

Stage set for bold labour reform, stimulus for bold labour reform, stimulus

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Parliamentary panel's report endorses proposal in IR Code Bill to allow companies with upto 300 workers to sack people, close unit without govt nod.

NEW DELHI: Laying the foundation for second generation labour reforms, a parliamentary standing committee on Thursday supported the idea of allowing companies with up to 300 workers to fire people or close down units without prior approval of the government, a threefold increase from the current threshold.

It has advised the central government to make this relaxation explicit in the Industrial Relation (IR) Code bill and not leave it open-ended to be specified during rule-making through executive orders post the passage of the bill in the Parliament.

If the government accepts the panel's suggestion, it will be seen as a bold labour reform by businesses but will be frowned upon by workers' unions.

The report also reflects a broader political consensus on labour reforms.

"The Committee note(s) that as per Clause 77(1), the special provisions relating to lay-off, retrenchment and closure shall apply to an industrial establishment having not less than 100 workers or such number of workers as may be notified by the appropriate government. In this context, the committee notes that some state governments like Rajasthan have already increased the threshold to 300 workers, which according to the ministry has resulted in an increase in employment and decrease in retrenchment," the standing committee on labour said.

"The committee desires that the threshold be increased accordingly in the code itself and the words 'as may be notified by the appropriate government' be removed because reform of labour laws through the executive route is undesirable and should be avoided to the extent possible...moreover, any reform of the central law at the state level will have to be done at the state legislature, and then the same is sent for the President's Assent as per the Constitution, resulting in duplicacy and overlapping of legislature business," the report, which was submitted to the Lok Sabha speaker, said.

Rajasthan was the first state to effect such a change in late 2014 by amending the Industrial Dispute Act, months after the Union government proposed the idea but left it to states to implement the proposals. The state had then reasoned that the move will help increase employment opportunities.

Making Corporate India Comply

The panel, headed by Biju Janata Dal member of Parliament Bhartruhari Mahtab and comprising members from several parties, however, was critical of the government on allowing fixed-term employment, or FTE, across sectors.

Fixed-term employment is seen as a move of mass casualization of the workforce and is counterproductive to job security.

The committee expressed serious apprehensions about the flexibility provided to employers under FTE to engage workers/employees on a fixed-term period as per their requirement.

"The committee is not convinced with the ministry's reluctance in providing for a minimum and maximum tenure for fixed-term employment. The committee desires that provisions should be made for a minimum tenure under fixed-term employment so as to guarantee job security," it added.

"Similarly, with a view to avoiding the manipulation of the concept, a maximum tenure, say not more than two terms, as has been adopted by some countries like China, be incorporated unequivocally in the Code. In view of the fact that repeated renewals would make it easier for the employers to retrench a worker on the expiry of the contract, it becomes imperative to put a cap on the number of renewals of contracts under fixed-term employment so as to make it fool proof and immune to manipulation," the report said.