
***Role Of Economic Principles In Labour Laws: An Analytical
Study Of The Labour Codes, 2020***

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Abstract

“India redrafted its economic policy in the year 1991 to usher in a new era of deregulation, liberalization and global integration. Since then, significant policy initiatives have been introduced to provide stimulus for accelerated growth, Industrial efficiency and international competitiveness. One of the most critical pillar to achieve the said objective is the Labour Class of an Economic Unit that bolsters the revenue and profit margins. For the same, India houses the most holistic labour laws that ensures that the principle of redistribution of wealth is operational and functioning and not swayed by the capitalist and utilitarian factors of production. However, the economic and mercantile construction of such labour and labour related laws is the far cry of the contemporary age so to ensure that the market maintains its equilibrium and allots the maximum of the scarce wealth and resources to the relevant stakeholders. However, such is counter-balanced by the social legislations that operates beyond the market forces. Hence, the competing and conflicting forces of the Labour Social Legislations with its Law and Economic Analysis of the Economic and Financial Business comparability is highlighted through the research herein.”

Keywords: Law and Economics, Labour Law, Social Legislation, Market Equilibrium.

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INTRODUCTION

“The Competing and Conflicting Forces must, shall and ought to be balanced and enforced through a perspective of Harmonious Interpretation whereby, the counter-enforced variables are not only enforced but also prevented through cooperation and coordination from being mutually destructive.”

-Professor H.L.A. Hart

The current phase of globalisation, bringing in its wake the ascent of finance capital, has deepened the hegemony of the market on every aspect in the economic arena, including the world of work. Marketisation of labour is integral to the doctrine of neo-liberalism that assumes unregulated market is the way to attain efficiency and getting the prices ‘right’, with prices of inputs approximating the relative scarcity of resources. The rise in the power and concentration of capital, in this era of globalisation has led to calls for dissolution and deregulation of labour institutions or what is referred to as labour market flexibility.

Thus, the relation between labour regulation and economics has always been a topic of great interest and debate for social actors, politicians and academics. There is a common idea that labour and labour-related laws impose “rigidities” to the labour market that need to be removed in order to promote employment generation. According to this view, labour and labour-related regulations, although created to help and protect workers, may actually hurt them, reducing the economic and business incentives of enterprises to hire them and reducing the efficiency in the general economy. For Instance, labour regulations are typically found to create adjustment costs in hiring and firing labour and in making adjustments in the organization of production wherein, firms respond to such regulation by substituting capital for labour; which is in-turn detrimental for a Labour Centric Economy as India. The econometric analysis found that higher and stricter labour law regime was correlated with lower male employment, higher youth unemployment, and a larger informal sector.² Therefore, labour regulations should be minimal.

² Prabirjit Sarkar, Does an employment protection law lead to unemployment? A panel data analysis of OECD countries, 1990—2008, Cambridge Journal of Economics, Vol. 37, No. 6 (November 2013), <https://www.jstor.org/stable/23602010> (30.07.2021)

Another vision, however, considers that this “conventional view” generally ignores the positive effects that labour and labour-related laws could have on the labour market and assumes that it might mitigate the effects of the externalities and high transaction costs, thereby enhancing aggregate efficiency and welfare. For example, laws setting basic labour standards in the areas of pay and working time and providing employees with protection against arbitrary discipline or dismissal may encourage firms and workers to co-invest in firm specific skills and complementary productive assets. Legislation mandating collective employee representation in the workplace can help raise worker commitment and morale. Laws underpinning the bargaining power of employees, such as minimum wage laws and legislation protecting the right to strike in defence of terms and conditions of employment, may help foster local demand for goods and services, assisting the growth of indigenous industries and smoothing out the effects of the economic cycle.

In this paper the researcher takes a walk down the basics of Law and Economic Analysis of the Labour and Labour -Related Laws, understand its objective and counter-considerations to derive a methodology about the rule and finally draw an analysis about the principle at the end.

AIM & OBJECTIVE OF THE STUDY

- ✓ To critically analyze the Interconnectedness of Law and Economic Analysis of the Labour and Labour -Related Laws.
- ✓ To discuss the considerations revolving around the novel transformative concept of competing interest of the Labour Legislations and Societal Welfare of the Labour Class amongst the balancing scale of economic and business parameters, while stressing on the Indian Scenario characterizing substantial Informal Economy setup.

