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LABOUR REFORMS IN INDIA

SYLLABUS:

GS 2 > Governance

REFERENCE NEWS:

Thousands of factory workers in **Noida**, an industrial hub near Delhi, recently staged protests demanding **higher wages and better working conditions**.

- Most protesters were **non-unionised contract workers** employed in small factories producing auto parts, electronics, and garments, earning **₹10,000–₹15,000 per month**, wages that have largely remained stagnant for years.
- The protests, which began peacefully across northern India, escalated in some areas, leading to **road blockades and clashes with police**, who used tear gas and arrested over **300 people**.
- The unrest was partly triggered by **wage disparities between states**, particularly after **Haryana increased minimum wages by 35%**, prompting similar demands in neighbouring Uttar Pradesh.
- Workers claim they work **12–14 hours daily but are paid limited overtime**, leaving little income after basic expenses such as rent and food.
- Experts highlight **weak enforcement of minimum wage laws**, as wages vary widely across states and many employers fail to comply with regulations.
- Government data indicates that **nine out of ten workers earn less than ₹25,000 per month**, and over **310 million people work in the informal sector with limited job security**. Rising living costs, including higher cooking gas prices, have intensified financial pressures on workers.
- However, small businesses argue that sudden wage hikes are difficult because they operate on **thin profit margins**.

REASONS FOR WORKERS' PROTEST IN INDIA:

Recent protests by factory, contract, and gig workers across industrial regions such as **Noida, Manesar, and Faridabad** highlight deep structural problems in India's labour market.

- **Inflation and Stagnant Wages:** One of the major triggers is the **erosion of real wages due to rising inflation**.
 - Between **2021 and 2026**, the **Consumer Price Index for Industrial Workers (CPI-IW)** **increased by nearly 25%**, reducing workers' purchasing power.
 - However, base minimum wages are revised only periodically and many states have **delayed revisions**, leaving workers with stagnant incomes.

- Rising prices of essential commodities such as **rent, electricity, food and LPG** have intensified financial stress for workers.
- **Regional Wage Disparities:** Minimum wages in India vary across states and regions.
 - For example, workers in **Haryana received a 35% minimum wage hike**, while neighbouring regions like **Noida in Uttar Pradesh continued to have much lower wages**.
 - Such disparities have triggered protests as workers demand **uniform and fair wages** across industrial regions.
- **Rise in Cost of Living Due to Global Supply Disruptions:** International conflicts disrupt global supply chains and increase commodity prices.
 - The West Asia conflict in 2026 disrupted energy supply chains and increased the price of LPG cylinders and fuel in India.
 - Workers reported that cooking gas prices in the open market increased dramatically, significantly increasing household expenses.
 - For low-income workers earning ₹10,000–₹15,000 per month, such price increases severely reduce purchasing power.
- **Pressure on Manufacturing Sector and Wage Payments:** Global conflicts often increase input costs for industries. Tariffs and disruptions in international trade linked to global tensions have increased production costs for factories, squeezing profit margins. As a result, some factories delay wage revisions or payments, contributing to worker dissatisfaction.
- **Inflationary Impact on Essential Goods:** War-induced supply disruptions affect the prices of essential commodities. Rising costs of fuel, transportation, and food increase overall inflation. This worsens the gap between wages and living costs, a key driver of labour protests.
- **Increased Vulnerability of Migrant Workers:** Many industrial workers are migrant labourers, who spend a large share of their income on rent and food. When global conflicts increase prices of essential goods, migrant workers are disproportionately affected, intensifying demands for wage hikes.
- **Amplification of Existing Labour Market Problems:** War does not directly cause labour protests but magnifies existing structural issues, such as stagnant wages, job insecurity, weak enforcement of labour laws, rising living costs. Global shocks therefore accelerate worker unrest by worsening already fragile economic conditions.
- **Weak Enforcement of Minimum Wage Laws:** Although the **Code on Wages, 2019** guarantees minimum wages for all workers, enforcement remains weak.
 - Over **90% of India's workforce works in the informal sector**, where labour laws are poorly implemented. Many employers fail to comply with wage laws, forcing workers to accept low pay due to limited employment opportunities.
- **Job Insecurity and Contractual Employment:** The increasing use of **contract labour and fixed-term employment** has reduced job security.
 - The **Industrial Relations Code, 2020** increased the threshold for government approval in layoffs and retrenchments from **100 to 300 workers**, raising fears of easier job termination. Many workers are employed on temporary contracts without long-term benefits or protection.
- **Exploitation of Working Hours:** Workers often face **long working hours and inadequate overtime compensation**.
 - Some employers have reportedly imposed **12-hour shifts under flexible working arrangements** without proper overtime payments.

