

# Changing Facets of Labour Policy in India- An Overview

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## ABSTRACT

A worker is a person who contributes his physical and mental efforts in productive process for fulfilling his basic needs. The Worker is also human being. He also has right to live with humanity and dignity in the society. There are two fold objectives of labour policy, one is maintaining industrial peace and other is promoting the welfare of labour. This paper discussed the right of workers under International treaties including UDHR, ICCPR, IECRD and ICESCR. This paper highlights Labour welfare and social welfare concept over the labour policy. This paper also highlights aims and objectives of labour policy along with social security concept. This paper discussed all the Five Year Plans which impact over the labour policy to bring about welfare of the working class and the country's economic stability and progress. This paper highlights impacts of labour market policy over the industrial growth and changing parameters of labour policy in new era..

## 1. Concept of Labour

Labour is the person who contributes his mind as well as physical efforts in the productive process. Labour is also called as a workman, which includes any person including on apprentice, employed in any industry to do any skilled or unskilled manual supervisory technical or clerical work for hire or reward whether the terms of employment be expressed or implied.

Various authors define labour as follows:

According to **Jovons**, "Labour is an exertion of mind or body undertaken partly wholly with a view to some food other than pleasure derived from the work"

According to **S.E.Thomas**, "Labour consists of all human efforts of body or mind which is undertaken in the expectation of the reward"

Also **Dr. Alfred Marshall** says, "labour is means the economic work of man whether with the hand or the head."<sup>1</sup>

Hence labour is taken in two sense, the first as a work which includes mental or physical efforts for economics gain and other as a person who to contributes is mental or physical efforts is in the productive process.

## 2. International perspectives on Labours Rights

A worker is a person who contributes his physical and mental efforts in productive process for fulfilling his basic needs from achieving wages. The Worker is also human being. He also has right to live with humanity and dignity in the society. The worker is asset of Nation because he contributes his physical and mental efforts for development of country. The industrial development is not possible without contribution of workers efforts towards the industry. As the worker is so important, his Human Rights must be protected. In the eye of employer worker is illiterate, poor and unorganized character.

Therefore, employer exploits him easily. Employer accords worker unfavorable living and working condition in the Industry, give him low wages, which do not even fulfill his basic needs, maintain unhealthy service conditions. All this amounts to violation of basic rights of workers. Therefore, Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic Social and Cultural Rights (ICESCR) framed certain rights of workers who work for the industry.

According to Universal Declaration of Human Rights (UDHR), 1948, "Everyone has the right to work, to free choice of employment, to just and favorable conditions of work, to protection against unemployment, right to equal pay for equal work without any discrimination and right to just and favorable remuneration ."<sup>2</sup>

International treaties including the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), the International Convention on the Elimination of all forms of Racial Discrimination (ICERD), and the International Covenant on Economic, Social, and Cultural Rights (ICESCR) all protect the rights of workers. According to all these, International treaties **all the workers have a right to-**

### • Freedom of association:

*The right to form and join trade unions, to bargain collectively with employers, and to strike in defense of their interests.*<sup>1</sup>

### • Freedom from forced or compulsory labour:

*The right to be free from slavery, servitude, and other forms of involuntary work.*<sup>2</sup>

<sup>1</sup> Rao & Desai, *Labour Problem and Social welfare*(1998), New Height Publication, New Delhi p. 5.

<sup>2</sup> Universal Declaration of Human Rights (UDHR). Article 23. Accessed 9. November 2009. <http://www.un.org/Overview/rights.html>.

• **Abolition of child labour:**

No employment of children under 13 and no employment of children under 18 in occupations harmful to their health, safety, or morals.

• **Non-discrimination:**

Equality of treatment and opportunity in employment, without distinction on the basis of race, sex, religion, politics, nationality, or social origin.

• **Safe and healthy working conditions:**

The right to just and favorable conditions of work, to protection against unemployment, and safe and healthy conditions in the workplace.

