

Introduction

Civilization is structured around the concept of work or labour. This is too obvious to be laboured. “Every child knows that a nation which ceased to work, I will not say for a year, but even for a few weeks, would soon perish. Every child knows, too, that the volume of products corresponding to the different needs require different and quantitatively determined amount of total labour of society. That this necessity of distribution of social labour in definite proportions cannot possibly be done away with by a particular form of social production but can only change the *mode of its appearance*, is self-evident” (Marx, 1973 p.196). Different societies are essentially distinguished according their specific mode of use and distribution of their social labour. Accordingly, the concept of work changes with changing mode of production or history.

The modern concept of work naturally arose with the dominance of capitalist mode of production after industrial revolution. As Meda (1996, p 636) has pointed out we can distinguish three different conceptual dimensions of work. Firstly, work is a creative process that enriches human society and enhances civilization with increasing humanisation. Second, work may be perceived as a distributive mechanism. Wages paid for work distributes some wealth from capital to labour. Thirdly, labour may be conceived to be one of the factors of production, which increases wealth and ensures individual freedom. It is the last conception of work that has come to hegemonize modern discourse on work or labour. Economic contribution of labour is emphasized almost exclusively and its social and humanitarian contribution is simply ignored. Meda (ibid) rightly points out that this is because mainstream economics conceives of social wealth only in terms of gross national product at the expense of any other means of enhancing social well-being. No wonder, a worker’s right to freedom and dignity as citizen is readily accepted, but her right to social dignity at work is ignored.

Thanks to the working class movement, workers’ right to social dignity in employment was grudgingly conceded from the beginning of the last century. However, it was the shock of the depression and the consequent holocaust that forced the humanity to concede the right to social dignity in employment as one of the requisites of economic growth through regulated capitalism. UN Declaration on Fundamental Human Rights may be the first explicit legal recognition of the right to social dignity at work. Article 23 is eloquent in this respect.

The post World War conception of regulated capitalism was conceived, *inter alia*, in terms of full formal employment and social security. In such a scheme of things the existence of informal sector that harbours the working poor, was naturally considered to be an anachronism that would disappear as a matter of course. Hence labour standards were legislated on the premise of formal employment with unambiguous employer-employee relationship. The contract of service was

clearly distinguished from contract for services. Labour rights or standards were supposed to pertain only to the former. When the question of casual, shifting or ambiguous employer-employee relations came up before judiciary in those days, the normal response was to judicially create clear employer-employee relationship and interpret the law accordingly. Job or employment protection, decasualisation and abolition of agency or contract labour became a guiding principle of judicial law-making for the regulations of labour market. Even legislatures had to follow suit in democratic society informed by Keynesian social democratic values. Law of labour protection against temporary or permanent termination of service through lay-offs, retrenchment, dismissal and closure of enterprises, regulation and abolition of contract labour law etc. on the one hand and various labour welfare and social security laws on the other were accordingly enacted to make the labour market more congenial to the workers.

But this social democracy or welfare capitalism foundered on the rock of the realities of class power in the capitalist economy. When the world was almost euphoric about achieving sustained crisis-free capitalist growth with full employment and social security, there was one economist, Michael Kalecki who agreed that full-employment capitalism could be created but argued that such a situation was not sustainable. This was because full-employment with social security for the contingently unemployed would tilt the balance of power against capital in favour of worker (1943). Once the captains of industry perceived that they did not only have to concede the demands of labour but also lose control over the labour process, they would fail to behave according to Keynesian premises. Rising demand would not propel capital to increase supply with requisite investment, but to raise prices further. To regain their control at the workplace, the capital would resort to investment strike, so to say. When investment faltered, unemployment would ensue and rise. Thus would emerge the paradoxical phenomenon of inflation and recession at the same time. With the rise of unemployment the power of organised labour would decline. Capital would regain control over production and production process. The captains of industry and their ideologues would raise a hue and cry to revert to the regime of *laissez faire a la nineteenth century*. Then capital would restructure and relocate industry in a way that would decompose the organised labour and decimate its striking power and make organising in the old way rather difficult.

This is what appears to have had happened at the end of 1960's and the beginning of 1970's. The rise of unemployment and atypical employment that came into being was then justified through concepts like natural rate of unemployment (NRU) and non accelerating inflation rate of unemployment (NAIRU). The mainstream economists and mass media started crying hoarse that full employment and high wages gave rise to unemployment and inflation and that all unemployment was voluntary unemployment. Not only should the policy and regulatory mechanisms to create full employment and protect jobs but also social security-regime be dismantled for market-led growth that would 'automatically' create full employment. Neo-liberalism became the official

ideology of the World Bank and the IMF and advanced capitalist countries. All the developing countries were sooner or later made to fall in line, thanks to their debt or balance of payment crisis. The results have been almost disastrous for the working poor all over the world (Stiglitz,2002).

Not only has the informal sector with its abysmal wages and working conditions and long hours of work expanded but even the formal sector employment has been increasingly informalized. There is in fact a growing backward and forward mobility of workers across the formal-informal divide. Hence International Labour Organisation rightly talks no longer of informal sector but informal economy. This informal economy is comprised of the following groups of workers (Chen, 2005)

1. Self- Employment in informal enterprises including:
 - agriculture employees
 - own –account workers
 - unpaid family workers

2. Wage employment in informal jobs:
 Workers without formal contracts, workers benefits or social protection for formal and informal enterprise, for households or with no fixed employees, including:
 - employees of informal enterprise;
 - other informal wage workers such as;
 - casual or day labourers;
 - domestic workers;
 - unregistered or undeclared workers;
 - temporary or part-time workers;
 - Industrial outworkers (home-workers)

Although increasing informalization of employment is a global phenomenon, the largest proportions of the working class of developing countries like India have been the victims of informal employment for a long time, thanks to the lack of employment- led economic policy even during the '*dirigiste*' regime of Nehruvian period. As a result over ninety percent of workers in India are informally employed.

