

Modi's labour reform push may remove key hurdle for investors

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Prime Minister Narendra Modi is finally attempting to overhaul India's most controversial labor laws to attract investment and make it easier to do business in a country where changing archaic rules is a challenge for any government.

After a long struggle, his government will push a crucial industrial relations bill allowing companies to hire workers on fixed-term contracts of any duration. The legislation, to be tabled in Parliament's current winter session, does not seek to change stringent laws on hiring and firing, but allows the government the flexibility to relax the conditions through an executive order.

Unlike his last term in power, when Modi decided against bringing this labor reform bill to Parliament, this time around he knows he has the numbers needed. The current changes are part of a process to streamline 44 different federal labor laws into four codes, another step to formalize the \$2.7 trillion economy.

It comes on the back of several recent reforms announced by Modi's government to boost investment, including aggressive cuts in taxes, relaxation of foreign investor rules and the biggest privatization drive in more than a decade.

Modi Pivots to India Reforms to Shift Focus From Hindu Base.

"It's a positive signal of reforms agenda as well as a step toward making India attractive, in the context of the golden opportunity of manufacturing shift from China," said Gautam Chhaochharia, a strategist at UBS Group AG in Mumbai, adding over the medium term it might change the way companies hire and fire.

Asia Push

With the U.S.-China trade dispute disrupting global supply chains, governments in the region are trying to lure investors with more business-friendly policies. In Indonesia, President Joko Widodo has promised to make changes to his country's difficult hire and fire laws by the end of the year. The amendments to the labor law would be limited to new hires in order to defuse opposition from the unions.

Modi's cabinet on Wednesday approved the Industrial Relations Code bill, which empowers the government to change the ceiling one employee count for a company to retrench workers without government approval. While the current upper threshold limit of 100 workers has not been changed, the bill allows the government to amend this number without seeking Parliament's approval.

Even though successive governments have agreed that labor reforms are necessary to provide employment to the nearly 1 million jobseekers entering the market each month, the fears of a trade union backlash and partisan politics have been a deterrent to major reforms.

Modi's second term in office has been marked by an ability to push through controversial legislation, including repealing the

constitutional autonomy of India's Kashmir region, through a majority in Parliament. His party has been voted back to a second term in power with a bigger mandate and is closer to having a majority in the upper house of Parliament.