• **A decent living:**

The right to earn wages that ensures the worker and his or her family an existence worthy of human dignity.

• **Rest and leisure:**

The right to reasonable limits of working hours and periodic holidays with pay.

• **Protection against unemployment:**

The right not to be unfairly deprived of employment.<sup>3</sup>

In 1944 International Labour Organization (ILO) organized Second International Conference which is held at *Philadelphia*. This conference defined the aims and objectives of organization. The declaration of Philadelphia embodies the following principles of ILO:

- 1) Labour is not a commodity
- 2) Freedom of expression and of association is essential to sustained progress.
- 3) Poverty anywhere constitutes a danger to prosperity everywhere.
- 4) All human beings, irrespective of race, creed or sex have the right to peruse both their material well being and their spiritual development in conditions of freedom and dignity of economic security and equal opportunity<sup>4</sup>.

**3. Labour welfare and social welfare concept**

In 1947 when India become independence they started to formulate National Industrial Policy and to give direction to our industrial growth and economic development of country. However much industrial development creates various complex problems in the field of labour. The problems such as-

- Unfavorable work environment.
- Unhealthy working and living conditions.
- Lack of basic amenities for labour.
- Constant dissatisfaction for low wages, insecurity of jobs and personal problems.

<sup>3</sup> U. Chandra, *Human Rights*, (1999), Allahabad Law Agency Publications, Allahabad, p.185

<sup>4</sup> A.R. Murugan, *ILO and labour* (1997), Central Boards for Workers Education (CBWE) Booklet, CBWE Publication Nagpur, P. 5.

These entire problems solved by way of proving proper work environment, healthy working and living condition, providing basic amenities and providing job security through the legislation, then the workers taken active participation in industrial growth which is indirectly participation in economic growth of our country.

Welfare activity is nothing but anything done for the intellectual, physical, moral and economic betterment of the workers. The importance of labour welfare with reference to India can easily be assessed if we observe the living and working condition of industrial labour. The importance of labour welfare is greater in India than any industrial advanced country. Welfare activities contribute in making industrial employment more attractive. The provision of good housing, minimum wages and other benefits are bound to create a feeling of satisfaction among the workers and it helpful for controlling absenteeism. The provisions of good housing, medical facilities, good working condition, recreational and educational facilities are bound to increase mental efficiency and economic productivity of industrial worker. Hence, for economic development of country it is necessary to apply welfare activity, which increases the mental efficiency and economic productivity of industrial labour.

**4. Social Security and Labour Policy:**

The social security is the security that society furnished through appropriate organization against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide by his own ability or foresight or even in private combination with his colleague<sup>5</sup>. The security to man against ravages of social conflicts and inadequacies is an important aspect of social justice. The social justice leads to social security. Therefore, where there is social justice there is social security.

The underlying idea behind social security measures is that there is a duty on the society to protect the working class that contributes to the welfare of the society against hazards.<sup>6</sup> The social security protects not only just the worker, but also his entire family in financial security and health care. The social security can be provided by institutional and non-institutional agencies. The non-institutional agencies existed from time immemorial and they are the backbones of the present social security programmes. India covered under non-institutional form of social security measures in the world. The needy and unfortunate are seen protected in joint family set up and the caste system. The joint family has also taken care of hardship due to unemployment, economic difficulties, old age, widowhood etc.

