

Labour Market Reforms in India: An Economic Analysis

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I. Abstract

The paper “**Labour Market Reforms in India: An Economic Analysis**” talks about the fact that India has an abundant working population, and it is the largest young workforce in the world. However, India has yet to lock in this advantage and use it for economic growth, it is a **paradox of abundant labour supply and inadequate economic growth**. The research explores the structure of the Indian Labour Force, the history and ties of Trade Unions with the laborers, and the new Labour Codes and their implications. It also analyzes the growing gig economy, women’s participation in the workforce, and the serious need for skill development and mitigating the brain drain from the Indian Economy. It also does a minuscule comparison of India’s growth in these reforms with other developing countries such as Brazil, South Africa, etc.

The problems addressed here include outdated labour laws, some dating back to the 19th century, the ineffective influence and unity of trade unions, a lack of skilled workers, labour force informality, and limited social security measures for informal and growing gig workers and their safety. Furthermore, the paper also highlights wage inequality, the minimum wage varying significantly across states, and gender disparity in the workforce, eliminating them is critical for India’s economic growth.

This paper hints at a few solutions the most crucial being a proper and thorough implementation of the New Labour Codes, strengthening the social safety net, boosting employment for women, and supporting workers through various government programs like the National Career Service, Aatmanirbhar Bharat Rojgar Yojana, etc. Additionally, initiatives such as Skill India can be powerful in turning the workforce into a skilled one. The paper concludes by emphasizing a perfect balance between labour welfare and investment-led development to achieve the intended growth.

II. Introduction

A. What are labour reforms and the Need for labour reforms?

Cambridge defines a labourer as “a person who does unskilled physical work, especially outside”¹, but in economics, labour is a force of production that results in the production of goods and services. They can be classified mainly as skilled, unskilled, organised, and unorganized sectors.

The simplest definition of **labour reform is improving existing labour laws**, i.e. it includes social and institutional changes. It not only covers laws but also institutions, and systems let it be social or organisational with the interest of labourers at its center.

When labourers’ interests are protected, production is bound to increase due to improved working conditions and working hours. Since workers’ interests are not compromised, this will eventually lead to economic development. With the world’s largest young population in the workforce, the a need to have more updated and effective laws in place to utilize human resources at its best.

¹ [Cambridge](#)

There is a huge inequality in employment opportunities and income. For example, the minimum wage in Tripura is ₹. 40 a day whereas in Kerala the daily wage is ₹. 300.²

B. Structure and key features of the Labour Market in India

The labour market is the supply and demand for labour. This demand is the demand for labourers required by the firms and the supply of labourers available. Due to India's huge population and socially diverse society, there is complexity in factors affecting the structure of the labour market. India's labour size according to the World Bank is almost 6 hundred million and by 2030 it is expected to be 1 Billion, which will be one-fourth of the world's workforce, giving us more reasons to have better and working labour reforms.

Whereas Agriculture is still the largest employment generating at 45%, which is the biggest tale telling of economic underdevelopment or slower development in the economy than expected. The industry sector and the Service sector stand at a percentage of 11.4% and 28.9% respectively.³ As per the Economic Survey 2023-24, only **4.4 percent** of the young workforce is **formally skilled**, these numbers are not enough to meet the needs of our nation's development, and there is a severe need for improvement. Poor quality of employment is most harmful as it leads to insufficient and uncertain income but regardless they work.