- Ambiguities in the **Occupational Safety, Health and Working Conditions Code, 2020** have contributed to such exploitation.
- **Poor Working Conditions and Lack of Social Security:** Many workers report unsafe and exploitative working conditions.
 - Workers complain about **lack of medical facilities, poor workplace safety, and verbal abuse by supervisors.**
 - In some cases, companies have failed to deposit **Provident Fund (PF) and Employee State Insurance (ESI)** contributions.
- **Crisis in the Gig and Platform Economy:** Gig workers in sectors such as delivery and ride-hailing face growing precarity.
 - Platforms often classify workers as **independent contractors**, allowing companies to avoid obligations related to wages, social security and labour protections.
 - Algorithm-based wage systems and sudden changes in payment structures have also triggered protests.
- **Confusion and Delays in Implementing Labour Codes:** India recently consolidated **29 labour laws into four labour codes**, but many states have **delayed framing the rules for implementation**. This has created a **transitional legal grey area** regarding wages, working hours, and worker protections.

EVOLUTION OF LABOUR LAWS IN INDIA:

Colonial Period (1850s – 1947): Protecting British Economic Interests

- **Factories Act, 1881:** First labour law; limited work hours of women and children; improved safety.
- **Workmen's Breach of Contract Act, 1859:** Criminalised desertion by labourers favouring employers.
- **Plantations Labour Act, 1863/1911:** Regulated plantation workers.
- **Indian Factory Act, 1911 & 1934:** Gradual improvement in hours, safety, and child labour control.
- **Trade Unions Act, 1926:** Gave legal recognition to unions.
- **Payment of Wages Act, 1936:** Ensured timely wage payment.
- Courts largely upheld employer interests (e.g., colonial interpretation of master-servant relationship).

Post-Independence Social Justice Era (1947 – 1970s): Welfare State Model

- India adopted a **socialistic welfare model**, with Constitution guiding worker protection.
- **Article 14:** Equality before law
- **Article 21:** Right to dignified life includes safe working conditions (Bandhua Mukti Morcha, 1984).
- **Article 23–24:** Ban on bonded & child labour
- **DPSPs (Art. 38, 39, 41, 42, 43, 43A):** Just, humane conditions, living wage, maternity benefits & worker participation in management.
- **Industrial Disputes Act, 1947:** Regulated retrenchment, strike mechanism.
- **Minimum Wages Act, 1948:** Ensured statutory wage protection.
- **Factories Act, 1948:** Comprehensive health & safety standards.
- **Employees' State Insurance Act, 1948:** Health insurance for workers.
- **Employees' Provident Fund Act, 1952.**
- **Mines Act, 1952, Plantation Labour Act, 1951, Bonded Labour Abolition Act, 1976.**
- **PUDR v. Union of India (1982):** Payment below minimum wage = forced labour (Art 23).

- **Bangalore Water Supply (1978):** Broadened definition of “industry”, expanded worker rights

Liberalisation Phase (1991 – 2000s): Flexibility & Competitiveness

- Economic reforms required balancing **labour market flexibility** with **worker protection**.
- **Second National Commission on Labour (2002):** Recommended **merging 29 laws into 4 codes**. More flexible hire-and-fire rules. Shift towards proportionality and rational labour regulation.
- **S. Mahendran v. State of TN (1990s):** Recognised need for modern safety standards.

Labour Code in India:

India consolidated **29 labour laws into 4 Labour Codes**, as recommended by the **Second National Commission on Labour (2002)**. These are:

- **Code on Wages, 2019**
- **Code on Social Security, 2020**
- **Occupational Safety, Health and Working Conditions (OSHC) Code, 2020**
- **Industrial Relations Code, 2020**

HOW TO STRENGTHEN LABOUR REFORMS IN INDIA?

