

State neutrality and labour sector reforms

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Labour reforms are in the limelight again as Narendra Modi government has set a target to implement four labour codes by December, this year. This will be the final stretch of labour reforms. During the last session, the parliament had passed three labour code bills; the industrial relations code, social security code and occupational safety, health and working conditions code. All such codes, including the wage code bill, which was passed by the parliament last year, need more attention in the light of the serious down trend in the economy, especially in the COVID times.

Normally, discussions are carried out only about the labour in the organized sector and regulations apparently affect the people who work in the organized sector. But, there is an intrinsic relationship between labour in the organized and unorganized sectors. The present laws and their modifications affect not only the organized sector but the unorganized sector and their interactions also. More than 90 percent of the Indian labour force is in the unorganized sector. Of this, 60 to 70 percent is not directly in agriculture sector. Some of them are in tiny/ small units in rural sector but most of them indulged in various kinds of unorganized activities.

Interestingly, the unorganized sector works as a reserve army of labour for the organized sector in many ways. Wages in the organized sector cannot be raised without affecting the unorganized sector because employers would immediately start subcontracting out for availing labour from the unorganized sector. Apparently, this is what sets a capital discipline on labour in the organized sector. This is a very crucial function of the unorganized sector in the labour front and if there is improvement in wages in the

unorganized sector, in a way it will also strengthen the organized sector. This is mainly because of the organized sector can bargain for higher wages in line with the unorganized sector. Firstly, the unorganized sector is a reserve army of labour but it indirectly disciplines labour in the organized sector. The second thing, normally it is typical of economists, mainly in the American universities, World Bank and IMF to suggest that the state policies can be used to regulate the relationship between the organized and unorganized sectors. This requires a notion of a relatively neutral state, an umpire between labour in the organized and unorganized sectors and capitalists as somebody who dictate the rules and stick to them. Now, this is what has been violated.

In the case of changes in labour law it was always more in favor of capital from the time of Dr. Manmohan Singh onwards. Now, this has totally been gone in favor of the capitalists. That is why there is discussion about longer working hours, change in the hire and fire policy, giving sops to private enterprises, but nothing in favour of labour. Obviously one can state that the state not being neutral but becoming more and more biased against labour. The implication of this is the most severe as one seldom talks about the fact that the state does not care about unemployment. People talk about the use of surplus food grains which is so much in stock, deficit financing to improve the employment situation and to create demand by transferring money to the people. The reason is that the state is more interested in controlling labour in favor of the capitalists rather than changing it in a neutral way so that the capitalist don't control the workers. This clearly indicates the non-neutrality of the state and a state which is hell bent on controlling labour rather than creating more employment.

The unorganized sector and its low wages, vast under employment and its huge reserve of labour, works as a disciplining factor or reserve army for wage bargain in the organized sector. The second point is that the state have been far from neutral and the last set of regulations only show extreme bias in favor of the capitalists and industrialist. This is totally against the realm of labour to strengthen employment either in the organized or in the unorganized sector, but its main purpose is to discipline labour for the sake of capitalists.

Liberalism, liberalization and neo-liberalism are basically mechanism by which the state gives up all its responsibilities of development, growth, employment generation and is handed over to the private business. Based on this ideology governments give more incentives to the private sector including drastic changes in labour laws so that more private investment can be generated. The catch in this is not ideology, but is simple. To improve

private investment, it takes time and one doesn't know how long it takes before private business confidence returns. Tax concessions, liberal loans and monetary and fiscal policies which have been in favor of the private sector has not really increased investment anymore and for this, it is essential for the state to step in and do deficit financing. People should ask, how long should it take before private business picks up and employment shoot up, unfortunately there is no answer to that. The answer, if anything is negative and this is where the labour policy should concentrate on. If you don't do it within a limited period of time, if your investment doesn't increase sufficiently to turn around the economy, it has to be the state. This discipline on time by which the economy can turn around, is really what is democracy, not going against the labour and their supporting capital.