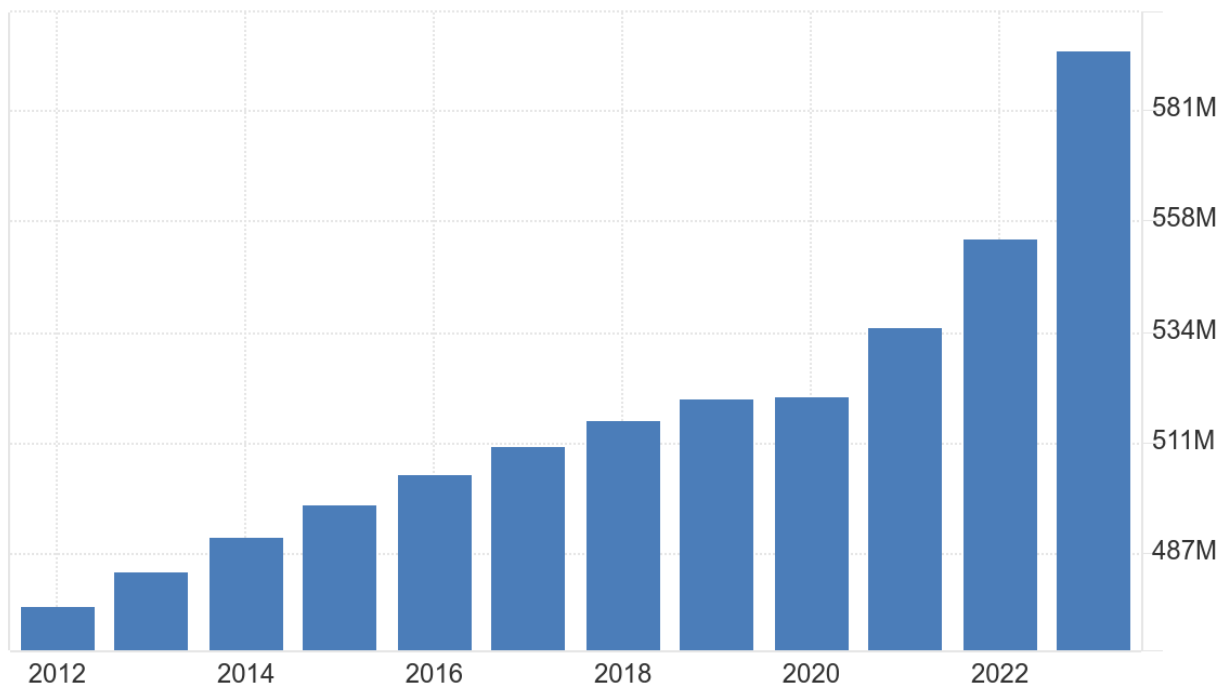


Image 1: *Labour Force*⁴

² [Indian Economy- Issues and policies-2](#)

³ [Employment rate](#)

⁴ [tradeingeconomics](#)

III. History of labour market reforms in India

A. Older labour market reforms and their implications

The famous economic reforms of the 1990s (liberalization privatization and globalisation) did not consider the labour laws important enough to have large-scale transformation. This would have, no doubt placed India on much higher grounds than other developing countries in every aspect. Considering the quantity of human resources India has only a proper reformation will be of help.

By 1919, the International Labour Organisation had brought out international labor standards, defining basic principles and rights at work. The most important ones are the freedom of association & protection of the right to organize conventions (1948); the Equal Remuneration Convention (1951); the Abolitions of Forced Labour Convention (1957); the Minimum Age Convention (1973) were of the basis of labour laws for the world to refer to.

The first **National Commission on Labour was set up on 24/12/1966**, under the Chairmanship of Justice P.B. Gajendragadkar, in its report submitted a detailed expansion of all aspects of labour problems, both in organized and unorganized sectors in India. This report gave two points suggesting **rationalization of existing laws** confined only to labour in the organized sector and having an **“umbrella” legislation** that ensured a minimum of protection to workers in the unorganized sector.

B. Changing Landscape in the Labour Market

In India, only the 2nd National Commission on Labour Report 2002 solidified major changes in labour laws, under the Chairmanship of Hon’ble Shri Ravindra Varma on 15/10/1999.⁵

The commission recommended a **three-tier system** which included Lok Adalats (People’s Courts), Labour Courts, and Labour Relations Commission (Labour Welfare Boards or Industrial Tribunals). These systems have helped labours on ground levels and eased their burdens at least legally.

Lok Adalats:- Informal courts were set up to settle disputes, more focused on compromise and mutual agreement; dealing with individual grievances and complaints. These served as quicker, easier, and cost-effective ways for the labourers in front of the complexities of a formal legal procedure.

A famous matter **“Nafisa Singh & Ors. V. Deshraj & Ors”** filed in 2016 in MACT (Mumbai Motor Accident Claims Tribunal) Court, the matter was settled in Lok Adalat by Vivek Kumar Guila, showing the efficiency of ADR (Alternative Dispute Resolution).

There are a total of 15.14 lakhs lok adalats in India as of 2015. In efforts to digitize the first E-Lok Adalat was held on June 27, 2022, organised in 28 states and union territories.

Labour Courts:- These are specialized courts dealing with labour laws, and handling working conditions. Wage disputes, premature dismissals; ensuring fair compensation for injuries and welfare. As labourers are protected under the **Industrial Disputes Act, 1947**.

⁵ [2nd National Commission on Labour](#)

There are about 22 Labour Courts in India in various states. Labour Courts and the Labour Relations Commission work together in most cases.

Labour Relations Commission:- The main purpose is to maintain communication between employers and employees, collective bargaining and negotiating labour contracts, ensure compliance with labour laws, and prevent malpractice. The most important role is mediating disputes between industries and labour and ensuring disputes don't turn into strikes.

These laws were based on the various Fundamental Rights guaranteed by the Constitution, for example, Articles 19, 24, 23, and the principles in Articles 3, 41, 42, 43. 43-A are basic pillars for formulating the policy for workers. The labour laws were also influenced by Human Rights and standards set by United Nations and International Labour Organization.

The labour is in the concurrent list, and both the Central and State Governments can enact and implement it. By far 44 Central Labour laws and several state laws, these 44 central laws were proposed by the 2014 NDA government and were made into 4 codes.

Labour Reforms undertaken since 2014

IT-enabled systems are used for transparency and accountability has been made mandatory.

Payment of Wages Act allowed payment of wages to employees by cheque or crediting it to their bank account. The Maternity Benefit Amendment Act, 2017, came into effect on 01/04/2017 and increased paid maternity leave from 12 to 26 weeks.

The **ceiling limit of gratuity** has been increased from **₹10 Lakhs to ₹20 Lakhs** on 29/03/2018

The economic survey of 2015-16 noticed the labour market had contract labour, creation of 'suitable jobs for women', competitive federalism, labour intensive- manufacturing firms relocating to smaller cities. The 2019 Economic Survey advised flexible labour laws while appreciating the Rajasthan model.