RATIONALE OF THE STUDY

- ✓ To stress upon the Imminent and Imperative nature of the conflicting forces of the Economic and Financial Forces amidst the Labour and Labour related laws through a critical discussion of multiple variants including the Fundamental labour standards, Hiring and firing, Unions and collective bargaining, Payroll taxes, Social Security and minimum wages amongst others.

RESEARCH METHODOLOGY

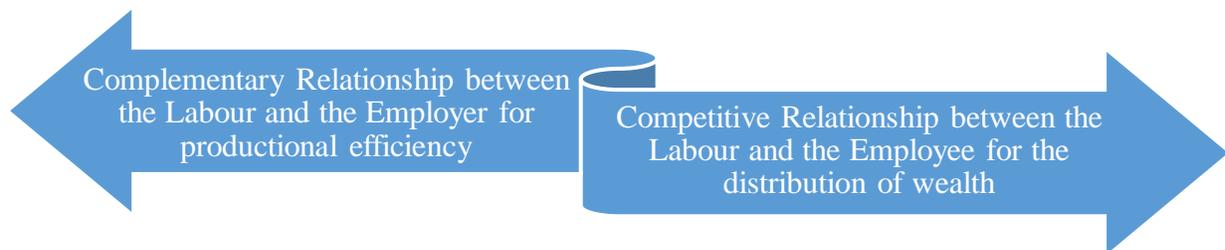
- ✓ **RESEARCH DESIGN:** The researcher follows the premise of the Exploratory Research Design and primarily focusses on the socio-legal-economic means of strengthening efficient Justice Dispensation. The study '*in-toto*' is qualitative, descriptive and analytical in its nature.
- ✓ **METHOD OF DATA COLLECTION:** The researcher follows Doctrinal method of research requiring the compilation of relevant data from the specified databases in order to analyze the material and arrive at a more complete understanding of the Law and Economic Analysis of the Labour and Labour Related Laws and other considerations revolving around the said matter of socio-legal and economic pertinence.
- ✓ An analysis of reports, documents, journals and other available resources within online databases were referred to.
- ✓ **TOOLS OF ANALYSIS:** The researcher has pounded over the Economic and Mercantile Association of the Labour Law concerning the Indian Economy and socio-legal circumferences, imputing secondary data for data analysis while employing tabling methods for effective data representation.
- ✓ **LIMITATIONS:** The research paper, in its very essence, is of an extensive nature, however, for the purpose of the study, relatives concerning the Law and Economic Analysis of Labour and Labour Related Laws, its bearing, procedures and Implementation Methodology evolved through Variants of the labour and labour-related laws and a consequential discussion of the Fundamental labour standards (basic rights), Hiring and firing, Unions and collective bargaining, Payroll taxes and social protection contributions along with Minimum wages in conjunction with the Concept of the Informal Economy has been pounded upon.

RULE OF ECONOMICS VIS-A-VIS LABOUR AND LABOUR-RELATED LAWS

The labour relation in economics has two sides that are not possible to separate:

- ✓ First, it has a complementary side because workers and employers complement each other in order to produce,
- ✓ Second, it has a competitive side because after the production process is finished, workers and employers compete with each other for the benefits of the production.

As expected, the results of the competitive process determine who gets more of what is produced and it depends on the bargaining power of the parties involved.



OBJECTIVE: The main economic rationality for the existence of labour law is that there is an important market failure, an asymmetry in the bargaining power between employers and employees, which favours the employers. From this point of view, labour law constitutes a market institution that regulates its functioning, since imperfect labour markets do not produce optimal outcomes in economics both from the individual and/or the social point of view.

DIVERGING YET CONVERGING ASSOCIATION: Labour law regulates the labour relationship by giving workers some level of protection or benefits, the right to unionize and collectively bargain and also defining procedures and duties for both parties. At the same time, labour and labour-related laws usually imply costs, especially for firms. In both ways, they influence wages, employment, resource allocation, and also affect other aggregated variables such as welfare, demand, trade, investment, etc.

