

# THE FALLOUT OF KEYING IN THE WRONG LABOUR CODES

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

On December 12, contract workers [ransacked Wistron's iPhone assembly factory in Karnataka](#), at Narsapura in Kolar district, about 80 kilometres from Bengaluru. There are reports that property worth 50 crore was damaged, and many workers sent to jail. The factory which began production in July, employed about 2,000 permanent workers and 7,000 contract workers. The factory does not have a labour union.

What caused the violence? The reason is said to be the reported non-payment, or only partial payment, of wages, or its delay, and flouting of labour laws, such as non-issuance of the wage contract, and employing women workers in night shift without providing adequate safety.

Also read | [There is no one to hear our woes, say Wistron workers](#)

The central and State governments have sharply condemned the violence. They are now busy controlling the damage the incident has caused to the country's high-profile global campaign to attract foreign direct investment, especially under its production-linked incentive (PLI) scheme to boost domestic investment in mobile phone manufacturing. The Wistron project showcased the government's success in attracting foreign direct investment, and promoting Atmanirbhar Bharat, the vision of making India self-reliant.

However, according to a preliminary inquiry report by the State labour department into the incident (the report is unavailable in the public domain), Wistron and its labour contractors violated many provisions of the laws that led to the violence. The Taiwanese assembler has admitted its faults, and sacked its vice-president for its India operations for the lapses. Apple Corporation has condemned the violations of statutory laws and has reportedly put further business on hold until Wistron addresses the labour dispute.

In July, the State government promulgated an ordinance to dilute the major labour laws including the Factories Act 1948. The Act regulates the ordinary working day's length, overtime wages, hours of work, the timing of shifts, safety, and health issues. Couched in legalese, the yet-to-be-operationalised law, effectively repealed the standard eight-hour working day with a 12-hour (with overtime payments applicable for work 75 hours to 125 hours, per quarter). This is evident from workers' testimonies in the police inquiry into the incident.

Editorial | [Smouldering unrest: on Wistron plant issue](#)

Amid the health pandemic and the lockdown, a few State governments sensed an opportunity to quickly ram through pieces of legislation or ordinances to whittle down the labour laws. It was purportedly to attract foreign capital seeking alternative locations to China, considering rising geopolitical tensions. The reform effectively knocks down the foundations of national labour laws by paring down many protective laws. The Karnataka government is apparently at the forefront of such a reform drive, with the media widely reporting the legal changes and the deep discontent among workers in the State.

India's labour laws are indeed a cumbersome web — some 47 central laws and 200 State laws, mostly applicable to organised sector workers — requiring rationalisation. Efforts to consolidate

them have been on for quite a while, but with modest progress for lack of agreement among the stakeholders and the complexity of the legal frame.

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In 2019, the government consolidated [29 central laws into four labour codes](#) and introduced bills in Parliament. The codes concern: industrial relations; occupational safety, health and working conditions; social security, and wages. The Code on Wages Bill, 2019 was passed last year and the remaining three in September this year, but without adequate consultation with the stakeholders and legislative scrutiny.

National trade union federations, including the Rashtriya Swayamsevak Sangh-affiliated Bharatiya Mazdoor Sangh (BMS), have opposed many contentious changes. The reforms go against many of the International Labour Organization (ILO) conventions to which India is a founding signatory. In May, the ILO chastised the Uttar Pradesh government which sought to suspend the labour laws for the next three years.

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There is undoubtedly a lot to learn from China's industrial success. But the government seems keen to emulate China's long working days and flexible use of labour. However, China also mandates employers to provide dormitory accommodation for workers close to factories and other social security benefits. Factory-provided dormitory accommodation is the principal reason for slum-free Chinese industrial cities, unlike in India.

Moreover, as is widely known, China's local governments compete with each other to offer excellent physical infrastructure and ensure adequate credit to industrial enterprises through the national development banks, thus implicitly subsidising production costs. The local governments and party officials, whose objective is employment generation, act as midwives in industrial promotion. Why do they do so? Because the professional rewards for Chinese bureaucracy and provincial ruling party officials are dependent on the local economic performance. India's efforts at cherry-picking legal changes for labour reforms, without reasonable compensation, are bound to face resistance.

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The average daily earnings of casual workers in urban India in 2018-19, as per the official Periodic Labour Force Survey (<https://bit.ly/3hpS2h6>), are 256 (or 6,400 a month for 25 days of work). It is well below the official living wage as defined by the Seventh Pay Commission for central government employees. Industrial workers are ever eager to work longer hours for overtime, considering the low absolute earning levels. Trade unions mostly welcome negotiations for labour flexibility linked to productivity but resist its unilateral imposition if the productivity gains accrue mainly to the management (the 'winner takes all' situation).

The Wistron episode has highlighted how the government has short-changed workers, as the length of the working day was unilaterally raised from eight hours to 12 hours in October, undoing the principal provision of the Factory Act 1948. The State Labour Department has reportedly admitted the flaw in the ordinance, in its letter to the Secretary, Ministry of Labour and Employment at the Centre. If the "principal employers" (Wistron in this case) and their labour contractors view the reforms as unbridled "hunting licence", such legal changes are bound to unleash a backlash, sooner than later. The Wistron episode seems proof of this.

The Hindu In Focus podcast | [Will the new labour codes benefit India's workers?](#)

What are the lessons of the sorry episode? Hoodwinking workers is politically illegitimate and economically suicidal in a shrinking economy. During the lockdown following the novel coronavirus pandemic, when lakhs of workers lost jobs and livelihoods, trudging back to their villages, an insensitive government instead of addressing the humanitarian crisis, cleverly sought to capitalise on working-class misery to undercut wages — a morally reprehensible act in any civilised society. So, it should not come as a surprise if such hasty and crafty measures have now backfired, denting India's image among global investors. The Wistron dispute has apparently turned the clock back on the government's efforts to boost domestic production ('Make in India'), and enhance national self-reliance (Atmanirbhar Bharat).

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