C. Current laws and reforms and their implications

"Long due and much awaited Labour reforms have been passed by the Parliament. The reforms will ensure the well-being of our industrious workers and give a boost to economic growth. They are also shining examples of 'Minimum Government, Maximum Governance'. The new labour codes universalise minimum wages and timely payment of wages. They give priority to the occupational safety of the workers. These Labour reforms will ensure 'Ease of Doing Business.' These are futuristic legislations which will empower enterprises by reducing compliance, red-tapsim, and 'Inspector Raj'. These reforms also seek to harness the power of technology for the betterment of the workers and industry both." - Shri Prime Minister Narendra Modi

(said in a tweet after the Parliament passed the new Labour Reforms Bill on 23/09/2020)⁶

The government is claiming that this new reformed Labour Code will ensure Minimum Wages and Social Security to 50 crore workers in every sector whether it be organized, unorganized, or self-employed.

⁶ [Labour Code](#)

The labour Reforms are divided into **4 codes** as follows:-

1. Labour Code on Wages (2019)

There are 4 laws combined into the Minimum Wages code, due to which for the first time **all workers** got the Right to Minimum Wages. A grand guarantee of timely payment of wages to all workers is something most rural workers are most keenly looking forward to as salaries of even government employees tend to be delayed to a great extent.

Another grand commitment the government is undertaking is that it will give equal remuneration to male and female workers. The determination of minimum wages will be based on criteria such as skill level and geographical area, criteria which the government has not specified.

The government is planning to have a review of minimum wages every 5 years. The Payment of Wages Act increased the wage ceiling from ₹18,000 to ₹24,000.

2. The Social Security Code (2020)

There were 9 laws amalgamated into this code as one. A comprehensive legal framework is created so workers can receive Social Security completely for this a system would be institutionalized.

Employees' State Insurance Corporation (ESIC) will provide free medical care to workers in all sectors. ESIC will also expand to 740 districts of the country from 566 districts, including the hazardous working sector (even if one worker is engaged in hazardous work). Hazardous area working institutions compulsorily have to be registered with ESIC. Even plantation workers and gig workers will benefit.

Pension will cover all workers of organized, unorganized, and self-employed sectors, and the requirement of minimum service has been removed for payment of gratuity for fixed-term employees.

Employees will get the same social security on a fixed and permanent basis.

Employers with more than 20 workers have to report vacancies online mandatorily.

A Universal Account Number (UAN, This number will enable workers to access their social security UAN will be connected to Aadhaar for security and verification purposes.

3. The OSH Code (2020)

Occupational, Safety, Health and Working Conditions Code also known as OSH Code has been created by compressing the already existing 13 laws.

Employers have to provide travel allowances to travel to and fro to workers' native places, mandatory free annual health check-ups, and appointment letters.

Workers in the construction sector working in one state and moving to another state will benefit from the Building and Other Construction Workers' Cess fund.

Before only workers appointed by the contractor were recognized as Inter-State Migrant Workers, however now workers can register themselves on the national portal. This might seem like a small change but this will provide the migrants with a legal identity which is a must for availing of social security scheme benefits and protection.

"One Nation - One Ration Card" provides Inter-State Migrant Workers with a ration in the state he/she is working and if their family resides in a different state they can also avail of a ration facility. This provides ease and a simple way for the family.

A National Database will be created for Inter-State Migrant Workers, providing the government with better monitoring, regulating, and implicating of policies for the workers, even at the grassroots level.

Now workers would be entitled to one day's leave for every 20 days of work done if a worker has worked for 180 days instead of 240 days. This will help the workers to get adequate rest physically and mentally.

This code also includes the interest of workers in factories, mining, plantations, motor transport, cigar and 'bidi' workers, and contract workers.

4. IR Code (2020)

There are 3 laws fused to form one Industrial Relations Code, safeguarding the interests of Trade Unions as well as workers.

Under the **Atal Bimit Vyakti Kalyan Yojna**, job loss will ensure that workers get benefits of some kind. In case of workers in the organized sector lose jobs, financial aid from the Government, is a kind of unemployment allowance admissible to workers under the Employees' State Insurance (ESI) Scheme. A point to be noted is that this particular benefit can further create a lazy and free-riding workforce if the proper and strict implication is not created.

During retrenchment a worker will be given 15 days' wages for re-skilling, wages directly being credited into the worker's bank accounts.

Faster justice, resolving of disputes within a year in the Tribunal, with Industrial Tribunal to have two members facilitating quicker disposal of cases.

In Industrial establishments, a Trade Union having 51% votes will be recognized as the sole negotiating union having the ability to make agreements with employers.

In Industrial establishments having no Trade Union with 51% votes, a negotiating council of trade unions will be put together to make agreements with employers.

Benefits of this codification

The number of committees has been reduced to avoid a long time in decision-making, and have common definitions. Use of technology to have e-registration and e-licensing and also for conducting surprise inspections. This is also eco-friendly.

To minimize forms single registration, single license, and single statement are also introduced.

The most important thing to note is that benefits like the Employees' Provident Fund (EPF), Employees' Pension Scheme (EPS), and all types of medical benefits will be covered under Employees' Insurance to all workers regardless of whether they working in the organized sector or unorganized sector.

The welfare of Inter-State Migrant Workers has been especially specified in the Labour Code to strengthen the laws for the Inter-State Migrant Workers by accelerating schemes like delivery of free food grains to the homes, Garib Kalyan, etc.

Women empowerment through the Labour Code

Right to work in all types of establishments, and the right to work at night with their consent, which raised the issue of safety for which the employer would have to make adequate arrangements.

