

* The shaky foundation of the labour law reforms

- Govt enacted:

- Code on Wages → Aug 2019
 - Industrial Relations Code
 - Occupational Safety, Health & Working Condⁿ Code
 - Code on Social Security
- in Sept 2020

↳ later draft rules also framed

↳ was to be implemented from 1.04.21,
but has now deferred it to 1.10.21.

- SC pressure on Centre & States

• Implement ONOR scheme

↳ One Nation One Ration Card

↳ Aadhaar seeding & universal availability of e-POS system are necessary.

• Register all unorganized workers under the National Database for Unorganized Workers (NDUW)

↳ was to be done by 31. July 2021

↳ need to register ~400 million workers

- Situation of labour welfare in India

- Symbolic & partial consultation with central trade unions w.r.t. the Codes.
- State govts unprepared with the rules.
- Rules regarding recognition of the central trade unions have not been framed.
- Major States have not issued draft rules under any Codes.
 - ↳ Only MP, Chattisgarh, UP, Uttarakhand & Punjab have framed rules for all codes.
- Industrial Safety is a grave concern even after enacted of a Code on it.
 - ↳ B/w May - June, 32 major industrial accidents occurred, killing 75 workers.
- Pandemic caused
 - ↳ withdrawal of workers from labour market
 - ↳ reduced earnings, ↑ unemployment
- WPI - Inflation rates at 12% in June 2021
 - ↳ while non-statutory floor level minimum wage remains at ₹178.
- Govt's relief measures are too meagre

- Failure to provide legal visibility to millions of unorganised & migrant workers
- Even after enactment of the 4 Codes
 - ↳ age old laws are in force.
 - ↳ The Codes are just symbolic.

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India's economy and the challenge of informality

What is Informality?

- The enterprises that are not formed as distinct legal organisations and for which no comprehensive records are available are classified as informal enterprises by ILO's 15th International Conference of Labour Statisticians.
- Informal employees were classified as individuals who did not have access to social security during the 17th Conference of ILO.

Challenges posed by informality

Underdevelopment

- Persistence of informality is a sign of underdevelopment.
- Across countries, there is a negative correlation between informality and per capita income.
- The finding suggests the negative impact of informality on economic growth and income levels.
- The persistence of a high share of informal employment in total employment is nothing but lack of adequate growth or underdevelopment.

Low productivity

- Workers lack access to quality education, skill training.
- This along with the use of obsolete technology and tools results in low productivity in informal enterprises.

Lack of social security

- People working in the informal sector lack access to social security.
- Survival is the biggest challenge for most informal workers.
- The pandemic further exacerbated this challenge. Recent reports suggest that the informal sector's GDP share reduced to less than 20%, from 50% a few years ago.

Informality in India

- Despite rapid economic growth over the last two decades, the share of formal workers in India stood at a mere 9.7% (47.5 million). Even now, around 90% of workers in India are informally employed.

- 75% of informal workers are self-employed with earnings lower than salaried workers.
- About half of informal workers are engaged in non-agriculture sectors spread across urban and rural areas.

IMF's take on informal economy:

- Excessive regulations and taxation ensure the endurance of informal activities.
- It notes that informality is because of structural and historical factors of backwardness.
- It is believed that registration processes, easing rules for business conduct, and lowering the standards of protection of formal sector workers will formalize informal enterprises.

Factors affecting informalization in Indian Economy:

- To promote employment, India protected small enterprises engaged in labour-intensive manufacturing by providing fiscal concessions and regulated large industries by licensing.

- Such measures resulted in labour-intensive industries getting diffused into the informal/unorganised sectors.
- While such policy encouraged employment but bringing the enterprises that benefited from the policy into the tax net has been a challenge.
- Besides administrative reasons, political and economic reasons operating at the local level further aggravated the challenge.

Structural transformation

- The movement of low-productivity informal sector workers to the formal or organised sector is known as structural transformation.
- East Asia saw rapid structural change in the 20th century as poor agrarian economies rapidly industrialised.
- In many developing countries including India, informality has reduced at a slow pace, showing signs of poverty and unemployment.

Initiatives taken in India to tackle informality:

- The fiscal perspective has been used in India since the tax reforms in the mid-1980s.
- The fiscal perspective of formalisation includes efforts like demonetisation, the intro of (GST), digitalisation of transactions and enrolment of informal sector workers on government portals.
- These steps are meant to encourage the formalisation of the economy.

Way forward

- Policy efforts directed at the structural transformation of the informal sector.
- There is a need to extend these initiatives to the bulk of the informal units
- Need for greater capital investment & increased edu. and skills being imparted to the workers.
- Focus needs to be given to improving the production facilities.
- Stringent implementation of labour laws is required along with diligent registration of informal workers under official portals to ensure access to social security.