The ideals of social security ultimately became a social responsibility largely depending on the resources and needs of the country. The social security enactments that we find today in India are an amalgamation of the ideals and principles emerged over the years. The development of modern state

<sup>5</sup> ILO, "Approaches to social Security", 1942, p.80. [http://shodhganga.inflibnet.ac.in/bitstream/10603/76677/9/09\\_chapter%202.pdf](http://shodhganga.inflibnet.ac.in/bitstream/10603/76677/9/09_chapter%202.pdf),

<sup>6</sup> Prof. Harry Calvert, *Social Security Law* (1978), Sweet & Maxwell, London. p. 38

totally changed the social set up in India and the state assumed the role of protector of people from evils.<sup>7</sup>

Another phased when many significant development in the field of social security occurred after Second World War. The war created an acute shortage of man and materials. This necessitated increased production and that required greater co-operation of labour. To ensure this a number of concessions were made to the working class under defense of India rules. The appointment of Dr. B. R. Ambedkar as labour member to the Viceroy's Council infused keenness in Government's labour policy. In 1943, Government of India appointed a committee called 'Standing Labour Committee'. Constitution of this committee and Indian Labour Conference effected remarkable change in the attitude of Government towards labour. The committee was constituted for the purpose of formulating a scheme for health insurance for individual workers.<sup>8</sup>

Under social security concept the right of labour included securing decent standard of living, suitable legislation for securing living wage, healthy conditions of work, limited hours of labour, suitable dispute settlement machineries and maternity leave to women workers, protection against the economic consequence of old age, sickness and unemployment including protection of right to form union. These entire social security concept adopted under Indian Constitution either Fundamental Rights or under Directive Principals of State Policy.

After independence, 'Indian Constitutional Reforms Committee' gave priority to the rights of labour included social security of labour also. The Constitutional Reforms Committee submitted pathetic condition and the necessity to ensure the right of workers. The committee said that certain fundamental rights of the working classes should be specifically declared so that Indian Parliament should make suitable to ensure fair rent and fixity of tenure of agricultural tenant from whom industrial workers are recreated, for the maintenance of health and fitness of workers, securing a minimum wage for them, the protection of motherhood, welfare of their children and the economic consequences of old age, infirmity and unemployment.<sup>9</sup>

## 5. Labour Policy of India:

A "Labour Policy" usually refers to the laws and measure applicable to labour employed in organized industries. Labour policy is an ever increasing arm of Government dealing with problems of economic and social nature, and task specific to them, in accordance with the escalating demands of society, and rising expectation of people.

*Labour Policy* is defined as, "the intention of state towards the affairs arising out of management of labour concerning industrial relation, working conditions, training, research and other significant problems necessitating action on the part of Government, employers and employees."<sup>10</sup>

<sup>7</sup> Mamuria and Doshi, *Labour Problems and Social Welfare in India* (1966), Kitab Mahal Pvt. Ltd., Allahabad. p. 339.

<sup>8</sup> 'Approaches to Social security- an International survey' and 'Social security principle and problems arising out of war', (1942 and 1947) ILO publications, International Labour office Geneva

<sup>9</sup> Report of Indian Constitutional Committee 1917-1918

<sup>10</sup> ILI (Indian Law Institute) Library, Labour and Labour welfare, Lok Sabha secretariat New Delhi, February 1985, p.1.

Labour policy in India has been evolving in response to specific needs of the situation to suit requirements of planned economic development and social justice. There are two fold objectives of labour policy, one is maintaining industrial peace and other is promoting the welfare of labour. It has been rightly said, "Labour policy has been evolving the response to the specific needs of industry and the working class and to suit the requirements of a planned economic devotement and social justice".

One of the objectives of labour policy is to ensure an environment which is conducive to labour management cooperation. For this purpose, the Government, being supreme law making authority, has to play and does plays a vital role in structuring or restricting industrial relations. It also endeavors to adopt the legislative and administrative organs/machinery to bring about desired changes in the social norms.<sup>11</sup>

In India, the formulation of Labour Policy is mainly depends on the deliberations and recommendations of the Indian Labour Conference, the Standing Labour Committee, the Industrial Committee, Tripartite Wage Board and the Committee on Conventions. The recommendations and deliberations of these bodies have been the main support for the formulation of Labour Policy of the country. The participation of representatives of working class, the employers and the Government gives strengthen the National labour policy.