However, this might create a backlash or further increase hesitation of employers to hire women workers as providing arrangements will add more cost which the employers look to cut.

Amended in 2017, the Maternity Benefit Act increased the paid Maternity leave for women workers from 12 to 26 weeks and mandatory nursery facilities in all establishments having 50 or more workers. This again might make employers hesitate and this Act does not include men or matter of fact, it does not include people who identify with other genders.

Criticisms of the Labour Codes

- i. The primary criticism of the Labour Code is that three of the four codes—the Industrial Relations Code, Social Security Code, and Occupational Safety and Health (OSH) Code—were **passed without the participation of opposition** members, resulting in a **lack of debate** in both the Lok Sabha and the Rajya Sabha.
- ii. There are no specific criteria for **calculating minimum pay** based on skill level or geographical area. Without specific criteria, the policy **would remain subjective** or potentially harm the workers.
- iii. The **wage review period** (every five years) may **not be enough** to keep up with high inflation periods.
- iv. In rural areas, and especially in government jobs, **wage payment on time** has long been a concern, and critics are still determining how effective enforcement of the Labour Code will be.
- v. The **implementation in the informal sector is difficult**, ensuring that benefits like pensions reach self-employed, gig workers, and plantation workers will require robust **local monitoring**, which at the moment may be inadequate for the size of the informal sector India accounts for.
- vi. The “One Nation-One Ration Card” policy will allow migrant workers to buy rations across states, but it **does not address other basic requirements** such as **education and housing**, which are often obstacles to the worker’s social security.
- vii. The **15-day wage** for reskilling under the IR Code may need to be increased for workers to acquire the needed skills to successfully or meaningfully reemploy. It is just **not enough time logically**.
- viii. Setting a **51% barrier for a trade union** to be recognized as the intended negotiating body may **hinder representation**, especially in larger companies where the minority with varying requirements might be excluded from any negotiations.
- ix. The extension of **paid maternity leave** to 26 weeks is commendable, it has excluded provisions for paternity leave or gender-diverse individuals. This exclusion **sustains gender stereotypes**, which firms may deal with to **avoid extension**.

IV. The Role of trade unions in the context of labour reforms

A. History of trade unions in India

Labour unions popularly known as trade unions can be defined as an organized association of workers or professionals to protect, and reform their economic, and social welfare rights and interests. Few Labour unions also have political interests. In India, Trade Unions in India are registered under the **Trade Union Act (1926)** and their growth happened in roughly six phases. It started in the 19th century and continues to date.

It is important to understand their development as it also closely follows the development of Industry in India, and it also leads to the development of labour unions. The first labour agitation occurred in 1857, under S. S. Bengalee, and focused on the predicament of workers, especially women, and children. Leading to the appointment of the first Factory Commission, in 1875. The first Factories Act was passed in 1881.

In 1890, M.N.Lokhade established the Bombay Mill Hands Association, making it the first organized labour union in India. After this many different organizations were established in India, but there was no pan-India presence.

The movement was mainly condensed to the welfare of workers rather than their rights and most importantly, leadership in these reforms was taken up by social reforms and not by the workers themselves.

World War I deteriorated the living conditions of the workers which inevitably led to the forming of a few important unions: Ahmedabad Textile Labour Association (1917), All India Postal, Madras Labour Union, etc.

Low living standards, spiraling prices, and wretched working conditions further deteriorated their conditions. Hence, they felt the need for collective bargaining power. Russian Revolution and the International Labour Organisation further boosted their morale. All India Trade Union Congress (AITUC) was formed in 1920 and founded by Lala Lajpat Rai, Joseph Baptista, N.M.Joshi, and Diwan Chaman Lall. With Rai being elected the first president of AITUC. AITUC is considered the oldest trade union in India.

Legislations like the **Trade Unions Act, of 1926** and the **Trade Disputes Act, of 1929** added to the growth of the movement. It bestowed many rights to the unions in return for certain obligations. Marked by the dominance of the left, this period is also referred to as **left-wing trade unionism**.

In 1937 Indian National Congress was in power in most of the provinces, leading to more and more unions coming forward and getting involved with nationalist movements.

World War II further lowered the standard of living conditions into plight. Thus legislations like the **Industrial Employment Act, of 1946** and the **Bombay Industrial Relations Act, of 1946** were passed. In general, the movements got more vocal and involved in the national movement. Post-independent Sardar Vallabhbhai Patel formed the **Indian National Trade Union Congress (INTUC)** in May 1947. The AITUC came to be dominated by the Communists, in 1948 the Praja Socialist Party formed Hind Mazdoor Sabha and is now under the influence of Socialists. Bharatiya Mazdoor Sangh was founded in 1955 and is currently affiliated with the BJP.

Post-Independence, trade unions became increasingly tied with political parties. However, their influence has reduced after the liberalization post 1991. But, different unions have come together to address issues like the Railway Strike of 1974 and the Great Bombay Textile Strike of 1982 but even these kinds of strikes got less with time. Focus shifted to informal labour as all the major trade unions registered an increase in their membership from the unorganized sector.

B. Impact of trade unions on labour reforms

In India, there are more than 16,000 trade unions with a collective membership of around 1 crore laborers.⁷ Increased unionization and wage-share have restricted growth, especially in large industries. By reducing employers' flexibility in organizing production, new business is discouraged. A study found that higher unionization levels restricted many factory units, particularly in industries with larger average employment. Specifically, an increase of 0.1 was associated with a 1.5% reduction in the number of factory units.⁸ That is why it said that increased unionization negatively impacted factory growth in India.

