



Magadh Mahila College

Patna University, Patna

CHANGING NATURE OF LABOUR MARKET REFORMS DURING RECENT YEARS

**CC-10: Indian Economy- Issues and
Policies- 2**

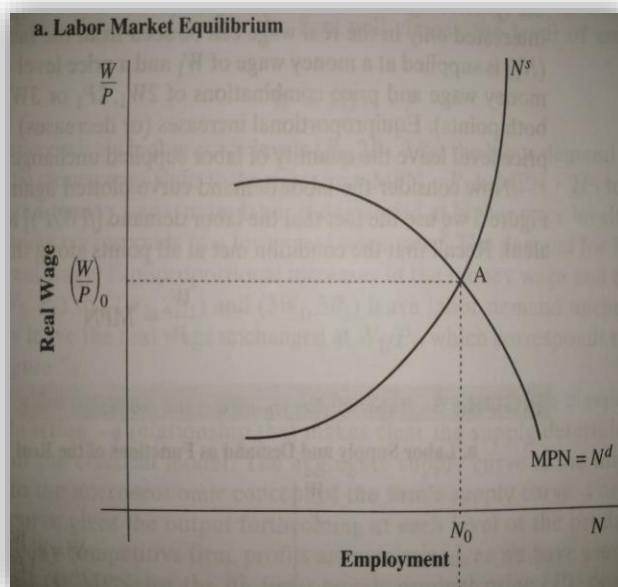
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What is Labour Market ?

Labour market, also known as the job market, refers to the supply and demand for labour, in which employees provide the supply, while employer's/ entrepreneur's demand.

The labour market can further be classified organised and unorganised.



The labour market is in equilibrium when supply equals demand; at point A. In equilibrium, all persons who are looking for work at the going wage can find a job.

What are Labour market reforms/ Labour laws?

Labour reforms generally refers to the supply side reforms.

In India, labour is a concurrent list subject. According to PRS legislative, currently there are over 100 state laws and 40 central laws regulating various aspects of labour. Yet there is no set definition of 'labour laws' but what can be inferred is that they can be broadly divided under.

- Wages
- Social security
- Safety
- Industrial relations



Need for Labour market reforms

- Reforms with greater flexibility are required for generation of more jobs in economy where 10 million young people enter the market annually.
- More than 90 % of India's labour force works in the informal and unorganised sector. Also, unemployment , both for the unskilled worker and educated youth is all time high.
- The 2019 economic survey had pointed out that states having more flexible labours markets where 25.4% more productive than states which had rigid labour laws.
- There are huge problems due to increasing inequality and regional differences in parity of work & employment opportunities. Eg: minimum wage in Tripura are Rs. 40 a day while Rs. 300 in Kerala.
- Vietnam, Indonesia & Bangladesh are far more competitive in labour intensive sector.



Labour market reforms and the International guidelines

- ILO has set up international labour standards, which define basic principles & rights at work.
- By end of june2018, the ILO had adopted 189 conventions, 205 recommendations & 6 protocols covering a broad range of work issues.
- The ILO governing body has identified the 8 conventions as ‘fundamental’, & sought for universal ratification. Some are:
 - ✓ Freedom of association & protection of right to organize conventions, 1948 (no.98)
 - ✓ Equal remuneration convention, 1951(no.100)
 - ✓ Abolitions of forced labour convention, 1957 (no.105)
 - ✓ Minimum age convention, 1973 (no. 138)



