and*

General Mills Co. Ltd. v. Shambhu Nath Mukherjee, [1978] 1 SCR 591.



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the narrow ground that the undertaking itself had ceased to exist, and that the wider "any reason whatsoever" formula continued to govern every other form of termination.¹²

This early litigation matters to the present inquiry for a reason that is easy to overlook. The formative case law did not ask why an employer was terminating workers; it asked only whether a termination, whatever its cause, fell within the statutory definition of retrenchment so as to trigger notice and compensation. Cause was relevant only at the outer boundary, distinguishing closure of the entire undertaking from continued operation with a reduced workforce. Once a termination was accepted as retrenchment rather than closure, the statute has never required an employer to justify, disclose or even state the underlying reason. The doctrine answering the question "is this retrenchment" was built with considerable care; the question "why is this retrenchment occurring" was never asked, because the statute was not designed to ask it. The 1976 introduction of Chapter V-B, discussed in Part 4, added a threshold-based permission requirement above one hundred workers, but that requirement, too, is triggered by the scale of the retrenchment rather than by its cause.

4. THE INDUSTRIAL DISPUTES ACT, 1947

Section 2(oo) defines retrenchment as the termination by the employer of a workman's service for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action, but excludes voluntary retirement, retirement on reaching the age of superannuation, termination on the expiry of a fixed-term contract, and termination on grounds of continued ill-health.¹³ As the case law traced in Part 3 establishes, this definition is deliberately cause-neutral: it captures termination for financial distress, redundancy, restructuring or any other business reason on exactly the same footing, provided the termination does not fall within one of the statutory exclusions.

Section 25F sets out the conditions precedent to a valid retrenchment for any workman who has been in continuous service for not less than one year: one month's notice or wages in lieu of notice, retrenchment compensation at the rate of fifteen days' average pay for every completed year of continuous service, and notice to the appropriate government in the prescribed manner.

¹²Punjab Land Development and Reclamation Corp. Ltd. v. Presiding Officer, Labour Court, (1990) 3 SCC 682.

¹³Industrial Disputes Act, 1947, s. 2(oo).

Section 25G requires that, absent an agreement to the contrary, the employer ordinarily retrench the workman who was the last person employed in that category of workmen, the well-known last-in-first-out principle, and Section 25H gives retrenched workmen a right of preference in re-employment if the employer subsequently recruits.¹⁴

Chapter V-B, comprising Sections 25K to 25S, superimposes a further layer of regulation on larger industrial establishments.¹⁵ As originally enacted and as it remained until the IR Code's commencement, Section 25N required an employer of one hundred or more workmen to obtain prior permission from the appropriate government before retrenching any workman, and Section 25-O imposed an equivalent permission requirement before closing down an undertaking.¹⁶ These provisions attracted sustained constitutional challenge. In *Excel Wear v. Union of India*, a Constitution Bench struck down the then-existing Section 25-O as an unreasonable restriction on the employer's fundamental right to carry on business under Article 19(1)(g), holding in substance that a scheme under which the state could refuse permission to close, indefinitely compelling an employer to continue an unwanted business, went beyond what Article 19(6) permitted.¹⁷ Parliament re-enacted Section 25-O in amended form in 1982, and when its validity was challenged again together with Section 25N, the Supreme Court in *Workmen of Meenakshi Mills Ltd. v. Meenakshi Mills Ltd.* upheld the amended provisions, distinguishing the retrenchment-permission regime under Section 25N from the closure-permission regime struck down in *Excel Wear* on the ground that the former did not carry the same risk of compelling indefinite continuation of an unviable business.¹⁸

Two features of this Chapter V-B jurisprudence deserve emphasis. First, the constitutional debate over Sections 25N and 25-O was fought almost entirely on the ground of proportionality between the scale of state control and the employer's right to conduct business, not on any inquiry into whether the underlying retrenchment or closure was distress-driven or discretionary. Second, and consequently, nothing in the amended Section 25N regime requires an employer seeking permission to retrench one hundred or more workers to demonstrate financial distress as a

¹⁴Industrial Disputes Act, 1947, ss. 25F, 25G, 25H (Chapter VA).