In 1946 National Government, formulate the *National Labour Policy*. The Government realized that without satisfying the labour class industrial development was not possible, and hence serious thought was given to formulate a National wage policy. The ministry of labour drew up four years programme (1946-51), to develop basic labour standards in respect of working conditions, health, welfare and safety in industrial undertakings. The programme attempted to:

- a) Revise the existing labour legislation to meet the changing needs of the time;
- b) Eliminate completely and/or control contract labour;
- c) Extend employment opportunity/exchanges to cover all classes of workers;
- d) Evolve fair terms of service and deal for workers;
- e) Fix wage in sweated industries, rationalized rates of dearness allowance to promote fair wage agreement; and
- f) Lay down industrial health programme.

The Industrial Policy statement of 1945 had emphasized that one of the objectives of new industrial policy would be, "to secure for industrial workers a fair wage, decent conditions of work and living and reasonable security of tenure".<sup>12</sup>

In Independent India, the Constitution under Article 43 in Directive Principals of State Policy ensured a decent standard of working condition, a living wage and social security for workers. The labour policy derives its philosophy and content from the Directive principal of state policy. The Article 43 of Constitution state that "the state shall endeavor to secure by suitable legislation or economic organization or in any other way to all workers, agricultural, industrial or otherwise, a living wages, Condition of work ensuring a decent standard of life

<sup>11</sup> Ibid p. 2.

<sup>12</sup> Ibid. p. 4

and full enjoyment of leisure and social and cultural opportunities.<sup>13</sup>

## 6. Five Year Plan and Labour Policy:

The planning commission was set up later in March 1950. The basis for formulating the Five Year Plan was an initial in depth analysis by experts as to the priorities and the manner of utilizing the scarce resources available in the developing countries. For the Planning Commissions approach to labour, the first consideration is related to the well-being of the working class and, secondly, the plans contribution to the economic stability and progress of the country.<sup>14</sup>

**The First Five Year Plan (1951- 1956)** was drawn up in the context of the importance of industrial labour in recognition of its rights which had long remained neglected. The aim of first Five Year Plan was “to bring about welfare of the working class and the country’s economic stability and progress”.

The plan associated certain rights and obligations with the distinctive role which the labour had to play. Among the rights were:

- i) adequate provisions for the basic needs of the workers in respect of food, clothing and shelter so as to enable them to remain healthy and efficient;
- ii) securing improved health facilities and wider provision of social security;
- iii) better educational opportunities, and increased recreational and cultural facilities;
- iv) conditions of work to be such as to safeguard his health and protect him against occupational and other hazards;
- v) the right to recognize and to take lawful action in furtherance of his rights and interest;
- vi) he should be treated with consideration by the management and should have access to impartial machinery if he fails to get a fair deal.

All these rights and obligations are important for welfare of working class. To provide basic needs to workers, providing health facility, better educational opportunities, protect against occupational and other hazards conditions of work etc. in the first Five Year Plan are impotent to improve living standard of labour

**The Second Five Year Plan (1956-1961)** recognized that “creation of industrial democracy is a pre-requisite for the establishment of a socialist society.” The Plan observed that “for the development of an undertaking, industrial peace is indispensable. This can be best achieved by the parties themselves. Labour legislation and the enforcement machinery set up for its implementation can only provide a suitable framework in which employers and workers can function”.<sup>15</sup>

The planning commission stated that, this plan gave importance to the employment opportunities with an objective of maximizing rate of growth output through the utilization of available resources as a means for economic development. The task is divided into three, firstly about providing

employment opportunities for the existing urban and rural growth, secondly, providing natural increase in the labour force and lastly about those underemployed in agriculture and household activities to be provided with increased work opportunities.<sup>16</sup>

**The Third Five Year Plan (1961-1966)** declares the labour policy by emphasizing states’ responsibility in providing facilities and co-operative arrangements for settling disputes. This Five Year Plan visualized that “the object is to secure not peace alone but higher levels of industrial efficiency and rising standard of life of working class”<sup>17</sup>

**The Fourth Five Year Plan (1969-1974):-** The Fourth Plan, more or less, reiterated and re-emphasized the policy laid down in the earlier Plans. This plan recommended for adoption of the ideology of ILO that includes “development involving comprehensive programs of rural development, labour intensive public work programmes and fuller utilization of industrial capacity, promotion of labour intensive products in domestic and foreign markets and application of economically sound labour intensive techniques in industrial production.

