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Chapter VI - Voluntary arbitration

Industrial Relations Code, 2020 | Detailed statutory, Rule, compliance, remedy and evidence guide.

Review date: 2026-07-18 Authors: CA Nikhil Gupta & Kajri Singh Sections: 42-42 Central Rules mapped: 3 Local source-hashed Act text + linked Rules and implementation analysis

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Industrial Relations Code, 2020 Voluntary arbitration four-step compliance flowchart

Finin2min decision flow — identify the law, complete the statutory process and preserve evidence.

Publication-source status: Every mapped section of the parent Code is embedded locally from the retained official India Code PDF and carries the source SHA-256. Linked 2026 Central Rules, forms, notifications and operational analysis remain subject to the official Gazette and subsequent amendments.

Chapter decision flow

Classify establishment & person → Fix event date → Apply section and Rule → Complete form/record → Retain evidence & remedy file

Finin2min Summary - Chapter in 2 Minutes

This chapter turns voluntary arbitration into an operational control file. It covers Voluntary reference of disputes to arbitration; the practical sequence is to classify coverage and event date, apply the provision and mapped Rule, complete the form/register, calculate the entitlement or exposure, and retain evidence for inspection, claim or appeal.

Chapter VI - Voluntary arbitration

FININ2MIN LEGAL FLOW

Industrial Relations Code, 2020 — Voluntary arbitration



Law → trigger → procedure → evidence. Confirm the operative Central/State instrument on the event date.

Use this flow with the chapter provision map, implementation controls, evidence checklist, limitation/forum review and remedy framework. Confirm the operative Central and State instruments on the event date.

Chapter VI - Voluntary arbitration

Finin2min implementation explanation

Maintain a controlled implementation file for Chapter VI - Voluntary arbitration: coverage and event date, operative Central/State instrument, responsible owner, approval and authority, form/portal step, due date, calculation basis, supporting evidence, exception, escalation and closure proof. Reconcile payroll, HR, finance, contractor and legal records before sign-off.

Practical example

Classify the worker and establishment, identify the operative provision and notified instrument on the event date, compute the entitlement or exposure from source records, obtain approval, complete the filing/payment/action, and retain evidence. Do not use a portal value or payroll label as a substitute for the statutory test.

Calculation / control template

Control calculation: verified population or transaction base $\times$ applicable notified rate/amount $\times$ eligible period, adjusted for statutory inclusions, exclusions, ceilings, interest, compensation and prior payments. Reperform the calculation from retained source data.

Current-law control: verify the operative Central/State instrument, notification, form, portal and binding judgment on the event date. Numerical amounts in examples are illustrative unless expressly sourced.

Who is covered

Employers, workers, trade unions, negotiating bodies, standing-order establishments and dispute-resolution authorities should classify the industrial establishment and worker population first.

Main obligations and rights

- Section 42: Voluntary reference of disputes to arbitration

Key thresholds and timelines

- Use only the threshold, rate and limitation period effective on the event date; verify the Central/State instrument before acting.

Forms, registers and evidence

- Applicable form/register, calculation file, approval and acknowledgement evidence
- Retain classification, calculation, approval, communication, acknowledgement and payment/filing proof.

Employer risk snapshot

Highest practical risks: misclassification, missed filing/notice, unsupported calculation, incomplete records and use of the wrong Central/State instrument.

Employee/worker remedy snapshot

Core protection: the substantive protection in this chapter, access to the prescribed authority/forum and a documented remedy within limitation. Confirm the authority, limitation and appeal route stated in this chapter.

Old law / transition

Map the event date and savings position against: Trade Unions Act, 1926; Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947.

Five-point professional checklist

1. Freeze the event date, establishment, location and person/worker classification.
2. Identify the controlling section/paragraph, mapped Rule, notification and appropriate Government.