Post-1991 reforms led to an increase in registered factories, however, industrial policy reforms promoted competition, and trade liberalization had a negative impact, causing more bankruptcies of inefficient domestic firms than creating new firms. The reforms fabricated a complex environment where increased competition had challenges posed by rigid labour laws and unionization.

IV. Impact on the economy/ various sectors

A. Impact on the development

The Government of India is focused on attracting investment by making the Nation business-friendly. India moved 14 places to 63rd among 190 nations in the World Bank's "Ease Of Doing Business Rank 2020. However, the government's target of being at 50th Rank.

The **competitiveness of its labour market** is a major area where India is currently ranked 103 out of 141 countries by the World Economic Forum. The Economic Survey 2024 titled "Employment and Skill Development: Towards Quality" showed improvement in India's labour market decline in unemployment to 3.2%.

B. Impact on the levels of employment

Chapter number 08 "**Employment and Skills Development: Towards Quality**" showed an unemployment rate of 3.2% in 2022-23, which is a significant number. There has been a notable increase in the number of female participation in the total workforce. Significant growth in factory employment, outlining India's labour market improvements over recent years. But the fourth industrial revolution poses a challenge along with opportunities.

⁷ [History of trade union](#)

⁸ [Labour Unions](#)

The below table shows the Labour Force Participation Rate (LFPR) of the past 5 years, this Rate shows the statistics of all states in India for labourers of all ages and persons.

The last row shows the All India comparison from 2017 to 2021, there is **little change** as per the chart.

Table 8.10: Labour Force Participation Rate (LFPR) (persons, all ages)												
States/UTs	2017-18		2018-19		2019-20			2020-21				
	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec	Jan-March
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Andhra Pradesh	40.0	40.0	39.4	38.2	37.6	39.1	39.0	39.4	37.6	38.6	39.9	38.4
Assam	36.6	37.0	35.0	35.4	35.0	36.4	36.7	36.9	35.9	35.6	39.9	39.4
Bihar	26.5	26.4	27.3	27.3	27.4	27.3	27.2	27.6	27.1	27.6	28.4	28.9
Chhattisgarh	37.6	39.5	38.2	36.0	36.2	37.4	37.1	38.8	35.4	37.1	38.7	38.9
Delhi	35.6	35.4	36.5	35.3	36.7	37.6	38.1	37.9	36.5	34.5	34.9	33.8
Gujarat	35.7	37.4	37.0	36.7	37.7	37.8	39.1	39.7	37.2	38.9	38.9	38.7
Haryana	33.9	36.0	36.6	36.4	36.9	36.0	36.8	37.4	36.1	35.2	33.0	34.4
Himachal Pradesh	39.9	39.7	40.6	40.2	40.3	39.1	43.1	41.8	42.2	43.1	43.7	43.2
Jammu & Kashmir	37.3	37.8	36.5	35.7	36.3	37.1	40.1	40.5	39.0	38.9	39.7	37.5
Jharkhand	29.0	29.8	30.1	30.4	29.9	30.6	34.1	34.9	32.3	32.9	31.7	31.3
Karnataka	36.4	36.2	37.2	37.3	37.6	38.2	38.4	38.0	37.3	38.9	39.0	39.1
Kerala	35.1	35.9	35.6	36.7	37.2	36.3	36.4	37.2	34.5	36.0	36.8	37.1
Madhya Pradesh	35.7	36.0	36.2	35.1	34.1	35.2	36.0	36.6	36.2	36.1	36.0	35.3
Maharashtra	36.3	37.1	37.5	37.7	37.3	38.1	38.3	38.6	36.6	38.2	38.8	39.2
Odisha	33.1	34.8	34.0	35.0	35.7	35.3	36.5	36.0	34.9	37.7	39.1	39.1
Punjab	37.4	38.0	37.2	38.3	38.3	38.7	39.4	38.9	37.1	36.5	39.1	40.0
Rajasthan	32.4	32.1	33.3	33.1	33.2	34.4	34.0	34.5	30.8	31.8	33.6	33.6
Tamil Nadu	39.2	39.3	39.3	39.9	39.6	41.0	41.5	41.9	39.8	41.9	40.8	41.6
Telangana	37.6	38.2	38.5	38.3	38.2	39.8	39.5	39.7	40.7	40.0	39.3	38.4
Uttarakhand	33.0	32.4	32.2	33.5	33.3	34.4	34.5	36.0	35.1	36.3	35.6	37.2
Uttar Pradesh	31.0	31.0	31.6	30.0	31.1	31.6	31.5	32.2	31.5	33.3	32.3	31.7
West Bengal	38.7	40.1	39.5	39.2	39.5	40.4	40.6	40.8	38.3	40.4	39.6	40.8
All-India	35.6	36.1	36.3	36.0	36.2	36.8	37.2	37.5	35.9	37.0	37.2	37.2

Image 2. Labour Force Participation Rate (LFPR)⁹

V. Impact on the labour force

A. Gig economy and labour market

The gig economy, also known as the sharing economy/ access economy, is an economy based on flexible, temporary, or freelance jobs, often involving online platforms. Gig workers have flexibility and independence but no job security, that is, they do not earn paid holiday, sick leave, or health coverage at all. They work in a range from managing short-term rentals, coding, delivering food, or even working as part-time professors.

