The Big Picture: The Labour Code Bills

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Why In News?

Parliament has passed 3 labour code bills aimed at labour welfare reforms covering more than 50 crores organized and unorganized workers in the country. This opens up the doors for social security to those in the self-employment sector. These three Bills are

- Social Security Code, 2020.
- Code on Occupational Safety, Health & Working Conditions Code, 2020
- Industrial Relations Code, 2020

Key Points

- The bills are believed to be the watershed movement for labour law energy as for the first time, the migrant workers, gig workers are included and doors for social security to those in the self-employment sector are also opened.
- The reforms cover more than 50 crore organised and unorganised workers in the country
- The two new provisions are:
    - The company will provide the retrenched worker with 15 days of wages last drawn by him to reskill himself.
    - Any worker who has served even less than a term of 5 years to a company will get proportionate gratuity.

        Gratuity is given by the employer to his/her employee for the services rendered by him/her during the period of employment. It is usually paid at the time of retirement but can be paid earlier, provided certain conditions are met.
- The fourth code, **Code on Wages** was also included, but it had already been passed.

Code on Wages

- The **wage code** removes the multiplicity of wage definitions, which can significantly reduce litigation as well as compliance cost for employers.
- The act links minimum wage across the country to the **skills of the employee and the place of employment.**
- It seeks to universalize the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling.

    It seeks to **ensure "Right to Sustenance" for every worker** and intends to increase the legislative protection of minimum wage.
- A **National Floor Level Minimum Wage** will be set by the Centre and will be revised every **five years,** while states will fix minimum wages for their regions, which cannot be lower than the floor wage.
- It subsumes the following four labour laws:
    - The Payment of Wages Act, 1936
    - The Minimum Wages Act, 1948
    - The Payment of Bonus Act, 1965
    - The Equal Remuneration Act, 1976.

Salient Features of the Three Codes

A. Social Security Code, 2020

- Provision has been made to formulate various schemes for providing comprehensive social security to workers in the unorganised sector.

    A “Social Security Fund” will be created on the financial side in order to implement these schemes.

- Work to bring newer forms of employment created with the changing technology like **"platform worker or gig worker"** into the ambit of social security has been done in the Social Security Code
- With the aim of making a **national database** for **unorganised sector** workers, registration of all these workers would be done on an online portal and this registration would be done on the basis of Self Certification through a simple procedure.
    - It would facilitate the extension of benefits of various social security schemes to beneficiaries in the unorganised sector.

B. Occupational Safety, Health & Working Conditions Code, 2020

- Free health checkup once a year by the employer for workers which are more than a certain age.
- Legal right for getting an Appointment Letter given to workers for the first time.
- Cine Workers have been designated as Audio Visual Worker, so that more and more workers get covered under the OSH code (The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981). Earlier, this security was being given to artists working in films only.

C. Industrial Relations Code, 2020

- Provision for accumulation of one day leave for every 20 days worked, when work has been done for 180 days instead of 240 days.
- In the event of death of a worker or injury to a worker due to an accident at his workplace, at least 50 % share of the penalty would be given. This amount would be in addition to Employees Compensation.
- Inspector to be now made as Inspector – cum- Facilitator and introduction of Random, Web Based Inspection System to remove to Inspector Raj.

Benefits of Labour Codes

- **Consolidation and simplification of the Complex laws:** The three Codes simplify labour laws by subsuming 25 central labour laws that have been on the table for at least 17 years.
    - It will provide a big boost to industry & employment and will reduce multiplicity of definition and multiplicity of authority for businesses.
- **Single Licensing Mechanism:** The codes provide for a single licensing mechanism. It will give fillip to industries by ushering in substantive reform in the licensing mechanism. Currently, industries have to apply for their licence under different laws.
- **Easier Dispute resolution:** The codes also simplify archaic laws dealing with industrial disputes and revamp the adjudication process, which will pave the way for early resolution of disputes.

- **Ease of Doing Business:** According to the industry and some economists such reform shall boost investment and improve ease of doing business. It drastically reduces complexity and internal contradictions, increases flexibility & modernizes regulations on safety/working conditions
- **Other benefits for Labour:** The three codes will promote fixed term employment, reduce influence of trade unions and expand the social security net for informal sector workers.
- **Gender parity:** Women have to be permitted to work in every sector at night, but it has to be ensured that provision for their security is made by the employer and consent of women is taken before they work at night.
    - The maternity leave is increased from 12 weeks to 26 weeks. women were allowed to work in mines under **Pradhan Mantri Rojgar Protsahan Yojana (PMRPY).**
    - Pay parity to women workers as compared to their male counterparts.

Way Forward

- A very robust, reliable and fairly decent social security package needs to be created for workers of unorganised sectors as well.
- The proposal of increasing the compensation amount of the retrenched employee should be taken into account; increased from 15 days of a salary to 45 days of salary.