3. Reperform the calculation or decision test and document every exception or approval.
4. Complete the prescribed form/register/portal step and retain acknowledgement, payment and communication evidence.
5. Record the remedy, forum, limitation, appeal path and State variation before sign-off.

Finin2min takeaway: for voluntary arbitration, the defensible answer is not a policy label - it is the event-date law, the mapped procedure, the calculation and a complete evidence trail.

[Download one-page Finin2min cheat sheet](#)

Section-by-section provision map

Provision	Subject	Implementation focus
Section 42	Voluntary reference of disputes to arbitration	Trigger, linked Rule/form, evidence, consequence and remedy

Section 42: Voluntary reference of disputes to arbitration

Current statutory text

42. Voluntary reference of disputes to arbitration.—(1) Where any industrial dispute is apprehended and the employer and the workers agree to refer the dispute to arbitration in writing, they shall enter into a written agreement, refer the dispute to arbitration, and the reference shall be to one or more arbitrators as may be specified in the arbitration agreement.

(2) Where an arbitration agreement provides for a reference of the dispute to two or more arbitrators, the agreement shall provide for the appointment of another person as an arbitrator upon the reference, if the arbitrators are equally divided in their opinion. The opinion of the majority shall prevail and shall be deemed to be the arbitration award for the purposes of this section.

(3) An arbitration agreement referred to in sub-section (1) shall be in writing and shall be entered into by the parties thereto in such manner as may be prescribed.

(4) A copy of the arbitration agreement shall be forwarded to the appropriate conciliation officer.

(5) Where an industrial dispute has been referred to arbitration and the Government is not satisfied that the persons making the reference represent the majority of the workers concerned, the Government may issue a notification in such manner as may be prescribed; and if such a notification is issued, the employers and workers who are not parties to the arbitration agreement, but are concerned in the dispute, shall be given an opportunity of presenting their case to the arbitrators or arbitral tribunal.

Provided that—

(i) where such industrial dispute is the industrial dispute other worker by way of discharge, dismissal, retrenchment or otherwise, the w before the arbitrator,—

(a) where there is negotiating union or negotiating council, by negotiating council, as the case may be; or

(b) where there is no negotiating union or negotiating council,

(c) where there is no Trade Union, by such representatives of th manner as may be prescribed;

(ii) where such industrial dispute relates to termination of indi dismissal, retrenchment or otherwise, the concerned workers shall be re through a representative authorised by him.

(6) The arbitrator or arbitrators shall investigate the dispute and su Government the arbitration award signed by the arbitrator or all the arbit

(7) Where an industrial dispute has been referred to arbitration and a under sub-section (5), the appropriate Government may, by order, prohibit or lock-out in connection with such dispute which may be in existence on t

(8) Nothing in the Arbitration and Conciliation Act, 1996, shall apply section.

CHAPTER VII

MECHANISM FOR RESOLUTION OF INDUSTRIAL DISPUTES

Finin2min clause-by-clause decode

1. Test 1
2. A present or apprehended industrial dispute may be referred by written agreement to arbitration before reference to a Tribunal.
3. Test 2
4. The agreement, worker representation, Government notification and award process must follow Rules 20 to 22.
5. Implementation control
6. Trigger
7. Document the fact pattern that activates section 42: voluntary reference of disputes to arbitration.
8. Coverage and jurisdiction
9. Record worker/employee status, establishment, appropriate Government, threshold and territorial authority.
10. Decision owner

