Draft Labour Code

Why in news?

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The Draft Labour Code on Social Security and Welfare was published for public comments.

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What is the existing problem?

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- India’s Constitution and some of the ILO Conventions on social security provide a framework for **development of a social security system.**
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- The central labour laws provide for social security such as maternity benefit, accident and disablement compensation, provident fund and gratuity.
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- But they cover at best around 8% of the workforce in India.
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- **Unorganised workers,** though huge in number, **have been ignored for long.**
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What are the positives of the bill?

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- It **covers employees and non-employees** including domestic workers, farm workers, self-employed of all types, and so on.
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- It seeks to address these grave shortcomings and attempts to conceive of a universal social security cover in a ‘Single Code’ by merging all existing schemes and laws.
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- It reduces the payroll tax to 17.5% and subsidises the gratuity cost to 2% of total salary cost.

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What are the shortcomings?

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- It defines “woman” as an “employee who is a woman in the context of maternity benefit under this code”; “monthly income” has not been defined.
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- It inadvertently legalises “oral contract” by defining it as an attribute of informal worker.
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- The canvas of coverage is vast and this gives rise to an **apprehension over the capacity of the State to enforce this Code.**
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- The Code **does not define “social security”** nor provide the components of social security and the percentage benefits under each component.
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- There are huge **concerns about the funds** for delivering varieties of benefits in the Code.
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- The **coverage is huge** and the contributions apart from organised sector employers and employees are difficult to realise.
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- The Code also envisages a huge administrative architecture, namely, the National Council, the Central Board, the State Board, an Executive Committee, a Standing Committee, and Central and State Advisory Committees.
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- The Code lists numerous functions for each body (some over-lapping) and bureaucratisation will be its greatest hazard.
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- It omits employers or does not give adequate representation to unions.
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- The top-down approach of this Code is a serious limitation.
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Source: Business Line

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