

Diluting Laws Will Mean More Casual Labour – and That's Not a Good Thing

Anjana Thampi and Ishan Anand
26/May/2020

No job contract means lower pay and longer hours.



A woman worker in the construction sector. Photo: Reuters/Adnan Abidi

In a desperate bid to encourage investment, **several states** have made sweeping changes to labour laws over the past month. A number of states have extended the maximum daily work hours from nine to 12, removed the requirement to pay minimum wages, diluted safety norms, restricted the rights of workers to unionise and made it easy for employers to fire workers.

While *netas* (politicians) have defended the move and even **called** it “pro-worker”, trade unions are **protesting**.

These wholesale changes in labour laws will only increase casualisation of the workforce. The Periodic Labour Force Survey (PLFS) data for 2017-18 shows that this will hurt workers by drastically cutting the already low wages and benefits.

Absence of a written job contract can be taken as a proxy for casualisation of the workforce. The proportion of salaried workers in non-agricultural sectors without a written job contract increased from 59% in 2004-05 to 65% in 2011-12 and further to 71% in 2017-18. About 22% of workers had a long-term written job contract of over four years.

On average, workers with a written job contract of four years or more earned more than double the amount earned by those without any contract. Those with a job contract of this duration earned Rs 27,016 per month in 2017-18, as compared to Rs 12,416 earned by those without any contract (Table 1).

Table 1: Average monthly wages of regular workers in non-agricultural sectors (Rs.)

Job contract	India	UP	Madhya Pradesh	Gujarat
No written job contract	12416	9221	7584	12808
Written contract: less than 1 year	12569	14194	8127	11761
Written contract: 1-3 years	17786	14865	13626	11310
Written contract: 4 years or higher	27016	30237	24833	26263
Overall	15755	14990	14485	13907

Source: Authors' calculations using PLFS data

Note: PLFS records data on job contracts by principal and subsidiary status, but data on wages by weekly status. However, almost all regular workers by weekly status were also regular workers by usual principal and subsidiary status.

The gap is even higher in states such as Uttar Pradesh and Madhya Pradesh which have diluted labour laws. In both of these states, workers with long-term contracts earned around three times higher than those without contracts.

Working hours in India are among the highest in the world. The average weekly hours of work was about 55 for workers with a long-term contract, but 58 for workers with no written contract. This will increase even more with the extension of the working hours.

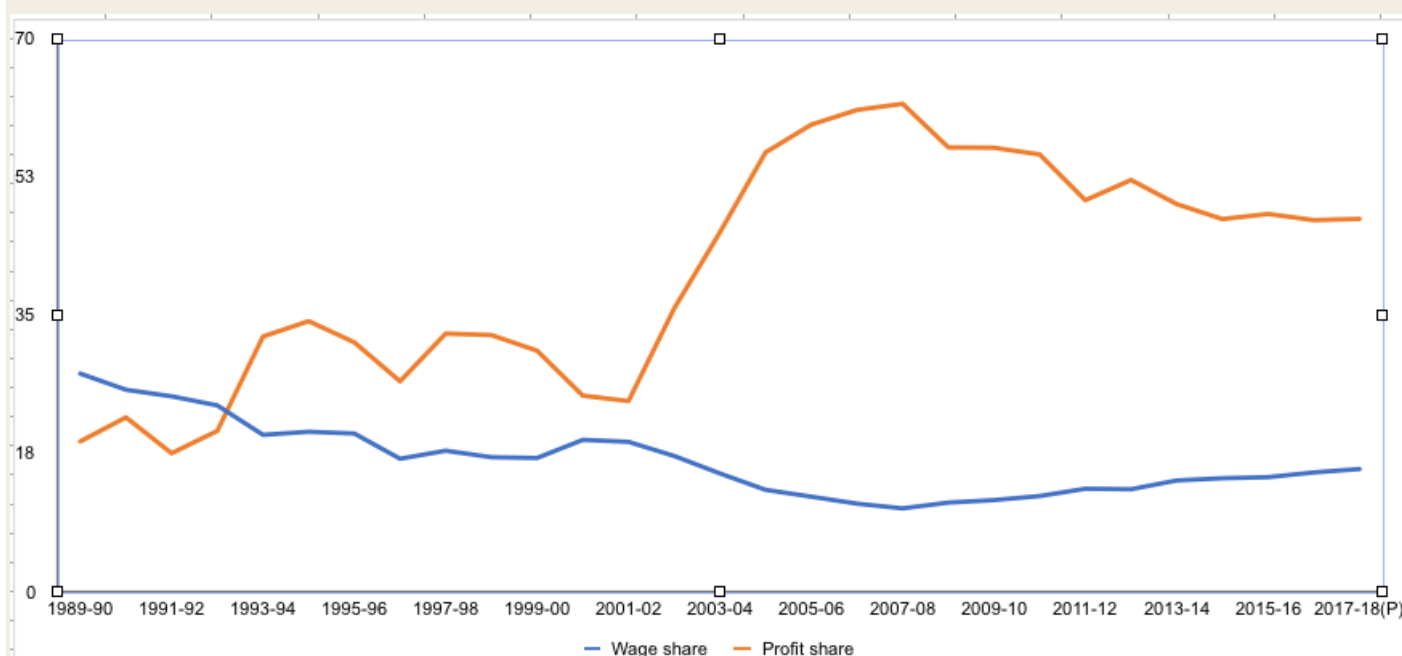
Long-term job contracts also go along with provisions of paid leaves and other social security benefits. 88% of regular workers with a long-term job contract were eligible for paid leaves, as opposed to only 31% of those without written contracts.

