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# **An impact of new labour laws on employees: A critical analysis**

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**Abstract:** Labour laws are framed to bring the social justice with social equality amongst the citizen for the development of national economy, keeping this in mind central government has suggested few changes in the law. Hence, the objective of this research is to find the impact of such changes in the law on the financial and social status of the employees. For this purpose, the data has been collected through structured questionnaire and it is found during the research that the new labour law reforms 2021 proposed by the central government will affect the employees both financially and socially

**Keywords:** Labour laws, financial impact, social impact, etc.

## **1.1 Introduction:**

Law is understood to be rules and regulations which are upheld and practiced by the judiciary while resolving the disputes. These laws are enacted by the people's representatives or executive organ of the state in the form of statutes, rules etc. Apart from these laws there are other important sources called 'norms and procedures' which determines the behavior and way of applying law and rules. Customs is generally understood to be the body of law which is predominantly oral in nature and which derives its authority from sources other than the state.

These legal instruments with norms and customs constitute the legal system which defines the economic, political and social life of community or a state. Law and its applicability with interpretation changes over time. Law is a dynamic concept and should change with the evolution of society under different socio-economic and political conditions. [1]

Labour economics is a product of the classical political economy which grew in response to the theoretical and political problems created by the industrial revolution. The human alienation and misery caused by industrial revolution were reflected in the emergence of industrial workers, who were forced to work under inhuman conditions. Philosophers, Writers, Philanthropists and social workers concerned themselves with the welfare of the working class, which resulted in providing valuable material and literature for the study of labour problems. [2]

The Constitution of India has guaranteed some fundamental rights to citizens and also laid down certain directive principles of State policy for the achievement of social order based on justice,



liberty, equality and Fraternity. [3]

Principles of the Labour laws are to bring the social justice with social equality amongst the citizen for the development of national economy, simultaneously keeping the uniformity with the international order expected by International Labour Organisation. [4]

### **1.2 New labour law code:**

The central government has made few changes in the rules of labour law which will be effective from October 2021. Few of the suggested changes by draft labour law are enlisted below:

- a. Increase in working hours of employees from 9 hours to 12 hours.
- b. The basic pay of the employees will be 50% or more of the total salary which means non perk part of salary will come below 50% of the total salary.
- c. An extra work done by employees between 15 minutes to 30 minutes will be counted as overtime for 30 minutes.

### **2.1 Literature Review:**

According to a study conducted by Michel et. al. in the year 2013 there has been a relative shortage of serious allowance focusing on the evolution of Indian labour law in its economic, social and political frameworks. The research work undertakes a survey of the literature in the arena, examining first the various periods through which Indian labour law has evolved up to the present time, and secondly the extent to which the labour law system can be seen to have fulfilled its two core objectives: the protection of labour and the maintenance of industrial peace. The survey reveals that Indian 'labour law' in the formal sense has very little purchase in terms of its application in pursuit of its objects. [5].

According to the research conducted by Nizami N. in the year 2016, labour market institutions play a pivotal role in the formation and implementation of laws and regulations to protect the worker's rights and interests. Ironically, as most of them are applicable only to organized form of employment majority of the workers are devoid of their benefits. In India, workers of the Information Technology industry which represents one of the most sophisticated form of workplace are also devoid of the benefits of many labour laws due to the exemption of the industry from applicability of labour laws. Data has been collected from 272 IT employees using



snowball sampling method and the results have been used to discuss the deficiencies in the work conditions given the existing labour regulations. [6]

### **3. Research Methodology:**

#### **3.1 Research Objective:**

- a. To understand the new reforms in Labour laws
- b. To study the expected impact of new labour laws on financial status of employees.
- c. To examine the impact of new labour laws on social status of employees.

#### **3.2 Research Design:**

In the present research descriptive research design has been used to describe the impact of new labour laws on financial and social status of employees.

#### **3.3 Data Collection:**

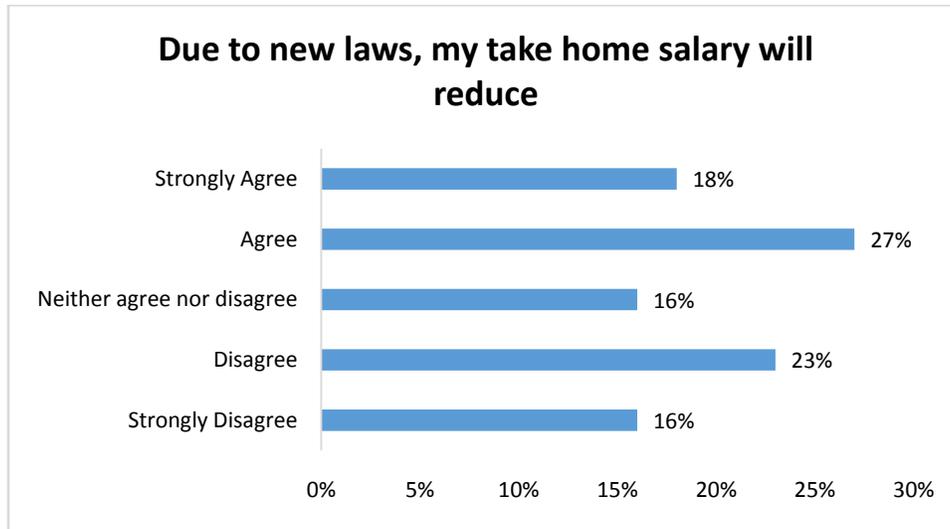
For the purpose of this research, primary data has been collected through semi-structured questionnaire and interviews from 100 employees working in manufacturing industries. Secondary data for the research has been collected from news articles, magazines, journals, etc.

