



COMPREHENDING THE RELATIONSHIP BETWEEN LABOUR LAW AND DEVELOPMENT IN THE INDIAN CONTEXT

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Comprehending the Relationship between Labour Law and Development in the Indian Context

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Abstract

In India, we have a plethora of labour laws which has complicated the labour regulation system. The Indian labour laws mainly focus on the organized sector and are often criticized for being excessively pro-worker, which infuses rigidity and hampers performance. The extant literature reveals a mixed opinion on the relationship between labour law and development of an economy. The studies in the context of the developing nations have mostly revealed an inverse relationship between the two. Thus the Indian labour laws are considered by many as a retarding factor of growth. In this context, it is imperative to judge the effectiveness of labour law in protecting workers and contributing towards the development of a nation. The main objective of this study is to understand the relationship between labour law and development of an economy. The authors have attempted to analyse the relationship between labour law and development on the basis of the state-wise data available from secondary sources of the central government. For considering the effectiveness of labour laws and regulations governing the labour and employment markets in different states in India, the Labour Law Environment Index (LLEI) has been considered. Parameters of development relating to health, education, prosperity, infrastructure, investment environment and others, have been identified for this study to judge the level of development of the selected states. The relationships between LLEI and other indices highlighting development viz. human development index, education index, infrastructure index, have also been analysed in this study. The major finding of this study is that there is a moderate degree of relationship between the labour law system and the overall performance of a state.

Introduction

In India, the Centre as well as the States can enact legislations relating to labour in their respective jurisdiction. As a result, we have a plethora of labour laws which has complicated the labour regulation system. There are about fifty central laws and several state laws covering different aspects relating to labour which are enforced and monitored under different tier in hierarchy which has further confused the entire scenario. But these labour laws mainly focus on the organized sector and are often criticized for being excessively pro-worker, which infuses rigidity and hampers performance. A major section of the workforce in the developing nations does not fall under the aegis of labour laws. The extant literature reveals a mixed opinion on the relationship between labour law and development of an economy. The studies in the context of the developing nations have mostly revealed an inverse relationship between the two. The Indian labour laws are considered by many as a retarding factor of growth. In this context, it is imperative to judge the effectiveness of labour law in protecting workers and contributing towards the development of a nation.

Objectives and Methodology of the study

The main objective of this study is to understand the relationship between labour law and development of an economy. This study will help us to identify the linkage between the efficiency of

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the legal system regulating the labour market and the different developmental facets. The authors have attempted to analyse the relationship between them on the basis of the state-wise data available from secondary sources of the central government. For this study seventeen states in India have been considered and the other states have been excluded due to non-availability of data. The rationale for undergoing state-wise analyses lies in the fact that in India there are several central as well as state labour legislations regulating the labour market and most of the state enacted laws tend to differ from other states.

For considering the effectiveness of labour laws and regulations governing the labour and employment markets in different states in India, the Labour Law Environment Index (LLEI) (India labour Report, 2009) has been considered. LLEI measures the legal, regulatory and procedural regime at the state level and how they facilitate the smooth functioning of labour markets (Debroy and Bhandari, 2009). The selected states have been ranked on the basis of the LLEI value. Parameters of development relating to health, education, prosperity, infrastructure, investment environment and others, have been identified for this study to judge the level of development of the selected states. On the basis of the value of the various developmental parameters selected for the study the states have been ranked. Appropriate statistical tools and techniques have been used for drawing proper inferences. Spearman's rank correlation coefficient and Pearson's correlation coefficient have been used and these coefficients have also been tested to examine the statistical significance. The relationships between LLEI and other indices highlighting development viz. human development index (HDI), economic freedom index (EFI), infrastructure index (IFI), and regulation of labour and business index (RLBI), have also been analysed in this study.

Contextualizing the Labour Law-Development Relationship

In a country, all beneficial and social wheels are balanced to deliver the very purpose of the state i.e. economy and employment. A strong economy is a proof of controlled regulatory system as it transpires discipline in a state. To understand the same in a better way, an effort has been made in this study to understand how labour law can contribute towards the development of a nation. In this paper, attempts have also been made to highlight some of the cases where labour law appears as a precursor to the development of a state.