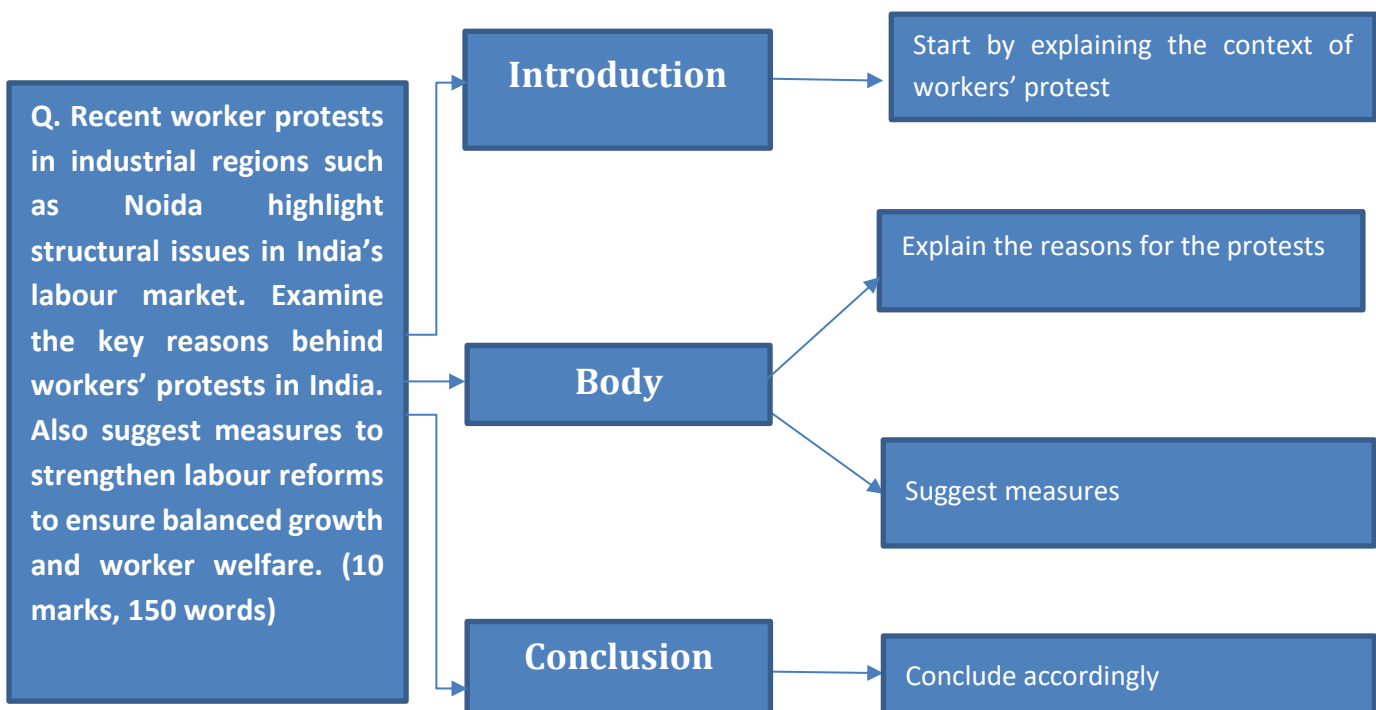
- **Implement a Binding National Floor Wage:** India currently has varying minimum wages across states, leading to wage disparities.
 - The **Second National Commission on Labour (2002)** recommended a **national minimum wage floor** applicable across sectors.
 - Make the **National Floor Wage legally binding on states**.
 - Link wage revisions with inflation using the **Consumer Price Index (CPI)**.
 - Countries like **Brazil and South Africa** have a national minimum wage to ensure uniform wage protection.
- **Strengthen Enforcement of Labour Laws:** Weak enforcement is a major challenge, particularly in the informal sector.
 - The **NITI Aayog Task Force on Employment (2017)** suggested improving labour inspection systems.
 - Introduce **digital wage payments and electronic employment records**.
 - Adopt **risk-based labour inspections** rather than traditional “Inspector Raj”.
 - **Singapore** uses digital labour compliance systems that improve transparency and reduce disputes.
- **Expand Social Security for Informal and Gig Workers:** Over **90% of India’s workforce works in the informal sector**, with limited protection.
 - The **Arjun Sengupta Committee (National Commission for Enterprises in the Unorganised Sector, 2007)** recommended universal social security for informal workers.
 - Expand benefits under the **Code on Social Security, 2020**.
 - Provide health insurance, pension and accident coverage to gig and platform workers.
 - The **Rajasthan Platform Based Gig Workers Welfare Act, 2023** created a welfare board funded through a digital transaction cess.
- **Strengthen Collective Bargaining and Trade Unions:** Effective worker representation improves industrial relations.
 - The **Second National Commission on Labour** recommended stronger mechanisms for **trade union recognition and collective bargaining**.