Applicable Central Rules immediately below the provision

Central Rule 20: Rule 20 — Form of arbitration agreement and manner of signing by parties

extracted from the official English notification 20. Form of arbitration agreement and manner of signing by parties — (1) The employer and workers may agree to refer any industrial dispute to arbitration by entering into an arbitration agreement in Form- V. (2) The arbitration agreement referred to in sub-rule (1) shall be signed by the parties to the said agreement and it shall be accompanied by the consent, either in writing or electronically, of arbitrator or arbitrators. (3) The arbitration agreement referred to in sub-rule (1) shall be signed, - (i) in case of an employer, by the employer himself, or when the employer is an incorporated company or other body corporate, by the agent, manager or other officer of the company or corporation authorised for such purpose; (ii) in the case of workers, by the officer of the registered Trade Union authorised in this behalf or by five representatives of the workers duly authorised in this behalf at a meeting of the concerned workers held for such purpose; and (iii) in the case of an individual worker, by such worker himself or by an officer of the registered Trade Union, of which the worker is a member, or by another worker in the same establishment duly authorised by him in this behalf. Explanation.— For the purposes of this rule, the term “officer”,— (a) in case of an association of the employers, means any officer of such association of the employers authorised for such purpose; and (b) in case of a registered Trade Union, means any of the following officers of such Trade Union authorised for such purpose, namely:— (i) the President; or (ii) the Vice-President; or (iii) the Secretary (including the General Secretary); or (iv) a Joint Secretary; or (v) any other officer of such Trade Union authorised in this behalf by the President and Secretary of such Trade Union. Code concordance Primary operative section Section 42 Voluntary reference of disputes to arbitration Forms and records Form V See Rule 20 Implementation owner HR/ employee relations with legal review and the authorised signatory specified by the rule. System control Create a workflow that blocks completion until every mandatory field, attachment, service method and timeline is satisfied. Evidence Preserve the exact filed form, annexures, electronic receipt, delivery proof, hearing material and final order. Failure consequence The underlying Code section may create invalidity, compensation, appeal, recovery, unfair-practice or penalty exposure. ← Previous Next →

Central Rule 21: Rule 21 — Issuing of notification

extracted from the official English notification 21. Issuing of notification.- Where an industrial dispute has been referred to arbitration and the Central Government is satisfied that the persons making the reference represent the majority of each party, it shall issue a notification in this behalf and upload it on the website of the

Ministry of Labour and Employment for the information of the employers and workers who are not parties to the arbitration agreement but are concerned in the dispute so that they may present their case before the arbitrator or arbitrators appointed for such purpose. Code concordance Primary operative section Section 42 Voluntary reference of disputes to arbitration Forms and records No form heading is directly assigned to this rule. Keep the application, notice, order, electronic acknowledgment and register required by the text. Implementation owner HR/employee relations with legal review and the authorised signatory specified by the rule. System control Create a workflow that blocks completion until every mandatory field, attachment, service method and timeline is satisfied. Evidence Preserve the exact filed form, annexures, electronic receipt, delivery proof, hearing material and final order. Failure consequence The underlying Code section may create invalidity, compensation, appeal, recovery, unfair-practice or penalty exposure. ← Previous Next →

Central Rule 22: Rule 22 — Choosing of representatives of workers where there is no Trade Union

extracted from the official English notification 22. Choosing of representatives of workers where there is no Trade Union.— Where there is no Trade Union to present the case before the arbitrator or arbitrators, the representative of workers shall be chosen by a resolution passed by the majority of concerned workers in Form- VI authorising to represent the case and the workers shall be bound by the acts of their representatives who have been so chosen to represent before the arbitrator or arbitrators, as the case may be. CHAPTER VII MECHANISM FOR RESOLUTION OF INDUSTRIAL DISPUTES Code concordance Primary operative section Section 42 Voluntary reference of disputes to arbitration Forms and records No form heading is directly assigned to this rule. Keep the application, notice, order, electronic acknowledgment and register required by the text. Implementation owner HR/employee relations with legal review and the authorised signatory specified by the rule. System control Create a workflow that blocks completion until every mandatory field, attachment, service method and timeline is satisfied. Evidence Preserve the exact filed form, annexures, electronic receipt, delivery proof, hearing material and final order. Failure consequence The underlying Code section may create invalidity, compensation, appeal, recovery, unfair-practice or penalty exposure. ← Previous Next →

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: Rule 20, Rule 21, Rule 22 | Official source: [section 42](#).

