



Rebooting Labour Reforms

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This article is based on “Rebooting Labour Reforms” that appeared in The Hindu Business Line on 21st July 2019, it explains the issues related to the compression of 44 labour laws into four codes or broad categories.

Government recently tabled the bills, “The Code on Wages, 2019” and “The Occupational Safety, Health and Working Conditions Code, 2019” in Parliament as part of its much pitched labour reforms to compress 44 labour laws into 4 codes- **wages, social security, industrial relations, and occupational health and safety.**

In 2018, NITI AAYOG in its “Strategy for New ” pitched for labour reforms by codifying multiple labour laws in the four codes.

Why Labour Reform?

- Labour reforms essentially mean taking steps in **increasing production, productivity, and employment opportunities** in the economy in such a manner that the interests of the workers are not compromised.
- Labour is in the **concurrent list** and more than **40 central laws and more than 100 state laws** govern the subject.
 - **India’s labour laws are archaic**, too many, often **contradictory**, and **badly administered.**
 - Labour laws remain **extremely complicated** and there is a need to bring reform by addressing some of the issues like **long-term contracts** and **dispute resolution.**
- The codification of labour laws **will remove multiplicity of definitions and authorities** leading to ease of compliances without compromising **wage security and social security** of workers.
- It simplifies access to numerous provisions of the law by all stakeholders concerned.
- It would help in increasing **women participation in labour force and address gender-biases in wages.**

- It would **increase job creation** by **streamlining labour issues** and making hiring easy for industries by developing adequate means to absorb labour in the economy.

Concerns

- The **definition of worker is not clear** in the Wage Code Bill.
- The calculation of the level of minimum wage by an expert committee is at variance with ILO parameters.
 - A **‘national minimum wage’** is a good idea, but its computation is cause for concern. Instead of a single national minimum wage, the bill proposes **multiple minimum wage structure at different geographical zones.**
 - The economic survey 2018-19 had also mentioned that a national mandatory minimum wage is a requirement.
- The **Industrial Relations Code of 2017** has evoked strong reactions, as the right to form unions and accord them powers of representation have been severely curtailed.
 - It provided that a minimum of 10% of workers or 100 workers employed in an establishment or industry would be needed - from seven at present - to register a trade union.
 - It further sought to **increase the limit for prior permission of the government for lay-off, retrenchment and closure to 300 workers,** up from 100 at present. This has been the most controversial provision.
- “The Occupational Safety, Health and Working Conditions Code, 2019” is also being protested by trade unions for allegedly **diluting workers’ safety provisions** instead of strengthening them.

All the central trade unions have expressed their displeasure and have demanded thorough consultation and recasting of the Code. They want it to be reviewed by the department-related Standing Committee of Parliament in consultation with them.
- Balancing the interests of employers and workers is a challenging task. **Employers want the right to fire in order to hire more,** which is strictly opposed by the workers’ unions.

Also, employers subvert their constraints by hiring contract workers instead of regular workers whom they would have to pay more.
- Informal nature of economy where large number of workers are in the unorganised sector and out of the social safety net is a major issue to be resolved.
- Lack of enough skilled workers is a common concern raised by the employers in defence of their inability to hire more.

What needs to be done?

- Workforce entitlements should not be disregarded in the urgency to ease the conduct of business. The **Economic Survey 2018-19** cites studies to observe that a 10% rise in minimum wages leads to a 6.34% increase in employment in rural areas in the case of both men and women, with a statistically insignificant impact in urban areas — questioning the bias against raising wages.
- The employers should also take the responsibility of **skilling people at job** through on-the-job training. When technologies change more rapidly, as they are now doing, and employers are changing their processes, they must **provide workers opportunities to learn the new skills necessary**.
- Labour Unions' demands for **decent treatment of workers, fair wages, and adequate social security** should be taken into due consideration. These are demands for fair treatment of any human being who is expected by another to do some work.
- Social security and other safeguarding of informal sector workers, contract workers and domestic workers should be looked into carefully.
- A **national policy for domestic workers** needs to be brought in at the earliest to recognise their rights and promote better working conditions. Steps may be taken from both state and Central legislations to take the labour reforms forward.
- The **expansion of the social safety net** in India, to cover a variety of occupations and enterprises, should be the principal thrust of 'labour market' reforms.
- **Apprenticeship** should be promoted. The government should form National Apprenticeship Corp. by merging the Regional Directorate of Skill Development and the Entrepreneurship and Board of Apprenticeship Training to achieve the objective of training the 10 million apprentices and finding jobs through an exclusive job portal.

Way Forward

- Simplifying numerous labour laws into four codes is a move welcomed by all. However, all stakeholders should be taken into consideration while drafting these codes.
- Reforms should be made with **consensus amongst workers and their unions, and employers and their associations**. Trust between workers and employers should be increased.
- The reformed laws should suit emergent conditions and provide more **flexibility to employers**. Above all, they should **ensure fair treatment of workers, and provide a wider social safety net**.
- India must strengthen the social compact and build a strong industrial base democratically, like Germany and Japan, with consensus amongst labour unions and employers.
- An approach to labour regulation that cuts out compliance headaches, while improving the lot of the employees should be the guiding principle.

Drishti input

Discuss the core issues in India's labour laws in the context of recently introduced bills in parliament regarding the labour reforms.