It stated “Protective Labour laws and voluntary arrangements such as tripartite bodies and Code of Discipline are to continue to form the basis of Labour Policy. The plan observed, “Labour has a vital role in increasing production and management has to help to create conditions in which workers can make their maximum contribution towards this objective. Labour Policy and Labour programmes have to be broadened steadily to provide for agricultural labour as well as for various groups of unorganized labour such as contract labour, construction workers, women workers, workers engaged in scavenging and others”. Price stability was considered basic to wage policy and dearness allowance was linked with the cost of living and increases in productivity.<sup>18</sup>

**The Fifth Plan (1974-1979)** underlined the furtherance of the objectives set forth in the Labour Policy in the earlier plans. It stated that “the leading role of the working class implies that eventually a high proportion of the leading technical and managerial positions in the public enterprises must be occupied by the people promoted from the rank and file.

The Plan further stated that “raises in wages unrelated to productivity should be avoided in the interest of price stability. A determined drive should be launched to raise labour productivity.” For this the plan envisaged better food, nutrition and health standard, higher standards of education, and training, improvement in discipline and morale and more productive technology and management practices”.<sup>19</sup>

## **The Sixth Five Year Plan (1980-1985):-**

The plan relates to industrial policy i.e., ‘industrial development policy’ in a developing country like India which has to meet two conflicting requirements. It must protect the

<sup>16</sup> Government of India, Planning Commission, and Second Five Year Plan 1956-1961,

<http://planningcommission.nic.in/plans/planrel/fiveyr/index2.html>

<sup>17</sup> Government of India, Planning Commission, Third Five-Year Plan, 1961-1966.

<http://planningcommission.nic.in/plans/planrel/fiveyr/index2.html>,

<sup>18</sup> Supra13 at p.9

<sup>19</sup> Supra 13 at p.7.

<sup>13</sup> Dr. C. B. Memoria & satish Memoria, *Social security and Industrial Peace in India* (1983), Kitb mahal, Allahabad, p. 338.

<sup>14</sup> Arun Monappa, *Industrial Relations* (1991), Tata McGraw-Hill Publishing Company, Asaf Ali Road, New Delhi, p.333.

<sup>15</sup> Supra 13 at p. 7.

right of the working class to organize and to struggle for its economic and social betterment by all democratic and legal means. At the same time, it must ensure the steady growth of investment and production at a satisfactory rate.

**The Seventh Five Year Plan (1985-1990):-** The Seventh Plan recognized that the labour entered the production process from the supply side as well as from the demand side and the thrust of Seventh Plan was an improvement in capacity utilization, efficiency and productivity.<sup>20</sup>

This plan also discussed wage policy and found that wage factor depended on related elements like allowances, bonus, social security and fringe benefits. With regard to the unorganized sector, efforts are suggested to be made not only to train to upgrade skills of the workers but also to educate them and make them aware of the pragmatic and legislative provisions available to them. With regard to women workers, the plan gave special recognition and made provisions for requisite facilities for bringing them into the mainstream of economic growth.<sup>21</sup>

**The Eighth Five Year Plan (1992-1997):-** The objective in the Eighth Plan was treating employment generation and economic growth as complementary rather than conflicting processes. The plan took the aspect of need of important scrutiny in the impact of macro-economic, sectoral and labour policies on employment.

