

Guest-Editor's Foreword

Reforming Labor Laws

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India has for several decades now got itself into a situation of denial and delay in the matter of reforming the labor laws. The laws were passed some before independence and some after on the mistaken analogy of a developed industrialized country with a majority of its workforce in large factories. Socialist thought, reformist as well as revolutionary, had the industrial worker at its centre. The capitalist system was supposed to be sustained by exploitation of the worker—the proletariat – and hence regulation of the employer-worker relationship took prime place in reform legislation.

India has a slim minority employed in the organized sector, barely 5 % of its total work force. Yet the rights of this tiny minority are guarded by a phalanx of laws and regulations which has had the effect of retarding manufacturing growth in India. The principal legislations concern the ability to hire workers on non-permanent contracts, and, as that is difficult, the even more difficult task of terminating their employment on any grounds whatsoever. Firms find it difficult to liquidate themselves as that may cause unemployment of their workers. To this may be added over a hundred an-

nual inspections and enforcement of regulations which add to the transactions costs of doing business in the manufacturing sector.

India's Asian neighbors, Bangladesh, Malaysia, Indonesia, to say nothing of China or South Korea, have overcome these problems and managed to develop a thriving manufacturing sector. In India, the manufacturing sector remains stagnant at around 16 % and has relatively small size units which are engaged in medium and high tech industries. Many Indian manufacturers employ contract labor which has few rights and can be sacked on expiration of contract. This is healthy neither for the workers nor for employer-employee relationships. Our Asian neighbors have large factories with hundreds of employees manufacturing low tech products which have a large export market. India lags behind in this area.

Our journal has explored the topic of Informal Labor Markets in a special issue previously. This special issue tackles the urgent question of reform of labor laws. I welcome this initiative and congratulate all the contributors and Professor Sodhi and the editor for their excellent effort.