

3. **Highlighting the significance of new labour codes for India, discuss the challenges associated with them.** (150 words) 10

Approach:

- Briefly introduce the new labour codes.
- Highlight the significance of new labour codes for India.
- Discuss the challenges associated with them.
- Conclude by suggesting a way forward.

Answer:

The Parliament grouped the existing labour laws into four Labour Codes - on **Wages, Industrial Relations, Social Security & Welfare, Occupational Safety and Working Conditions**. It aims to address the prevalent issues and lay the ground for a conducive business environment.

Significance of new labour codes for India

- **Consolidation and simplification of labour laws:** The new codes align, rationalize and consolidate 29 central labour laws which were **ad-hoc, complicated, mutually inconsistent** with varying definitions, and contained **outdated** clauses.
- **Facilitate job creation while protecting work:** Firms can easily adapt to changing business environments and adjust their output (and employment) levels accordingly alongside providing workers with protection of assured minimum wages, social security, and avoid reduction in job insecurity, health and safety standards, and a mechanism for ensuring collective bargaining rights.
- **Promotes ease of doing business:** It drastically reduces complexity and internal contradictions, increases labour market flexibility & modernizes regulations on safety/working conditions that would boost investment and encourage entrepreneurs to engage in labour intensive sectors.
- **Improved labour administration:** The codes provide for '**one labour return, one license and one registration**' to smoothen compliance. They promote self-certification, web based inspections and therefore reduce overall compliance burden. Further, they also provide for improved enforcement of laws and revamped dispute resolution process.
- **Enhances global competitiveness:** They ease labour regulations that allow firms to adjust their inputs in response to shocks to demand and technology, thereby **improving competitiveness**.

Challenges associated with them

- **Inadequate labour protection:** Some labour codes retain **size-based application** to establishments, thereby depriving labourers employed in small firms of their basic rights related to wage, social security and working conditions.
- **Inadequate national minimum wage:** The prescribed universal minimum payment is too low that might lead to a race to the bottom between states that are competing with one another to lower wage rates and bring in greater investments.
- **Increased contractualisation of labour:** In order to get around the rigidities in hiring and firing that constrain the ability to adjust to production demands, businesses have increasingly used contract labour. However, they deny basic protections such as assured wages.
- **Coverage of new forms of labour:** For instance, the Code on Social Security creates enabling provisions to notify schemes for 'gig' and 'platform' workers; however, there is a lack of clarity in these definitions.
- **Raises question of conflict of interest:** The code gives extensive power to the government to modify or reject tribunal awards through executive action violating the principle of separation of executive and judiciary.

While these labour reforms are only the first step, it is now the responsibility of the states to review the rules and reduce duplication, overlaps and redundancy and reduce the regulatory burden and ensure smooth implementation. Further, the states need to facilitate standardisation of the regulatory regime, such that enterprises can comply with certainty and uniformity across the country.