Twitter Thread by Sargoon



Sargoon
@SargoonK

Seen a lot of people aver the following, "but where are the jobs?" in response to someone asserting the need to incentivize the movement of our people from agriculture to industry.
Well, here's one major part of the big answer: Labour reforms.

Thread■

I think people haven't fully realised the potential of inducing flexibility in labour laws and reducing the regulatory cholesterol that has tarred our system for decades.

Rajasthan State government introduced the labour reforms in 2014 wrt +

+ raising the threshold levels for applicability of different acts, dispute resolution etc. (Refer to images for a more detailed understanding of the reforms)

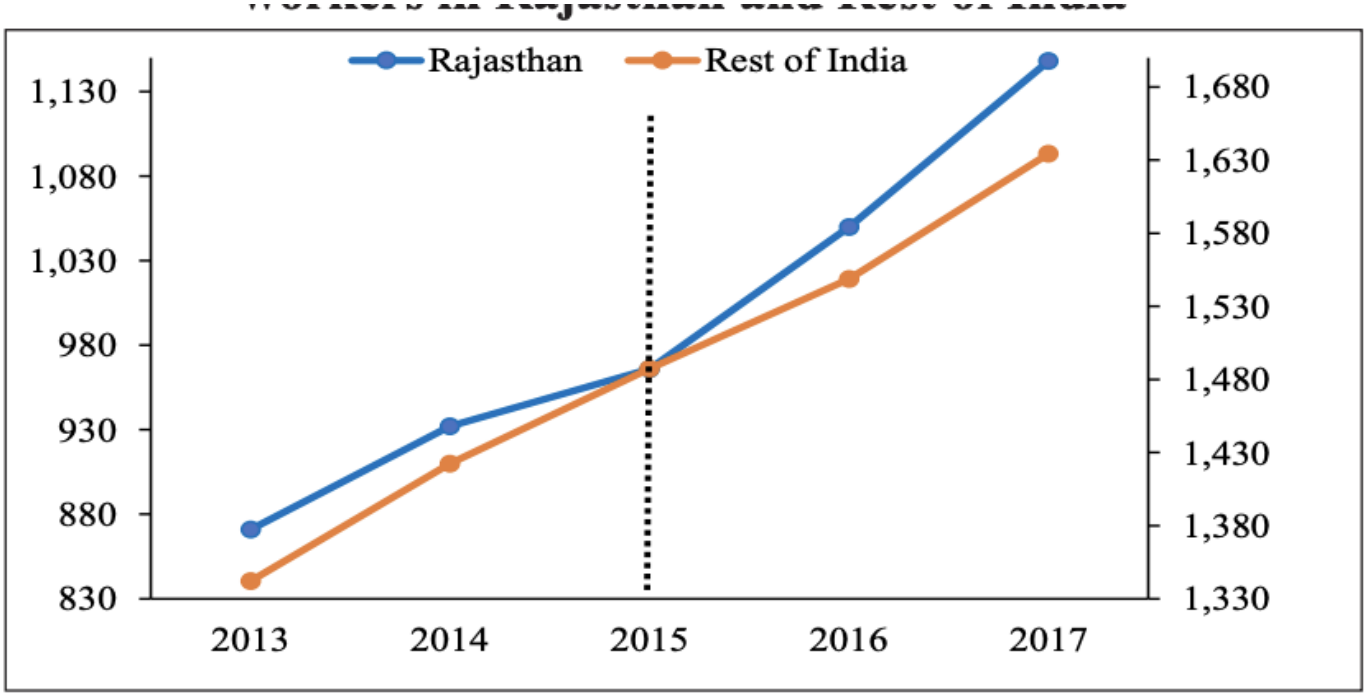
Labour Acts	Amendments introduced in Rajasthan as part of Labour Reforms
Industrial Disputes Act, 1947	• To form any union, requirement of membership as a proportion of total workmen increased from 15 per cent to 30 per cent. • No government nod required for companies employing up to 300 workers for retrenching, laying off or shutting down units. Earlier limit was 100 workers. • A worker should raise an objection within three years. There was no timeline set in the earlier version with regard to discharge or termination.

Based on this, the Economic survey of 2019 (Chapter 3) notes the following improvements in Rajasthan's MSME network:

1. India has a major problem of dwarf firms i.e. firms that remain small despite being old and are not able to employ more than 10-20 workers.