¹⁵Industrial Disputes Act, 1947, ss. 25K to 25S (Chapter V-B).

¹⁶Industrial Disputes Act, 1947, ss. 25N, 25-O.

¹⁷*Excel Wear v. Union of India*, (1978) 4 SCC 224 (AIR 1979 SC 25).

¹⁸Workmen of Meenakshi Mills Ltd. v. Meenakshi Mills Ltd., (1992) 3 SCC 336.



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precondition to that permission; under Section 25N(3), the government's decision to grant or refuse permission is made having regard to the genuineness and adequacy of the reasons stated by the employer, the interests of the workmen, and all other relevant factors, a formula that gives the authority broad discretion but does not impose a threshold test of insolvency or loss.¹⁹ The statute is, and has always been, formally agnostic on the question this paper investigates. Whether the practice of government permission under Section 25N functioned, in administrative reality, as an implicit financial-distress test is a separate empirical question this paper has not attempted to answer through statistical or archival research, though the difficulty employers historically reported in obtaining permission suggests state authorities frequently treated permission as contingent on a showing of necessity broader than the bare statutory text required.

5. THE INDUSTRIAL RELATIONS CODE, 2020

The IR Code, together with the Code on Wages, 2019, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020, received presidential assent in 2020 but remained uncommenced for five years. A notification published in the Official Gazette brought all four codes into force on 21 November 2025, repealing the ID Act, the Trade Unions Act, 1926, and the Industrial Employment (Standing Orders) Act, 1946, subject to a transition in which existing rules, notifications and standing orders made under the repealed statutes continue in force until superseded by rules made under the new codes.²⁰ As of the time of writing, the substantive provisions of the IR Code are in force nationally, while the detailed central and state rules that will govern its day-to-day operation remain in progress. Any analysis of the Code's practical effect must be read with that qualification: the statutory text is now binding law, but its administrative texture is still being written.

The IR Code consolidates the ID Act, the Trade Unions Act and the Standing Orders Act into a single statute of fourteen chapters. Retrenchment, lay-off and closure are addressed in Chapter IX, which restates the general regime broadly equivalent to Sections 25F to 25J of the ID Act:

¹⁹Industrial Disputes Act, 1947, s. 25N(3).

²⁰Government of India, Ministry of Labour and Employment, press release and Gazette notifications dated 21 November 2025, announcing commencement of the four Labour Codes; DLA Piper, "New Labour Codes Usher in a New Era of Compliance" (updated 2025 to 2026), noting that draft central rules under the IR Code were released for

public comment on 30 December 2025 and that state-level rules remained at varying stages of notification into 2026.



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Section 70 sets out the conditions precedent to retrenchment, requiring notice or wages in lieu and compensation of fifteen days' average pay for every completed year of continuous service, Section 71 governs procedure, Section 72 preserves the re-employment preference for retrenched workers, and Section 74 requires sixty days' notice of an intention to close an undertaking.²¹

Chapter X, headed "Special Provisions Relating to Lay-off, Retrenchment and Closure in Certain Establishments", performs the function of the ID Act's Chapter V-B, but with a materially altered threshold. Section 77 makes Chapter X applicable to establishments employing three hundred or more workers, Section 78 prohibits lay-off, Section 79 sets conditions precedent to retrenchment, and Section 80 governs the procedure for closing down an establishment to which the Chapter applies. The threshold above which government permission is required has therefore risen from one hundred workers under the ID Act to three hundred workers under the IR Code, a change of considerable practical significance: a substantial band of mid-sized employers who previously required government permission to retrench or close, including many establishments in the size range relevant to significant but not enormous restructuring exercises, now fall outside the permission requirement altogether and are governed only by the general Chapter IX notice-and-compensation regime.²²

The single genuinely new mechanism the IR Code introduces is the Worker Re-Skilling Fund under Section 83, contained in its own Chapter XI. Section 83 requires the appropriate government to establish a fund financed by a mandatory employer contribution, equal to fifteen days' wages last drawn by every retrenched worker, credited to the worker's account within forty-five days of retrenchment for use toward re-skilling. This obligation is additional to, and distinct from, the ordinary retrenchment compensation payable under Section 70; a retrenched worker under the IR Code is therefore statutorily entitled to notice or wages in lieu, fifteen days' average pay per completed year of service as compensation, and a further flat contribution of fifteen days' last-drawn wages into the re-skilling fund, regardless of tenure.²³

²¹Industrial Relations Code, 2020, ss. 70, 71, 72, 74 (Chapter IX).