The term 'labour' denotes a combination of resources a human being put to perform his assigned task – it's complete package of physical and mental effort, energy, strength of body, brain, expectation and finally the return on investment of all these elements in terms of physical and mental satisfaction. These are all highly inter-related and absence of any one of the element imbalances the whole circle which moves non-stop and can jeopardize the entire chain of labour investment. 'Labour Law' is a set of guiding principles and ethics recognised through a Government body, which is commonly known as a statutory authority. The set of laws that govern the entire relationship between a workman, an employer and the government to regulate the terms and conditions of employment is termed as labour laws. The scope of labour laws decides the magnitude of rights, privileges and powers to be enjoyed by both a workman and an employer in an organisational context while the Government remains responsible for enforcement and implementation of the labour law in industries. Without labour laws, the industry could have been a vulnerable place in the society which we know from our experience during 'slave dynasty', where tyrant employers always overpowered the working class. This created a disproportionate distribution of natural resources among citizens which gave rise to high rate of crime, anarchy and lawlessness which were enough to turn the society uncivilized and an unworthy

place to live in. Introduction of labour laws from time to time on various workplace related issues prove that whenever a crisis arose, a labour law was created to douse that evil force for ensuring a peaceful workplace atmosphere.

Labour Law is the backbone of industrial growth, as the experience shows that the most compliant employer is the most successful employer in terms of employee satisfaction and can contribute best to the country's economic growth. Foremost importance of any developmental activity in a country is based on certain guidelines which are in tune with the constitution of that country. The labour policy and the legislations in India is broadly guided by the Constitution of India, particularly its Part III and IV, containing the Fundamental Rights and the Directive Principles of State Policy. Labour law serves the most core segment of the entire gamut of state's legal system – as it contributes more in generating employment. Growth in the country's economy is a direct reflection of industrial growth and upliftment which is a result of intensive manpower utilisation across industries.

Educational growth is a direct influence of industrial growth trend as well as scope of employment. Since the labour law plays the vital role in employment generation, it directly boosts a potential progression or pushes up the educational planning of the country. In fact, the nature of industrial advancement determines the nature of educational progression required in a country. Through proper planning attempts are made to bridge the projected gap which may arise in future in terms of matching the job to the candidate or the job-seekers to the job. Knowledge and skill requirements are constantly changing in the industries and globalization has further aggravated the situation. For a sustainable and exponential growth in industrial sectors, better educational policies are required. Better quality of education begets best quality of workforce with sober knowledge and habits which teaches the workforce how to control workplace twister and volcanoes in a more controlled manner. Consistent overhauling of compliance issues with simultaneous mitigation of non-compliance issue strengthen the collective bargaining power of both the parties and train them to create a “win-win” situation in workplace. Only labour law can ensure a better compliance environment in a work place. More of compliance ensures less of industrial unrest which helps an organisation to considerably save its resources like wastage of raw materials, stock, time, man-hours, man-days and extra work pay. So final health of the organisation remains intact at any point of time and the employer feels for employees. The country reaps the result in terms of quality of production, less of industrial accident and casualty and a dedicated band of competent workforce. More manpower engagement is a resultant effect of diverse and steady expansion of employment sector, which are correlated to each other and calls for rigorous monitoring of the workplace situation in a manageable way through enforcement of labour laws with the direct involvement of statutory authority. Strict adherence to provisions of labour laws help in maintaining a congenial atmosphere in workplace through protection of interests of the working class in terms of its health, safety and welfare aspects while on work or off the work – a round the clock monitoring of the most dynamic element of production – labour.

Stringent laws may not be useful in pulling interest of employers and hence the provisions should be simplified but the adherence should be stringent. Simplified law encourages employers to follow the laws and reduces the chances of non-compliance. This ensures faster and hassle free growth in the industrial sector. Though the objective of the labour laws is to shield working class while in employment, it also parallely takes care of the interest of the employer and the organisation through its clear cut definition on wages/salary, employee, employer, establishment, working hours, leave, OT, bonus, etc with a ceiling thereof. Owing to this no impractical and exorbitant demand is raised by the working class. By way of limiting various pay and benefits issues, the interest of the employer

is also protected under labour laws. This contributes to a reasonable cost of production of each consumable so that wheel of growth propels optimally.

