

# LABOUR LAWS: A STEP FORWARD

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

Nov 22, 2019-Friday

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India moved a step closer to reforming its complicated and antiquated labour laws with the Union Cabinet passing the industrial relations code on Wednesday. This is the third of the four codes into which the government categorised 44 labour laws. One code, on wages, was passed by Parliament in the last session. Another, on occupational safety, health and working conditions is with a parliamentary panel. That leaves the code on social security. The Labour Code on Industrial Relations allows companies to hire workers on contract, but ensures that contractual workers are treated on par with permanent ones. It also puts in place a mechanism for speedier settlement and redressal of labour disputes.

The code has two salient aspects. The first is that the government has walked back a proposal to give flexibility for companies or units that employ up to 300 workers to fire them or even close shop without seeking its permission. The current ceiling for this is 100. However, the code has measures in place to protect the interests of nine states (including heavily industrialised ones such as Haryana, Gujarat, and Maharashtra) that have laws in place allowing this; labour is a concurrent subject which means both the Centre and the states can make laws on it. Interestingly, the government approved fixed-term employment contracts last year, but with no state signing off on the rules through a law, it remained largely on paper. Wednesday's decision makes it part of the so-called model law, which means it is now mandatory for the states to follow it, which will be welcomed by industry. At the same time, the law, as finance minister Nirmala Sitharaman stressed, ensures that these contractual workers are treated the same as permanent ones.

For decades now, there's been talk of crucial second generation reforms needed to boost growth and make it easier to do business in India. Labour reforms fall squarely within that definition. Coupled with the recent move to reduce corporate tax, especially for new manufacturing units (a new unit will effectively pay tax at the rate of 15%, which is competitive anywhere in the world), this could attract more domestic as well as foreign companies to invest in factories in India.

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