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India Inc heaves a sigh of relief

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The new promise of labour law reforms unveiled by prime minister Narendra Modi has hit the right chord with companies across sectors who believe, with certain caveats, that it is the first serious step towards much-needed labour reforms, taking the country out of the morass of archaic laws and inspector raj.

Top company officials and industry bodies welcomed the prime minister's announcement on Thursday saying introduction of modern concepts like e-governance would send the right signals to the community of global investors. In addition, the emphasis on ITI education is the need of the hour to upgrade vocational skills of the labour class.

"I think these are positive steps by the government to make the laws more contemporary. This will certainly alleviate any fears of MNC firms wanting to invest in India and provide a boost to the 'Make in India' campaign," says Vinod K Dasari, MD, Ashok Leyland.

Some other firms said that the emphasis on it is would enhance overall growth of skilled force in the country. Said Essar Oil, managing director, LK Gupta, "we need the strong backing of skilled labour that would come through vocational skills acquired from ITIs. Besides 90 per cent of labour — electricians, plumbers etc. that come to our house are illiterate. It would serve the purpose if they gain some education along with the work they do."

Others like M Rafeeqe Ahmed, chairman, Ficci (TN Council), believe however, that the plan would really work if states were also taken on board. "Any reform is welcome. But, the centre should make it mandatory for states to adopt these changes. Only then will such initiatives succeed. If some states prefer not to adopt, then it does not take things forward," he said.

In addition, the universal account number (UAN) will help reduce the amount of documentation involved in the transfer of PF accounts every time employees shift organisations. The department is burdened with multiple transfers and settlements, especially relating to attrition-prone industries like BFSI, retail and IT. UAN will also bring down the unclaimed PF corpus in the future. A bulk of the PF amount remains unclaimed because people never transfer their accounts when they move from one organisation to another.

Moorthy K Uppaluri, CEO, Randstad India said the announcement signals the seriousness of the government's intent in creating a business-friendly environment. This certainly will serve as a growth catalyst to the manufacturing industry and small-scale entrepreneurs and will have cascading effect across sectors. "The introduction of e-governance will be a crucial enabler for a faster, more transparent and accountable process of conducting business in the country, which in turn will boost the confidence of global investors and the domestic business community," Uppaluri pointed out. Sector experts lauded the prime minister's political will.

"Labour laws will be beneficial for the labour-intensive textile industry. The prime minister is also talking about ending inspector raj. It is good to see that there is a political will. Till now we did not even have a political will," says DK Nair, secretary general of Confederation of Indian Textile Industry.

He however, cautioned against taking hasty steps. "Such reforms cannot be implemented overnight and they should not be implemented overnight. Workers and unions should be taken into confidence while implementing them," he added.

According to Kumar Rajagopalan, CEO, Retailers Association of India, "Reform of labour laws

has been long overdue. Retail employs large number of people and simplified and liberalised laws can bring different kinds of people like students and housewives to work for the industry. Getting women to work for longer hours will be a major reform.”

Companies also said it gives a chance to introduce radical changes in the country’s archaic colonial laws. Hemant Kanoria, CMD, Srei Infrastructure, said labour laws in India were antiquated and need to be brought to contemporary relevance. “It is much required. It will eventually lead to much lesser labour exploitation. If this reform programme is executed in proper perspective, manufacturing companies come and grow in larger numbers without any fear.”

Kanoria said if the government reduced its paper work, it would help make the system transparent, corruption-free and smooth.

Some specialists, however, said the promised reform was a mixed bag. Prof KR Shyam Sundar, (HRM) at XLRI, said labour law and governance reforms are a mixed bag. The portable EPFO accounts management was a long pending one and in the era of electronic management, it has been delivered. This will cover employees in the organised sector. While this is a welcome administrative rationalisation move and would hugely benefit foot-loose employees who shift from one region to another, the key issue that is not addressed is the uncertainty of realisation and non-delivery of PF dues with respect to the contract and casual workers who are vulnerably placed. “

While welcoming the introduction of e governance, Sundar highlighted two concerns, the failure of Mahashramm, an e-governance initiative much hailed all over the world as there are some issues with the private service provider Goldyne Technoserve and the efficiency of telecom services which are vitally important in facilitating e-transactions.

Others like Rituparna Chakraborty, president, Indian Staffing Federation, said “Over the years, we ended up creating a casteist divide between dimaag and shram. Shramev Jayate initiative elevates skills to the level it deserves. While skilling India cannot be achieved with a magic wand, constant reiteration and celebration of skills puts it on a pedestal that shall help attract youth and create incentives for entrepreneurs and investors to come and set shop in India.” According to her, hostility of labour laws in India have kept entrepreneurs and manufacturers away resulting in a meager 12 per cent manufacturing employment contributing to 16 per cent of our GDP. “The myopic view of those plagued with generalising labour reform with hire and fire has cost many jobs while the need for reform always has been to fix the multitude of plumbing issues in labour laws with huge impact. Today’s changes will have a positive impact on formal employment and learning-by-doing process.”

But most believe that Modi has tried to make India a good place of doing business by doing away with too much paper work. Points out Amit Das, president and CHRO, Reliance Communications: “it will enhance the ease of doing business in the country. It is important to end inspector raj and will help government stay abreast of their vision of minimum government and maximum governance.”

Points out L Ramkumar, managing director, Tube Investments of India, “Even though one has to go through the fine print to understand the details, overall it is a very welcome move. The government does not want companies to run behind so many agencies. By making inspection a random process through computer monitored system, it is sure to bring in more transparency. This in turn will help improve productivity.”

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