Rules, forms, registers, portals and due dates

Rule Subject	Text/control status
20 Rule 20 — Form of arbitration agreement and manner of signing by parties	Exact Gazette extract embedded
21 Rule 21 — Issuing of notification	Exact Gazette extract embedded
22 Rule 22 — Choosing of representatives of workers where there is no Trade Union	Exact Gazette extract embedded

Forms and registers must be confirmed from the appended 2026 Central Rules and the live portal applicable to the appropriate Government. A form is not treated as current merely because an earlier law used the same number.

Notifications and effective-date history

Control	Required action
Enactment	Record Act number, assent and Gazette publication.
Commencement	Use the provision-specific commencement notification; the four Codes became broadly operative from 21 November 2025 subject to earlier partial commencement and corrigenda.
Central Rules	Read the applicable 2026 Central Rules from their Gazette date and verify subsequent amendments.

State instrument	Check final State Rules, authority notifications, forms and rates where the State is appropriate Government.
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Old-law/new-Code concordance

Predecessor law

Trade Unions Act, 1926

Industrial Employment
(Standing Orders) Act, 1946

Industrial Disputes Act,
1947

Transition control

Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.

Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.

Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.

Practical calculations and control file

Calculation sequence

1. Freeze the employee/worker population and event date.
2. Apply the statutory wage/benefit base and notified threshold.
3. Reconcile attendance, service, payroll and contractor records.
4. Calculate principal amount, interest/damages and any statutory compensation separately.
5. Obtain legal/payroll approval and retain the versioned worksheet.

Three-owner sign-off

- **Employer/HR:** facts, classification, communication and workflow.
- **Employee/worker:** notice, records, nomination/claim and acknowledgement.
- **Professional:** source, formula, forum, limitation and evidence reconciliation.

Binding and highly relevant case-law principles

Older cases are included for principles only. Their continued application must be tested against the current Code wording, repeal-and-savings clause and later judgments.

Decision	Principle and present-use caution
Bangalore Water Supply v. A. Rajappa	The industry test remains an important interpretive starting point, subject to the Code definition and later statutory developments.
Workmen of Firestone Tyre v. Management	Domestic enquiry fairness and the adjudicatory power to examine dismissal remain central principles, subject to the Code and certified standing orders.
Bharat Bank Ltd. v. Employees	Industrial adjudication is specialised statutory adjudication; forum, reference and award provisions must be followed.
Karnal Leather Karamchari Sanghatan v. Liberty Footwear	Settlement and collective-bargaining outcomes require genuine authority, representativeness and statutory compliance.

State-law variation alerts

- Confirm whether the Central or State Government is the appropriate Government.
- Central Rules do not automatically displace valid State Rules, rates, registers, authorities or portal procedures.
- Minimum-wage rates, holidays, working-hours permissions, licences and local welfare obligations require State-specific verification.
- Record Gazette number, effective date and supersession status in the location compliance register.

Practical transaction application

Apply the chapter to workforce restructuring, standing orders, union recognition, disciplinary action, settlement drafting, transfer of undertaking, lay-off, retrenchment, closure and industrial-dispute strategy. Build the transaction timeline before notices or board approvals are issued.

Authority, consent and execution controls

Map powers among the board, occupier/employer, HR, disciplinary authority, authorised signatory and legal team. Verify delegation, standing orders, service rules, union/negotiating-council status and government permission or notice requirements; informal consent cannot cure a mandatory statutory step.

Stamp duty and registration alerts

Industrial settlements, service instruments and transfer documents may attract State stamp consequences depending on form and subject matter. Statutory filing, publication or registration under labour law is separate from document registration under the Registration Act and stamping under State law.

Evidence and document-retention checklist

Retain the operative law/rule version, classification note, approvals, signed instruments, statutory forms, portal acknowledgements, registers, calculations, bank proof, correspondence, inspection records, service proof, decision and appeal file. Apply the longer of the statutory retention rule, litigation hold, tax/audit need and contractual requirement; restrict access to personal and sensitive data.