For example, in the Study titled, ‘Core Labour Standards and Foreign Direct Investment’, David Kucera³ analyses the effects of fundamental labour standards on Foreign Direct Investment (FDI) flow. The study argues that there are negative and also positive incentives.

- ✓ A negative effect is that indeed labour standards increase firm’s costs and reduce incentives to FDI.
- ✓ However, positive effects arise from the fact that freedom of association increases political stability and the reduction in child labour and discrimination increases human capital, thus increasing the incentives for FDI.

The final effect, that he finds positive, is the balance of these two forces.

PURPOSE: It is important to mention that labour and labour-related regulations should aim to increase social welfare. However, since the labour relation has two parties, many situations could arise. If both workers and employers win, as a consequence of the law, this regulation undoubtedly increases social welfare. However, if one party wins and the other loses (which is the most common situation), then social welfare increases only if the gain of the first is bigger than the loss of the other, which must not be an ideal and preferential scenario.

VARIANTS OF THE LABOUR AND LABOUR-RELATED LAWS AND ITS EFFECTS

The economic effects of labour and labour-related laws depend on the type of law analysed. There are several kinds of labour and labour-related laws and in this research, in order to simplify the presentation, the researcher classify them in five groups:

- ✓ Fundamental labour standards or basic rights,
- ✓ Hiring and firing regulations,
- ✓ Unions and Collective Bargaining,
- ✓ Social Security Contributions,
- ✓ Minimum Wages.

³ David KUCERA, Core labour standards and foreign direct investment, *International Labour Review*, Volume 141, Issue 1-2, March 2002, <https://onlinelibrary.wiley.com/doi/10.1111/j.1564-913X.2002.tb00230.x>. (Visited on: 30.07.2021)

The likely effects of each type of labour and labour-related law on economic variables that affect workers, firms and the economy is something that the researcher sheds light on:

FUNDAMENTAL LABOUR STANDARDS (BASIC RIGHTS)

The fundamental labour rights developed a high degree of consensus about the need for eliminating child labour, forced labour and labour discrimination, especially in a global market economy.

However, it is also recognized that still that such labour evils are prevalent in the region. For eg. The Conflict/Blood Diamonds coming from the African continent specifically, the Democratic Republic of Congo and Sierra Leone characterises such use for achieving diabolic economies of scale.⁴

The legal position in India considering the aforesaid is as follows:

CHILD LABOUR (PROHIBITION AND REGULATION) ACT 1986⁵	BONDED LABOUR SYSTEM (ABOLITION) ACT, 1976⁶
No child below the age of fourteen years shall be employed to work in any factory or mine or employed in any hazardous employment	Anyone who compels another person to render any bonded labour is punishable with imprisonment for a term up to three years with fine which may extend to two thousand rupees

The primary question is that why does such instances occur? Naturally, some bad employers are making good money out of these practices and those employers represent a bad and disloyal competition for employers that do not use child or forced labour.

Then, the question is about how those practices could be identified. Stronger labour inspection in collaboration with complying employers could be a useful approach.

⁴ Nicole, Blood Diamonds in 2020 - What Most Jewelers Don't Want You to Know, July 09, 2020, <https://www.miadonna.com/blogs/news/blood-diamonds-in-2020-what-most-jewelers-dont-want-you-to-know> (Visited on: 27.07.2021)

⁵ Child Labour (Prohibition and Regulation) Act 1986, https://labour.gov.in/sites/default/files/act_3.pdf (Visited on: 28.07.2021)

⁶ Bonded Labour System (Abolition) Act, 1976, <https://www.indiacode.nic.in/bitstream/123456789/1491/1/197619.pdf> (Visited on: 28.07.2021)

NOTE:	India has ratified the ILO's Labour Inspection Convention (No 81), 1947. ⁷ Some of the non-negotiable principles are: as frequent and as thorough as possible inspections, free entry of inspectors, free access to workplaces, no prior authorised inspections, and an adequate and well-resourced and independent inspectorate.
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However, in the year 2018, The Ministry of Commerce and Industry has issued a circular asking the State governments to liberalise their inspection systems by the introduction of self-certification scheme, generally applicable to factories and commercial establishment covering several labour laws