#### **3.4 Sampling Technique:**

In this research, simple random and convenient sampling technique has been used to collect the data from 100 employees working in manufacturing industries.

#### **4.1 Data Analysis:**

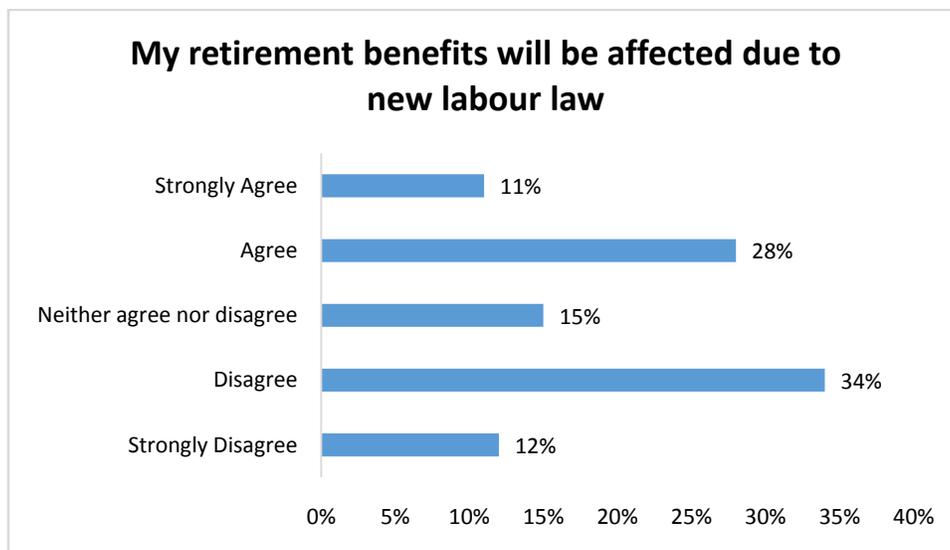
In the present research, an attempt has been made to study the impact of new labour laws on financial and social status of employees, hence, following are the findings:



**Fig. 1**

**(Source Primary Data)**

According to the survey, it is found that majority i.e. 27% of the respondents agree that new labour laws will reduce their take home salary since according to the new law the basic pay of the employees will be 50% or more of the total salary, which is supported by 18% of respondents who strongly agree to this. 16% of respondents neither agree nor disagree to this. However, 23% of the respondents disagree to this since they feel that new labour law will not decrease their salary, remaining 16% strongly disagree to this.

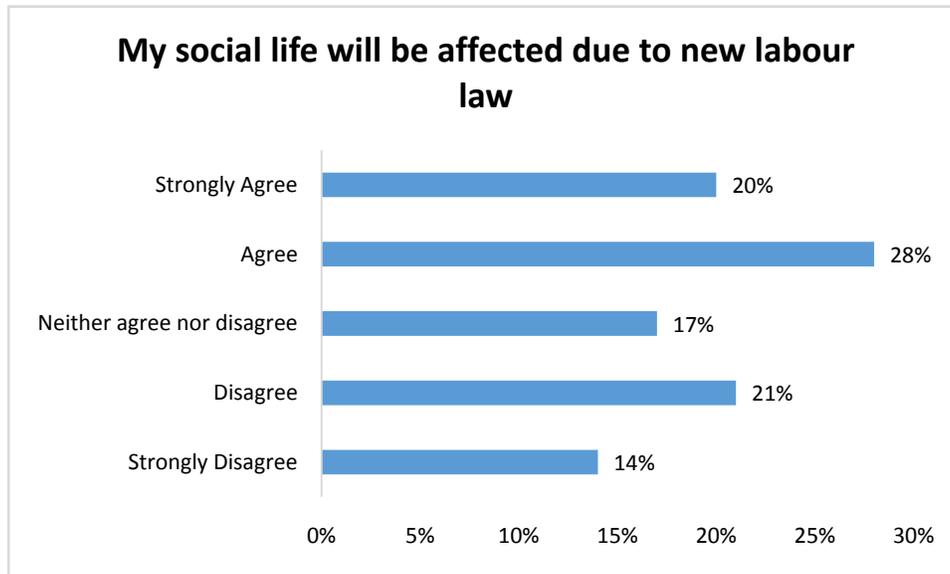


**Fig. 2**

**(Source: Primary Data)**



From the above figure 2, it is found that majority i.e. 34% of the respondents disagree that new labour law will affect their retirement benefits, which is supported by 12% of respondents who strongly disagree to this. 15% employees neither agree nor disagree to this. However, 28% employees agree that their retirement benefits like PF, Gratuity, etc. will be affected by this new labour law code, remaining 11% strongly agree to this.



**Fig. 3**

**(Source: Primary Data)**

From the above figure 3, it is found that majority i.e. 28% of the employees agree that their social life will be affected due to new labour laws, since they will be spending more time in office as office timing will be increased from 9 hours to 12 hours, which is supported by 20% of respondents who strongly agree to this. 17% of employees neither agree nor disagree to this. However, 21% of employees disagree to this and remaining 14% strongly disagree to this.

### **5. Conclusion:**

From the above analysis it is found that, the new labour law reforms 2021 proposed by the central government will affect the employees both financially and socially. Due to the changes suggested by the government, satisfaction level of employees has also been affected and it is found that majority of them are not satisfied with the law. Many employees feel that this law will



reduce their take home salary as more amount will be contributed towards PF and other retirement benefits. However, they are assured that they will get better retirement benefits because of these changes in the law.

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