Performance, delivery and payment controls

Create a milestone file for notice, consultation, permission, compensation, re-skilling contribution, service of orders and payment. No restructuring should close until payroll, bank proof, employee-wise computation, statutory filing and possession/access controls reconcile.

Breach, loss, mitigation and remedy framework

On detecting a breach, stop continuing exposure, preserve evidence, quantify employee and government dues, identify affected persons, make lawful corrective payment/filing, notify the authorised decision-maker, assess self-disclosure or compounding where available, and reserve contractual recovery against responsible vendors without delaying statutory remediation.

Limitation and forum controls

Use the conciliation officer, tribunal, national industrial tribunal, appellate channel or other prescribed forum as applicable. Track the dispute date, cause of action, pending proceedings, protected status and service of notices; private jurisdiction clauses cannot override the statutory adjudication scheme.

Arbitration and mediation interface

Voluntary arbitration and settlement mechanisms may be available where the Code permits. Draft the reference, issues, arbitrator appointment, publication/

filing and settlement authority carefully; mediation is useful for commercial terms but must preserve non-waivable worker protections.

Company, partnership, GST and tax overlays

For a company, align board/delegation and officer-in-default controls; for an LLP or partnership, identify the designated partner/partner and authorised employer representative. Labour dues can affect transaction price, indemnities, director/partner exposure and insolvency claims. Salary/TDS, perquisite, contractor TDS, GST on outsourced services and accounting provisions must be reconciled without treating tax treatment as proof of labour-law classification.

Finin2min Q&A

Which law and version should be applied?

Use the current text of Industrial Relations Code, 2020, the commencement notification, the applicable Central or State Rules and any later instrument effective on the event date.

How is the appropriate Government identified?

Classify ownership/control, sector, establishment and contractor relationship before selecting the Central or State authority.

Can a company policy override the statutory protection?

No. A policy may improve a benefit or control, but it cannot contract out of a mandatory statutory floor.

What evidence should be retained?

Retain the classification memo, source instrument, form/portal record, calculation, approval, employee communication, acknowledgement and payment or authority proof.

Do the Central Rules apply to every establishment?

No. They govern the Central sphere. State Rules and State notifications must be checked where the State is the appropriate Government.

How should a historical event be tested?

Apply the law and subordinate instrument effective on the event date, then use the repeal-and-savings provision for pending rights and proceedings.

What happens when portal practice conflicts with the statute?

Record the conflict, follow the higher legal instrument, seek authority clarification where necessary and preserve screenshots and correspondence.

Can criminal and monetary consequences arise together?

They may. Separate wages/benefits, interest, damages, civil penalty, prosecution, compounding and director/officer liability.

Is a contractor arrangement enough to shift liability?

No. Principal-employer and contractor liabilities depend on the specific provision and facts; the contract should allocate evidence and recovery without diluting worker rights.

What is the first professional review step?

Freeze the event date and facts, identify the applicable provision, then map Rules, forms, notification status, authority, limitation and evidence.

What is the operational focus of section 42 - Voluntary reference of disputes to arbitration?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is review control 12 for this chapter?

Confirm source currency, State variation, internal ownership, documentary proof and the next statutory deadline before closing the compliance ticket.

What is review control 13 for this chapter?

Confirm source currency, State variation, internal ownership, documentary proof and the next statutory deadline before closing the compliance ticket.

What is review control 14 for this chapter?

Confirm source currency, State variation, internal ownership, documentary proof and the next statutory deadline before closing the compliance ticket.

What is review control 15 for this chapter?

Confirm source currency, State variation, internal ownership, documentary proof and the next statutory deadline before closing the compliance ticket.

[← Previous: Notice of change](#)[Next: Industrial dispute resolution →](#)

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