

Indian labour laws and labour markets

10.12 Indian labour market is characterized by a sharp dichotomy. A large number of establishments in the unorganized sector remain outside any regulation, while the organized sector has been regulated fairly stringently. It can be reasonably argued that the organised sector has provided too much of job-security for too long, while the unorganized sector has provided too little to too many.

10.13 Various studies indicate that Indian labour laws are highly protective of labour, and labour markets are relatively inflexible. These laws apply only to the organized sector. Consequently, these laws have restricted labour mobility, have led to capital-intensive methods in the organized sector and adversely affected the sector's long-run demand for labour. Labour being a subject in

the concurrent list, State-level labour regulations are also an important determinant of industrial performance. Evidence suggests that States, which have enacted more pro-worker regulations, have lost out on industrial production in general.

10.14 Perhaps there are lessons to be learnt from China in the area of labour reforms. China, with a history of extreme employment security, has drastically reformed its labour relations and created a new labour market, in which workers are highly mobile. Although there have been mass layoffs and open unemployment, high rates of industrial growth especially in the coastal regions helped their redeployment. In spite of hardship, workers in China seem to have benefited from wage growth, additional job creation and new opportunities for self employment.