

“India’s labor laws are a mess. It is practically impossible to comply with 100% of them without violating 10% of them.”

Why Indian laws were archaic?

The prime reason is that they have become outdated and redundant. Rather than being flexible and business friendly labour laws in India are restrictive and have been a cause of concern for investors.

The Industrial Disputes Act (1947) has rigid provisions such as compulsory and prior government approval in the case of layoffs, retrenchment and closure of industrial establishments employing more than 100 workers. This clause applies even when there is a good reason to shut shop, or worker productivity is seriously low.

The Contract Labour (Regulation and Abolition) Act (1970) states that if the job content or nature of work of employees needs to be changed, 21 days’ notice must be given. The changes also require the consent of the employees, and this can be tricky.

While the right of workers to associate is important, the Trade Union Act (1926) provides for the creation of trade unions where even outsiders can be office-bearers. This hurts investor faith and restricts economic growth.

Rigid labour laws discourage firms from trying to introduce new technology, requiring some workers to be retrenched. This deters FDI because of the fear that it would not be possible to dismiss unproductive workers or to downsize during a downturn. Hence getting FDI into export-oriented labour-intensive sectors in India has not been fully achieved.

Which laws are reformed & Why?

The two key areas of reform are ‘**unified labour and industrial portal**’ and ‘**labour inspection scheme**’.

The Apprenticeship Act, 1961:

- Getting rid of the clause that allows arrest of employers for not implementing the Act.
- Addition of 500 new trades to the list of 238 in the Act. Companies might also be permitted to begin new trades without waiting for the Centre to notify those.

More companies will hire apprentices this will boost formal skilling of workers.

The Factories Act of 1948:

- Double overtime of workers to 100 hours per quarter from 50 hours per quarter.
- Ensuring safer working conditions for employees working in hazardous environment.
- Provision of canteen facilities in factories having 75 or more workers.
- Allow women for night duty with adequate safety and provision for transport after work.

- Prohibit pregnant women and physically handicapped people from being assigned to machinery-in-motion.

The changes in Factories Act of 1948 will ensure ease in doing business for companies, enhanced benefits for workers as it will double overtime of workers to 100 hours per quarter and improve workers' safety.

Labour Laws Act 1988:

- Exemption to small firms with up to 40 workers, against 10 currently from filing compliance reports.

Small firms will hire more workers and lower regulatory compliance burden.

The Government is also considering amendments to the Child Labour (Regulation and Abolition) Act, 1986, and the Minimum Wages Act, 1948.

Critical Analysis:

The labor law changes cleared last month by the union cabinet were neither comprehensive nor complete, but yet they are need of the hour and a good breakthrough into the rigid old system. It is very much required to boost the economy by strengthening the work force and employer morale by making labour laws more meaningful. Moreover, it is also a symbiotic move to go with prime minister's "Make in India" Campaign, where labour laws of international standard are required to facilitate FDI.

On the other hand, most of the Unions and leaders in India are opposing these changes are calling them anti-worker, as they claim it to be only employer friendly and has capacity to exploit workers more.

The changes recognize that the one million youth joining the labor force every month need manufacturing jobs, they recognize that most job creation happens in small enterprises, which suffer the brunt of the license and inspector raj, and much more!

Read further:

http://www.business-standard.com/article/economy-policy/modi-cabinet-clears-labour-reform-bills-114073100236_1.html

<http://indianexpress.com/article/india/india-others/changes-in-labour-law-will-affect-half-of-all-factories/>

<http://knowledge.wharton.upenn.edu/article/india-labor-law-reform-sabharwal/>

<http://www.rediff.com/business/report/why-manufacturing-sector-needs-more-reforms/20141017.htm>