Table 1.

Sector	Employment Category (1999-2000 (in millions)			
	Formal	Informal	Total	Informal Workers (%)
Formal	30.66	25.79	56.45	45.8
Informal	4.02	336.29	340.31	98.81
Total	34.68	362.08	396	91.43

computed from the data given by National Commission for Enterprises in the Unorganised Sector (NCEUS) Report-2006 on Social Security . Govt. of India

Informal employment is characterized, as mentioned earlier by low wages (often below minimum subsistence wage), long working hours, abysmal condition of labour, and insecurity of employment. Accordingly they suffer from income deficit,

health care deficits, educational deficit, housing deficit and last but not the least voice deficit. In short, their work does not qualify for being called a decent work. Any project of legal empowerment of these workers must take account of all these deficits.

Economic Theory and Labour Rights

Any attempt at legally empowering workers needs to come to terms with mainstream economic objections to regulation of the labour market. As mentioned earlier, neoclassical economists that man the World Bank and International Monetary Fund and their fellow economists all over the world have been arguing that the exogenous regulation of the labour market does not allow the market to clear and as per the assumptions of their theory leads to inefficient outcomes. As a result both growth and employment are prevented from reaching optimal level. Flexibility of the labour market is said to be lost due to labour legislation. Hence they gave the call for deregulating the labour market.

This myth of labour market clearance has been definitively exploded by Weeks(1991) and even Solow (1990). Not only are the assumptions of the neoclassical economics of public policy unreal bordering on the absurd but it also suffers from the fallacy of composition because of its methodological individualism. The policy prescriptions for deregulation through removal of so-called imperfections of the market are vulnerable to a powerful logic from within the neoclassical perspective itself. In view of innumerable imperfections of the market which could not be all removed what would happen if only some of the imperfections are removed? Can the second best solution be obtained? Lipsey and Lancaster (1956) sought an answer to these simple questions and came to the logical conclusion that even the second best solution would not result. In the words of William J. Baumol (1965):

In brief, this theory (of the second best) states, on the basis of a mathematical argument, that in a concrete situation of any deviation from perfect optimality, partial policy measures which eliminate only some of the departures from the optimal arrangement may well result in a net decrease in social welfare.

At the root of the problem is the conception of idealized world of perfect competition that has no resemblance to real capitalist competition. If we start from real abstraction of capitalism, the necessity of labour rights as enhancing both efficiency and welfare would be obvious.

Industrial Dynamics and Labour Standards

In order to understand how labour laws or standards affect the growth of enterprises in the informal sector or for that matter in any sector, we need to look into the dynamics of growth of enterprises in the situation of real competition. It needs to be understood that it is the intra-sectoral competition among capitals that drives capital accumulation. Each competing capitalist would like to keep her unit cost less than her competitors in order to capture a larger share of the market. Hence competition spurs the individual capitals to

innovate to raise productivity, if reduction of unit cost cannot be effected through low wages and long hours of work. The first innovator manages to reduce her unit cost and increase its profit above the average or creates a new niche in the product market with product innovation. This in turn spurs others to emulate eliminating the advantage of the first. This is the cause of technological dynamism of capitalism. Higher productivity in the industry creates the condition for the realization of higher real wage and higher profit at the same time. That in turn realizes continuously expanding consumer goods market and accelerating accumulation and growth of industry. If some firms can compete because the wages and working conditions are kept low, the incentive to innovate will be stifled and industry will lose dynamic efficiency and remain caught up in low wages and low productivity syndrome. Unable to compete by driving down the wages and working conditions of labour below certain level because of the existence of a floor of labour standards the entrepreneurs have to continuously strive for ways and means to increase productivity and reap the economy of scale and scope and search for new products or new design of the old products to expand their market. Labour laws therefore become the driving force for growth of industry rather than stifle their growth. It is not fortuitous that the productivity of the organised sector is invariably greater than that of the unorganised sector. Table 3 displays the productivity of the organised and unorganised manufacturing sector productivity measured in terms of gross value added per worker. At a more disaggregated level, it is found that within the unorganised sector itself as we move from Own Account Manufacturing Enterprises (OAME) via Non-directory Manufacturing Enterprises (NDME) to Directory Manufacturing Enterprises (DME), that is from totally unregulated towards more regulated, productivity moves up (Table 4). OAMEs employing no wage labour at all are typical petty commodity producers. They produce for subsistence and not for profit. Since they do not extract surplus labour from any other worker but themselves, their behaviour cannot be governed by profit motive simply because it amounts to self-exploitation. They are not compelled to drive down unit labour cost. Hence they are not constrained to strive hard for growth and productivity. NDMEs do employ labour occasionally and hence have some compulsion to minimize labour cost. The productivity of NDMEs is naturally greater than OAMEs. DMEs employing more wage labour regularly are much more subject to labour standards and hence much more strongly driven to drive down unit labour cost through productivity raising techniques. The better labour standards in those firms subject to labour law and inspection may also contribute to productivity because their workers are better fed and have more job satisfaction. No wonder, their productivity is highest in the organized or formal sector.

Table 3
Gross Value Added Per Worker

Year	Factory-sector	Non-factory sector
84-85	28217	7362
89-90	30632	8019
94-95	32587	8591
2000-01	36228	11078

Source: Compiled from various Unorganised Manufacturing enterprises Surveys by NSSO and selected Years of Annual Survey of Industry (Factory Sector)

However, our arguments pertain to macroeconomic dynamics and not to microeconomic optimisation. All discourses that militate against universal labour standards build unfortunately on static microeconomic logic.

