



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)

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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