Employers are expected to benefit from this scheme in several ways: a firm will be inspected only once in the stipulated time cycle (three or five years), there will be no special targeting due to randomised selection of the firm, and a shift is expected from penal inspections to guidance inspections. The State governments are doing this in a competitive manner for two reasons — to project a reform-oriented image to investors and to achieve a better score on the index of ease of doing business initiated by the Centre.⁸

However, the question as to whether economic incentives can be used to prevent these practices is difficult since firm's behaviour is just in seeking profits. The solutions seem to be in the policies dealing with market failures through information and/or education.

- ✓ In the study titled, Labour Standards and Informal Employment in Latin America, Rossana Galli and David Kucera⁹ concluded that there exists a positive correlation between civic rights of the labour and economic development since in developed countries the institutional framework seems to work better than in less developed countries.

⁷ Labour Inspection Convention, 1947 (No. 81), https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:NO::P12100_ILO_CODE:C081 (Visited on: 28.07.2021)

⁸ K.R. Shyam Sundar, The much-vilified labour inspector raj, The Hindu Business Line. January 23, 2018, <https://www.thehindubusinessline.com/opinion/the-muchvilified-labour-inspector-raj/article7519064.ece> (Visited on: 28.07.2021)

⁹ Rossana Galli and David Kucera, Labour Standards and Informal Employment in Latin America, World Development, 2004, Vol. 32, Issue 5, https://econpapers.repec.org/article/eeewdevel/v_3a32_3ay_3a2004_3ai_3a5_3ap_3a809-828.htm (Visited on: 27.07.2021)

- ✓ Thus, in contrast to the above ideology, even if the capitalist wishes to further their economic and mercantile objective, they would be better off had they provided proper and systematic labour and labour related civic rights; which the legislature mandates.

HIRING AND FIRING

Hiring and firing regulations constitute a protection for workers, in order to increase security and stability in their employment and incomes and also to prevent abuse, especially of non-causal dismissal.

However, doing so these regulations could affect firms' incentives since firms need efficiency in order to be competitive and thus need the possibility of introducing changes in both the production process and the resources involved in it. Increasingly unstable demand in the goods market causes firms to adjust their production process constantly and hence the need to adjust labour and even firm size. If hiring and firing regulations are too rigid, in the presence of unstable product demand, incentives to hire or to fire formally could be reduced. For these reasons, some argue that in trying to protect workers, these regulations actually hurt them, reducing formal labour demand.¹⁰

CODE ON INDUSTRIAL RELATIONS, 2020¹¹

CHAPTER X: SPECIAL PROVISIONS RELATING TO LAY-OFF, RETRENCHMENT AND CLOSURE IN CERTAIN ESTABLISHMENTS

- ✓ **SECTION 77¹²**: The Section permits that any Industrial Establishment with less than 300 workers do not need a standing order (**SECTION 28¹³**: a guideline document which supersedes even the employment contract) when laying off or retrenching staff.

¹⁰ Jaivir Singh, Labour Law and Special Economic Zones in India, WORKING PAPER SERIES, Centre for the Study of Law and Governance Jawaharlal Nehru University, New Delhi, April 2009, <https://www.jnu.ac.in/sites/default/files/u63/08-Labour%20Economic%28Jaivir%20Singh%29.pdf> (Visited on: 25.07.2021)

¹¹ Code On Industrial Relations, 2020, IR_Gazette_of_India.pdf (labour.gov.in) (Visited on: 28.07.2021)

¹² Section 77 Code on Industrial Relations, 2020

¹³ Section 28 Code on Industrial Relations, 2020

CRITICAL APPRISAL: In the study titled, ‘Is a stable workforce good for productivity?’, Peter AUER, Janine BERG, Ibrahim COULIBALY,¹⁴ provided a mechanism that implied that the Retrenchment Ratio of an Industrial Establishment which they can lay off without any answerability to the Labour Bureau must be an ‘Optimal’ and a ‘Sustainable’ value. It must be calculated depending on the Labour and Industrial Practices of an Economic Unit.