Well, after the reforms, Rajasthan has witnessed a significant rise in number of firms with more than 100 employees as compared to the rest of India. (refer graph)

2. The number of factories establishing with more than 100 workers were growing on an average of 3.65%, +



Source: Survey Computations using ASI, 2013-2017.

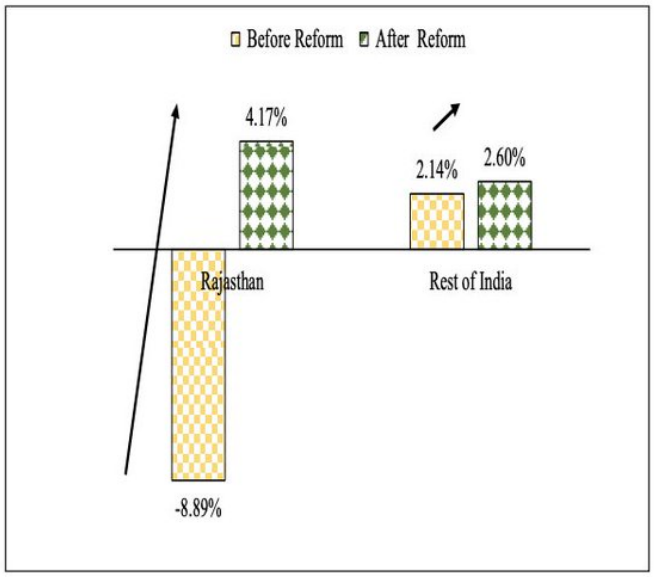
+ and two years post labour reforms, the growth accelerated to 9.33%. On the contrary, the growth for the rest of India clocked a 4% average growth rate only.

3. The most important point: the average number of workers per factory in Rajasthan increased at the+

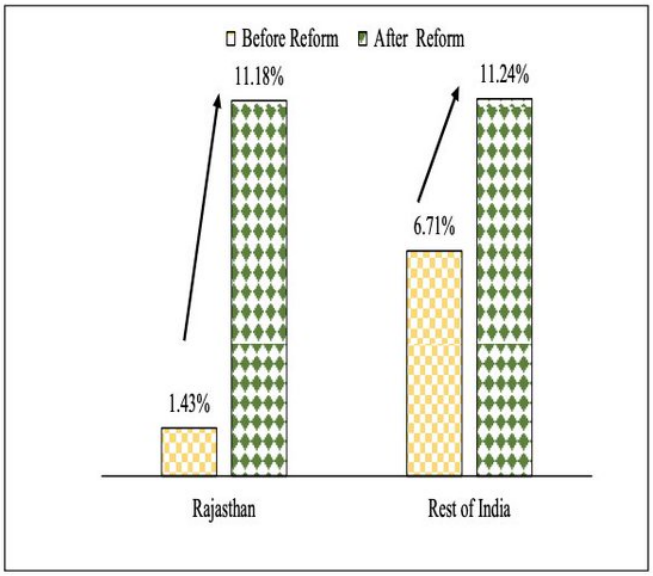
rate of 4.17% in 2016-17 as opposed to a decline i.e. -8.9% in 2011-12.

Here are some interesting figures from the Economic survey highlighting the significant improvement in the situation of Rajasthan as compared to the rest of India. (They really need to work on aesthetics)

(c) Number of workers per factory



(d) Total output per factory



Now, very similar reforms have been enlisted in our labour codes that have the ability to create massive employment and enable our firms to hire radically and create a vibrant labour market. The farm reforms along with the labour reforms present +

+ India with a focal point to set our terms of trade between agriculture and industry right, and in a very gradual manner.

Excessive and absurd labour regulations have been one of the biggest reasons for our inability to grow a thriving manufacturing sector with a large labour+

+ market. For people who are interested in reading in-depth about the labour reforms, their significance and the history of labour laws in various states can refer to this paper that I co-authored.

https://t.co/J8oA2goRLr

> The fourth paper titled "Labour pains: Status check on reforms in employment protection legislation" has been co-authored by me, a fellow intern and the Director of Research at CCS.
>
> The paper seeks to capture the cross-state variation in labour laws for 12 different states+ https://t.co/6VDqI1aLrw
>
> — Sargoon (@SargoonK) November 11, 2020

Source of data and charts: The Economic Survey of India 2018-19, Chapter- 3, Nourishing dwarfs to become giants: Reorienting policies for MSME growth.