²²Industrial Relations Code, 2020, ss. 77 to 80 (Chapter X); see also PRS Legislative Research, "Industrial Relations Code, 2020"

²³Industrial Relations Code, 2020, s. 83 (Chapter XI); see also Government of India, Ministry of Labour and Employment, guidance on the Worker Re-Skilling Fund, requiring crediting of the fund contribution within forty-five days of retrenchment.

Section 83 has no direct analogue in the ID Act, and its significance for this paper's hypothesis is considerable. It is the first instance in Indian retrenchment law of a statutory mechanism explicitly aimed at the worker's transition into future employment rather than at compensating for the loss of the terminated job itself, and it is, in that narrow sense, evidence against any claim that Indian law contains no reskilling mechanism at all. At the same time, three limitations confine its significance. First, the fund is triggered by the fact of retrenchment as defined in the Code, without regard to whether the retrenchment was distress-driven or discretionary; it therefore does not distinguish, and was not designed to distinguish, the category of downsizing this paper is concerned with from any other retrenchment. Second, the contribution is a flat fifteen days of last-drawn wages irrespective of the worker's tenure, seniority or the difficulty of re-employment in the worker's field, a design choice that sits uneasily with the tenure-scaled formula used for ordinary compensation under Section 70 and may be poorly calibrated for senior, specialised employees whose skills are the most likely to have been substituted by automation. Third, and most fundamentally, the fund is compensatory and reactive: it operates after retrenchment has occurred and imposes no obligation on the employer to disclose the reasons for large-scale downsizing, to consult with affected workers or their representatives before the decision is implemented, or to consider redeployment within the organisation before terminating employment. The existence of Section 83 therefore demonstrates that Parliament has begun to recognise the broader social costs of retrenchment beyond the individual worker's immediate loss of income, but it does not resolve, and was not drafted to resolve, the central research problem this paper investigates.

6. LARGE-SCALE WORKFORCE DOWNSIZING IN FINANCIALLY VIABLE ENTERPRISES

This Part develops the analytical distinction that organises the remainder of the paper: between retrenchment driven by financial distress, understood as losses, insolvency, an inability to meet costs, contraction in demand or shortage of raw material, and retrenchment driven by organisational or technological restructuring, understood as modernisation, automation, consolidation, outsourcing, a change in business model or the elimination of positions rendered redundant by productivity improvements. The distinction is analytical rather than doctrinal,

since, as Parts 3 and 4 demonstrate, Indian retrenchment law does not itself draw this line. The purpose of insisting on it here is to test whether the statute's silence is a defensible design choice or an unaddressed gap.

There is a coherent case for the statute's silence. Requiring courts or government authorities to adjudicate whether a given retrenchment was really caused by financial distress or by discretionary restructuring would invite the kind of intrusive scrutiny of managerial business judgment that the Excel Wear jurisprudence was at pains to avoid, and would risk reintroducing, through interpretation, the indefinite continuation problem that led the Court to strike down the original Section 25-O. An employer's decision to modernise, consolidate functions or adopt automation is, on ordinary principles governing Article 19(1)(g), a legitimate exercise of business judgment that courts have traditionally been reluctant to second-guess, and a legal test keyed to the employer's underlying commercial reasoning would be difficult to administer and easy to manipulate through creative characterisation of motive by either side.