- Establish clear rules for **recognition of majority unions**.
 - Encourage tripartite dialogue among **government, employers, and workers**.
 - **Germany’s co-determination system** allows worker representatives to participate in corporate decision-making.
- **Improve Working Conditions and Occupational Safety:** Unsafe working conditions remain a major concern in sectors such as manufacturing and construction.
 - The **National Policy on Safety, Health and Environment at Workplace (2009)** emphasised stronger safety standards.
 - Fully implement the **Occupational Safety, Health and Working Conditions Code, 2020**.
 - Mandate workplace safety audits and regular inspections.
 - **European Union workplace safety directives** ensure strict occupational safety standards.
 - **Revive Tripartite Labour Institutions:** Industrial peace requires dialogue between stakeholders.
 - Experts recommend reviving the **Indian Labour Conference (ILC)** as the apex tripartite consultation body.
 - Regular meetings between **government, industry, and labour unions**.
 - Use the ILC to build consensus on labour codes and wage policies.
 - **Improve Skill Development and Formal Employment:** Labour reforms must also focus on **quality employment and skill enhancement**.
 - Strengthen programmes like **Skill India and Apprenticeship initiatives**.
 - Encourage formal employment through incentives to enterprises.
 - **Germany’s dual vocational training system** integrates education with workplace training.

PRACTICE QUESTION:

Q. Recent worker protests in industrial regions such as Noida highlight structural issues in India’s labour market. Examine the key reasons behind workers’ protests in India. Also suggest measures to strengthen labour reforms to ensure balanced growth and worker welfare. (10 marks, 150 words)

APPROACH:



MODEL ANSWER:

Labour reforms aim to balance **economic growth, ease of doing business, and worker welfare**. However, recent protests by factory and gig workers in industrial hubs like Noida reveal deep structural problems in India's labour market, including wage stagnation, job insecurity, and weak enforcement of labour laws.

Reasons for Workers' Protests in India

- 1. Inflation and Stagnant Wages:** Rising inflation has eroded workers' real incomes. The **Consumer Price Index for Industrial Workers (CPI-IW) increased by nearly 25% between 2021 and 2026**, while wage revisions have remained delayed.
- 2. Regional Wage Disparities:** Minimum wages vary significantly across states. For instance, a **35% wage hike in Haryana** triggered protests in neighbouring regions like Noida.
- 3. Weak Enforcement of Labour Laws:** Despite the **Code on Wages, 2019**, enforcement remains weak, particularly since **over 90% of India's workforce works in the informal sector**.
- 4. Job Insecurity and Contractual Employment:** Expansion of contract labour and fixed-term employment has reduced job stability and benefits for workers.
- 5. Poor Working Conditions and Long Working Hours:** Workers report **12-hour shifts, unsafe workplaces, and inadequate overtime compensation**.
- 6. Gig Economy Challenges:** Gig workers face algorithm-based wage systems, lack of social security, and classification as independent contractors.
- 7. Global Economic Pressures:** International supply disruptions and rising fuel prices due to geopolitical conflicts have increased living costs and industrial input costs, worsening labour tensions.

Measures to Strengthen Labour Reforms

- Implement a **binding national floor wage**, as recommended by the **Second National Commission on Labour (2002)**.
- Strengthen enforcement through **digital wage payments and risk-based inspections** (NITI Aayog Task Force recommendations).
- Expand **social security for informal and gig workers** based on the **Arjun Sengupta Committee recommendations**.
- Strengthen **trade unions and collective bargaining mechanisms**.
- Fully implement the **four labour codes** and ensure safe working conditions.
- Revive **tripartite institutions like the Indian Labour Conference** for consensus-based labour policymaking.

Sustainable labour reforms must balance **worker protection with economic competitiveness**. Strengthening wage security, social protection, and enforcement mechanisms is essential to ensure **inclusive growth and industrial harmony in India**.