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Neha Arora
Faculty, Department of
Business Administration
University School for graduate
Studies, Chaudhary Devi Lal
University, Haryana, India

The impact of Indian Labour laws on the unorganised sector: A comprehensive review

Neha Arora

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Abstract

The unorganised sector in India, comprising a significant portion of the workforce, operates with minimal regulation compared to the formal sector. This research paper critically examines the impact of Indian labour laws on the unorganised sector, analysing the efficacy of existing legal frameworks and their implementation. It discusses the challenges faced by unorganised workers, the role of government initiatives, and suggests reforms to enhance labour protection. The paper employs a comprehensive review of literature and legal provisions, supported by various academic references, to provide an in-depth understanding of the current scenario and future directions.

Keywords: Indian labour laws, unorganised sector, workforce, legal framework, labour protection, government initiatives

1. Introduction

India's unorganised sector, encompassing various informal employment types, significantly contributes to the nation's economy. However, workers in this sector often face precarious working conditions, low wages, and lack of social security. Despite numerous labour laws intended to safeguard workers' rights, their impact on the unorganised sector remains limited. This paper reviews the intersection of Indian labour laws and the unorganised sector, identifying gaps in the legal framework and proposing potential improvements.

2. Overview of the Unorganised Sector in India

The unorganised sector includes agriculture, small-scale manufacturing, retail, construction, and services. According to the National Commission for Enterprises in the Unorganised Sector (NCEUS), this sector comprises over 90% of the workforce and contributes around 50% of the GDP. Workers often lack formal contracts, social security, and are exposed to exploitation and unsafe working conditions.

3. Indian Labour Laws: A Historical Perspective

Indian labour laws have evolved from colonial times, aiming to protect workers' rights and promote fair labour practices. Key legislations include the Minimum Wages Act (1948), the Employees' Provident Funds and Miscellaneous Provisions Act (1952), and the Industrial Disputes Act (1947). These laws primarily target the formal sector, leaving unorganised workers with minimal protection.

4. Major Labour Laws Affecting the Unorganised Sector

4.1 Minimum Wages Act, 1948

The Minimum Wages Act mandates minimum wage rates for various employment categories. However, its implementation in the unorganised sector is fraught with challenges, including lack of awareness among workers, enforcement difficulties, and employer non-compliance.

4.2 The Unorganised Workers' Social Security Act, 2008

This Act aims to provide social security to unorganised workers through schemes related to health, life insurance, and old age protection. Despite its objectives, the Act's impact is limited by inadequate coverage, insufficient funding, and bureaucratic hurdles.

Corresponding Author:
Neha Arora
Faculty, Department of
Business Administration
University School for graduate
Studies, Chaudhary Devi Lal
University, Haryana, India

4.3 The Contract Labour (Regulation and Abolition) Act, 1970

This Act regulates the employment of contract labour in certain establishments and provides for its abolition in certain circumstances. However, enforcement is weak in the unorganised sector, where contract labour is rampant.

5. Challenges in Implementing Labour Laws in the Unorganised Sector

5.1 Lack of Awareness and Education

A significant challenge is the lack of awareness among unorganised workers about their rights and available legal protections. Many workers are illiterate or have limited education, impeding their ability to advocate for themselves.

5.2 Enforcement and Compliance Issues

Enforcement of labour laws in the unorganised sector is weak due to inadequate inspection mechanisms, corruption, and limited government resources. Compliance is further hampered by the sector's informal nature, where employment relationships are not documented.

5.3 Inadequate Social Security Measures

Existing social security measures are insufficient, leaving unorganised workers vulnerable to economic shocks, health emergencies, and old age. The coverage of schemes is limited, and benefits often do not reach the intended beneficiaries.

6. Government Initiatives and Reforms

6.1 National Rural Employment Guarantee Act (NREGA), 2005

NREGA provides a legal guarantee for at least 100 days of employment in a financial year to adult members of rural households. It aims to enhance livelihood security but faces challenges in implementation, such as delayed payments and corruption.

6.2 Pradhan Mantri Shram Yogi Maan-Dhan (PMSYM) Scheme

Launched in 2019, PMSYM is a pension scheme for unorganised workers, providing assured monthly pensions post-retirement. While the scheme is a step forward, its success depends on extensive outreach and efficient execution.

6.3 Labour Code on Social Security, 2020

The Labour Code consolidates various social security laws to extend coverage to all workers, including those in the unorganised sector. However, its effectiveness will depend on robust implementation and overcoming bureaucratic inefficiencies.

7. Case Studies

7.1 Construction Workers

Construction is a significant part of the unorganised sector, characterized by high risk and low wages. Labour laws like the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 aim to protect these workers. Yet, issues like non-registration of workers and poor enforcement persist.

7.2 Domestic Workers

Domestic workers face unique challenges due to the private

nature of their workplaces. The lack of formal recognition and regulation leads to exploitation. Initiatives like the Domestic Workers' Welfare and Social Security Act have been proposed but not yet enacted.

8. Comparative Analysis with International Labour Standards

Comparing Indian labour laws with international standards, such as those set by the International Labour Organization (ILO), reveals significant gaps. Indian laws fall short in areas like comprehensive social security, fair wages, and safe working conditions.

9. Recommendations for Enhancing Labour Protection in the Unorganised Sector

9.1 Strengthening Legal Framework

Reforming existing laws to ensure they explicitly cover unorganised workers, and simplifying legal processes to make them accessible to these workers, is crucial. Enhanced penalties for non-compliance and robust enforcement mechanisms are needed.

9.2 Improving Awareness and Education

Educational campaigns and the establishment of worker facilitation centers can help increase awareness among unorganised workers about their rights and the legal protections available to them.

9.3 Expanding Social Security Coverage

Expanding the scope of social security schemes and ensuring their effective implementation can provide a safety net for unorganised workers. Integrating schemes and reducing bureaucratic barriers can enhance accessibility.

9.4 Enhancing Government and Stakeholder Collaboration

Collaboration between government agencies, non-governmental organizations, and industry stakeholders can improve the implementation of labour laws. Regular monitoring and independent audits can ensure accountability.

10. Conclusion

The impact of Indian labour laws on the unorganised sector remains limited due to several challenges in implementation and enforcement. While significant strides have been made in recent years, much more needs to be done to ensure that the vast unorganised workforce receives adequate protection and benefits. Strengthening the legal framework, improving awareness and education, expanding social security coverage, and enhancing collaboration among stakeholders are crucial steps towards achieving this goal. Future research should focus on evaluating the effectiveness of recent initiatives and exploring innovative solutions to address the unique challenges faced by the unorganised sector.

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