Macroeconomic growth is a direct function of investment. In a capitalist economy investment is motivated by profit expectation. Realization of profit depends, on effective demand which in turn depends on wages. Hence higher wages should normally lead to higher growth and employment. Thus both dynamic efficiency and economic growth demand better labour standards.

Neoclassical conclusion that high wages create unemployment is not only theoretically flawed but also discordant with empirical findings. Blanchflower and Oswald (1994) put the hypothesis of inverse relationship between wage and employment to test in an exhaustive world-wide study. What they 'surprisingly' found was that the rates of unemployment and wages were inversely related. High unemployment rates went with low wage rates and not vice versa as the neoclassical theory predicted. Unemployment may be due to various reasons but high wages do not appear to be one of them.

Fallon and Lucas (1994) and Besley and Burgess (2004) have attempted to confirm with Indian data the 'neoclassical dogma' that the legal regulation of the labour market leads to unemployment. Their methodology has been found to be utterly flawed. Nor have their empirical findings stand up to careful scrutiny (Jha and Goldar, 2007; Goldar, 2002; Anant *et al*, 2006).

The question of minimum wage setting is critical to imparting social dignity to workers in the informal sector. But the conventional wisdom on the question of minimum wage is that minimum wage like any other labour standards will increase unemployment. A survey of 193 American labour economists revealed that 87 per cent accepted the conclusion that an increase in minimum wage would have negative impact upon employment among young and unskilled workers (Whaples, 1996), albeit we will shortly see that this conclusion conflicts with empirical results of recent years.

The conventional theoretical arguments in regard to labour market and the impact of labour standards on its functioning suffer from some fundamental maladies. There are several infirmities in the conventional reasoning (Fine 1998, 233-34):

- Despite common sense and the authority of Nobel Laureate Solow (1990), labour market is treated identically with other markets. spite of the fact that minimum wage will impact on other markets as well labour market is treated in isolation in the context of partial equilibrium analysis. Moreover, it is treated as a single market despite all sorts of segmentation.
- At the macroeconomic level, minimum wage is fed into the model through its positive impact on the level of real wages, ignoring that minimum wages are applicable to particular segment pf the labour force and industry.
- The comparative statics of general equilibrium of the conventional analysis is incompetent to address the dynamic processes of economic development
- The reality of the market such as the market processes that 'give rise to industrial restructuring, productivity rise and growth to which the level of real wages is ultimately linked cannot be readily included within the standard economic analysis.'

- With the exception of trading off distributional goals (higher for some of the lower paid) against efficiency and employment, the significance of minimum wages for more general socio-economic progress and stability is totally ignored.
- Mainstream analysis does not address the issue of minimum wage specifically but as a particular instance of a general theory of market regulation. Accordingly minimum wage is opposed on the spurious grounds that all market interventions are deleterious.

Thus the opposition to minimum wage legislation was built primarily on the neoclassical dogma that high levels of unemployment, especially among the low paid, must necessarily be the manifestation of too high a level of real wages. The minimum wages therefore can only exacerbate the situation. In the eighties the World Bank economists along with their counterparts in the IMF were in the forefront of attack on any kind of government intervention in the market. However, faced with the adverse consequences of deregulation as per their prescriptions, they started adjusting to the stark realities of free labour market. They had to explicitly recognise the factors other than wages generating unemployment:

With persistent unemployment, therefore, the finger can point to *at least one of three factors*: imperfectly competitive product market, aggregate demand feedback from real wages or labour market not working well (by which is meant downward real wage rigidity). (Horton et al, 1994,3)

Thus variety of linkages in the labour market is now being recognised. Minimum wages as any other labour market adjustments may lead to very complex and even counter-intuitive outcomes.

Recent attempts using sophisticated techniques to corroborate the conventional conclusion on the inverse relationship between minimum wage and employment has made it more doubtful. Fields (1994) tried to model labour market with just two sectors, one covered by minimum wage and the other uncovered. His analysis showed that the conventional results do not necessarily follow. This appears to be reasonable outcome from macroeconomic point of view. It stands to reason that the redistributive result of minimum wages will lead to higher employment for the economy as a whole simply because the demand for goods of the lower paid is expected to be highly labour-intensive. This may take place not only directly through their own purchases but also indirectly through multiplier effects.

Minimum wage is also entailed whenever social productivity of labour is greater than private productivity for reasons of market failures in addition to search costs. Monopoly firms, for example, may restrict output and hence employment in order to reap higher profits. In such a situation minimum wage enforcement will increase both wages and employment as shown by Mclure (1994). Rebitzer and Taylor (1995) used an efficiency wage model to bring out similar effects even in the situation of a large number of competing employers.

Too low wages discourage labour market participation, promote casualised employment, high turnover costs and limited incentives within work and to acquire skills. These factors encourage the entry or persistence of low productivity firms and industrial fragmentation, with low levels of both capital intensity and productivity increase. An eminent labour British labour economist Frank Wilkinson has put this perspective in the following words:

A floor to wages plays an important role in obliging firms to become more efficient or to transfer workers to more productive and more socially useful purposes. When this discipline is relaxed, as unemployment rises, the more disadvantaged in the labour market become increasingly vulnerable. The ease with which their wages and working conditions can be depressed, and their labour further devalued, forms the basis for the competitive survival of inefficient producers...The consequent intensification of competition adds to the increased uncertainty and risk induced by economic depression, further reduces the incentive to invest and innovate and builds up reliance on forms of low pay as the only means of survival.