The case against unqualified silence, however, rests on three considerations the cause-neutral statute does not address. First, notice, compensation and the re-skilling contribution are calibrated, whether by design or by historical accident, to the scale of an individual worker's loss and not to the scale of the workforce reduction as a social event. A single, isolated retrenchment and a synchronised reduction of several thousand workers across a metropolitan labour market trigger, worker for worker, an identical statutory response, notwithstanding that the latter is far more likely to saturate the local labour market, depress reemployment prospects and generate the kind of concentrated regional and sectoral disruption a purely individualised compensation formula is poorly suited to address. Second, the threshold tests in Chapter X of the IR Code, like their predecessor in ID Act Chapter V-B, are triggered by the size of the establishment's total workforce, not by the number of workers being retrenched in a given exercise; an establishment with more than three hundred workers must seek permission to retrench even a small number, while the very largest employers, whose absolute retrenchment numbers in a single restructuring exercise may be greatest, face the same permission threshold as far smaller establishments, so long as their total employment exceeds three hundred. The statute's scale-sensitivity, such as it is, is calibrated to firm size rather than to the magnitude of the specific downsizing event. Third, and most directly relevant to the hypothesis under test, none of the notice, compensation,

permission or re-skilling provisions require an employer to disclose the reason for a large-scale retrenchment, whether to affected workers, to their representatives, or to the government authority whose permission may be required under Chapter X. A government authority assessing an application for permission to retrench under Section 79 may inquire into the genuineness of the stated reasons, but the statute imposes no obligation on the employer to proactively disclose whether the retrenchment reflects distress or discretion, and no obligation of any kind arises for the substantial band of employers who fall below the three-hundred-worker threshold and therefore face no permission requirement.

The consequence is that Indian retrenchment law treats the question this paper investigates as legally irrelevant. This is a defensible position if one takes the view, consistent with the Excel Wear line of authority, that the state's legitimate interest in regulating retrenchment is confined to ensuring fair notice, adequate compensation and non-arbitrary selection among workers, without regard to why the employer has decided to reduce its workforce. It is a less defensible position when measured against the international standard the ILO Termination of Employment Convention, 1982 (No. 158) sets for exactly this scenario. Articles 13 and 14 of that Convention require an employer contemplating terminations for reasons of an economic, technological, structural or similar nature to provide affected workers' representatives, in good time, with the reasons for the terminations contemplated and the numbers and categories of workers likely to be affected, to give those representatives an opportunity for consultation on measures to avert or minimise the terminations, and to notify the competent authority.²⁴ India is not among the Convention's ratifying states, and the Convention accordingly has no binding force in Indian law, but its text is useful evidence that a disclosure-and-consultation obligation triggered by the economic or technological character of a termination, rather than by proof of the employer's underlying motive, is an established and workable international model and not a novel or untested proposal. A purely compensatory, cause-blind framework does nothing to encourage employers to consider alternatives to termination, such as redeployment, phased transition or staged automation, before resorting to retrenchment. The remainder of this paper proceeds on the view that the case for judicial or administrative second-guessing of managerial business

²⁴Termination of Employment Convention, 1982 (No. 158), arts. 13 to 14. India does not appear among the ratifying states listed in the Convention's current ratification record, so it is cited here

as an international standard rather than as binding law in India.



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judgment is weak, but the case for a disclosure and consultation obligation that operates independently of any inquiry into the employer's underlying motive, triggered instead by the scale of the workforce reduction itself, is considerably stronger and is developed in Part 10.

7. ORACLE CASE STUDY

Oracle Corporation's restructuring provides an illustrative, though imperfectly documented, case study of the pattern described in Part 6. The company undertook successive rounds of workforce reduction from mid-2025 through at least September 2026, affecting operations in the United States, India, Canada, Mexico and other jurisdictions.²⁵ Reported figures for India specifically are inconsistent across sources and have not been confirmed by Oracle: contemporaneous reporting placed an August 2025 round at approximately 2,800 employees, or roughly ten per cent of the company's Indian workforce, a September 2025 round at as many as 12,000, and a further round beginning in mid-September 2026 at between 1,000 and 1,500, concentrated in product engineering, web development and consulting roles, with some reports suggesting senior staff at Oracle Financial Services Software were also affected.²⁶ Oracle's own termination communications referred to "broader organisational change" rather than to any financial necessity, and independent reporting linked the reductions to a reallocation of capital toward artificial intelligence and cloud data-centre infrastructure, in which the company's capital expenditure reportedly reached approximately USD 55.7 billion in fiscal 2026.²⁷ None of the available reporting suggests that Oracle was contracting in revenue, insolvent, or otherwise in the financial condition that Indian retrenchment law's historical assumptions associate with retrenchment.

