

2. The Industrial Relations Code Bill, 2019

Prelims Level: Industries – Textile, E-Commerce, Pharma, Service

Mains Level: GS-III Effects of liberalization on the Economy, Changes in Industrial Policy and their Effects on Industrial Growth.

Why in News?

- The Union Cabinet on Wednesday approved The Industrial Relations Code Bill, 2019.

About the Bill:

- The Industrial Relations Code Bill, 2019 proposes to amalgamate The Trade Unions Act, 1926, The Industrial Employment (Standing Orders) Act, 1946, and The Industrial Disputes Act, 1947.
- Apart from offering some degree of flexibility on government permissions for retrenchment, the most important aspect of the Bill is that it presents the legal framework for ushering in the concept of ‘fixed-term employment’ through contract workers on a pan-India basis.
- Currently, companies hire contract workers through contractors.
- With the introduction of fixed-term employment, they will be able to hire workers directly under a fixed-term contract, with the flexibility to tweak the length of the contract based on the seasonality of industry.
- These workers will be treated on a par with regular workers during the tenure of the contract.
- The move to include it in a central law will help in wider reach, and states are expected to follow similar applicability.
- The government had tried a move last year to apply fixed-term employment across “central sphere establishments” (which are establishments under the authority of the central government, Railways, mines, oilfields, major ports, or any other central public sector undertaking) in all sectors, but it failed to elicit the desired results as states did not notify similar provisions for it.
- The Bill now ensures a pan-India impact of this move.

What are the Changes Made in the Bill?

- The threshold required for government permission for retrenchment has been kept unchanged at 100 employees, as against the proposal for 300 employees in an earlier draft of the Bill, which was opposed by trade unions.

- Instead, the government has now provided flexibility for changing the threshold through notification.
- The rigidity of labour laws about laying off labour has often been cited by industry as the main reason limiting scalability and employment generation.
- At present, any company having 100 workers or more has to seek government approval for retrenchment.
- The provision of fixed-term employment, which helps in the flow of social security benefits to all workers along with making it easier for companies to hire and fire, in The Industrial Relations Code Bill.
- Last year, the government had included the category of ‘Fixed Term Employment Workman’ for all sectors in the Industrial Employment (Standing Orders) Act, 1946.
- This was only applicable to ‘central sphere’ establishments, and the states did not follow suit.

Challenges Regarding the Bill:

- While industry has welcomed the changes, others have said that the unclear provision regarding retrenchment would lead to uncertainty and discretionary behaviour during implementation by the central or state government.
- “The moment flexibility is provided for the applicability and then it leaves the matter to the discretion to the appropriate government (states or Centre). Then the clause can be misused. Any discretion in law leads to uncertainty, lack of clarity, discriminatory implementation, and provides scope for unnecessary usage.
- The government should be clear whether to increase the threshold or retain the threshold and face the consequences.
- Also, fixed-term employment needs to be introduced with adequate safeguards, otherwise it runs the risk of encouraging conversion of permanent employment into fixed-term employment, he said.

Response from the Industry:

- Industry has welcomed the Bill since it has met their demand of providing flexibility in retrenchment.
- If there is more employment in the organised sector, industry would demand flexibility.
- The original laws were made at a time when one would join and retire from the same company.

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- Earlier, there were so many interpretations, and simplifying so many laws into four Codes is a good thing.
 - There is no intention of industry to exploit labour, but one cannot run the company to create employment — it has to be commercially viable.
 - Today we are competing with global players so there should be a level playing field. We want to protect employment as much as possible, when there is commercial viability.
 - There is no unending amount of money available with anyone of us to continue to employ labour when business is not viable.
 - Fixed-term employment will help in keeping salaries and facilities to workers such as PF, gratuity, and medical benefits, the same as those for permanent labour
 - Inclusion in the central law will also help in applicability of fixed-term employment uniformly across the country.