But these dynamic issues have hardly been addressed in the context of wage legislation. This may not surprise us because the mainstream economic thinking being mostly organized around equilibrium, steady state growth paths and comparative statics is hardly capable of incorporating them. However, the impact of labour market and minimum wage on growth rate rather than static inefficiencies may be addressed through Domar's contribution to the Harrod-Domar model as Fine (1998) has pointed out. According to Domar the rate of growth did not only depend on s/v (the saving rate divided by capital-output ratio) but also on the capacity utilisation. As growth proceeds, capital needs to be shifted from older/ low productivity capital stock to the newer higher productivity capital stock. This entails scrapping less technically efficient equipment and plant. But this is more likely to happen only when higher market demand and full capacity utilisation proves to be more profitable than working at less than full capacity but paying lower wages. The existence of a floor of wage through minimum wage legislation creates a barrier to the exercise of the latter option and promotes efficient growth.

Neoclassical arguments that labour standards such as statutorily prescribed minimum wages create unemployment and hinder growth has not been borne out by empirical studies as well. The study of Card and Krueger (1995) is one of the most definitive study in this regard. Card and Krueger subjected the neoclassical prediction of adverse impact of minimum wage on employment to the most rigorous tests and found a negative result. In 1992, the state of New Jersey increased its minimum wages above the national wage, while the adjoining Pennsylvania did not. Now for the minimum wage employers such as fast food restaurants along the common border, conditions would be nearly identical but for the higher New Jersey minimum wage. This provided to American economists Card and Krueger a good situation of controlled experiment. In contrast to the expected lower fast food employment growth rate after the introduction of higher minimum wage in New Jersey relative to that obtaining in Pennsylvania Card and Krueger's rigorous analysis of data found that employment growth rate was higher in New Jersey than Pennsylvania, *ceteris paribus*. They tested the neoclassical hypothesis repeatedly using other states and different data sets but found the same results. They went on to re-examine the results of previous studies and found that they too gave similar results if subjected to better statistical techniques. Recently conservatives were up in arms against the National Minimum Wage in U. K. with their neoclassical arguments that it would exacerbate unemployment situation. But the result was just the opposite; employment rose faster after the introduction of the National Minimum wage (ILO, 2002 p. 80.).

Universal Labour Standards and Firms

But the recognition of the beneficial impact of minimum wages in terms of equity, efficiency and growth is confronted with two more issues: whether minimum wage and

other labour standards should be independent of size of enterprise and whether labour standards should be universally applicable spatially. The answer is not straightforward. Seen from the perspective of an individual firm in isolation, labour standards entail cost to be minimized and hence are not 'beneficial'. Since the existence of a floor of labour standards entails competition on the basis of efficiency and innovation, less efficient firms and firms incapable of innovation are definitely disadvantaged. Hence if defending the inefficient and weak enterprises is the aim and not the efficient growth with equity, labour standards may have to be watered down for such industry. But it clearly goes against the interest of the economy-wise efficient growth. As the Low Pay Commission that sets minimum wage in the UK pointed out, using low pay as a tool for competitiveness tended to be characteristic of businesses, notably small ones that have very poor personnel management practices. The question that arises then is not the survival of marginal businesses but whether the companies can recover the market share lost by the former following an increase in the minimum wage and absorb the workforce made redundant in the process (Brown, 2002). This is the question to be addressed macroeconomic policy and not by labour law reforms.

Hence from the perspective of economy as whole the arguments that are advanced for the dilution of labour standards in the name of smallness of the firms and their so-called lack of capacity to pay are logically untenable. Number and wage filters to net out some firms from the application of certain minimum labour standards are based on such flawed logic. The moment some filters are used to screen some firms from the imagined adverse impact of labour standards, two groups of competing firms emerge: ones subject to labour standards and the other free from this liability. This normally amounts to punishing the higher productivity firms and sheltering the inefficient ones from competition. Dynamically speaking, so long as a firm can compete on the basis of low wages and bad working conditions, it has no incentive to modernise and grow. Thus lack of labour standards and fear of labour standards if grown beyond the exemption level is an incentive not to grow and reap the benefit of scale and scope and productivity. It is not the rigour or the cost of labour standards but the absence thereof that may be responsible for the lack of innovation and growth of firms.

Labour laws like the minimum wage law set a floor of rights and those dealing with labour relations lay down procedures to settle grievances and disputes. This floor of rights for workers applicable to all competing firms will create level playing ground for competition and blocking the path to compete on the basis of driving down wages and working conditions, stimulate innovation and efficiency and growth. In the discussion with the employers of micro and small enterprises (MSEs) including exporting firms, it came out loud and clear that the entrepreneurs in the small sector were convinced that labour laws in themselves were hardly any problems; they were even seen as contributing positively to the efficiency of the firm. Even the procedural hassles in regard to labour laws were hardly bothersome for them in comparison to that of other laws. It is their number filters that are perceived to be the problem as those firms that filter out of the net of labour legislation can undercut those who could not pass through the filters. Hence arises the urge to manipulate records to pass through the filter or to go for artificial division of the firms. Had the filters not been there, the firms could compete on the basis of their efficiency and economies of scale and scope. Hence if we are interested in economy-wise dynamic industrial efficiency and growth, the floor of rights enjoined by

labour laws should be universally applicable. This holds for all labour laws and argues in favour of national minimum wage.

