

# Industrial Relations Code Bill

November 29, 2019

**Source:** *Economic Times*

**Manifest pedagogy:** In light of various steps taken by government to facilitate Ease of Doing Business, Labour reforms and revised labour codes are a step forward. They not only seek to streamline formal processes but also incentivise investments. These are important both for prelims and mains for their factual and governance norms and also their impact in broader policy design.

**In news:** Cabinet has approved Industrial Relations Code Bill, 2019

**Placing it in syllabus:** Labour reforms

**Static dimensions:**

- Labour laws in india
- Maruti labour unrest

**Current dimensions:**

- Labour codes
- Industrial relations bill
- Rajasthan model of labour reforms

**Content:**

**Labour laws in India:**

- **Payment of Bonus Amendment Act** – eligibility limit for payment of bonus enhanced from Rs 10000/- to Rs. 21000/- per month
- **Payment of Wages (Amendment) Act, 2017** – enabling payment of Wages to employees by Cash or Cheque or

crediting it to their bank account.

- **Child Labour (Prohibition and Regulation) Amendment Act, 2016** – provides for complete ban on employment of children below 14 years in any occupation or process.
- **Maternity Benefit Amendment Act, 2017** – increases the paid maternity leave from 12 weeks to 26 weeks.
- **The Employee Compensation (Amendment) Act** – seeks to rationalize penalties and strengthen the rights of the workers under the Act.
- **The Payment Of Gratuity (Amendment) Act, 2018** – under which the ceiling limit of gratuity has been increased from Rs. 10 Lakh to 20 Lakh.

### **Governance Reforms:**

- **“Ease of Compliance to maintain Registers under various Labour Laws Rules, 2017”** has in effect replaced the 56 Registers/Forms under 9 Central Labour Laws and Rules.
- **A Model Shops and Establishments (RE&CS) Bill, 2016** provides for freedom to operate an Establishment for 365 days in a year without any restriction on opening/closing time and enables employment of women during night shifts if adequate safety provisions exist.
- Under **Industrial Employment (Standing Orders) Act, 1946**, Fixed Term Employment category, with all Statutory Benefits, has been extended to all sectors.
- **“Labour Identification Number (LIN)”**, a unique identification number issued to employers to simplify business regulations and bring in transparency in labor inspections is provided by Shram Suvidha Portal.

### **Maruti labour unrest:**

- Maruti Udyog Limited or Maruti Suzuki India Limited (**MSIL**) was established in February 1981 and was a largely government-owned company.
- Post liberalisation in 1991, the government started to reduce its stake in the company, and **by the year 2007**

**had completely disinvested.**

- The **labour unrest began in 2000** when the employees of MSIL went on an **indefinite strike, demanding revisions to their wages, incentives and pension.**
- MSIL in its **Manesar factory** had as of 2011, employed a total of 2,500 workmen, out of which 1,100 were permanent employees and the rest 1,400 consisted of workers on contract, apprentices and trainees.
- The **benefits provided to a permanent employee were not provided to workers on contract,** although on the ground, the nature of work remained the same for both categories of employees.
- The **process** for an individual to **become a permanent employee at MSIL was lengthy** and never guaranteed.
- Being an unskilled worker meant that there was little or no hope of being made permanent.
- The **general working conditions were told to be 'difficult'** with little or no time for breaks, huge deductions in pay for leave and almost non-existent pay for working over time.
- The **MSIL Manesar Union made demands and none of these terms were acceptable to MSIL.**
- A stray incident involving the suspension of a worker triggered off **serious violence on the 18th of July 2012,** that ended with an HR manager being killed, several people in management and policemen being injured.
- The **plant was evacuated and sealed.**
- MSIL called a **lock-out** citing security issues and claimed that none of the workers would be paid for the duration of the lock-out.
- Over 90 workmen were arrested, in August 2012 and **MSIL dismissed 500 workers accused of participating in the violence and restarted operations.**
- **Since 2013,** MSIL has actively cut down on hiring workers as contract labourers and is said to be **engaging workers on a temporary basis** instead.
- As of 2015, MSIL has given permanent employees a 38

percent hike in wages and a 10 percent hike for the temporary workers.

