New India's Labour Market

What is the issue?

- The Union Labour and Employment Minister has written to industry organisations and trade unions recently.
- He asked them to join a consultation process on policy changes that would address India's burgeoning job problem and increase India's women labour force participation rate.

Why this step should be welcomed?

- This is a welcome admission that job creation in India needs attention.
- **Centre for Monitoring Indian Economy's recent figures** - September, 2019 alone saw an increase in jobs by about 7 million.
- **National Sample Survey's data** - India hadn't experienced such high unemployment since the 1970s, and confirmed anecdotal fears that large numbers of women were leaving the labour force.
- The ministry is in the process of rationalising the existing labour laws into four codes.
- Unfortunately, this at the moment falls short of real labour law reform, which would allow employers more latitude in hiring and firing workers.
- It is to be hoped that the ministry's outreach to unions is in part to convince them of the importance of such reform.

What should the government do?

- However, the ministry must correct errors of the past in its outreach.
- India's labour laws are structured to please unions and those already engaged in formal employment.
- This is part of the reason they are overly restrictive, and have retarded the growth of manufacturing.
- **Broadening the scope** - Instead of talking only to insiders, the government must broaden the scope of its consultation to include job seekers and informal workers.
- This should be done in order to create a constituency in favour of real labour law reform.
- A broader outreach would be useful in creating a counterweight to powerful interest groups.

- It would also reflect the very real changes that are transforming the Indian economy at the moment.
- **Job creation** - In a declining investment environment, many new job opportunities are being created in the logistics sector and the gig economy, and by internet platforms.
- These jobs cannot be seen as being "formal" in the traditional sense, although the employers are frequently large companies that can indeed be regulated.
- In some ways, they're analogous to the contract workers who have begun to fill up the spaces in the formal sector.
- These spaces are created by companies' unwillingness to hire regular employees under conditions of uncertainty created by the current labour laws.
- The government must find a way to reach out to such workers.
- If necessary, they must be encouraged to organise among themselves to have a voice regarding their own welfare.
- **Focus** - India's long-term objective of formalising the economy shouldn't ignore the rise of the gig economy.
- [Gig economy - A labour market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.]
- A clearer and more universal approach to benefits, protections, and job creation is needed.
- It is welcome that the Prime Minister's Office is focused on ensuring that labour code rationalisation also becomes universalised.
- The Union labour and employment ministry must now get on board.

Source: Business Standard

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