Applying the statutory framework analysed in Parts 4 and 5 to a hypothetical Indian retrenchment of this character is instructive. If Oracle's Indian operations retrenched workers from an establishment employing three hundred or more workers, Chapter X of the IR Code

²⁵The Register, "Oracle's Layoff Train Rolls On: 101 in WA, 250+ in CA, with More Cuts Looming" (3 Sept. 2025), reporting an estimated 12,000 employees affected globally by early September 2025; The Independent, *supra* note 2.

²⁶Blind, "Oracle Laid Off 10% Employees in India" (18 Aug. 2025); The Independent, *supra* note 2; Analytics Insight, *supra* note 4; Deccan Herald, *supra* note 2. Because Oracle has not issued an official, itemised confirmation of India-specific headcount reductions, this paper treats these figures as directionally indicative of scale rather than as verified data points, consistent with the requirement not to assert unverified quantities as fact.

²⁷Analytics Insight, supra note 4.



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would require prior government permission under Section 79, and the government authority would, in principle, be entitled to inquire into the genuineness of the stated reason as part of that process. In practice, however, nothing in the statute would have prevented the retrenchment from proceeding on a stated reason as general as "broader organisational change", since neither Section 79 nor any comparable provision requires a level of specificity, or a demonstration of financial necessity, before permission may be granted; historical experience with the equivalent ID Act permission regime suggests that authorities exercised this discretion inconsistently and that a well-resourced multinational employer is generally able to satisfy whatever standard is applied. If the relevant establishment employed fewer than three hundred workers, no permission requirement would arise at all, and the employer's only statutory obligations would be notice or pay in lieu under Section 71, compensation under Section 70, and the Section 83 contribution to the Worker Re-Skilling Fund.

None of these obligations would have required Oracle to disclose to affected workers, to any employee representative, or to the government, the extent to which artificial intelligence, cloud infrastructure investment or any other specific driver of restructuring accounted for the decision to retrench. None would have required consultation with affected workers before the decision was implemented, or consideration of redeployment within Oracle's substantial Indian operations before termination. The Section 83 contribution, on the reported wage levels of the technology professionals principally affected, would represent a relatively modest sum relative to those workers' compensation and would bear no relationship to the months or years such specialised, senior employees might reasonably be expected to need to secure comparable re-employment in a labour market simultaneously absorbing large numbers of similarly displaced technology workers from other employers undertaking parallel restructuring. The Oracle case study therefore illustrates precisely the gap identified in Part 6: the statutory framework would have applied, and would in all likelihood have been satisfied by, a retrenchment exercise about whose underlying character, financial or discretionary, the law asked no meaningful question.

8. COMPARATIVE LEGAL ANALYSIS

Three jurisdictions offer instructive, if imperfect, points of comparison: the European Union, whose Collective Redundancies Directive establishes a floor of consultation rights across

member states; the United Kingdom, whose domestic collective consultation regime implements and extends that floor; and Germany, whose works-council co-determination system addresses the economic consequences of restructuring through a distinct mechanism, the social plan, worth considering as an alternative model to India's Worker Re-Skilling Fund.

European Union

Council Directive 98/59/EC requires an employer contemplating collective redundancies, defined by reference to numerical thresholds tied to establishment size over a defined reference period, to begin consultations with workers' representatives in good time with a view to reaching agreement, covering ways of avoiding or reducing the redundancies and mitigating their consequences through accompanying social measures. The employer must supply the representatives with relevant information in writing, including the reasons for the projected redundancies, and must notify the competent public authority.²⁸ The Directive is cause-neutral in one respect, it applies regardless of whether the redundancies are driven by financial distress or by restructuring, but cause-sensitive in another and more important respect: it requires the employer to state its reasons to the workforce and to the state as a mandatory element of the consultation process itself, rather than leaving disclosure to the employer's discretion.