The plan also discussed elaborately the existing labour policies, in the context of economic reforms. It was pointed out that capital and labour policies are not always employment friendly. The plan found that the labour policy as manifest in certain labour laws and labour market rigidities rendering wage mechanism ineffective, has introduced a degree of inflexibility in labour use thus "discouraging employment expansion particularly in the large scale industries".<sup>22</sup>

**The Ninth Five Year Plan (1997-2002):-** According to this plan the planning process attempts to create conditions for improvement in the labour productivity and for provision social security to supplement operations of labour market. The plan programmes provide funds for skill formation, development and exchange of data on job opportunities, monitoring working conditions, industrial harmony, insurance against disease and unemployment.<sup>23</sup>

**The Tenth Five Year Plan (2002-2007):-** According to Planning Commission report, the Tenth Plan approved by National Development Council (NDC) envisaged an annual growth of 8% which is higher than 5.5% achieved during the Ninth Five Year Plan period. The plan targeted 10 million

<sup>20</sup> Government of India, planning Commission, Seventh Five Year Plan, Chapter 'Employment-Power, Plans and Labour Policy', p. 1-9, <http://planningcommission.nic.in/plans/planrel/>

<sup>21</sup> Labour policy and five year plan, chapter 4, social security in India: Historical development and labour policy, page. 133, [http://shodhganga.inflibnet.ac.in/bitstream/10603/70842/10/10\\_chapter%204.pdf](http://shodhganga.inflibnet.ac.in/bitstream/10603/70842/10/10_chapter%204.pdf)

<sup>22</sup> Government of India, planning Commission, Eighth Five Year Plan, Chapter 6, p.116. <http://planningcommission.nic.in/plans/planrel/fiveyr/index2.html>

<sup>23</sup> Government of India, Planning Commission, Ninth Five Year Plan 1997-2002, <http://planningcommission.nic.in/plans/planrel/fiveyr/index2.html>

employment opportunities per year over Tenth Plan period. The plan especially emphasized on social security and framed a working group. The report elaborately discussed the present system of social security in India.<sup>24</sup>

**The Eleventh Five Year Plan (2007-2012):-** The Eleventh Plan aimed at bringing the overall unemployment down by generating new work opportunities exceeding the projected addition to the labour force. The plan observed that the success of labour policy should be seen in terms of the number of regular wage employment opportunities based on some form of a written contract between the employer and the employee, that is, an increase in the number of 'formal' jobs. The potential for creation of formal employment can be fully utilized by making appropriate changes in rules and procedures. It is often said that one of the obstacles to growth of formal employment in the organized sector is the prevalence of excessively rigid labour laws which discourage such employment. The proper Steps should be taken for a greater flexibility in labour laws. Broadly, it is necessary to review existing laws and regulations with a view to making changes which would encourage corporate sector.<sup>25</sup>

**The Twelfth Five Year Plan (2012-2017):-** The major focus in the Twelfth Plan will be the consolidation, expansion and strengthening of the various programmes into comprehensive coordinated systems to fulfill the aspirations of these vulnerable sections of the society. The vision for the Twelfth plan consists of a series of bold and creative measures that build upon, but also go beyond the achievements of the Eleventh plan. Generation of productive and gainful employment with decent working conditions on a sufficient scale to absorb the growing labour force was a critical element in the Eleventh Plan strategy for achieving inclusive growth.<sup>26</sup>

In nutshell, it can be said that, all Five Year Plan discussed India's industrialization plans and the associated labour problems and tried to give solution and recommendation.

## 7. Labour Laws In India:

Labour law also known as employment law is the body of laws, administrative rulings, and precedents which address the legal rights of, and restrictions on, working people and their organizations. There are two broad categories of labour law. First, collective labour law relates to the tripartite relationship between employee, employer and union. Second, individual labour law concerns employees' rights at work and through the contract for work. The law relating to labour and employment in India is primarily known under the broad category of "Industrial Law". The prevailing social and economic conditions have been largely influential in shaping the Indian labour legislation, which regulate various aspects of work such as the number of hours of work, wages, social security and facilities provided.

