



## India's Labour Reforms

This editorial is based on [“Hard truths about India's labour reforms”](#) which was published in The Hindu on 19/08/2022. It talks about the Labour Reforms in India and related challenges.

**For Prelims:** Randhir Singh vs Union of India, Code of Wages, 2019, Industrial Relations Code, 2020, Social Security Code, 2020, Occupational Safety, Health and Working Conditions Code, 2020, Gig Workers

**For Mains:** Framework Regarding Labours in India, Grey Areas Related to the Current Labour Reforms

**Work is part of everyone's daily life and is crucial to one's dignity, well-being and development as a human being.** [Economic development](#) means not only creation of jobs but also working conditions in which one can work in **freedom, safety and dignity**.

In **2020**, there were around **501 million workers in India**, the second largest after **China**. Out of which, agriculture industry consists of 41.19%, industry sector consists of 26.18% and service sector consists of 32.33% of **total labour force**.

[Labour force in India](#) can be divided into [organised and unorganised sectors](#). **The major socio-economic problem of India is that the majority of its citizens are struggling to earn a good living.**

It is not just employment that causes their problems, but the **poor quality of that employment: insufficient and uncertain incomes, and poor working conditions**, regardless of where they work.

### What is the Difference Between Organised and Unorganised Sector?

- **Organised sector** or formal sector in India refers to **licensed organisations**, that is, those who are **registered and pay [Goods and Service Tax](#)**.
  - These include the publicly traded companies, incorporated or formally registered entities, corporations, factories and large businesses.
- **Unorganised sector**, also known as own **account enterprises**, refers to all **unlicensed**, self-employed or unregistered economic activity such as owner manned general stores, handicrafts and [handloom workers](#), rural traders, farmers, etc

### What is the Framework Regarding Labours in India?

- **Constitutional Framework:** Under the **Constitution of India**, **Labour as a subject is in the [Concurrent List](#)** and, therefore, both the **Central and the State governments are competent**

**to enact legislations** subject to certain matters being reserved for the Centre.

- **Judicial Interpretation:** In the case of **Randhir Singh vs Union of India**, the **Supreme Court** stated that “Even though the principle of **‘Equal pay for Equal work’** is not defined in the Constitution of India, it is a goal which is to be achieved through Article **14,16 and 39 (c)** of the Constitution of India.
  - **Article 14:** It provides for equality before the law or equal protection of the laws within the territory of India.
  - **Article 16:** It talks about the right of equal opportunity in the matters of public employment.
  - **Article 39(c):** It specifies that the economic system should not result in the concentration of wealth and means of production to the detriment of the entire society.
- **Legislative Framework:** There have been several legislative and administrative initiatives taken by the government to improve working conditions and simplify labour laws. Most recent is the consolidated sets of **4 labour codes** which are yet to be implemented.
  - **Labour Codes:**
    - **[Code of Wages, 2019](#)**
    - **[Industrial Relations Code, 2020](#)**
    - **[Social Security Code, 2020](#)**
    - **[Occupational Safety, Health and Working Conditions Code, 2020](#)**
  - The **implementation process is delayed as states are yet to finalise their rules under these codes.**

## What are the Benefits of Labour Codes?

- **Simplification of the Complex laws:** The Labour Codes simplify labour laws by consolidating **29 central 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 authority for businesses.**
- **Easier Dispute Resolution:** The codes simplify archaic labour laws and **revamp adjudication processes**, which will lead to quicker **dispute resolution.**
- **Ease of Doing Business:** Several economists and industry experts say these reforms will **boost investment and make doing business easier.**
  - They predict that these reforms will reduce internal contradictions, **increase flexibility, and modernise safety** and working conditions regulations.
- **Gender Parity:** All **sectors must allow women to work at night**, but employers must ensure that security arrangements are made for them, and women must consent before working at night.

## What are the Grey Areas Related to the Current Labour Reforms?

- **Inspector cum Facilitator:** The new codes have thrown light on the role of an **“Inspector-cum-Facilitator”** who has the responsibility of checking for compliance as well as facilitating businesses in achieving that compliance
  - The “facilitator” role seems to be a new element and this role could clash with the traditional responsibilities of an “inspector”.
- **Lack of Clarity in Defining Workers and Employees:** More clarity was needed regarding matters such as the distinction between workers and employees, overtime compensation (**particularly in light of Covid’s remote working policies**) and the **relationship between organisations and the gig workers.**
- **Small Startups and Informal Sector Left-out From Social Security Coverage:** There are no specific provisions for social security of employees in small startups, **Micro, Small and Medium Enterprises** or workers in small establishments having less than 300 workers.
  - **Migrant workers, self-employed workers, home-based workers, and other vulnerable groups** in rural areas are not covered under social security benefits.
  - This would enable companies to introduce arbitrary service conditions for their workers.
- **Non-Inclusion of Charitable or Non-Profit Based Establishments:** Code on Occupational Safety, Health and Working Conditions does not include charitable or **non-profit based establishments.**
  - In fact, there is **no central legislation which lays down the law governing charity or charitable organisations** in India.

- **No Recognition for Invisible Labour:** Invisible labour is the part that goes unnoticed and unrecognised and is thus unregulated.
  - Generally, **unpaid work is called [invisible labour](#)**.
    - **Childcare, household work, looking after the elderly** are some examples of unpaid work and constitute invisible labour.
  - **A majority of invisible workers are women**, and they have the most tedious work schedules with **no weekends off, no working hours, no vacations, no recognition, thankless chores**.
  - With the introduction of the four new codes, **none of the new codes talk about invisible labour**. Invisible labour has the most tedious work profile with no weekend offs, no working hours, no vacations, no recognition, thankless chores, and of course are unpaid too.

## What Should be the Way Forward?

- **Vocational Training:** Establish recognising/accrediting agencies for vocational training institutes is necessary to optimise and empower India's labour workforce.
  - There is a need to develop a framework to **interlink [vocational training](#) and academic education** in order to **facilitate inter-stream movement of students and vocational trainees**.
- **Social Security:** State governments should enact legislation for the welfare of unorganised workers, which should clearly identify the resources to be raised, benefits to be given as well as the institutional mechanism.
  - There is also a need for **welfare services to the unorganised workers** such as compensation for accidents at work, death, and old age pension in the '**risk cover mode**'.
- **Employment Information Service:** To support the new initiatives to provide employment guarantees in backward districts, **employment information services need to be provided through [e-governance](#)**.
  - Information regarding employment opportunities should percolate to the lowest level from both private and public sectors.
- **Integrating Problem Solving with Forward Looking Approach: Most of the provisions of the Codes address the past demands and discrepancies**, acting as restorative justice for the past harms.
  - It is also essential that we adopt a futuristic approach when it comes to protecting workers and handling disputes regarding **[Automation and Robotics](#), [AI-powered workforces](#), and [bioengineering](#)**, which may hamper workers' rights in the future.

### ***Drishti Mains Question***

"Economic development means not only creation of jobs but also developing healthy working conditions." Discuss the statement in the light of Labour Codes in India.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### ***Prelims***

#### **Q. Consider the following statements: (2017)**

1. The Factories Act, 1881 was passed with a view to fix the wages of industrial workers and to allow the workers to form trade unions.
2. N.M. Lokhande was a pioneer in organizing the labour movement in British India.

#### **Which of the above statements is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2

**(d)** Neither 1 nor 2

**Ans: (b)**

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***Mains***

**Q.** "Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments. **(2015)**

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