United Kingdom

The Trade Union and Labour Relations (Consolidation) Act 1992 requires an employer proposing to dismiss twenty or more employees as redundant at one establishment within a period of ninety days or less to consult collectively with appropriate representatives, beginning in good time and, depending on scale, a minimum period before the first dismissal takes effect. Consultation must include ways of avoiding the dismissals, reducing the numbers involved, and mitigating the consequences, and the employer must disclose specified information in writing, including the reasons for the proposals.²⁹ Failure to comply exposes the employer to a protective award, a statutory penalty payable to affected employees independent of any redundancy payment otherwise due. The United Kingdom regime is instructive because it is triggered purely

²⁸Council Directive 98/59/EC of 20 July 1998 on the Approximation of the Laws of the Member States Relating to Collective Redundancies, arts. 2 to 4.

²⁹Trade Union and Labour Relations (Consolidation) Act 1992 (UK), ss. 188 to 189.



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by the scale and concentration of the proposed dismissals, not by any threshold test of the employer's financial condition, and because its central substantive obligation is procedural, consultation and disclosure, rather than an enhanced compensation formula.

Germany

German law addresses large-scale restructuring through the works-council co-determination structure of the Works Constitution Act (Betriebsverfassungsgesetz). Where an employer proposes an operational change likely to entail substantial disadvantages for a significant part of the workforce, including a major workforce reduction, restructuring, or a change in business methods or production techniques, the employer must attempt to negotiate a reconciliation of interests with the works council and, whether or not that negotiation succeeds, must negotiate a social plan compensating employees for the economic disadvantages the operational change entails.³⁰ Unlike the Indian Worker Re-Skilling Fund, the social plan is negotiated between the parties rather than fixed by statutory formula, and it attaches directly to the specific restructuring event rather than to the individual retrenchment; its terms can and typically do include severance calibrated to age, tenure and reemployment prospects, retraining commitments and outplacement support, negotiated in light of the employer's stated reasons for the operational change. The German model is an example of a system that pairs a works-council consultation obligation, itself grounded in a general co-determination structure with no direct Indian equivalent outside limited works-committee provisions, with a compensation mechanism whose content responds to the specific restructuring rather than being fixed in advance by the legislature.

Transferability to India

None of these three models can be transplanted into India without substantial adaptation. The European Union and United Kingdom collective-consultation regimes presuppose an institutional infrastructure of recognised employee representatives that, outside unionised establishments and the limited works-committee and grievance-redressal mechanisms the IR Code itself creates, is thin in much of the Indian private sector, particularly in the information technology and services sectors where the pattern examined in Part 7 is most pronounced. The

³⁰Betriebsverfassungsgesetz (Works Constitution Act) 1972 (Germany), ss. 111 to 113.



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German social-plan model presupposes a works-council co-determination structure considerably more institutionally developed than anything in Indian law. What is transferable, however, is a narrower and more modest principle common to all three systems, and to the ILO's own international standard discussed in Part 6: a disclosure obligation, triggered by the scale of a proposed workforce reduction and by its economic, technological or structural character rather than by any finding about the employer's underlying financial condition, requiring the employer to state its reasons in writing to affected workers or their representatives and, where a government permission process already exists as it does under IR Code Chapter X, to the relevant authority as part of that process. This principle does not require India to import collective bargaining infrastructure it does not currently possess; it requires only that an obligation already implicit in the logic of Chapter X's permission scheme, that the authority may inquire into the genuineness of the employer's reasons, be made explicit and be extended, in a disclosure-only form, to establishments that fall below the three-hundred-worker threshold and therefore currently face no such requirement at all.

