Labour Reform Dissimilarities

What is the issue?

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- Both Union and State Governments are undertaking various labour reforms.
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- But there are crucial differences in the way the Centre and the states in approaching this idea.
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What are labour law reforms of state governments?

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- Recently the government of Jammu and Kashmir announced that it would soon finalise a uniform employment code.
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- The proposed code will subsume in itself all its existing 260 different labour laws.
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- States like Rajasthan, Madhya Pradesh and Maharashtra, also reformed some of their labour laws in the last couple of years.
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What are the initiatives of Union government on labour laws?

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- Union government has chosen a slightly different path from the state governments.
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- Union government planned to formulate four labour codes one each on industrial relations, wages, social security and industrial welfare.
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- These codes were to subsume in themselves all the existing 46 labour laws.
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- By this proposal it was planned to allow lay off employees without government permission in enterprises with employees below 500.
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- A draft notification to allow fixed-term employment in all sectors of the economy has been issued and it is expected to be notified soon.
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What are concerns with labour reforms?

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- Converting all laws into a single labour code has not addressed the labour related concerns in flexibility in hiring and firing of employees, decent wages with improved work conditions and an attractive compensation package for retrenched workers.
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- Even after significant labour reforms state governments strive hard to pull investments and the states still grow at a pace even slower than that in the entire country.
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- The idea of the states and the Centre implementing labour law reforms in their separate ways following different methods may not secure optimum results for the economy.
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- An attempt to bypass Parliament to change rules governing the labour market by the state governments are not a sustainable strategy and can even be counterproductive in the long run.
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What needs to be done?

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- It would be better for the Centre and the states to sit together and agree on a set of reforms that are necessary for labour laws in a model that was followed for the rollout of the goods and services tax (GST).
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- Enforcement of the relaxed labour laws and the degree of administrative efficiency play a crucial role in ensuring that labour reforms yield the desired results.
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- Amendments to the contract employment rules to allow contractual workers perform core functions of an enterprise will introduce a major flexibility in the country’s labour market.
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- Many other important factors such as availability of skilled labour, robust infrastructure and a growing market for goods and services needs to be taken to consideration for boosting investments.
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Source: Business standard

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