Absence of paid leaves can seriously hurt workers in times of sickness or other needs. *The Factory*, a 2015 documentary by Rahul Roy on the struggle of Maruti workers in Manesar, revealed the extent of this problem.

In the documentary, a union leader explains the then-existing wage structure in their plant. The total salary of Rs 16,000 was divided into fixed and variable wage components of Rs 8,000 each. If a worker did not work for one day, one-fourth of the variable component (Rs 2,000) was deducted from the worker's salary. Two days of absence meant a deduction of half of the variable component. And four days of leave in a month meant a loss of the entire variable component, effectively cutting the salary by half.

Such measures have led to a steady decline in workers' share in the pie during the liberalisation era. The share of wages in net value added in organised manufacturing has declined since the 1990s, and the share of profits jumped from around 19% in 1990 to 47% in 2017-18.

Figure 1: Wage and profit shares in net value added (%)



Source: Authors' calculations using Annual Survey of Industries data

The PLFS data suggest that about 45% of regular workers earned less than Rs 10,000 per month and 44% earned less than the national minimum wage suggested by the **Satpathy Committee**. From the 2011-12 employment survey and the 2017-18 PLFS, real wages for regular workers declined during this period. The decline was 0.3% in rural areas and 1.7% in urban areas.

The lockdown has made matters worse. CMIE data show massive job losses and unemployment rate close to 25% in May. High unemployment and no labour laws will lead to drastic cuts in the already low and falling real wages.

The wholesale removal of labour laws at the time of an unprecedented humanitarian crisis is not only deeply undemocratic and callous, but also flawed economics.

The slowdown in India's growth story is a product of deficient demand as a result of falling wages, agrarian distress and rising inequality. Lack of consumer demand led to a decline in profits for corporates, and private investments fell.

State governments are trying to attract investments and ensure profitability by allowing enterprises to cut wages and benefits and extend working hours, while ignoring the root cause of the problem – shrinking demand. This can initiate a race to the bottom where states provide more incentives to capital and turn a blind eye to exploitative working conditions and destitution wages. And this may not even guarantee increased capital inflows or investments.

Instead, there is an urgent need to provide immediate relief and generate demand through cash transfers, restore supply chains, and invest heavily in infrastructure, health and education. A healthy and skilled workforce and a strong home market can attract far more investments while upholding the idea of a just and humane society.

Anjana Thampi and Ishan Anand are assistant professors at Jindal Global Law School, O. P. Jindal Global University, Sonipat.