<sup>24</sup> Government of India, Planning Commission, Tenth Five Year Plan 2002-2007, <http://planningcommission.nic.in/plans/planrel/fiveyr/index2.html>

<sup>25</sup> Eleventh Five Year plan 2007-2012, Vol I, Inclusive growth, Planning Commission Government of India, Oxford University Press New Delhi, p. 79.

<sup>26</sup> Twelfth Five Year Plan (2012-2017) Social Sectors, vol-III, SAGE Publications India Pvt. Ltd New Delhi, p. 138. [http://planningcommission.gov.in/plans/planrel/12thplan/pdf/12fyp\\_vol2.pdf](http://planningcommission.gov.in/plans/planrel/12thplan/pdf/12fyp_vol2.pdf)

The labour laws of independent India derive their origin, inspiration and strength partly from the views expressed by important nationalist leaders during the days of national freedom struggle, partly from the debates of the Constituent Assembly and partly from the provisions of the Constitution and the International Conventions and Recommendations. The relevance of the dignity of human labour and the need for protecting and safeguarding the interest of labour as human beings has been enshrined in Chapter-III (Articles 16, 19, 23 & 24) and Chapter IV (Articles 39, 41, 42, 43, 43A & 54) of the Constitution of India keeping in line with Fundamental Rights and Directive Principles of State Policy. The Labour Laws were also influenced by important human rights and the conventions and standards that have emerged from the United Nations. These include right to work of one's choice, right against discrimination, prohibition of child labour, just and humane conditions of work, social security, protection of wages, redress of grievances, right to organize and form trade unions, collective bargaining and participation in management.

Under the Constitution of India, Labour is a subject in the concurrent list where both the Central and State Governments are competent to enact legislations. As a result, a large number of labour laws have been enacted catering to different aspects of labour namely, occupational health, safety, employment, training of apprentices, fixation, review and revision of minimum wages, mode of payment of wages, payment of compensation to workmen who suffer injuries as a result of accidents or causing death or disablement, bonded labour, contract labour, women labour and child labour, resolution and adjudication of industrial disputes, provision of social security such as provident fund, employees' state insurance, gratuity, provision for payment of bonus, regulating the working conditions of certain specific categories of workmen such as plantation labour, beedi workers etc.

## 8. New trend in Labour laws

According to Dr. Rangarajan (2006), in order to achieve faster growth rate emphasis should be laid on labour intensive sectors by skill development of the labour force and flexibility of labour laws. He also stressed on the fact that flexibility is not just related to 'hire and fire strategy' and that business units will have to function under legitimate restrictions.<sup>27</sup> The flexibility in labour laws has also been advocated by the Planning Commission Deputy Chairman Mr. Montek Singh Ahluwalia. According to him flexibility in labour laws would attract more investment and would be able to create more jobs albeit ruling out the hire and fire policy (The Hindu Business Line, 2006)<sup>28</sup>. Debroy (2001) mentions that labour market flexibility varies from state to state and labour laws contribute to these disparities between states.

India's labour laws are decades old and are said to suffer from rigidities which are holding back economic development. Worker-protective labour laws, it is argued, are deterring investment and stalling the growth of formal employment. India's labour laws are set at an inappropriately high level for a

developing economy, which would otherwise be in a position to use low-cost labour as a source of comparative advantage.<sup>29</sup>

Viewed in a comparative perspective, India's recent focus on labour law reform is not unique: other middle-income countries have been having similar debates about the form and content of labour regulation. While these debates sometimes lead to deregulation, there is no worldwide trend towards the weakening of worker-protective labour laws (Adams and Deakin 2015).<sup>30</sup>