Proportion of manpower depends on how successfully sectors of employment or industries perform in a given situation. A controlled price level for the factors of production is a precondition for a profitable growth in a state. The surplus generated can further be invested for a further progress or expansion of the economy. Progress or expansion in economy is dependent on how better the available resources and infrastructure can be exploited through a disciplined way. Law is a discipline and labour laws induce discipline in workplace which stems out in the shape of a peaceful environment, where people work in a cohesive manner and contribute their best. A cordial relationship between the employees and employers is ensured when both sides meet their optimum demand, which labour laws ensure through enforcement and implementation of its applicability.

International trade and foreign investment is considered a factor of economic development of a country and the same is only possible in the country where foreign companies feel safe to invest and where the labour regulation system is equipped enough to manage the workplace relationship. Thus propaganda of a state as a 'compliant state' draws the notice of international trade and industry houses for investment. Ultimately the country gets benefitted in terms of a busy growth in government revenue and employment generation.

Labour Law-Development Relationship: The Indian Context

According to the United Nations' Economic and Social Survey of Asia and the Pacific 2013 the Indian economy is expected to grow at 6.4 per cent rate in 2013 (The Economic Times, 2013). Despite this fact, the overall picture of the labour market in India is quit worrisome. Out of the total workforce in the country, 92 percent work in the informal/unorganised sector while only 8 percent work in the formal/organised sector. Further the Indian labour market is characterized by unemployment, underemployment, prevalence of child labour and low representation of female workforce. The labour laws in India mainly focus on the organized sector. Some of the legislations like The Trade Unions Act 1926, The Contract Labour (Regulation and Abolition) Act 1970, The Workmen's Compensation Act 1923, The Minimum Wages Act 1948, and The Payment of Wages Act, 1936 are however applicable to the labour in the unorganized sector. The unorganized sector provides large number of employment opportunities and it significantly contributes towards the national product. But majority of the workforce in the informal sector in India is not protected.

The Economic Survey 2005-6 of Government of India states that "the Indian labour laws are highly protective of labour, and labour markets are relatively inflexible...Consequently these laws have restricted labour mobility, have led to capital-intensive methods in the organised sector have adversely affected the sector's long-run demand for labour....Evidence suggests that States, which have enacted more pro-worker regulations, have lost out on industrial production in general" (Papola et al, 2008). The multiplicity and complexity of the Indian labour laws have been identified as one of the factors impeding the increase in investment and employment in the country. The labour laws have been criticized as 'restrictive labour laws'. Some of the researchers in the field of labour law opine that the employment in organised manufacturing sector in India would have been significantly larger if the provision relating to prior government permission for retrenchment, lay off and closure, under the Industrial Disputes Act, 1947 was not made applicable to all enterprises employing 100 or more workers (Fallon and Lucas, 1991; Besley and Burgess, 2004). According to Economic Survey 2005-06, Planning Commission Report, 2008, the restrictive labour laws have not been mentioned among

the most severe constraints faced by the employers in India (Papola, et al, 2008). Studies conducted by Hasan, et al (2003) and Goldar (2011) revealed that the states which have made industry friendly changes in have experienced higher growth of employment in the organised manufacturing sector. Though the labour laws are restrictive, but they are not the most important constraints in expansion of organised sector employment, and it is essential to bring in changes in the labour law system in India to ensure expansion and improvement in overall quality of employment (Papola and Sahu, 2012).

According to Fenwick et al (2007), labour and labour-related laws can be an important means of improving job quality and of promoting decent work; but they are often perceived by the entrepreneurs as unsustainable regulatory burdens and costs. They further remarked that the compliance of labour laws by the owners of MSEs can lead to the development of a safer, happier, and more productive workforce. (Fenwick et al, 2007). The MSEs make large contributions to national economies in both human and financial terms, but the MSEs operating in the informal economy can be a hurdle to broader and sustainable economic development (Buckley, 2007-8). So, in the Indian context it is very essential to ensure that the MSEs comply with the labour laws.