### **Labour codes:**

In line with recommendations of **Second National Commission on Labour**, the Ministry of Labour and Employment have formulated **four Labour Codes on**

- Wages
- Industrial Relations
- Social Security & Welfare
- Occupational Safety, Health and Working Conditions

by amalgamating, simplifying and rationalising the relevant provisions of the existing Central Labour Laws.

The **Code on Wages, 2019**, is an Act of the Parliament of India that **consolidates the provisions of four labour laws concerning wage and bonus payments** and makes universal the provisions for minimum wages and timely payment of wages for all workers in India.

Now **the code on Industrial relations has been tabled in Lok Sabha**. The remaining two codes – on social security and occupational safety, health and working conditions are yet to be tabled and are currently being discussed by different panels set up by the Ministry of Labour and Employment.

### **Industrial relations code (IRC) bill:**

Restrictive labor regulations in India is associated with a 35% increase in firms' labor costs, according to a study. **India ranks 103** out of 141 countries **on the competitiveness of its labor market**, according to the World Economic Forum.

Under these circumstances, IRC is one of the four labour codes which is pushed through to reform India's archaic labour laws and **amalgamate 44 central laws into four broad legislations**.



The **draft code on IR** has been prepared after **amalgamating** the relevant provisions of following **three Central Labour Acts**:

- The Trade Unions Act, 1926
- The Industrial Employment (Standing Orders) Act, 1946
- The Industrial Disputes Act, 1947

The bill has the **following provisions**:

- Setting up of **two-member tribunal** so that important cases will be adjudicated jointly and the rest by a single member resulting in speedier disposal of cases.
- To impart flexibility to the **employee exit provisions**, the threshold for prior approval of appropriate Government has been kept unchanged at **100 employees**.
- A provision for **changing 'such number of employees' through notification** has been added.
- Terminating a worker at the end of the fixed term would not be retrenchment.
- The **re-skilling fund** is to be utilised for crediting to workers in a manner to be prescribed.
- Vesting of powers with the **government officers for adjudication of disputes involving penalty as fines** thereby lessening the burden on tribunal.
- The **definition of a strike is being amended** to include **'mass casual leave'** in case of a sudden protest and makes it mandatory for a **notice of 14 days for strikes and lockouts** in any establishment.
- The bill includes **fixed-term employment as a category of employment** in classification of workers.
- It introduces a feature of **'recognition of negotiating union'** under which a trade union will be recognized as sole 'negotiating union' if it has the **support of 75% or more of the workers** on the rolls of an establishment.
- If it will be tough for any one group to manage 75%

- support, a **negotiating council** will be constituted.
- The **fixed-term employees will get all statutory benefits on a par with the regular employees** who are doing the work **of similar nature**.
  - The **amendments** to the labor law would be **limited to new hires** in order to defuse opposition from the unions.

### **Rajasthan model of labour reforms:**

- In **2014, Rajasthan was the first state that introduced labour reforms** in the major Acts.
- The major reforms undertaken by Rajasthan included the **amendments to the Industrial Dispute Act, 1947, the Factories Act, 1948, the Contract Labour (Regulation & Abolition) Act, 1970 and the Apprentices Act, 1961**.
- To reduce trade union influence, the state has amended laws to increase the **minimum membership requirement to form a union as 30% of total workmen** at an establishment from 15% earlier.
- No prior government nod is required for companies **employing up to 300 people for firing and laying off workers** or shutting down units (earlier limit was 100 workers).
- A worker can raise an **objection about wrongful termination only within three years** (there was no deadline earlier).

As per 2014-15 Economic Survey, Rajasthan performed much **better in terms of factory output, growth in the number of large factories and jobs creation** than the rest of India.

At present, the **growth rate in Rajasthan is a little less than double for the rest of India**.