

Labour laws to be overhauled to boost jobs, make hiring easier

Two key bills, covering industrial relations and wages, would be sent to the cabinet this month

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labourer works at the construction site of the Delhi-Jaipur national highway in Manesar in Haryana

The government is to make a renewed drive to overhaul labour laws, hoping to create millions of new jobs by making it easier to hire and fire, the labour ministry's top bureaucrat said on Thursday.

Modi made a shake-up of India's labour market a part of his reform agenda after coming into office in 2014, but opposition

from unions and a bruising battle to pass other crucial pieces of economic legislation have stalled those efforts.

Shankar Aggarwal, the ministry secretary, told Reuters that the government felt the time was right to prioritise labour reform again after Parliament in August passed India's biggest overhaul of indirect taxes, the Goods and Services Tax (GST), a victory for Modi's bid to boost the economy.

"We have to tweak the law. Employers want flexibility in hiring," Aggarwal said in an interview.

Two key bills, covering industrial relations and wages, would be sent to the cabinet this month, he said. Subject

to cabinet approval, the bills would be presented in Parliament's next session, beginning in November.

A rule requiring firms to seek rarely granted government permission for laying off large numbers of workers, which employers say has discouraged permanent hiring and kept factories small, are among restrictions to be loosened.

"It is a question of priority. We thought that it will be a good idea to put GST first so that we don't fritter away our energy," Aggarwal said.

The government says freeing up labour markets will boost employment, lure foreign investment and encourage firms to expand.

Trade unions argue that the reforms will put jobs at risk and make it tougher for employees to form unions or strike. More than a million workers went on strike on September 2 to protest against the policies.

Under the reforms, 44 labour laws, some of them dating back to the end of British rule and as anachronistic as providing spittoons in the work place, will be grouped into four new labour codes.

Bills on social security and working conditions remain under discussion with states and trade unions.

India's two-decade streak of fast economic expansion is often derided as "jobless growth" since the service sector-led model has been capital rather than labour intensive.

More than 200 million Indians will reach working age over the next two decades, and creating sufficient jobs for perhaps the largest youth bulge the world has ever seen is among the toughest challenges for the country.

In 2009, 84 per cent of India's manufacturers employed fewer than 50 workers, compared to 25 per cent in China, according to a study by consultancy firm McKinsey.

Nine out of ten Indians are employed in the informal sector, where labour laws are rarely enforced.