- ✓ The biggest question lies herein that whether the limit of 300 workers under Section 77 is a sustainable and optimal one. However, such can be sought over due course as the operability of the Code and its functioning grounds itself.

UNIONS AND COLLECTIVE BARGAINING

Unions and collective bargaining laws are established in order to strengthen bargaining power of workers in the competitive part of the labour relation. Unions have usually focused on wages although other benefits are always included in the collective bargaining processes.¹⁵

ECONOMIC FALLOUT	WHY UNIONISATION?
<ul style="list-style-type: none"> ✓ Unions can impose work rules that limit productivity within firms; ✓ Strikes can generate output losses; ✓ Union’s wage advantage can generate distortions and inefficient allocation of labour resources ✓ Freedom of association and collective bargaining disincentive investment rates and do not contribute to economic growth 	<ul style="list-style-type: none"> ✓ Unions are a collective voice that prevents disputes and increases worker’s satisfaction and effort; ✓ Union’s wage advantage motivates firms to look for new technologies in order to reduce labour costs substituting capital for labour ✓ Unions reduce labour turnover, thus increases worker’s security and promotes training, both related positively with productivity

¹⁴ Peter AUER, Janine BERG, Ibrahim COULIBALY, Is a stable workforce good for productivity?, International Labour Review, Volume144, Issue 3, September 2005, <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1564-913X.2005.tb00571.x> (Visited on: 29.07.2021)

¹⁵ Priti Suri, Neeraj Dubey, Globalization and Labour Laws in India, India Investor, April 2008, <https://psalegal.com/wp-content/uploads/2017/01/Globalization-and-Labour-Laws.pdf> (Visited on: 27.07.2021)

CODE ON INDUSTRIAL RELATIONS, 2020¹⁶

CHAPTER III: TRADE UNIONS¹⁷

SECTION 6(1)

• Any seven or more members of a Trade Union may, by subscribing their names to the rules of the Trade Union apply for registration of the Trade Union.

SECTION 6(2)

• No Trade Union of workers shall be registered unless at least ten per cent. of the workers or one hundred workers, whichever is less, engaged or employed in the industrial establishment or industry with which it is connected are the members of such Trade Union.

COLLECTIVE BARGAINING: *Recognition to trade union*

In the Trade Union Act 1926, there was no provision related to recognition. However, under section 14,¹⁸ the establishment of negotiating council or negotiating union has been highlighted.

The act has classified trade union into three categories for recognition:

- ✓ When there is only one registered trade union in an industrial establishment, then the employer shall recognise such trade union as negotiating union.
- ✓ When there is more than one registered trade union exists in an industrial establishment, and if any of the trade unions consists of more than 50 % of the workers on the muster roll of that industrial establishment then the employer shall recognise such trade union as sole negotiating union.
- ✓ When there is more than one registered trade union, and no such trade union has more than 50% of workers on muster roll then the negotiation council would consist of representatives of such trade unions which have more than 20 % of workers on muster roll as a member of that trade union.
- ✓ In the case of the last two situations, negotiating council will be valid for only 3 years.

¹⁶ Code On Industrial Relations, 2020, IR_Gazette_of_India.pdf (labour.gov.in) (Visited on: 28.07.2021)

¹⁷ Section 6 Code on Industrial Relations, 2020

¹⁸ Section 14 Code on Industrial Relations, 2020

SOCIAL PROTECTION CONTRIBUTIONS

Social Security contributions mandated through labour laws are usually considered to have negative effects on labour economic demand because they represent a gap between the labour cost for the employer and the pay the worker receives, and reduce the value added that production creates, thus generating a “social loss”. However, the benefit that the workers receive indeed forges their capacity to put in their efforts efficiently.

- ✓ The empirical research in Latin America has focused in this effect. For example, Pagés and Heckman (2003) in the research titled, ‘Law and Employment: Lessons from Latin America and the Caribbean’,¹⁹ concluded that social security contributions have a negative effect on labour demand, and the contributions finally generate less employment and wages for workers or provide substitution of capital for work.
- ✓ MacIsaac and Rama (1997) in the research titled, ‘Determinants of Hourly Earnings in Ecuador: The Role of Labour Market Regulations’²⁰ added that a great part of the increase in labour costs is finally financed by workers via reduced wages.