Extant Indian Labour Legislation and Informal Workers

It should be obvious that labour legislation has to cater for the regulation of the contract of employment as well as for the regulation of the reproduction of labour power both in the formal and informal sectors. Indian labour legislation may be classified as follows:

- Labour Relations Law: Trades Union Act, 1926, Industrial Disputes Act, 1947 and Industrial Employment (Standing Orders) Act, 1946;
- Laws for regulating Conditions of Service: the Factories Act, 1948; Mines Act, 1952; Beedi and Cigar Workers (Conditions of Employment) Act, 1966; Building and Other Construction Workers Act 1995; Motor Transport Workers Act 1961, Plantation Labour Act 1951; Working Journalists (Conditions of Service) and Miscellaneous Provisions Act 1955; Apprentices Act 1961; Weekly Holidays Act 1942; Sales promotion Employees (Conditions of Service) Act 1976; Contract Labour (Regulation) Act 1970; Inter State Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979; Shops and Establishment Acts of various States;
- Wage Laws: Minimum Wage Act 1948; Payment of Wages Act 1936; Payment of Bonus Act 1965;
- Social Security Laws: Employees' Provident and Miscellaneous Provisions Act, Employees' State Insurance Act, Maternity Benefit Act, Payment Gratuity Act 1972;
- Labour Laws regarding Human Rights: Child Labour (Prohibition and regulation) Act 1986, The Children (Pledging of Labour) Act; Bonded Labour System (Abolition) Act 1976; Equal Remuneration Act 1976.

Since labour laws by and large have been enacted to meet the need to regulate labour relations in the organised sector with a determinate and relatively stable employer –employee relations in those days, they are hardly applicable to informal sector with fuzzy and temporary employer-employee relationship at best. Even when they are made applicable, they cannot be effectively implemented. Moreover, most pieces of labour legislation appear to keep most enterprises and most workers outside the ambit of law with the help of some number and wage

filters. Hardly any enterprise in the informal sector can be netted within these laws.

Number Filters

Most Indian labour statutes use number filters and/or wage filters to exempt some enterprises from the applicability of the law. Although the procedural part of the Industrial Disputes Act is universally applicable to industry, its employment protective part contained in Chapter VA does not apply to any enterprise employing less than 50 workers. Its most 'protective' sections contained in chapter VB do not apply to a firm employing less than 100 workers. Industrial Employment (Standing Orders) Act does not apply to any enterprise employing less than 100 workers. The Factories Act provides for the health, safety, welfare and other aspects of workers while at work in the factories. Under this Act, an establishment with 10 people (and electricity connection) is a factory. But the provisions of crèche is to be provided if 30 or more women are employed; provisions of a rest room is mandatory only if there are 150 or more persons employed; provisions of canteen is mandatory only if there are 250 or more persons employed; and the provisions for ambulance, dispensary, medical and para-medical staff is mandatory only if there are 500 or more persons employed. Why such essential needs of employees should depend upon the number of employees in a factory is simply incomprehensible to a normal mind. The appropriate mechanisms of provisioning such needs may have to be designed, but the dire necessity of these welfare facilities to a worker irrespective of the employment size of the enterprise cannot humanly be wished out of existence by legislative perversity. While Minimum Wages Act applies to all establishments, the Payment of Wages Act applies only to Factories and to workers drawing wages less than one thousand six hundred per *mensem*. The Payment of Bonus Act is applicable to an enterprise employing 20 or more persons and only to those workers getting less than three thousand five hundred rupees per *mensem*. The Plantation Labour Act, 1951 is the most blatant manifestation of legislative perversity in regard to labour in so far as it simply defines out of its definition of a worker any employee who happens to receive more than seven hundred and fifty rupees per month as wages. Even the poverty level minimum wage that is fixed makes the workers non-workers and hence not entitled to benefits under the Act. Table 2 displays that most labour laws use some number or quantity filters. This is compounded by the fact that states are empowered to legislate on these matters that makes the situation very confusing. In Haryana Industrial Employment (Standing Orders) Act is restricted in its applicability to those enterprises employing 100 or more workers but the adjoining state of Uttar Pradesh has amended the Act to make it applicable to any enterprise employing ten or more workers.

According to the Fourth Economic Census more than 97 percent of the enterprises employ less than ten workers. In fact, most of these employ less than five employees. Table 2 shows the applicability limits of various labour laws. Only

trade unions Act, industrial Disputes Act sans Chapters VA and VB, the Minimum Wages Act, the Workmen's Compensation Act, and the Equal remuneration Act, and the Shops and Establishments Act that is enacted by each state separately and some pieces of labour legislation enacted for specific occupation are then applicable to enterprises employing less than ten persons. So micro and small enterprises in the informal sector are hardly affected by the so-called restrictive and troublesome labour laws. Take the case of Industrial Disputes Act, 1947. This Act lays down the procedures for the settlement of industrial disputes. It is procedurally applicable to all enterprises for the settlement industrial disputes. However, really protective clauses for the workers pertaining to layoffs, retrenchment and closure are contained in Chapter VA and Chapter VB. But even a cursory look at this chapter will convince anyone that the restriction does not apply to any firm employing less than fifty persons. Its most contentious sections in Chapter V B do not apply to any industry employing less than hundred persons. Even Industrial Employment (Standing Orders) Act that provides that there has to be a Standing Orders in each enterprise to define misconducts and other service conditions so that an employee being charged with any misconduct knows what she is being charged with and why and the consequences thereof. It also entails that for any misconduct no worker will be punished without due process of law using the principles of natural justice. Even this innocuous law that lays down minimal human rights at work does not apply to those enterprises employing less than one hundred workmen. Factories Act and Employees Provident and Miscellaneous provisions Act leave out all employers employing less than ten workers while Employees State Insurance Act does not affect those firms employing less than twenty workers. Even the Maternity Benefit Act does not apply to any establishment employing less than ten employees. Since nearly ninety seven percent of informal sector enterprises employ less than ten workers, they are hardly affected by labour laws except by the Minimum Wages Act and marginally by the Industrial Disputes Act. Since their workers are not unionised, the industrial disputes in the normal sense do not crop up in these enterprises. The only disputes that crop up relate to individual disputes that pertain to termination of service. And these disputes are conciliated and adjudicated for statutory rights and natural justice.