Labour standards have become an important part of international trade agreements. The enforcement of the labour standards can have negative effect on the employment in the developing countries. Thus globalization of the economy has further aggravated the issue of labour standards compliance, which is perceived by many as one of the factors retarding the growth of the developing nations. Elliott (2004) remarked that the opponents of global labour standards fear that these standards will undermine developing countries' comparative advantage in low-wage goods or be abused for protectionist purposes, thereby denying workers jobs. Compliance with the global labour standards is a major challenge in India.

According to Baah and Akorsu (2007), the robust application of labour standards can bring about a more peaceful labour relations and social stability and through that there could be increased investments, higher productivity, higher economic growth, increased prosperity and, ultimately, poverty reduction. The authors further remarked that poverty cannot be reduced on a sustainable basis if the only asset for the poor – labour – is not adequately protected and rewarded along the lines of the ILO's Decent Work framework which emphasizes the rights at work, opportunities for men and women to secure decent employment and income, social protection, and social dialogue (Baah and Akorsu 2007). This seems to be one of strongest argument in favour of labour law compliance. Labour laws can protect the interests of the workers and the workers in turn contribute towards the growth and development of a nation. So, there is definitely a strong positive linkage between the labour law system and the development of a country.

In the above context, the authors intend to address the following research questions:

- Is there any relationship between the labour laws and development in India?
- What is the linkage between labour standards and the various development indicators like Human Development Index, Economic Freedom Index, and Regulation of Labour and Business Index?
- What is the relationship between labour law environment system and the various parameters like per capita income, wages to workers, total output, number of factories, number of workers and employment in the organized sector?

Analyzing the Labour Law-Development Relationship

For this study seventeen states in India have been considered and the other states have been excluded due to non-availability of data. The rationale for undergoing state-wise analyses lies in the fact that in India there are several central as well as state labour legislations regulating the labour market and most of the state enacted laws tend to differ from other states. For considering the effectiveness of labour laws and regulations governing the labour and employment markets in different states in India, the Labour Law Environment Index (LLEI) (India labour Report, 2009) has been considered.

Overall Performance of the States and Labour Law Environment Index

In this section, the relationship between the LLEI rank and the rank of the different states on the basis of different development parameters have been analyzed. The eight different issues considered in this study are primary health rank, primary education rank, prosperity and budget rank, law and order rank, consumer market rank, infrastructure rank, investment environment rank and agriculture rank (India Labour Report, 2009). The selected states were ranked on the basis of the overall rank. Table I depicts the overall rank of the states along with the rank of the eight parameters selected for the study. The LLEI value and LLEI rank have also been incorporated in the table.

Table I: The Ranking of the Selected States and the LLEI Value and Rank, 2009

	Overall Rank	Primary Health Rank	Primary Education Rank	Prosperity & Budget Rank	Law & Order Rank	Consumer Markets Rank	Infrastructure Rank	Investment Environment Rank	Agriculture Rank	LLEI Value 2009	LLEI Rank 2009
Punjab	1	6	8	2	12	1	1	3	1	335	10
Himachal Pradesh	2	1	1	1	7	3	3	1	15	298	11
Tamil Nadu	3	4	4	6	2	8	6	5	3	456	6
Kerala	4	3	2	9	1	4	2	10	9	398	8
Gujarat	5	9	9	3	3	6	8	2	6	495	4
Haryana	6	11	12	4	11	7	5	7	2	452	7
Karnataka	7	5	7	8	4	9	7	6	5	501	3
Maharashtra	8	7	6	7	9	2	4	4	7	690	1
Jammu & Kashmir	9	2	3	5	10	5	9	8	14	184	16
Andhra Pradesh	10	8	11	10	8	10	10	9	4	573	2
Rajasthan	11	12	15	12	6	11	11	13	12	374	9
Madhya Pradesh	12	13	14	14	5	15	12	12	13	468	5
West Bengal	13	10	10	11	17	13	13	15	11	181	17
Assam	14	14	5	13	14	12	16	16	20	246	14
Orissa	15	15	13	15	13	16	15	11	17	273	12
Uttar Pradesh	16	16	16	16	15	14	14	14	8	271	13
Bihar	17	17	17	17	16	17	17	17	16	197	15