Labour market reforms: An Indian perspective

Table 1: Key economic and labour market indicators

| Macro | 2014-15 | 2015-16 | 2016-17 |
|---|----------------|----------------|----------------|
| Real GDP (% change y-o-y) ^{i, a} | 7.5 | 8.0 | 7.1 |
| Investment (% of GDP) | 35.7 | 34.9 | 33.2 |
| Labour market | 2004-05 | 2009-10 | 2011-12 |
| Employment (million) ^{ii, b, c} | 457.9 | 459.0 | 472.9 |
| Unemployment (million) ^c | 11.3 | 9.8 | 10.8 |
| Labour force participation rate (%) ^d | 63.7 | 57.1 | 55.9 |
| Male | 84.0 | 80.6 | 79.8 |
| Female | 42.7 | 32.6 | 31.2 |
| Unemployment rate (%) ^d | 2.3 | 2.0 | 2.1 |
| Male | 2.1 | 1.9 | 2.1 |
| Female | 2.6 | 2.3 | 2.3 |
| Share of employment in manufacturing (%) ^d | 11.6 | 11.0 | 12.5 |
| Male | 12.0 | 11.1 | 12.2 |
| Female | 11.0 | 10.8 | 13.2 |
| Share of regular wage and salaried workers (%) ^d | 14.4 | 15.7 | 17.9 |
| Male | 17.3 | 17.8 | 19.9 |
| Female | 8.4 | 10.2 | 12.8 |
| Working poverty rate (%) ⁱⁱⁱ | | | |
| <US\$1.90 per day | 35.3 | 28.4 | 17.9 |
| >=US\$1.90 & <US\$3.10 per day | 36.5 | 37.5 | 35.0 |
| Average real daily wage index (2004-05=100) ^e | | | |
| Rural | 100.0 | 111.7 | 122.8 |
| Urban | 100.0 | 129.4 | n.a. |

Note: a) at 2011-12 prices; b) all ages; c) usual status; d) estimates for persons aged 15 years and above; e) average real daily wage index for regular wage employees aged 15-59 years.

Source: i) Ministry of Finance Monthly Economic Report, May 2017; ii) National Sample Survey, Employment and Unemployment Schedule, 61st, 66th and 68th rounds; iii) ILO: *Key Indicators of the Labour Market*, 9th Edition (Geneva, 2015).

- ❑ The 2015-16 economic survey highlighted the trends of labour market
 - Contract labour
 - Competitive federalism
 - Labour intensive-manufacturing firms relocating to smaller cities
 - Creation of ‘suitable jobs for women’

- ❑ Also, the 2019 economic survey advocated for flexible labour laws & appreciated the Rajasthan model for doing the same.



Changing nature of the Labour market reforms

The Background

- Reforms of India's labour market were not the part of economic liberalisation measures unleashed in early 1990's
- 1st serious attempt was made at the report of 2nd national commission on labour (report submission: 2002), that proposed major changes in labour laws.
- Under the leadership of Atal Bihari Vajpayee, great reforms to set in, however change in government halted them more.
- In 2014, the new government proposed 44 central labour acts into 4 codes; the plan is half achieved.



Current State of Labour Reforms

Labour market reforms

Labour
code on
wages

Passed in
august 2019

The
occupational
safety and
health
working
conditions
code

Referred to standing
committee

The social
security
code

Draft circulated

The
industrial
relations
code bill
2019

Passed in
November 2019

These 4 bills long envisaged to replace 44 archaic labour laws

COVID-19 & the changing Labour laws

With the onset of the pandemic, the work culture & labour market has witnessed a transitions from ‘work from home’ culture to job losses, lay offs and non-payment/ wages cuts, the economy distress has only increased. On top of this, several states have restored to change in labour laws for ‘fuller exploitation’ of labour.

- **Case 1: Uttar Pradesh:** UP temporary exemption from certain labour law ordinance, 2020 to exempt factories, business, establishments from previous of all labour laws including the minimum wages act.
- **Case 2 : Madhya Pradesh:** The employers have been exempted from some obligation from various labour laws for 1000days. Also, working hours have been increased from 8to12 & the factories would be allowed to operate without following safety & health norms.
- Many other states like Gujarat etc. too have followed same pattern.



Way Forward

- India's most pressing labour market challenge going forward will be able to generate good jobs via the labour market reforms.
- A sustainable solution to labour laws concern will only come when the government is able to convince workers and unions and also simultaneously the corporate sector that rigidity of legislation will not come in way of ease of doing business.



Thank You

