

## **COVID-19 in India: Time to Reform Labour Laws**

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### **Summary**

*The Uttar Pradesh and Madhya Pradesh governments have announced the suspension of existing labour legislations. This is a reform that has long been pending in India. While there may be protests, the suspension is likely to provide new employment opportunities in the post-COVID-19 economy.*

In India, labour laws are among the reforms that have been long talked about. There is a plethora of legislations dating back to the early 1900s that govern labour engaged in manufacturing. They relate to compensations, working hours, retrenchment of staff, operational environment and a host of other issues. Though intended largely to protect workers, they have ended up as impediments to progress. Most importantly, the retrenchment of surplus labour and closing down of factories have become mired in regulatory clearances. There are industries that are seasonal, including garment exports, leather goods and the like. During periods when they have no orders, they are still required to maintain and pay the labour, leaving the industries with little capital once the orders come back in. A large number of these laws are administered at the state level, and ever since liberalisation of the Indian economy in 1991, there has been a clamour for reforms in labour legislations. However, state politics, the power of the trade unions and workers' representatives have prevented this from happening. Foreign investors balk at the regulations, especially the inability to close down and walk away if the business does not succeed.

The Uttar Pradesh government has issued an ordinance to suspend 33 out of a total of 38 legislations relating to labour for a period of three years. Only those relating to the payment of wages, providing for facilities for women and children and the abolition of bonded labour, among several others, remain. Madhya Pradesh, also a Bharatiya Janata Party-ruled state, has also done something very similar. This is a major reform in these states. There may be voices in protest from the civil society, the Left and organised labour but the move has been thought through.

First, Uttar Pradesh has among the largest number of migrant labourers who work in agriculture, factories, services and logistics in states such as Maharashtra, Gujarat, Delhi and Karnataka. A very large number, close to one million, are on their way back home, having lost their incomes and their livelihoods. These are people who migrated because the rural incomes out of the marginal pieces of land have been insufficient for their sustenance. The cities offered them an opportunity to earn, save, and remit money back home. Now they are all coming back and it is likely that many would not want to return to the urban centres for quite some time. They need to find alternate employment and there are negligible opportunities in agriculture. In any case, cereal and sugarcane production, the main crops in

Uttar Pradesh, are already at their productive highs and the incomes from these avocations are no longer adequate to meet the livelihood needs of the growing population. It is, therefore, important to bring manufacturing industries back, especially labour-intensive ones.

Second, Uttar Pradesh was, up until the second half of the 20<sup>th</sup> century, a hub for manufacturing and export, especially textiles and leather goods. Kanpur was an industrial hub. Now, only the shell remains. Most industries closed down due to stringent labour legislation requirements. Nevertheless, while skills and raw materials are still available, several of the returnees will also be bringing along with them acquired competence. There is an opportunity to create an alternate development model in a state that has not been able to get out of the repetitious cycle of agricultural production. This is an opportunity.

Third, the kind of monetary incentives that have been announced by the government for micro and small-scale enterprises create an opportunity to set up new units as well as expand existing facilities. It is likely that there will be new entrepreneurs or a return of earlier ones.

Fourth, it does appear as though the COVID-19 infections are not going to go away anytime soon and there is a possibility that we may see successive waves. Each surge would see migrant labour in distress and significant movements of people. Thus, it makes sense for manufacturing to move away from urban concentrations to smaller towns where the workforce is closer home and the impact of these spikes is muted. Such dispersion offers an insurance against any disruption of production from successive pandemic waves.

Madhya Pradesh, a state with a good record of economic growth, has done likewise. It is possible that other states may follow. This move, coupled with the relaxation in the Agricultural Produce Marketing Act, announced by these two states, are likely to go a long way in enabling its economies to pick up after the crisis.

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