Among the major pieces of labour legislation the Industrial Disputes Act sans chapters VA and VB, Trade Unions Act, Minimum Wages Act, Equal Remuneration Act and Shops and Establishments Act are some of the labour laws that apply to informal sector. Trades Union Act allows workers to form trade unions and obtain immunities from criminal and civil liabilities for genuine trade union activities. It goes without saying that trade unions can only effectively play their role by controlling supply of labour that militates against the free play of market forces. Hence it does create rigidity in the labour market in the neoclassical perspective. Industrial Disputes Act provides mechanism for the resolution of industrial and individual disputes mainly through adjudication. This may be said to come in the way of the freedom of the employers to hire and fire. But in the absence of the organization of labour in this sector these laws do not

operate effectively to talk of rigidities arising from it. Minimum Wages Act is the only wage law that has been enforced to some extent in this sector. Since most enterprises in the informal sector are self-employment, it affects the minority of informal sector enterprises that employ wage labour.

All these pieces of legislation and associated laws appear to be dated in view of the informalization of the bulk of employment. Hence a piecemeal approach of labour reforms will not do. What is needed is a new appreciation of the needs of labour in the emergent global economy. To the extent the informal employment is integral part of the formal employment. An integrated view of the needs of empowerment of both formal and informal workers needs to be taken. Any move -legislative or otherwise, that stabilises the dichotomy between formal and informal workers, we will argue later, will prove to be anti-empowerment of the workers.

Table 2
Major Labour Laws and their Applicability

SI. No.	Laws related to Industrial Relations	Applicability Criterion (Number Filter)
1	The Industrial Disputes Act, 1947	Generally applicable to all establishments (limitations are Chapter V A (Lay Off and Retrenchment not applicable to establishments of seasonal nature or less than 50 workers; VB (Provisions relating to lay off, Retrenchment and closure in certain establishments applies to establishments with 100 or more workers)
2	The Industrial Employment (Standing Orders) Act, 1946	100 or more, State Amendments Karnataka, West Bengal, Gujarat and Tamil Nadu the no. of workers is more than 50, in UP this limit is further reduced and all the factories under section 2m are covered i.e., 10 workers with power or 20 without power.
3	The Payment of Wages Act, 1936	Applicable to Factories
4	The Minimum Wages Act, 1948	One or More employees in any scheduled employment where min wage rate have been fixed under this act
5	The Payment of Bonus Act, 1965 The Payment of Bonus Rules, 1975	Where 20 or more workers are employed inclusive of those also who are drawing more than Rs. 1600 per month. The establishment shall continue to be governed by this act notwithstanding that the number of persons employed therein falls below 20.
6	The Factories Act, 1948	10 or more workers on any manufacturing activity with the aid of power, and 20 or more workers working without any aid of power.
9	The Contract Labour (Regulation & Abolition) Act, 1970	Applies to all establishments where 20 or more workmen are employed Applies to contractor employing 20 or more workmen
10	The Workmen's Compensation Act, 1923	Applicable to all establishments
11	The Employees' State Insurance Act, 1948	In the first Instance to the Factories and could be extended to other establishments with due process.
12	The Employees' Provident Fund & Miscellaneous Provisions Act, 1952	To every establishment which is a factory and in which twenty or more persons are employed
13	The Shops and Establishments Act	Applies to every shop and establishment, not registered under Factories Act
14	The Maternity Benefit Act, 1961	To every shop and establishment employing 10 or more persons are employed
15	The Equal Remuneration Act, 1976	Applicable to all establishments
16	The Payment of Gratuity Act, 1972	All factories and establishments where ten or more persons are employed

Empowering Informal Workers

When we are concerned with legal empowerment of informal workers or for that matter any class of workers, we need first to find the sources of power of different classes. Off and Wiesenthal (1980) brought out clearly that the sources of power of the capitalist class and the producing class were distinct. While money was the source of power of capitalist as willingness to pay, Off Wiesenthal identified the “association” of individual producers as being the source of power of the producing class. However, they wrongly conflated two producing classes: petty commodity producers or petty bourgeoisie and wage workers or proletariat. While petty bourgeoisie capacity is surely based on the association of autonomous individual producers as in co-operation, the proletarian capacity is based on their unity or collectivity (Therborn, 1983). A worker is a dispensable commodity for her employer simply because she is replaceable while employers cannot do without workers. Hence workers as a class are indispensable for capital. It is for this reason alone that collectivity is the essential power source for wage earners. This confusion between the sources of power or capacity of the wage workers and petty commodity producers is pervasive in main stream pluralist thinking of empowerment. Within this prevalent mode of thinking power is equated with individual sovereignty, based upon the control of production. It is, of course, aptly applicable to the case of petty bourgeoisie under capitalism, since their capacity emanates from control of production. But it is utterly inappropriate to the conceptualisation of proletarian class capacity that is derived from their collectivity or solidarity.

Since the self-employed workers derive their capacity from control of production. They need two kinds of legal protection-one relates to production and the other relates to social security against contingencies and old age. The former entails the necessity of production co-operation, and marketing co-operation for both sale of products and purchase of inputs. The state is required to legislate for the purpose with commitment to the concept of democratic co-operation. It would have to prevent emergence of what in India is called co-operative mafias. The extant co-operation laws must be replaced by ones that block unnecessary bureaucratic interference at present. Where only production cooperatives comes up, the state may have to take upon itself the responsibility to provide mechanisms for remunerative sale of products and supply of cheap inputs. Supply of cheap credit may of course be the responsibility of state institution.

As we have already noted, the fundamental resource available to the working class, is its collectivity. This collectivity is realized through “its capacity for unity through interlocking, mutually supportive and concerted practices.” (Therborn, 1983 p41). That is to say that “the essential ‘resource’ mobilised in pursuit of the working class objectives is neither pecuniary, as it is for the capitalist class, nor control of production, as it is for the self-employed, but rather organisation structure (Lembcke 1988, p3)” However, some organisational forms may mar

the formation of working class collectivity while others may maximise it. By legally derecognising secondary strikes or sympathetic strike and general political strike the state tries to impose an organisational form that makes working class solidarity difficult. The resulting business unionism is also subversive of the solidarity or collectivity that generates power for the workers. Any attempt to impose organisational forms that atomize the working class must be resisted.

