

THEME I: LABOUR MARKET INSTITUTIONS AND REGULATIONS

To understand the labour market, it is essential to understand the role of institutions. Wages and employment certainly respond in some degree to market forces, but models of the labour market that focus exclusively on supply and demand will be incomplete and often misleading. In reality institutions, whether in the sense of state regulation, the organization of workers or firms, customary patterns of behaviour or underlying social forces are central determinants of employment and wage patterns. They set the framework within which market forces function and constrain their operation. In fact this is true of most economic relationships. But it is particularly important in the labour market, because work and employment are so central to people's lives and are so closely bound up with social relationships. Any contract of employment is a social relation as well as an economic one.

The political debate on labour market institutions, however, tends to see them in a negative light, as interference in the efficient operation of markets. A case in point is the continuing debate on whether employment protection, and notably protection against dismissal, has adverse effects on employment. Similar considerations are often raised with respect to many other aspects of labour market regulation and organization, such as the minimum wage or the role of trade unions.

There are many interesting issues for research in this field. Some of them concern the real impact of state regulation – whether state regulation achieves its objective when it is effectively implemented, the extent to which it is really applied, and the wider unplanned economic consequences (for instance whether the exemption of small enterprises from regulation causes enterprises to divide their plants into smaller units, or whether the regulation of formal work tends to promote outsourcing and subcontracting). Other interesting issues concern the way social norms affect the labour market – how caste or marriage institutions lead to discrimination against lower castes and women respectively. Some concern the effectiveness of organization of workers – how far workers' interests are represented by existing trade unions, the extent and effectiveness of the organization of informal sector workers, the political role of trade unions, the importance and strategies of trade associations and employers' organizations.

Contributions would be welcome on all of these topics. They would be particularly welcome on wages, conditions of work and access to jobs.

With respect to wages, recent trends in wages and wage differentials are not well explained in the literature. Wages have been rising, while the wage share has been falling. Differences between occupations may have been widening. But casual wages have started to rise recently in both urban and rural areas. How far are these changes due to market forces, and how far are they affected by institutions such as collective bargaining, the public sector pay commissions, minimum wage regulation, traditional influences on wages such as kind payments in rural areas, changes in the relative power of workers and employers in the labour market, and so on? Is there a national pattern or are there large differences between regions of India? How far do existing wage statistics permit us to analyse these issues and what improvements are needed?

With respect to conditions of work – hours of work, holidays, the working environment, the facilities and protections that are offered to workers (e.g. crèches and maternity protection), etc. – it is important to document more systematically what is actually provided in enterprises of different types and in different economic sectors: what proportion of workers are covered, how does this impact on the welfare of workers? It is important to distinguish different categories of workers (regular, casual and self-employed at a minimum; but also public or private sector workers, white collar or blue collar workers, and perhaps other occupational categories). It is also important to determine differences between different social groups – between castes and communities, and between genders. Have these differences been increasing or decreasing in recent years? Why? Do poor conditions of work have some responsibility for the apparent decline in female labour force participation in recent years? What sorts of regulations have the most impact? What has been the role of trade unions in improving conditions of work?

A related theme is the extent to which labour market institutions have protected and promoted workers' rights in the broader sense: the right to organize and bargain collectively, the right to freedom from discrimination, the right to acquire skills, the right to security of work and income. (The right to work, a goal of the MGNREGA, and also of job reservations, raises additional issues which are too broad to be considered here). Contributions might examine how far these rights are effectively protected by the existing legal framework, or might explore

whether different categories of workers are in different positions with respect to these rights.

With respect to the topic of access to jobs, the key institutions are those that provide, or on the contrary limit, access to particular types of employment in terms of the characteristics and credentials of the workers concerned. This may refer to formal qualifications (education and skill) and experience. It may also refer to the networks of contacts and influence which are used to gain access to jobs. Do these mechanisms provide widespread access to good jobs, or do they on the contrary limit access to a small fraction of workers. The effectiveness of the public employment system may also be analysed in this context.

All contributions on the topics of labour institutions and regulation need to recognize the high degree of segmentation of India's labour market. So there is a need to consider not only formal but also informal employment. Can existing labour market institutions improve the conditions of work in both formal and informal employment, or on the contrary is the way forward to promote an increase in the formalization of employment across the labour market as a whole?

The above perspectives provide a fairly comprehensive idea about the issues which the prospective contributors may address. Some of the focused sub-themes for consideration are:

Labour market regulations:

- What do they seek to do? [Wage fixation; conditions of work; collective bargaining; job protection]
- Who do they affect? [What percentage of the workforce? What type of employees? The low-skilled or the high-skilled?]
- Do they affect growth of jobs? How?
- Do they need to be reformed? If so, what should be the guiding principle(s)?

Workers' organisations:

- In the formal sector (in the goods sub-sector and in the services sub-sector separately)
- In the informal sector (in the goods sub-sector and in the services sub-sector separately)
- Of the self-employed (in the goods sub-sector and in the services sub-sector separately)

Employers' organisations:

- In the formal sector (in the goods sub-sector and in the services sub-sector separately)
- Government as an employer
- In the informal sector (in the goods sub-sector and in the services sub-sector separately)