Source: Adapted from the India Labour Report 2009, TeamLease and IIJT

In order to comprehend the relationship between the LLEI rank (LLEIR) and the overall rank (OR) of the selected seventeen Indian states, we have obtained Spearman's rank correlation coefficient value ($R_{OR_LLEIR} = 0.439$). On the basis of the coefficient value we can draw an inference that there is a positive relationship between the labour law environment and the overall performance of the states. The relationship has been found to be statistically significant at 10 percent level. From Table I, it may be observed that there is consistency between the overall rank (OR) and the LLEI rank (LLEIR) in case of the performing states like Gujarat (OR=5; LLEIR=4), Haryana (OR=6; LLEIR=7), Karnataka (OR=7; LLEIR=3), Kerala (OR=4; LLEIR=8) and Tamil Nadu (OR=3; LLEIR=6) (as well as the non-performing states like West Bengal (OR=13; LLEIR=17), Assam (OR=14; LLEIR=14), Orissa (OR=15; LLEIR=12), Uttar Pradesh (OR=16; LLEIR=13) and Bihar (OR=17; LLEIR=15). In case of the states like Punjab (OR=1; LLEIR=10), Himachal Pradesh (OR=2; LLEIR=11), Maharashtra (OR=8; LLEIR=1) and Madhya Pradesh (OR=12; LLEIR=5) there is no parity between the overall rank and the LLEI rank.

Further, the authors made an attempt to analyse the relationship between the LLEI rank and the rank of the other eight parameters. In this case also we calculated the Spearman's rank correlation coefficient values, and statistically significant correlations have been obtained in case of the following four parameters—Law and Order Rank (LOR) ($R_{LOR_LLEIR} = 0.689$, significant at 1% level), Infrastructure Rank (IFR) ($R_{IFR_LLEIR} = 0.478$, significant at 5% level), Investment Environment Rank (IER) ($R_{IER_LLEIR} = 0.549$, significant at 5% level), and Agriculture Rank (AGR) ($R_{AGR_LLEIR} = 0.591$, significant at 1% level).

There is a positive relationship between the labour law environment and law and order of a state. In case of the states like Gujarat (LOR=3; LLEIR=4), Karnataka (LOR=4; LLEIR=3), Madhya Pradesh (LOR=5; LLEIR=5), West Bengal (LOR=17; LLEIR=17), Assam (LOR=14; LLEIR=14), Orissa (LOR=13; LLEIR=12), Uttar Pradesh (LOR=15; LLEIR=13), Punjab (LOR=12; LLEIR=10) and Bihar (LOR=16; LLEIR=15), there is high degree of parity between the Law and Order Rank (LOR) and the LLEIR. The Spearman's rank correlation coefficient value between the Infrastructure Rank and LLEIR is 0.478, and the value is statistically significant at 5% level. It may be observed from Table I that the Infrastructure Rank for the states like Punjab (IFR=1; LLEIR=10), Himachal Pradesh (IFR=3; LLEIR=11), Andhra Pradesh (IFR=10; LLEIR=2) and Madhya Pradesh (IFR=12; LLEIR=5) is not at par with the LLEIR. Positive correlation has also been obtained between the Investment Environment Rank (IER) and LLEIR. There is no consonance between the IER and LLEIR for the states like Punjab (IER=3; LLEIR=10), Himachal Pradesh (IER=1; LLEIR=11), Andhra Pradesh (IER=9; LLEIR=2) and Madhya Pradesh (IER=12; LLEIR=5). It has been obtained that there is positive correlation between the Agriculture Rank and the LLEIR. Except in case of Punjab (AGR=1; LLEIR=10) and Madhya Pradesh (AGR=13; LLEIR=5), there is more or less an agreement between the AGR and LLEIR of the selected states.