9. IDENTIFIED LEGAL AND POLICY GAPS

Drawing together Parts 4 through 8, four specific gaps emerge in the Indian statutory response to large-scale downsizing by financially viable enterprises. First, there is no disclosure obligation tied to cause: neither the ID Act nor the IR Code requires an employer to state, to affected workers or to any authority, whether a retrenchment is driven by financial distress or by discretionary restructuring, and the Chapter X permission process, where it applies at all, does not mandate such disclosure as a matter of statutory right. Second, there is no scale-sensitive procedural obligation: the three-hundred-worker threshold in IR Code Chapter X is calibrated to establishment size rather than to the number of workers being retrenched in a given exercise, so that a synchronised reduction of several thousand employees across a metropolitan labour market and a routine, isolated retrenchment attract, worker for worker, an identical procedural response once the establishment-size threshold is either crossed or not crossed. Third, the Worker Re-Skilling Fund under Section 83, while a genuine innovation, is flat-rate, compensatory and untethered to either tenure or the specialised character of displaced roles, and its practical operation cannot yet be assessed empirically given the Code's commencement in November 2025 and the incomplete state of the implementing rules. Fourth, there is no redeployment

obligation: nothing in either statute requires an employer of the scale relevant to this paper to consider, still less to offer, redeployment within the organisation before proceeding to retrenchment, notwithstanding that such an obligation would directly address the restructuring-driven downsizing this paper is concerned with, since restructuring, unlike closure, ordinarily leaves the broader enterprise, and often adjacent roles within it, still operating.

10. REFORM FRAMEWORK

This Part develops a reform framework addressed to the four gaps identified in Part 9, evaluated in each case against legal feasibility, constitutional implications, administrative feasibility, economic cost, employer burden, worker benefit and effect on legitimate business restructuring. Not every reform canvassed in the original brief for this project is recommended; each is assessed on its own terms.

A scale-triggered disclosure requirement

The most directly transferable lesson from the comparative study is a disclosure requirement triggered by the number of workers retrenched within a defined period at a single establishment, modelled on the United Kingdom's twenty-employee, ninety-day formulation, rather than by the size of the establishment's total workforce as IR Code Chapter X currently does. Such a requirement would compel the employer to state, in writing, to affected workers and to the appropriate government authority, the reasons for the proposed workforce reduction. This reform is constitutionally modest: it imposes a disclosure obligation rather than a permission requirement, and disclosure obligations of this kind have not attracted the Article 19(1)(g) difficulties that felled the original Section 25-O in *Excel Wear*, since disclosure does not empower the state to prevent the restructuring from proceeding. Administrative feasibility is high, since the obligation piggybacks on existing notice mechanisms; economic cost to the employer is limited to compliance drafting; and the worker benefit, while modest, gives affected employees, unions and researchers reliable data about the true drivers of large-scale displacement that the literature surveyed in Part 2 currently lacks.

A redeployment-consideration obligation

For restructuring-driven, as opposed to closure-driven, downsizing above the same scale threshold, employers should be required to certify that reasonable consideration was given to redeployment of affected workers within the organisation before proceeding to retrenchment, without prescribing that redeployment must be offered in every case. This is deliberately weaker than a hard redeployment mandate: it preserves managerial discretion over whether redeployment is operationally feasible while creating a documentary record that a government authority or, in the event of a dispute, a labour court could examine. The German experience suggests that a genuine consideration requirement, even without a binding offer obligation, changes employer behaviour by creating an audit trail; the administrative cost is low, since certification requires no new institutional machinery, and the burden falls only on employers already large enough to trigger the disclosure threshold in Part 10.1.

Recalibrating the Worker Re-Skilling Fund

Section 83's flat fifteen-day contribution should be reconsidered once sufficient data exists under the new central rules, with two specific adjustments meriting further study rather than immediate legislative amendment given the Code's very recent commencement: first, whether the contribution should scale with tenure, consistent with the logic already applied to ordinary compensation under Section 70, rather than remaining flat regardless of years of service; and second, whether the fund's utilisation rules, once finalised, should permit displaced workers in specialised, senior roles a longer window or a higher contribution ceiling reflecting the realistic time such workers require to retrain or secure comparable re-employment. This recommendation is deliberately cautious: Section 83 is too new, and its implementing rules too incomplete, to support a confident legislative amendment at this stage, and the priority in the near term should be empirical monitoring of the fund's operation once the central rules take effect, rather than further statutory change.

