Labour Reforms - Fixed Term Employment

Why in news?

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The Finance Minister advocated “fixed term employment” in the budget speech.

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How have the labour laws evolved?

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- Present labour laws are a carryover from **war-time legislation** promulgated by the **British** to protect industry from disruption.
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- These laws were incorporated into the **Industrial Disputes Act** in 1947.
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- The crux of the law is **government intervention in industrial disputes** to balance between labour and management.
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- This never worked well and succeeding labour ministries tried to end this war-time anachronism.
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- The role of the State in essentially an issue between labour and management was sought to be reduced.
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- The aim is to ensure **bilateral resolution** of conflict, as happens in every liberal democracy.
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- During the emergency period it was ruled that **permanent workers** cannot be sent away.
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- Nor were the places of work be closed down without the consent of the state.
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- Industry’s response to the rule on permanent workers has been a massive **shift to contract labour.**
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How is contract employment in India?

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- There are firms which employ no permanent workers at all, except for a small clutch of officers.
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- Industries are also increasingly diluting the law that forbids the employment of contract labour in core processes.
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- Permanent workers are unconcerned with these changes so long as their interests and emoluments are secure.
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- The trade unions are just beginning to organise contract workers.
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- The unions at most ask for minimum wage for the contract labourers.
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- The unions cannot call a strike because permanent workers will not back it.
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- The contract workers themselves cannot go on strike because they risk losing their jobs.
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- Employers will in any case not pay more.
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- Although employers are the driving force behind the shift to massive contract employment, the government also seems to be supporting this.
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How can fixed term employment help?

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- The **present unfixed contracts** can be terminated any time.
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- Organised industry is riding on **cheap contract labour**, due to immortality on the enterprise.
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- In this backdrop, the fixed-term employment does not promise lifetime employment.
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- However, it will be a **clear tenure,** as a company or an enterprise hires an employee for a specific period of time.
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- The contract can be **renewed or terminated** according to the performance of the worker.
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- A fixed term contract will enhance **workers' security and remuneration**.
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- It will also allow the **employers the flexibility** they desire.
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What is the way forward?

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- The fixed contract could raise opposition from both labour and management.
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- Fixed contracts will push up the wage bill, which employers will resist.
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- These are important considerations and challenges before working on labour laws.
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- But India cannot continue to rely on an insecure and impoverished labour force, for it to become a manufacturing powerhouse.
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- The insensitive exploitation of the weak and vulnerable in the formal sector cannot be justified in a society striving for equality.
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- Well thought out labour reforms are crucial to address all these.
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Source: BusinessLine

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