It has been argued that due to inflexibility in the labour laws the opportunity to expand employment in the organized manufacturing sector has been denied since there is a lack of consensus between the employer's side and the worker's side. The employer's view flexibility in labour markets as a pre-requisite for promoting economic growth and generating jobs, whereas, the trade unionists view flexibilisation in labour markets as a strategy for profit maximizing of the firms and reducing their bargaining power without generating sufficient employment opportunities as has been said. For them insecurity has been the major cause of concern. In the wake of labour market flexibility post economic liberalization, which is believed to enhance competitiveness in an environment of rapidly changing markets and technologies, the government is in a dilemma as most of the labour laws and social protection laws has been labour friendly. But in order to introduce reforms in the labour market, the government has to respond to the requirements of the various stakeholders (employers, workers, multinational firms and international financial agencies).<sup>31</sup>

The three main labour laws that are the major point of debate in this regard are the Industrial Disputes Act (1947), the Contract Labour Act (1970) and the Trade Union Act (1926). But though on one hand we have the accusation on the rigid labour laws, on the other hand this argument has been contested on grounds that there are weak linkages between labour regulations and industrial outcomes. Some of these studies found that neither employment growth nor fixed capital investments of firms were constrained by labour laws. So, in this context of current debates related to rigidity of labour laws and hence the impediments to employment generation in this sector, it becomes extremely important to understand firstly the jobless growth in organized manufacturing since 1980's and especially in the post reform period; secondly the need for flexible markets and skill development in the country; thirdly the labour laws that are the current concern; fourthly the task force and SNCL recommendations and the objections to those recommendations and lastly the need for safety nets and social security for labour in the current wake of flexible labour markets.

Labour law reform has come on the political agenda in India, particularly in the wake of the elections in May 2014 of the Prime Minister Narendra Modi-led government at the

<sup>29</sup> Deakin & Haldar 2015 Economic & Political Weekly <https://www.repository.cam.ac.uk/bitstream/handle/1810253567/Deakin%20%26%20Haldar%202015%20Economic%20%26%20Political%20Weekly.pdf?sequence=1>

<sup>30</sup> Adams, Z and S Deakin (2015): "Quantitative Labour Law" in A Blackham and A Ludlow (eds), *New Frontiers in Empirical Labour Law Research*, Oxford: Hart, forthcoming.

<sup>31</sup> R. C. Datta. Milly Sil, *Contemporary Issues On Labour Law Reform In India: An Overview*, Tata Institute Of Social Sciences Mumbai

<sup>27</sup> The Hindu Business Line, July 1, 2006 'Improve Employability of Labour Force' by C. Rangarajan.

<sup>28</sup> Ahluwalia, M. S. (2001) 'Report of the Task Force on Employment Opportunities' Planning Commission, New Delhi, India.

centre. India's labour laws are decades old and are said to suffer from rigidities which are holding back economic development. Worker-protective labour laws, it is argued, are deterring investment and stalling the growth of formal employment. India's labour laws are set at an inappropriately high level for a developing economy, which would otherwise be in a position to use low-cost labour as a source of comparative advantage.

## 9. Conclusion:

On the basis of available literature we can conclude that the policy discussions play an important role in labour legislation. The labour policy plays important role in one hand maintained relationship between employee, employer and union and on the other hand protects rights of employees under the work place by providing social security. The policy arguments introduces two of the main perspectives used in the analysis of labour law today: human rights and economics. After referring all Five Year Plan it is to be concluding that, if

capital formation and economic development are to be the overriding goals of wage policy, then the problem of industrial poverty must be tackled in physical terms outside the ordinary framework of distributive mechanism. Labour policy protects the labour market, this means supporting the institutions through which human capital is created and sustained, in particular, education and training systems and providing social security and social insurance. Wage policy is thus faced with a dilemma and must make a choice. Such a policy cannot simultaneously attain the twin goals of assisting capital formation and at the same time of making amendments for the accumulated injustice of an age-old social and economic system. Neither economic analysis, nor a systematic assembly of relevant statistical measures, has been in the forefront of attempts to define a wage policy appropriate to economic development. For India's policymakers, labour law reform poses the question of whether growth is to be seen as an end in itself or a means to other ends.

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