CODE ON SOCIAL SECURITY, 2020²¹

SECTION 53, CHAPTER V: PAYMENT OF GRATUITY²²

- ✓ Gratuity is applicable to every establishment in which 10 or more employees are employed, or were employed, on any day of the preceding 12 months, shall pay gratuity to their eligible employees.

¹⁹ James Heckman, Carmen Pages, Law and Employment: Lessons from Latin America and the Caribbean, WORKING PAPER 10129, December 2003, National Bureau of Economic Research, <https://www.nber.org/papers/w10129>. (Visited on 26.07.2021)

²⁰ Donna MacIsaac and Martin Rama, Determinants of Hourly Earnings in Ecuador: The Role of Labor Market Regulations, Journal of Labor Economics, University of Chicago, 1997, Vol. 15, ssue 3, S136-65, https://econpapers.repec.org/article/ucpjlabec/v_3a15_3ay_3a1997_3ai_3a3_3ap_3as136-65.htm (Visited on 26.07.2021)

²¹ Code On Social Security, 2020, https://labour.gov.in/sites/default/files/SS_Code_Gazette.pdf (Visited on: 28.07.2021)

²² Section 53 Code on Social Security, 2020

- ✓ Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years, Provided further that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement or expiration of fixed term employment. The code entitled the fixed term employees (i.e. employed for a fixed duration) to receive gratuity on pro rata basis, based on the term of their contract.

SECTION 16, CHAPTER III: EMPLOYEE PROVIDENT FUND²³:

- ✓ The code has revised the applicability of the Employees Provident Fund Scheme (“EPF”).
- ✓ The EPF will apply to the establishment employing 20 or more employees. The Central Government may establish the Provident fund where the contribution paid by the employer to the fund shall be 10% of the wages for the time being payable to each of the employees (whether employed by him directly or by or through a contactor), and the employee’s contribution shall be equal to the contribution payable by the employer.

MINIMUM WAGES

- ✓ Minimum wages are the floor of the private sector wage distribution and are usually set with redistributive purposes.
- ✓ The economic discussion on minimum wages usually focuses on the benefits and costs of these interventions, since both coexist and it is necessary to seek for balance.

²³ Section 16 Code on Social Security, 2020

ECONOMIC FALLOUT

- ✓ An increase in the minimum wage could potentially have negative effects especially if it generates an increase in labour costs, sufficiently large as to reduce the firm's labour demand. This result implies the negative relation between wages and labour demand within the firm. In other words, conventional economic theory predicts a negative relation

POTENTIAL POSITIVE BEARING

- ✓ Theoretically minimum wage increases could also have positive effects on the labour market especially if they are able to influence the general wage distribution.
- ✓ This would happen if the minimum wage affects not only wages of those covered by this mechanism but also those not covered, giving place to the so-called "**LIGHT HOUSE EFFECT**". If there is a light house effect, then minimum wages could be used in order to influence the overall wage distribution.

CODE ON WAGES, 2020²⁴

SECTION 5²⁵, CHAPTER II MINIMUM WAGES

- ✓ No employer shall pay to any employee wages less than the minimum rate of wages notified by the appropriate Government.

DRAFT CODE ON WAGES (CENTRAL) RULES, 2020²⁶

CALCULATION OF MINIMUM WAGE: The Draft Rules lay down the criteria for fixing the minimum rate of wages per day for employees. These criteria include: (i) three adult consumption units per household, (ii) daily intake of 2700 calories per consumption unit, (iii) 10% expenditure on rent, (iv) 20% expenditure of fuel, electricity, and miscellaneous items, and (v) 25% expenditure on education, medical requirements and contingencies.

