

## **1. The Coming Disruption In India's Job Market**

### **Context:**

- ▶▶ The new Labour and Social Security codes will fundamentally alter the nature of employment. In this context, we will analyse how the Labour codes will disrupt the job market in India.

### **Cross Country Comparison:**

- ▶▶ There is a difference between growth and size. India continues to be one of the fastest growing countries in the world, but it has some way to go before its economy catches up in sheer size with the biggies.
- ▶▶ Take California, for instance. The state is one of the largest in the US, but is eight times smaller than India in land area and has just 3 per cent of India's population. Its GDP, however, at a little over \$3 trillion, is actually bigger than India's GDP of around \$2.96 trillion.
- ▶▶ But there is one area where India is playing catch-up with California. Labour laws, to be precise. Last month, California passed a law, which will force companies like Uber and Lyft to reclassify their gig workers as employees, and extend benefits of labour protection like minimum wages, overtime and social security cover. The law redefines who can be classified as a contract worker.

### **Labour Laws:**

- ▶▶ India is proposing something similar. It has already passed the Code on Wages, 2019, which amalgamates four separate laws — the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976 — into a single law which codifies the powers of the Centre, which can make wage-related decisions for specified industries such as railways, mines and oil fields, etc, while States can set wage levels for other industries.
- ▶▶ The Code also proposes a uniform floor wage across the country, below which industry/state-specific minimum wages cannot fall.

### **Gig Economy:**

- ▶▶ A gig economy is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements.
- ▶▶ An estimated 56% of new employment in India is being generated by the gig economy companies across both the blue-collar and white-collar workforce.

### **Reasons For The Exponential Growth Of Gig Economy:**

- ▶▶ In the digital age, the worker need not sit at a fixed location—the job can be done from anywhere, so employers can select the best talent available for a project without being bound by geography.
- ▶▶ Booming technology-driven start-ups
- ▶▶ This suits businesses as well. In a gig economy, they save resources in terms of benefits like provident fund, paid leave and office space.
- ▶▶ Heightened migration and readily available job training.

### **Addressing the Gig economy:**

- ▶▶ A draft Code on Social Security which proposes to merge as many as eight laws covering social security benefits of workers in different industries with a uniform law.
- ▶▶ This code emphasis on convert India's millions of gig workers into "employees" and force gig-worker-based companies like Swiggy and Zomato and Ola and Uber to recognise the millions of their "independent contractors" as workers and extend social security benefits like PF and ESI to them.
- ▶▶ Now this is huge. The ramifications extend far beyond just a handful of tech unicorns like Zomato and Ola. If the new Social Security Code goes through, it will erase many of the differences they see between their current jobs and a "permanent" one — social security (PF) cover, some form of medicare, maybe termination and retiral benefits.
- ▶▶ This will, of course, radically disrupt the business models of such companies, which currently claim that they are simple technology platforms enabling independent contractors to deliver services to customers. They will now have to factor in the costs of providing for such social security, which may well end up putting the brakes on their headlong growth.

### **Changed Nature Of Work:**

- ▶▶ This also raises a fundamental question mark on whether the economy can afford such a disruption at this point. Remember, India is still in the ascending part of its demographic dividend curve, which means that more people are entering the workforce than those leaving it every year.
- ▶▶ Our jobs data is woefully inadequate to make any kind of meaningful forecast. But maybe, looking at external examples might help. Brazil is a good fit. It is a large emerging economy, much like India, and has large numbers of young (and poorly skilled) job seekers (again, much like India).

- ▶▶ By axing restrictive rules and recognising the changed nature of work and employer-employee relationships. It allows for the gig economy and the contractual and temporary nature of present-day employment.
- ▶▶ The new Law also establishes the possibility of termination by mutual consent and sets strict conditions for demanding things like equal pay, or benefits and allowances. Despite initial — and strong — objections from unions, the reform appears to be working for workers as well. Social security cover has been improved and even temporary workers get benefits like (pro-rated) leave, bonus etc.

### **Conclusion:**

- ▶▶ Make no mistake, the Indian jobs market is set for significant disruption and turmoil. But unless India makes some difficult choices now, the future is only going to get more difficult.