⁹ [Economic Survey 2023-24 Statistical Appendix](#)

There are various reasons why gig workers are preferred. Employers can hire according to seasonal workload, which is way cheaper as they do not need to provide benefits, and for employees, greater flexibility and offers work as a side hustle meaning extra income.

In India, there are 7.7 million gig workers, according to a 2022 report from NITI Aayog.¹⁰

Gig work in the long run will cause more harm to India's economy than any benefit as the gig economy often exploits workers' rights, making it harder for full-time employees to establish careers. This in turn can further increase unemployment levels in skilled workers, who already are struggling.

B. Percentage of women

Considering how India is seeking to harness its population as the biggest contributor to the labour market but at the same time, India's workforce is male-dominated. To achieve a GDP growth rate of 8%, women workforce must account for more than half of the workforce. According to the World Bank data, in India, only 25% of working women are in the labour force work, whereas in comparison the numbers in the US and China are 67% and 71% respectively.

The 2011 Census shows the total number of female workers in India is 148.8 million, with 121.8 million female workers in rural areas and the remaining 28 million female workers in urban areas.¹¹ 35.9 million females work as cultivators, 61.5 million as agricultural labourers, the remaining 8.5 million in the household industry, and 43.7 million as other workers. However, there is not enough evidence if the women working in the non-economic sector are accounted for in this survey.

The work participation rate for women (as per the 2011 census) is 25.51% as compared to 25.63% in 2001, there has been a marginal reduction but an improvement from 22.27% and 30.02% in 1991 and 1981 respectively **This decline has continued to its lowest level at 23% in 2017. In rural areas, the rate is 30.02% as compared to 15.44% in the urban area.** In the organised sector (March 2011) women workers were **20.5% of total employment.** However, there has been improvement in the last six years, data from the **Periodic Labour Force Survey (2022-23)** says that the Female labour force participation rate is at **37%**, showing an increase of **4.2% from 2021-22.**

The gender gap in India is mainly due to social norms and the paradox of demand (work opportunities) and supply (availability of women for work). The exclusion of women from paid work has caused this inequality as traditionally women in India have been involved in labor-intensive, low-paying, and informal work without social security. **A study at Ashoka University found that when jobs decline in the economy overall, women tend to get affected first.** This situation won't be favorable in India's favor and the country is aware of this fact and has been taking steps to provide its almost half-population a chance for an equal footing in the labour market and job opportunities.

¹⁰ [Hindustan Times](#)

¹¹ [Womem in workforce](#)

But at the same time, the workforce is changing as younger women with higher education levels are entering the workforce. Shows exit of older women with lower levels of education and the entry of young women with higher education declining informal wage and ultimately share of women in services sector increasing and decreasing in the agriculture sector.^{12 13}

Under Pradhan Mantri MUDRA Yojana, which provides micro-credit for entrepreneurship, nearly 70% of beneficiaries and at the same time 80% of loans under Start-Up India go to females.¹⁴

Therefore there has been an increase in self-employed workers which is being interpreted as a sign of more women undertaking entrepreneurship. These changes imply a **long-term impact** on women's economic participation.

VI. Labour Market Reforms and Skill Development

A. Skills development in youth

India has the largest youth population in the world and the country's ability and potential for growth depend on the size and strength of its youth since it is believed that developing countries with huge youth populations could see tremendous growth. So, the government must invest in skill development programs, education, health, social security, and protection of their rights. **As per a 2014 report, only 4% workforce is formally skilled**, which is an alarming number.

Youth of the 21st century are increasingly demanding more just, progressive, and equitable opportunities and solutions for their problems and problems in societies at large. Chiefly, there is a need to figure out the multiple challenges faced by the youth (access to good education, healthcare, better employment, and gender equality) that have become more crucial to transforming the future.

Today's youth are tomorrow's innovators, builders, leaders, creators, lawmakers, and thinkers; skill development is about acquiring soft skills like teamwork, problem-solving and communication, and technological skills. This can help us shape individuals ready for the modern workforce and its challenges. But we have to make sure skills are relevant and tailored according to the industry's demands. For example, youth activism is on the rise at a global scale, this generation is aware of their rights but can't mobilize due to lack of support. These skill development programs will have a **working-age population larger than the dependent population**.

B. Various projects introduced by the Government of India and their working

India is not lacking in population and is making efforts to ensure that it does not fall behind due to a lack of skill development plans for its youth to enter the labour market. India has dedicated two ministries to this —the **Ministry of Skill Development and Entrepreneurship (MSDE)** and the **Ministry of Labour and Employment (MoLE)**.

¹² [State of Working India 2023](#)

¹³ [Educated women entering the workforce](#)

¹⁴ [Women beneficiary](#)

Both ministries have **four core** functions as follows:-

- i. Developing strategy papers on themes of skill development, migrant labour, labour welfare, and apprenticeships.
- ii. Developing briefs on the labour market (every aspect)
- iii. Engaging with MSDE and MoLE on policies through appraisal of SFCs, EFCs, Cabinet Notes, and PPRIDs.
- iv. Collaborating with research organisations and development partners for research studies and development initiatives in skill development and livelihood generation.

