India’s Labour Reforms

What is the issue?

The model driving employment and labour policies needs to change for better-quality livelihoods.

What are the country’s faultlines?

- **Curbing liberty**- Political liberties and freedoms of speech are being curbed in India.
- **Social inequality**- Social equality amongst castes has not been achieved and lower caste citizens continue to live in great indignity.
- **Income inequality**- While the numbers of Indian billionaires increased during the COVID-19 pandemic, millions of Indians lost their incomes.
- **Poor employment conditions**- A vast majority of citizens have poor quality of employment, insufficient and uncertain incomes, and poor working conditions.

What about the labour reforms introduced by the government?

- The government tried to improve the ease of doing business, with the expectation that investments in businesses will improve citizens’ ease of earning good livelihoods.
- In this theory, large and formal enterprises create good jobs, and labour laws must be flexible to attract investments.
- The principal thrust was to improve administration by simplifying procedures and digitisation.
- However, the labour laws were not more employer friendly.
- So, the Government designed a framework for reforms and, since labour is a concurrent subject, it encouraged States to implement changes.
- Labour laws cover many subjects — payment of wages, safety conditions, social security, terms of employment, and dispute resolution.
- The proposed national reforms the Government is gearing up to make shortly are the conversion of all the labour laws into four codes.

What are the impacts of the reforms?

- The V.V. Giri National Labour Institute’s interim report provides insights into the impacts of the reforms so far.
- **Labour laws**- Labour laws are only one factor affecting business investment decisions.
- Investors do not go out to hire people just because it has become easy to fire them.
- An enterprise must have a growing market for its products, and many things must be put together to produce for the market — capital, machinery, materials, land, etc. not just labour.
- **Employment**- Reforms of labour laws have had little effect on increasing employment in large enterprises.

- The report says that the effects of labour reforms cannot be revealed immediately and they will take time.
- **Post 2014 reforms**- Though overall employment is affected by many factors, the bolder reforms post 2014 were designed to promote larger factories.
- Employment in formal enterprises is becoming more informal where large investors are employing people on short-term contracts, while demanding more flexibility in laws.
- **Labour rights**- Increasing the threshold of the Industrial Disputes Act dilutes the rights of association and representation of workers in small enterprises.
- The report includes a long chapter on the views of employer associations about the benefits of the reforms, and nothing about the views of employees and unions.

Between 1980 and 1990, every 1% of GDP growth generated roughly 2 lakh new jobs; between 1990 to 2000, it decreased to 1 lakh jobs; and from 2000 to 2010, it fell to half a lakh only.

What does this signify?

- More GDP does not automatically produce more incomes at the bottom.
- Fundamental reforms are required in the theory of economic growth.
- The model driving employment and labour policies must change to enable the generation of better-quality livelihoods for Indian citizens.

References

1. https://www.thehindu.com/todays-paper/tp-opinion/hard-truths-about-indias-labour-reforms/article65785709.ece

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