Accordingly the segmentation of the working class in terms of the formal and informal workers for the purpose of empowerment of the working class is fraught with danger for the class. It would rather block the empowerment of the class. Such conceptualization of segmental empowerment of the working class is as old as the working class movement. The state has been forced to accept working class organisation and admit the presence of trade unionism as a feature of economic landscape. Although it has conceded, the right of workers to form unions to struggle at the workplace against particular grievances and particular employers, but it has always frowned upon struggles that are more generally directed – sympathy strikes, by one group of workers in support of others; and even worse, struggles aimed at securing concession from the state i.e. political strike.

What is being argued here is that if we are really concerned about the empowerment of wage earners, we must accept the necessity of enabling them to create an organisational form that can at least in principle, encompass all the wage earners and accordingly enable them to take any action of solidarity. Any concern for the plight of the workers without accepting the essentiality of class solidarity for the purpose of empowerment is sham.

It may be pointed out here that the collectivity of workers is easy to be realized in the situation of adequate employment opportunities and low unemployment rate. Hence right to employment and employment protection is the most basic labour right for their empowerment

The second step towards empowerment of the wage earners is to establish a legal framework that helps them develop as large a collectivity as possible. There should be no legal or bureaucratic hurdle to form industrial and general unions. Bureaucratic hurdle can be illustrated with a example from Uttar Pradesh. The ILO Convention no. 141 as well as recommendation no 149 on 'rural workers' have ratified by the Government of India. Accordingly, the state is duty-bound to promote formation of rural workers Organisation. But despite this, when the rural wage workers of Bulandshahar district of Uttar Pradesh applied for registering a composite rural workers' organisation, the registration was denied on the plea that only occupational unions can be registered under U.P. Rules. Accordingly they had to form an exclusive union of agricultural workers and another for pottery workers and so on for the purpose of registration. It is high time that any restriction- areal, occupational, industrial or otherwise, on the formation of unions goes as a prelude to any other legislative measure.

Next in importance for the empowerment of the working poor is the right of freedom of association and collective bargaining with almost unfettered right to strike. The relevant international conventions (ILO Conventions no's 87 and 98) need to be ratified by the government of India for the purpose. In the absence of effective right to strike, collective bargaining becomes collective begging. Unfortunately, recent amendment to Trade Unions Act, 1926 that specifies that a union to be registered must have as its members 10% of the workers in the enterprise or industry or 100 workers whichever is less. Clearly inter-industry unions are precluded. In the informal economy the reign of terror with the threat of 'sack' for even stirring to unionize makes organizing an uphill task, extremely difficult if not impossible. This removes the ground away from under the feet of those who wish to empower the workers in the informal economy. One needs to ponder over these issues.

Similarly, the number filter from Industrial Employment (S.O.) Act 1946 and Industrial disputes Act 1947 needs to be removed to make the provisions universally applicable. Every expecting woman worker cannot avoid the travail of maternity, it is indefensible to deny her the benefits of maternity law just because her employer does not employ beyond a threshold. Similarly every woman worker with a child needs a crèche facility for her child and hence must not be denied the right simply because her employer is a small employer. It is true that the cost of certain facility, however essential may not be borne by all employers individually. Such incapacity of some employers does not negate the dire necessity of such rights for the social dignity of the workers concerned. It only underscores the necessity of designing and instituting appropriate mechanisms for provisioning these facilities to all those who need. What prevents the state to step in to provide these facilities for a fee from the employers? Even the employers' Association and other civil society organisations may be thought of being used for the purpose wherever feasible.

Extension Of Labour Laws to Informal Employment

The informal economy was said to consist of self-employed workers and various kinds of informal wage workers. Both the categories of workers are not very precise. Quite often an apparently own account workers are in fact a variety of wage workers. So is the case with a typical wage worker in so far as it is often difficult to find out who is the employer of the workers for the purpose of employment law. The extant employment law was designed from the perspective of unambiguous employer-employee relationship. Almost all countries - developed and underdeveloped, are confronted to legally expand the ambit of employment law to deal with atypical employment today.

The typical test of employer-employee relation was 'subordination test'. The employment law and its judicial interpretation emanated from the fact that during

the most of the twentieth century the formal sector employer determined how and when employers worked and what they produced, in contrast to 'independent contractors', who determined how and when to work. This was supplemented by personal work obligation test. With the burgeoning 'atypical' employment relationship the inadequacy of the traditional test of employer-employee relationships started becoming manifest and the need to expand the scope of employment law to capture the emerging realities of the labour market was felt.

Accordingly nation after nation started granting labour rights to those not considered employees so far. This has been effected through statutes and judicial interpretation, based on: (a) the similarities between contract of employment and contract of services and (b) those performing work who have attributes of both 'employees' and 'independent contractors'

In the Unites Kingdom, for example, some of the statutes extended labour rights and protections to those workers who are not considered employees of the work receiver. As Deakin and Morris (1990, p. 171) put it:

Quasi-Dependant Labour-

"The uncertainty created by the Common law texts for defining employee status has led to a number of specific, ad-hoc extensions of the scope of protective legislation. Those affected include apprentices and trainees, self employed workers who are economically dependant on the business of another, home-workers, and agency workers. These individuals are employed –they do not have their own businesses- without necessarily being subordinated workers according to the criteria examined above. Because of this, and because they are treated as being equivalent to employees only for certain purpose, the term 'quasi-dependant labour' may need to refer to them."

