

Decoding the Labour Codes

The new labour Codes are pro-worker and pro-employer. The real test will be in the setting of the rules for their implementation. Beyond these, there are other areas in labour that need reform, too. Years ago, anyone who discussed labour reforms always faced lackadaisical reactions from others in the ecosystem. But many stakeholders, whose focus was to put India to work, realised the need to deliberate, debate and collaborate with policymakers to lay a robust foundation for positive labour policies. Three guiding principles primarily drove this journey—

1. creation of formal jobs needs formal employers,
2. we do not have a jobs problem but a wage problem, and
3. we need labour laws, but fewer laws, which are pro-labour and pro-employer.

But this journey was a long one. The 21st-century crusade for labour reform started with the Ravinder Varma Committee report in 2002. The publication of the India Labour Report followed this in 2005. Interestingly, that report could have easily been released the same even early this year without having to change the content, with mere rewording of the title to 'India Labour Report 2020'. However, that won't be necessary now.

Finally, after its due course, the passing of the four labour Codes by Parliament has validated the standpoint of all stakeholders who have been persistent in this journey. India's democracy has set the ball rolling on labour reform. The best time to have started may have been 30 years ago; however, the second-best opportunity is today.

Let's take a step back to understand what the scenario has been. Before the four labour Codes got the final nod, India had 463 Acts, 32,542 compliances and 3,048 filings. Post the Parliament assent, 463 Acts have been reduced to 434 Acts, as 29 of the 44 Central Labour Laws have been subsumed in the four Codes. How many compliances and filings the four Codes shall help reduce will be known once the rules get notified.

Meanwhile, let's focus on the broad benefits of the four Codes for Employers & Employees. Employers can find relief in the following:

They reduce complexity in compliance due to a multiplicity of labour laws. They facilitate ease of doing business. India's present ranking is 77, and the goal is to reach a position among the top 50 countries of the world.

This will result in employment generation without diluting basic aspects of securing employee rights, safety, security and health of workers, and standardisation of definitions under different labour laws. The Codes are for simplification, and rationalisation. Provision of one licence/one registration and one return will save time, resources and efforts of the establishment.

It will result in reduction in cost of compliance, a single, decentralised authority for implementation. Web-based electronic labour inspectors/facilitators shall, before initiation of prosecution proceedings, give an opportunity to the employer to comply with the provisions of the Codes. It will also eliminate the high cost of claims for beneficiaries.

The legitimisation of fixed-term employment enables transparency for Employers while creating clear accountabilities. Clear role definitions in contract labour, clear criteria of eligibility of contractors, national licensing of contractors help create a win-win tripartite employment relationship.

The Codes have much to offer, especially for incumbent formal job seekers. Some of the overarching benefits include:

The attempt to encompass a large cross-section of workforce, beyond those in the organised sector, and provide them with protection under the labour laws through outreach schemes, specifically for the informal and unorganised sectors.

There is also a statutory requirement to issue appointment letters to every employee to prevent exploitation and implementation of clear and transparent ways of employee engagement. The cut-off date for salary disbursement advanced to the 7th of the subsequent month, facilitating prompt remittances of statutory contributions by the 15th of the subsequent month. This impacts every employee/worker across all sections. Change in the provision of gratuity payout is beneficial for today's workers.

Acknowledgement of gig work and gig platforms and the provisions to safeguard those who pick up gig assignments shall encourage many workers and aspirants to consider it as an alternate option for livelihood given the uncertainty around us. The change in the provision of contract labour where contract labourers need to be paid on a par with anyone doing the same job in a regular role makes it a win-win proposition for anyone opting for a contractual job.

So far so good. However, this is just the beginning of India's reform agenda on labour; by no means is the end. We have to shift our focus now towards—

- a) state-specific labour reforms,
- b) fine tuning further the existing Codes which give us the impression of on-paper subsumption of existing Acts with little change from the past,
- c) rulemaking, which is the actual litmus test of rationalisation of the Codes,
- d) complete digitisation of compliances, and
- e) democratising employment and labour data