Economic Freedom Index and Labour Law Environment Index

The Economic Freedom Index (EFI) of the states of India talks about the significant differences in economic governance that exist in India and it has focused attention on state-level reforms which is required to improve inclusive economic growth. The EFI is based on three parameters which are size of the government, legal structure and security of property rights, and regulation of business and labour. The EFI shows the direct correlation between economic freedom and the well-being of citizens. The states in India with high EFI are economically more free, and they are doing better in

terms of a higher per capita growth, employment generation and investment attraction (Debroy et al, 2012).

In this section, we have analysed the relationship between the EFI value and LLEI value. The Pearson's correlation coefficient value is positive ($r_{EFIIV_LLEIV} = 0.534$) and statistically significant at 5% level. From the positive and significant coefficient value we can remark that the states which are economically free have a better labour regulatory system and vice-versa.

Table II: LLEI and EFI- Value and Rank, 2009

	LLEI Value 2009	LLEI Rank 2009	Economic Freedom Index Value 2009	Economic Freedom Index Rank 2009
Punjab	335	10	0.35	11
Himachal Pradesh	298	11	0.43	5
Tamil Nadu	456	6	0.59	1
Kerala	398	8	0.36	9
Gujarat	495	4	0.57	2
Haryana	452	7	0.47	4
Karnataka	501	3	0.34	12
Maharashtra	690	1	0.36	9
Jammu & Kashmir	184	16	0.38	8
Andhra Pradesh	573	2	0.51	3
Rajasthan	374	9	0.4	7
Madhya Pradesh	468	5	0.42	6
West Bengal	181	17	0.33	14
Assam	246	14	0.29	16
Orissa	273	12	0.31	15
Uttar Pradesh	271	13	0.34	12
Bihar	197	15	0.23	17

Source: Compiled from the India Labour Report, 2009, TeamLease and IIJT, and Economic Freedom Rankings for the States of India Report, 2012.

Regulation of Labour and Business Index and Labour Law Environment Index

Many a times, an entrepreneur has to take decisions which are not at par with the expectations of the workers. As a consequence, an entrepreneur has to face several constraints and his/her freedom is curbed. The labour laws in our country are pro-worker. The number of strikes and industrial disputes portrays the economic freedom in terms of the control that an entrepreneur has over his/her own business. An entrepreneur also lacks control over his/her own business in terms of lack of adequate infrastructure and raw material. Limitations of this sort severely hamper the entrepreneur's ability to impose decisions that may be advantageous for his/her business. (Debroy et al, 2012). The Regulation of Labour and Business Index (RLBI) indicates the degree of freedom enjoyed by the entrepreneurs to run their businesses.

Table III: LLEI and RLBI -Value and Rank, 2009

	LLEI Value 2009	LLEI Rank 2009	Regulation of Labour and Business Index Value 2009	Regulation of Labour and Business Index Rank 2009
Punjab	335	10	0.18	16
Himachal Pradesh	298	11	0.38	5
Tamil Nadu	456	6	0.41	3
Kerala	398	8	0.25	12
Gujarat	495	4	0.49	1
Haryana	452	7	0.34	7
Karnataka	501	3	0.32	8
Maharashtra	690	1	0.35	6
Jammu & Kashmir	184	16	0.39	4
Andhra Pradesh	573	2	0.48	2
Rajasthan	374	9	0.22	14
Madhya Pradesh	468	5	0.27	11
West Bengal	181	17	0.25	12
Assam	246	14	0.19	15
Orissa	273	12	0.31	9
Uttar Pradesh	271	13	0.3	10
Bihar	197	15	0.15	17

Source: Compiled from the India Labour Report, 2009, TeamLease and IIJT, and Economic Freedom Rankings for the States of India Report, 2012.

In order to judge whether the proper labour environment induces a freer environment for the entrepreneurs, we have analysed the correlation between the LLEI value and the Regulation of Labour and Business Index (RLBI) value. The Pearson's correlation coefficient value obtained is positive ($r_{RLBV_LLEIV} = 0.496$) and statistically significant at 5% level. From the positive and significant coefficient value we can remark that the states where labour regulatory system is better the entrepreneurs enjoy higher degree of freedom in running their businesses. In this context, it will be pertinent to mention that the nature of industrial relations in our country is drastically changing and today the trade unions are less militant in nature. In states like Gujarat and Andhra Pradesh, the entrepreneur enjoys high degree of freedom and the labour law environment in these states is quite conducive.