The Indian government also has several partners to achieve the same:- Bill and Melinda Gate Foundation, Tata Trusts, International Labour Organisation, Confederation of Indian Industries, Lupin Foundation, VV Giri National Labour Institute, Federation of Indian Chambers of Commerce & Industry (FICCI), FUEL Foundation, National Institute of Labour Economics Research and Development (NILERD), Foreign, Commonwealth and Development Office, German Agency for International Cooperation (GIZ), Friends Union for Energising Lives (FUEL) Foundation, Larsen and Toubro (L&T), Omidyar Network, and lastly Self-Employed Women's Association.¹⁵

This is a list of private and government-affiliated as well as UN-affiliated trusts and associations. The Indian government works closely to provide training to the youth. This Skill Development, Labour, and Employment has undertaken many various projects and reports related to Skill Development such as:-

“Skilling for Employment Best Practices in Skill Development”

“Report of the Sub-Group of Chief Ministers on Skill Development”

“Transforming Industrial Training Institutes”

While the government has implemented several initiatives. **Skill India Campaign**, this campaign was launched in 2015 with the aim of training millions of youth in market-relevant skills across sectors. Closing the skill gap in the industries will increase the competitiveness of Indian businesses.

The interesting feature of Skill India is that it emphasizes real estate, construction, textiles, jewelry design, banking, and tourism but also provides support to cobblers, carpenters, masons, blacksmiths, etc.

Customized need-based programs and non-conventional methodology, using games, group discussions, and case studies rather than traditional textbook learning, are not in any way substandard; rather, hybrid use is more beneficial.

¹⁵[Skill development, labour and employment](#)

Skill India has many **sub-schemes** such as:-

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is one of the most well-known schemes that provide youth with subsidized or free training for job-ready skills. This program aims to train about 24 lakh Indian youth. Keeping in mind that less emphasis is laid on skill development in primary education, candidates are required to go through the basic steps of the course compulsorily. This part of the scheme is being **implemented successfully** all over the country.

One more important aspect of PMKVY is the **Recognition of Prior Learning (RPL)** schemes, in this scheme skills gained through past work experience are recognized. This can help people without formal education to get better jobs, this is useful and needed as the skills learned prior are not wasted and put to use with more economic output.

Skill Loan Scheme provides financial assistance to help students pursue skill development courses. Loans ranging from Rs. 5000 to Rs. 1.5 lakh are provided to the students thus removing financial hurdles. There is no mention of the loan being waived or the students having to pay the government back but it's a good scheme that will be beneficiary for students with low financial backgrounds, who for 7/10 times have to drop their education.

In Digital skilling, the government promotes courses in coding, AI, and other tech fields. Despite these steps, India should focus more on a **bottom-up approach**, i.e. concentrate more on education and the quality of primary education in rural areas.

VII. Comparison with other countries

A. Globalization

Globalization in India began in 1991 with the implementation of Liberalization, Privatization, and Globalization famously known as LPG. During the 90s LPG was the need of the hour for India's economy to extend, have foreign investments, and global competition for its then-closed economy. Globalisation took India out of huge fiscal debt, stabilized the economy, and expanded it. However, globalisation also led to a lack of job security due to increased competition, long working hours, and no social net to fall back on.

But at the same time, globalization is criticized for its environmental effects and to a very great extent has contributed to the informalisation of the Indian Labour market and how India is still struggling with the same. In fact, the new Labour Codes have to curb the informalisation and brain drain from the Indian Market.

B. Comparison with Labour Reform in Developing Countries

It is important to compare the labour reforms made in India with those of different developing countries to determine India's footing in terms of reforms and whether other developing countries have already implemented anything similar to our reforms to judge its effectiveness, as most developing countries have similar problems. The comparison is based on the labour market, minimum Wage and wage regulation, social security and welfare, and the gig economy.

Labour Market

India: The Labour Code has made the labour market more flexible than the previous model of a rigid market. This will help boost job creation and encourage investment while keeping the interests of workers in mind.

Brazil: Brazil too had a rigid labour market but Brazil modernized the laws in 2017 with the aim of flexible contracts making it easier for employers to negotiate directly with the employees.

Mexico: Reforms were made in 2012 and 2019 to decrease informality, reduce severance costs, and modernize labour courts. Modernizing labour courts is something India can implement too.

Minimum Wages and Wage Regulation

India: Code on Wages (2019) has fixed a national minimum wage, whose implementation has only been in a few states, the code was supposed to simplify an older complex wage structure across industries but it has not been of much effort till now.

South Africa: Introduced the same policy of national wage as India but then the implications still need to be made clearer.

Brazil: Brazil long had a national minimum wage but it is adjusted annually, a system that India can implement too, to adjust income according to the living expenses. In 2017, reforms were made to provide more flexibility in setting wages based on negotiated agreements, aligning the wage system with market conditions.

Vietnam: The government set minimum wage to attract foreign investment while protecting workers from exploitation. Thus, Vietnam has improved wages for workers, especially in the export-oriented manufacturing sectors.

Social Security and Welfare

India: Code on Social Security (2020) aims to cover informal workers and gig workers in its social security net since these both constitute a large part of its workforce. The implementation seems patchy but considering India's size it may be a little early to comment.

Indonesia: Social Security Agency (BPJS) was formed in 2014 to cover both informal and formal sector employees with health and employment insurance. But like in India, informal workers are yet to benefit from this agency.

South Africa: The implementation of its labour laws is relatively better, considering it's a developing country, even regarding pensions and healthcare.

