



INSTITUTE OF ECONOMIC GROWTH

University Enclave, University of Delhi (North Campus), Delhi-110 007, INDIA

August 6, 2019

SEMINAR NOTICE

Topic: "Labour Market Flexibility in Indian Industry A Critical Survey of the Literature"

Speaker/s: Professor Aditya Bhattacharjea, Professor, Delhi School of Economics

Chair: Professor Ajit Mishra, Director, IEG

The seminar details are as follows:

Date & time: Friday, September 6, 2019 at 3.30 p.m.

Venue: A.M. Khusro Room
Institute of Economic Growth,
University Enclave, North Campus,
Delhi-110 007

All are welcome.


(Oindrila De)

Abstract:

This paper updates, expands and reinforces my earlier critical reviews (Bhattacharjea 2006 and 2009) of the growing literature on the relationship between India's supposedly 'restrictive' labour laws and poor performance on a range of industrial and social indicators. I first summarize the main claims of this literature, and the construction of the indices that it uses to measure inter-state differences in labour regulation. I show, on the basis of a detailed textual analysis of the relevant laws, that the original authors made multiple errors in coding the legal provisions, and that later contributors to the literature misinterpreted the resulting indices as measures of labour market flexibility. I then highlight some econometric issues that undermine their findings, and the difficulties involved in replicating their analyses with a 'corrected' indicator. I briefly discuss two kinds of flaws in some recent papers: they inaccurately capture the employment thresholds at which different sections of the law become applicable, and they wrongly differentiate between contract and 'permanent' workers. I conclude by summarizing evidence of deteriorating labour market outcomes for workers and growing de facto flexibility in Indian industry, without any changes in the regulatory framework.