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OPINION

FROM TOI PRINT EDITION

It's now or never: States are driving bold reforms. We will never get this opportunity again, seize it

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In one of the boldest and bravest initiatives since the reforms of 1991, Uttar Pradesh, Madhya Pradesh and Gujarat have ushered in radical labour market reforms by freezing a vast number of acts and giving industries flexibility. Covid-19 has acted as a catalyst in eliminating red tapism, inspector raj and all that was antiquated in our labour laws. MP has also initiated a series of ease-of-doing-business process reforms – a single form for registration; valid licences for the life of a project with no annual renewal; shops can open from 6am to midnight; from 61 registers and 13 returns for industries to just one return with self-certification and virtually no inspection by the labour department.



Uday Deb

India has so far had the most inflexible labour market regulations, which hindered large scale investments, productivity and enhancement, technology absorption and high employment growth in Indian manufacturing. This has been the main reason why our enterprises have remained small in size and scale, leading to high informal employment. Our migrant crisis is a consequence of laws that protected workers and not jobs, adversely

impacting economies of scale and ensuring rampant informalisation.

Several studies have shown that these laws hampered the ability of an enterprise to respond to changing business dynamics. Labour regulations with the intention of protecting the workers in the organised sector, were unintentionally preventing the expansion of industrial employment that could benefit a large mass of new workers.

The good thing about the new initiative is that all clauses related to minimum wages, the number of hours, safety and security measures have been kept fully functional; those related to child and bonded labour will also remain applicable. Another important feature that states must ensure is that terminated employees must get 45 days' worth of salary for every year of work, as has been done in the case of Gujarat for SEZs.

It has to be kept in mind that large companies investing in India prefer a predictable and consistent policy regime for a long period and would not like to be surprised by the labour laws getting operational after a period of three years. In order to bring size and scale to manufacturing, there is a need to remove the permission clause for retrenchment, layoff and closure for all new units and increase the threshold for seeking permission for existing units from 100 to 1,000 workers. We should work towards a progressive, forward looking, new labour regime that will provide impetus to investment and job creation.

The other key area where states have accelerated the reform process is in agriculture, a sector that was crying out for transformation. The Covid-19 lockdown has severely impacted supply chains for farm produce and food processing sectors. Initially, Punjab broke the state monopoly by reframing the Agriculture Produce Marketing Committee Act and Rules to allow private-owned markets and permit out-of-mandi transactions between farmers and consumers. This has been followed by MP's ordinance to totally free farm-produce markets. Next, UP – a state highly dependent on agriculture – amended the five-decade-old Krishi Utpadan Mandi Adhiniyam by giving farmers total freedom to sell directly from their homes. Warehouses and cold storages have been designated as mandis and fruits and vegetables have been taken out of their purview.

Similar provisions of granting deemed mandi status to warehouses and cold storages have been undertaken in Telangana, Andhra Pradesh, and Uttarakhand. Farmer Producer Organisations have been allowed in most of the states to deal directly in the electronic National Agriculture Market (e-NAM). All these reforms break the monopoly of middlemen who are rampant in agriculture and have been highly exploitative of farmers.

What more can the states do to become highly competitive and efficient in the post Covid-19 world? In the agriculture sector they need to support small land holders through contract farming. India's land holdings are extremely small (86% of land holdings are less than 2 hectares). Indian farmers, therefore, suffer due to lack of size and scale, technology, seeds, and fertiliser inputs and are unable to take market risks. States, therefore, need to implement the Model Contract Farming Act, 2018. As recommended by the 15th Finance Commission, states also need to implement the Agriculture Land Leasing Act for agricultural and allied activities, as has recently been done by UP, MP and Karnataka.

Second, the states need to implement conclusive land titling on topmost priority. Currently, registration means registration only of a deed or contract and not the property itself. This does not guarantee ownership of land. This has led to many land ownership related litigations (66% of civil cases are land related) and causes 1.3% lost growth per year. Australia, the UK, New Zealand and Singapore have all adopted conclusive land titling

systems resulting in enhancement of land productivity. Several states have made excellent progress on land records' digitisation and management. They should become the torchbearers for transacting towards conclusive land titling by adopting the Model Act on Conclusive Land Titling.

Third, Covid-19 has created a severe dilemma of lives and livelihoods for governments and citizens. A nationwide One Nation One Ration Card must become a reality enabling a migrant worker to get his ration from any fair price shop in India.

Fourth, states need to introduce a series of reforms in the electricity sector – 100% smart metering; granting of subsidies only through direct benefit transfer; privatisation of discoms by way of sub-licensing and franchise models; and reduction in cross subsidy to ensure cost reflective tariff.

Covid-19 has confronted us with a range of challenges. Every crisis presents an opportunity. Indian states must seize this opportunity to usher in big, bold, structural reforms. We will never get this opportunity again.

DISCLAIMER : Views expressed above are the author's own.