

1. Reforming labour laws and achieving greater flexibility in their implementation can greatly help enhance the ease of doing business. Critically examine the labour reforms undertaken and proposed by the government in this light. (250 words)

**Answer:**

**Need for labour reforms:-**

- **Employment is impacted:-**
  - When the economy has been slowing, the government should have made it easier for business enterprises to hire.
  - The KLEMS India database shows a contraction in the workforce between 2013-14 and 2015-16, with about 1.2 million jobs being lost and the total employment down from 483.9 million to 482.7 million.
- **Flexible labour laws :-**
  - They will allow firms to grow larger and reap economies of scale, raise productivity, create jobs and spur higher growth.
- **Right time:-**
  - China is fast losing its advantage as manufacturing hub as labour cost has trebled there in last one decade.
  - The Government of India is committed to 'Make in India' and attracting the investors and large businesses to set up their manufacturing bases in the country.
  - Success of 'Make in India' will depend on how soon and how fast labour reforms are taken further.
- **Constraints due to present labour laws:-**
  - A large number of firms in labour intensive sectors report that finding skilled workers, hiring contract labour and firing employees was a major obstacle.
  - On an average it took enterprises about two years to resolve a legal dispute and there is wide disparity across states.
  - On an average, firms faced around 46 hours of power shortage in a typical month. It took firms 118 days to set up a business.
  - The World Bank's Doing Business survey shows that it takes 26 days to set up a business but this is restricted to Delhi and Mumbai.
- Demographic dividend if upgraded through skill development, and supported by labour market flexibility, will help to attract investments and create jobs.
- **Unorganised sector:-**
  - Only a minuscule proportion of the total workforce, which is part of the organized sector, enjoys some protective coverage.
  - Except for the Minimum Wages Act in some states, informal sector activities remain unaffected by the labour laws which were enacted to address the organized sector.
  - For workers in informal employment, there is an urgent need to ensure universal social protection that improves their conditions of work and helps them live a life with dignity.
- Countries with more practical labour laws such as Bangladesh have been growing their share in the global textile market at India's cost.

**Present reforms so far:-**

- The Unorganized Workers Social Security Act 2008 was enacted to provide social security and welfare of unorganized workers.
- There is the Contract Labour (Regulation & Abolition) Act, 1970 to regulate the employment of contract labour. A bill to amend Contract Labour Act will also be pushed for passage in Parliament next year. The bill seeks to distinguish between contract labour and work labour.
- Various schemes have been introduced with the objective of universalization of social security cover to the informal workers such as the Atal Pension Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Fasal Bima Yojana.
- Pradhan Mantri Rozgar Protsahan Yojana to encourage small firms to take in more workers and provide them social security benefits.
- To encourage employers to take in apprentices the National Apprenticeship Promotion Scheme was launched.
- Under the Skill India Mission, through the Pradhan Mantri Kaushal Vikas Yojana and skill development programmes being implemented so that new entrants get better paying jobs.
- Under the Ease of Doing Business initiative the process of registration, compliance to labour laws, inspection etc has been simplified to encourage more number of enterprises to be set up and provide quality jobs
- Draft Code on Wages, 2017, seeks to usher in the concept of a statutory minimum wage, and could soon become law.
  - The codification of the labour laws will remove the multiplicity of definitions and authorities leading to ease of compliance without compromising wage security and social security to workers
- **A recent amendment to the Industrial Employment (Standing Orders) Rules, 1946:-**
  - It has introduced a seventh category of fixed-term employees in addition to the extant six classifications of workers under Schedule 1-A of the Rules, for which conditions of service may be separately prescribed by the employer.
  - The amendment lays down that fixed-term workers would enjoy the same emoluments and allowances as permanent workers, albeit pro-rated for the period of their employment.
  - This places them in a category superior to contract workers who are generally paid less and do not enjoy any of the statutory allowances and benefits available to regular workers.
  - In this sense the government has tried to balance the wages, social security and welfare of fixed-term employees, but because their term is fixed, their termination with notice is inherent in their employment contract.
  - Fixed-term employment will provide employers with flexibility to adjust the workforce in response to changing market conditions, which has been a longstanding demand to aid ease of doing business.
- The Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947, would be combined into the code on industrial relations.
- The Payment of Gratuity (Amendment) Bill, 2017 is likely to see the light of the day in 2018

- The bill seeks to enable central government to enhance ceiling of the maximum amount of gratuity payable to an employee. It is Rs 10 lakh. The government has planned to double it. After this amendment, the government would be able to increase the maximum amount of gratuity by an executive order.

**Constraints with present reforms:-**

- The crucial Labour Code on Industrial Relations is already diluted to pacify labour unions. The government had first sought to allow companies to lay off 300 workers without approval but later abandoned the idea saying it would stay with the current level of 100 workers.
- The much-touted rationalisation and consolidation of 44 labour laws into four omnibus codes is yet to become reality.
- Attempts at reforming Indian labour market have been rather slow. Even the globalization and liberalization process impacted labour market in limited manner.
- India missed the opportunity of being manufacturing hub of the world due to rigidities in labour market, archaic labour laws and glaring skill deficit.
- Significant skill shortage across the country makes the labour market quite unattractive especially for foreign direct investment.
- In terms of vocational skills, India fares worse than some of the developing countries such as Mexico where the percentage of youth having vocational training is 28 per cent.
- Lack of a holistic labour policy is a major obstacle in the way of developing a liberal labour market which can contribute towards making a competitive manufacturing and service industry ecosystems in the country

**Way forward:-**

- The legislation must be aimed at protecting the rights of labour e.g. to form unions for purposes of collective bargaining, laying down minimum obligations which employers must meet with regard to social benefits, health and safety of workers, provision of special facilities for women workers, establishing grievance redressal mechanisms, etc.
- Labour laws need to be simplified and brought in line with contemporary economic realities, including especially current international practice.
- The labour enforcement machinery needs to be further strengthened in the interest of better enforcement of labour laws.
- It is important to eliminate absurdities, dualities and ambiguities from existing labour laws so that industry is in a better position to leverage full potential of labour market.
- Labour laws should foster an enabling environment so far as employment practices are concerned.
- Faster reforms in the power sectors, facilitation of entry and exit of firms, level playing field for small and large firms, improvement in access to finance and informing firms will lead to improvements in ease of doing business norms.

## PRACTICE QUESTIONS

### **Answer the following Questions**

1. The nature of post industrial ecosystem has created newer and more complex challenges for job creation. Examine these challenges in Indian context and suggest ways to address them. (250 words)
2. Apni Dharohar Apni Pehchan Project will ensure better upkeep of monuments and boost tourism. Analyze. (250 words)

VANIKIAS