NORMS FOR FIXING MINIMUM WAGE: Minimum wages will be calculated on the basis of the geographical area of employment and the skill category of an employee. For this purpose, the central government will divide the geographical area into three categories: metropolitan (population of 40 lakh or more), non-metropolitan (between 10 lakh and 40 lakh),

²⁴ Code On Wages, 2019, <https://egazette.nic.in/WriteReadData/2019/210356.pdf> (Visited on: 28.07.2021)

²⁵ Section 5 Code On Wages, 2019

²⁶ Draft Code on Wages (Central) Rules, 2020 https://www.icsi.edu/media/webmodules/Draft_Code_on_Wages_Central_Rules2020_BriefHighlights.pdf (Visited on 27.07.2021)

and rural areas (all other areas). The Draft Rules categorise occupations into four skill categories: unskilled, semi-skilled, skilled and highly skilled.

ANALYSIS

- ✓ Regarding the economic implications of the labour law, the above review has detected diverse effects. In some cases, such as the fundamental rights, it is very clear that law and its effective application should prevent intolerable situations. Currently, there is a general consensus about the Fundamental Principles relating to child labour and forced labour, which should not exist since these practices have both social and economic implications.²⁷
- ✓ In other types of law however, there are positive and negative economic effects, with the net effect being important. The literature review in this report concluded that most studies focused only on one parameter, usually the one related to negative effects with positive effects being rarely assessed. A more balanced approach is then needed in order to avoid, as much as possible, to assess both possible positive and negative effects.²⁸
- ✓ At the micro level, labour and labour-related laws can protect workers and increase their bargaining power, but this protection also may mean economic implications affecting employers' incentives to growth and employment generation.
- ✓ At the macro level, labour and labour-related laws introduce equality in the labour market but, since it has costs, this can also affect efficiency and aggregate economic variables.
- ✓ Hiring and firing laws regulate job and income security (entries and exits), and therefore they affect labour turnover, labour demand and productivity.²⁹
- ✓ Unions and collective bargaining regulations seek to equate bargaining power, but this affects profitability and could affect productivity.

²⁷ Simon Deakin, Prabirjit Sarkar, *Indian Labour Law And Its Impact On Unemployment, 1970-2006: A Leximetric Study*, Centre for Business Research, University of Cambridge, Working Paper No. 428, <https://www.cbr.cam.ac.uk/wp-content/uploads/2020/08/wp428.pdf> (Visited on: 30.07.2021)

²⁸ Sandrine Cazes, Sher Verick, *Perspectives on Labour Economics For Development*, International Labour Organization 2013, https://www.ilo.org/wcmsp5/groups/public/-dgreports/dcomm/publ/documents/publication/wcms_190112.pdf (Visited on: 30.07.2021)

²⁹ Varun Chotia, *Examining the Relationship between Labour Laws and Economic Development of India*, Research Gate, https://www.researchgate.net/publication/280094414_Examining_the_Relationship_between_Labour_Laws_and_Economic_Development_of_India (Visited on: 30.07.2021)

- ✓ Finally, in the case of the minimum wage, the regulation attempts to reduce abuse in the labour market, introducing wage equality but this can also affect the firm's labour demand.

CONCLUSION

The Labour law environment unquestionably has a positive impact on the economic development and growth scenario of India. An efficient as well as an effective labour regulatory system has the power in terms of entrepreneurship growth, creating employment opportunities both in the formal and informal sector, attracting foreign investments, boosting up the productivity of the factories, offering better financial status to the working class, giving better support to the agricultural sector, and improving the law and order situation.³⁰ The doctrinal analysis in our study confirms the fact there is a positive relationship between the labour law environment and economic development. Therefore, finally we can conclude that the labour law system has a strong impact on the economic development as well as economic freedom of a state. However, the labour laws in India still need to be fine-tuned so that the labour laws-economic development relationship can be further strengthened.³¹

³⁰ Manjushree Paruchuru, Sudha Mavuri, M. Jyothisna, Challenges For Economic Growth In India – A Critique, *Journal of Critical Reviews*, ISSN- 2394-5125 Vol 7, Issue 7, 2020, <http://www.jcreview.com/fulltext/197-1588918156.pdf?1589182141> (Visited on 30.07.2021)

³¹ Shelley Marshall, John Howe, Colin Fenwick, *Labour Law And Development: Creating An Enabling Regulatory Environment And Encouraging Formalisation*, International Labour Organisation, 2009, <https://www.ilo.org/legacy/english/protection/travail/pdf/rdwpaper27a.pdf> (Visited on: 30.07.2021)

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