Brazil: has a well-developed social security system, but its sustainability is in distress because of its rapidly aging population. Thus, the reforms focus more on bringing pension systems into long-term fiscal balance. If Brazil can find a balance in its pension systems, India, too, can “borrow” the mechanism that will work in the Indian demographic.

Gig Economy

India: The gig economy is one of the rapidly expanding in India but the Code on Social Security (2020) barely extends protection but at large it remains unanswered.

Mexico: Mexico has the same problem as India.

Brazil: Brazil has the same problem as India does but gig workers have been protesting and demanding better conditions and changes in laws.

Formalization of Informal Sector

India: Reforms to formalize its massive informal market through **extended benefits** like maternity benefits, health insurance, and pensions to gig workers and extend social protection to previously uncovered workers.

Brazil: “**Simples Nacional**” tax regime aimed to streamline the tax system for Micro, Small, and Medium Enterprises (MSMEs), and encourage a tax-filing system

Kenya: Initiatives similar to India like labour registration, enhanced workers' protection laws, and social security access are in place to formalize the sector. Flexible contribution methods to the **National Social Security Fund (NSSF)** and **National Hospital Insurance Fund (NHIF)** for informal sector workers and receive benefits of both funds (because they have irregular earning patterns). The government also has a skill development initiative such as the **Kenya Youth Employment and Opportunities Project (KYEOP)**. But similar to almost every developing country Kenya faces a challenge in implantation and many informal workers are not registering in these programs to avoid taxes and higher costs.

South Africa: The “**Decent Work Country Program (DWCP)**” has helped formalize and extend protection to more workers, especially those in cleaning services. It was started in 2010 as part of the International Labour Organization (ILO) to promote decent work globally, but now it has evolved and also helps curb issues like high unemployment, income inequality, and improving working conditions.

Peru: In a bid to formalize its informal sector, Peru offered direct support as a core element to domestic workers (who make up the majority of the sector), which has been effective in reducing informal employment rates.

Occupational Safety and health

India: The OSH Code focuses on better working conditions across sectors, this code neglected the construction industry and the informal sectors which are now being covered.

Bangladesh: After the **Rana Plaza incident** in 2013 the government improved workplace safety and efforts were one of the most labour safety reforms in the developing country's garment sector,(which is crucial for its economy)

Vietnam: Despite being the world's major textile and garment exporter it has faced scrutiny for unsafe working in its textile industry including inadequate workers' rights. Vietnam's reforms focused on international standards. The Labour Code (2019) increased workers' rights, extended the scope of collective bargaining, and improved protections for female workers. These enhanced Vietnam's position in the international market.

VIII. Recommendations

- i.** Every reform should strike a perfect balance between labour welfare and investment-led development. India's **New Labour Reforms** have the **potential to cover** almost all the questions raised about tapping into its labour force, but only when they are **implemented** at the grass-roots level and how well they are implemented, which itself will be a massive task.
- ii.** Define **clear criteria for minimum wage** calculations based on skill level, industry-specific needs, and geographical area. Setting up a commission to provide such recommendations.
- iii.** To ensure a proper understanding of the codes for workers and businesses (especially small and medium businesses), centralized and simplified **public awareness campaigns** (including advertisements in newspapers, TV, and radio).
- iv. Increasing the reskilling period** to provide adequate time to workers, the current 15-day reskilling is inadequate.
- v.** Employers face **finest** and **penalties** if they fail to comply with any of the provisions specified in the codes. Special inspectors can check for effective implementations and monitor compliance with the codes. This will encourage **accountability** from employers, especially in rural areas.
- vi.** To increase women's participation in the labour workforce, increase **maternity** and **childcare support** by establishing more children-friendly workplace spaces, especially in the industries where women's participation is on the rise. Expanding provisions to include **gender diversity** to promote inclusivity.

- vii. Developing **Labour Market Information Systems** to provide real-time data on employment trends, job openings (sector-wise), skill requirements, and regional demands of any sector. **AI-based platforms** can be used to keep track of such huge data systems. This system also acts as a platform to **strengthen implementation in the informal sector**.
- viii. **Expanding digital literacy** programs in both urban and rural areas is critical for the workforce to participate in an increasingly digital economy.
- ix. **Lower the trade union recognition barrier** from 55% to 40-30% to improve representation through this multiple unions can coexist and all worker groups will get proper representation in negotiations.
- x. **Expanding support beyond ration cards** by developing programs to address needs like education for workers' children, affordable housing, and ensuring social security benefits (insurance and pensions) are accessible pan-India.
- xi. Across the globe, **wage review periods** are commonly held at a frequent rate to adapt to economic changes. Therefore, it would be beneficial to **shorten** these periods from **five to three years** to safeguard workers' purchasing power.

XI. Conclusion

Labour market reforms in India are very important to manage and cultivate the potential of such a large workforce and enable economic growth. The new labour codes enhance and rectify the loopholes in the older reforms, at least in theory. They aim to provide improved social security and occupational safety, timely wages, decrease gender and income disparity, and formalize the informal sector consisting - gig economy. Regardless, these labour reforms have their critics -no clear criteria for minimum wage, inadequate reskilling period, 51% barrier for trade unions to be recognized as a negotiating body. Active participation from all stakeholders and proper implementation at the grassroots level is required to make the new labour reforms effective.

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