Other Selected Parameters and Labour law Environment Index

In order to have a better understanding about the linkage between labour law and development, we have selected few other parameters like per capita income, wages to workers, total output, number of factories, number of workers and employment in the organized sector, and judged their correlation with the LLEI value. The Pearson correlation coefficient value between the per capita income of the selected states and the LLRI value is 0.675 and it is significant at 1% level. So there is moderately high degree of association between the per capita income of a state and the labour regulatory system in that particular state. Maharashtra has the highest LLEI value as well as the highest per capita

income. Parity between the LLEI value and the per capita income can be observed except in case of few states like Punjab, Himachal and West Bengal. There is a high degree of dependency between the LLEI value and the wages paid to the workers ($r_{\text{wages_LLEIV}} = 0.731$, significant at 1% level). The wages paid to the workers in highest in case of Maharashtra, which also enjoys the highest LLEI rank. Positive correlation coefficient values have also been obtained for the other variable like total output ($r_{\text{output_LLEIV}} = 0.743$, significant at 1% level) number of factories ($r_{\text{factories_LLEIV}} = 0.673$, significant at 1% level), number of workers ($r_{\text{workers_LLEIV}} = 0.671$, significant at 1% level) and employment in the organized sector ($r_{\text{emp.os_LLEIV}} = 0.678$, significant at 1% level). Maharashtra has the highest number of employees in the organised sector, and it also has the highest LLEI value. The positive correlation values with the parameters like per capita income, wages to workers, total output, number of factories, number of workers and employment in the organized sector, reveals that there is strong linkage between the labour regulatory system and the development of a state.

Table IV: Other selected parameters

	Per Capita Income (Rs) 2008-9	Wages to workers (Rs) 2009	Total Output 2009	No. of Factories 2009	No. of Workers 2009	Employment in the organised Sector 2009
Punjab	42727	2316	105514	10065	43168	718.1
Himachal Pradesh	43305	512	42279	1294	84497	371.8
Tamil Nadu	46692	8506	300802	26122	1456155	2362.1
Kerala	45908	1576	70905	5867	331043	1132.0
Gujarat	48511	5934	508088	14863	871459	1904.8
Haryana	54884	2737	144336	4450	377322	669.7
Karnataka	38646	4254	225813	8451	598070	2234.5
Maharashtra	57458	9727	600174	20450	1034201	4121.6
Jammu & Kashmir	23644	215	13494	649	45033	210.2
Andhra Pradesh	37061	4874	212403	16903	909828	2076.4
Rajasthan	23653	1609	90665	6352	275950	1256.6
Madhya Pradesh	21095	1447	90402	3345	202428	1007.6
West Bengal	30372	3432	141796	6260	449887	1933.8
Assam	20193	544	36768	2211	126338	1088.9
Orissa	24275	1737	69532	1930	174774	714.9
Uttar Pradesh	16374	3591	200463	10935	574874	2120.9
Bihar	12012	290	29540	1775	62864	429.9

Source: Compiled from Comparative Statistics (States), India, www.ap.gov.in, 2009

Conclusion

Labour law environment definitely has a positive impact on the growth and development of a state. Effective labour regulatory system can positively influence factors like growth of entrepreneurship, create employment opportunities both in the formal and informal sector, attract investments, enhance the productivity of the factories, provide better financial status to the working class, provide better support to the agricultural sector, and improve the law and order situation. There are certain factors

which hinder the relationship between labour law and development. It is mentioned in the extant literature that the labour laws in India curbs the rate of development but it is not one of serious problems faced by the employers. These factors have to be identified through further research. The correlation between the HDI and LLEI was found to be very low ($r_{\text{HDI_LLEI}} = 0.245$). Whereas we have obtained a high positive correlation between LLEI and others variables like per capita income, wages to workers, total output, number of factories, number of workers and employment in the organized sector. Thus, the labour law system has stronger impact on the economic factors of a state rather than on the social variables. The labour laws in India need to be fine-tuned so that the labour law-development relationship can be further strengthened.

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