Government reporting for very large-scale reductions

For restructuring exercises above a considerably higher threshold, for instance several thousand workers nationally within a defined period, consistent with the scale of the Oracle case study

examined in Part 7, the appropriate government should be empowered to require enhanced reporting, including aggregate data on the roles and functions affected and the stated reasons for the reduction, without any power to withhold permission on that account. This preserves the constitutional balance struck in *Excel Wear* and its progeny, since the state acquires information rather than a veto, while giving policymakers the aggregate data necessary to assess, over time, whether the pattern identified in the *Oracle* case study is becoming more prevalent across the Indian technology and services sectors, and whether further legislative intervention is warranted.

Each of these four proposals is calibrated to preserve, rather than displace, the employer's underlying freedom to restructure, consolidate or automate, consistent with the constitutional limits *Excel Wear* and *Meenakshi Mills* establish. None requires the state to adjudicate whether a given retrenchment is financially necessary or merely commercially convenient, a determination the existing case law rightly resists imposing on courts or government authorities. What each proposal does require is that the fact of a large-scale workforce reduction, whatever its cause, generate information, and in the case of redeployment, a documented process, that the current statutory framework does not require it to generate at all.

11. CONCLUSION

This paper set out to test, rather than assume, the hypothesis that Indian retrenchment law provides important procedural and compensatory protections but remains structured principally around the legality and consequences of termination rather than the broader social and employment consequences of large-scale downsizing by financially viable enterprises. The evidence developed across Parts 3 through 8 partially supports that hypothesis and partially qualifies it.

The hypothesis is supported in three respects. The statutory definitions of retrenchment and closure, and the case law interpreting them since *Hariprasad Shivshankar Shukla*, are cause-neutral by design, extending identical notice and compensation entitlements regardless of whether an employer's motive is distress or discretion. The permission threshold in IR Code Chapter X, like its ID Act predecessor, is calibrated to establishment size rather than to the scale or character of a specific downsizing event. And no provision in either statute requires disclosure of the reasons for large-scale retrenchment or consideration of redeployment as an alternative to termination, a gap the *Oracle* case study illustrates concretely: a restructuring exercise citing only

broader organisational change, implemented by a company whose revenue and capital



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expenditure were rising, would in all likelihood have satisfied whatever statutory obligations applied to it under Indian law as it currently stands.

The hypothesis is qualified in one important respect that the original literature review, framed around artificial intelligence as the central concern, did not adequately register. The Worker Re-Skilling Fund under Section 83 of the IR Code, operative since 21 November 2025, is a genuine legislative response to the transition costs of retrenchment, and it would be inaccurate, and contrary to this paper's commitment to testing rather than presuming its argument, to claim that Indian law contains no reskilling mechanism whatsoever. What can accurately be said is that Section 83 is compensatory rather than preventive, flat-rate rather than tailored to tenure or role, and triggered by retrenchment as such rather than by the scale or restructuring-driven character of a specific downsizing event; it therefore narrows, without closing, the gap this paper identifies.

The commencement of the IR Code in November 2025, after five years of dormancy, means that Indian retrenchment law is, at the time of writing, in an unusually fluid state: the statutory text governing the questions this paper examines has changed within the last year, and the central and state rules that will determine much of its practical operation, including the operational detail of the Worker Re-Skilling Fund and the Chapter X permission process, remain incomplete. This is, in one sense, an unfavourable moment to propose reform, since empirical evidence of the new Code's operation in practice does not yet exist. It is, in another sense, a favourable moment, since the rule-making process now underway offers a genuine opportunity to build the disclosure, redeployment-consideration and reporting obligations proposed in Part 10 into the implementing architecture of a Code whose primary legislative text has already been settled. The central contribution of this paper is to show that the relevant reform does not require reopening the difficult constitutional questions *Excel Wear* and *Meenakshi Mills* resolved, since the goal is not to give the state a veto over restructuring, but rather to ensure that the state, affected workers and, in time, researchers and policymakers, are told why large-scale downsizing by financially viable enterprises is occurring, in a legal system that has, since 1957, asked with considerable doctrinal care whether a termination is retrenchment, without ever quite asking why.