Davies (1999) explained the British situation as follows:

"....the main point is that for the foreseeable future extension of labour law to dependent contractors is likely to continue to occur on a category to category basis..... Finally, extension might take the forms of designing a separate regime of protection for particular categories of self employed workers, based in part in labour law ideas, but without extending the whole or any part of extant labour law to that category of the self employed....This Directive (Directive 86/653/EEC on self-employed commercial agents) creates a legal regime which is clearly independent of labour law but which is strongly influenced by labour law notions, such as the requirement of minimum remuneration, the creation of notice period for termination and provisions for indemnities or compensation upon termination of the agency. The advantage of this approach is that it permits designers of the protective regime to draw on the fundamental principles of labour law but to tailor the specific rules to the specific situation in which the particular group of the self-employed find themselves. Its disadvantage is that it calls for much greater input

of legislative design effort than would be the case of a straight forward extension of existing norms are envisaged. For this reason it is likely that reform will take the path of extending some or all of the existing labour law norms to some of all categories of dependent contractors.....this method of approach is already well established in all European systems, and it seems to be on the increase. Thus in the UK a major development in the substantive scope of labour law has been the recent introduction of National Minimum Wage by the Act of 1998. Although a major substantive innovation, the personal scope of the Act has not been confined to employees, as caution might have indicated. Rather the Act is explicitly applied to agency workers and home-workers (in the latter case, be it noted, whether they undertake personally to perform work or services (unless the recipient of the work or services is a client or customer of a profession or business carried on by the worker) [National Minimum Wage Act 1998, ss, 34, 35 and 54 and the national minimum wage regulation, 199, seg. 2). Finally this gives the government power to extend legislation to any individual who would not otherwise fall within the scope of the Act. A similar approach has been taken in the implementation in the UK of the working Time Directive.

... the anti discrimination rules in the UK apply beyond the traditional category of the employee. On the other hand, it has been suggested above that the wholesale extension of labour law rights to the dependent self-employed is likely to be as difficult as distinguishing the employed from the self-employed, and running the risk of catching the users of the services of independent self-employed in the full scope of the labour law net is not unlikely to be a risk that many governments will wish to run.”

The British National Minimum Wage Act applies to both ‘employees’ and those providing personal services but who are not considered ‘employees’.

German Law has used the personal freedom test for distinguishing ‘independent contractors’ from ‘dependent ones’ and extending labour rights to the latter. In the words of Weis(1999)

“...the dichotomy between the self-employed, who are excluded from labour law, and employees, who are fully covered by labour law, was never accepted as satisfactory in Germany. This is why a third category was invented, to classify persons who are self-employed but whose economic situation nevertheless resembles that of an employee much more than that of a self-employed person. The individuals in this group of self-employed persons ‘akin to employees’ are supposed to be covered by at least some rules and principles of labour law. The criterion used to distinguish this group from other self-employed persons is ‘economic dependency’. Persons in this group have access to labour courts. However, they are not covered by the core of protective laws, such as statute on job security. And they are not covered either, by the system of social security.”

The Indian debate on labour law reform to meet the new aspects of employment is still confined to how much labour market should be deregulated. Rather than thinking of how to protect labour and restore social dignity at work for all workers

in the face of increasing informalization of employment, it is being debated whether protection of those who have wrested some labour rights over the years are justified at all. Since legislature so far has been unable to meet the demands of labour market deregulation i.e. dilution of extant labour rights, however limited, The executive has obliged the capital by creating conditions for non-implementation of labour laws. Indian judiciary extensively changed the law through the craft of interpretation. Even the labour law rights such as compensation for accident, the right to regular employment of casual workers and contract labour, and right to strike are progressively being restricted by the judiciary. This entails that the legislature is required to rise to the occasion and enact in order to regulate labour relations so that the labourers in general and informal labour in particular come to enjoy social dignity in employment. Historically speaking, it has only been through the medium of law that workers have acquired the *social dignity* that has ensured them both *economic and human dignity*.

Rights to Social Security

Social Security is one aspect of labour law rights whose extension to the self-employed is almost universally accepted. It is in fact part of what T. H. Marshall(1964) called social citizenship rights. The necessity of avoiding any segmented view of social security is also underlined by the fact that in the informal sector there is extensive mobility from waged work to self-employed and vice-versa. As it is, there is now increasing mobility between formal and informal employment.

Traditionally, social security was conceived from the point of view of contingent unemployment and disabilities of otherwise regular employees. It did not take into account those who may be almost permanently underemployed and underfed. This is the reality that starkly stared into the face of those who are concerned with the problems of developing countries like India. So far as the needs of various segments of the workers have been articulated from time to time, some sector specific provisions in the name of social security have been made both by the union and some state governments. Even now there is much talk of social security only for the unorganized or informal sector workers. Such segmented view of social security can never meet the needs of all those desperately needing it because of unemployment, underemployment, old age and other disabilities that are not sector specific but universal. Hence an integrated view of social security, especially in the form of national insurance or equivalent need to be taken for the effectiveness of any social security system.

Since at least from the point of view of social security provisioning, the dichotomy between organized and unorganized, between formal and informal is irrelevant (in my opinion from the point of the working class it has been irrelevant and meaningless for any legal regulation of the labour market), the only way to

resolve the issue of social security is to accept the view that social security is the right of all workers, in fact all citizens. Hence its provisioning should be effected in such a way as to meet the needs of any worker whenever and wherever he/she needs it. Since the forced mobility of workers takes them from job to job and from place to place, individual-cum-area based approach should be taken. Any worker working and residing in the jurisdiction of a panchayat or municipal council, as the case may be, needs to be registered with a national social security number with the local self government organisation. If it is to cater to the needs of the unemployed and underemployed as well then, a social security system has to be defined benefit scheme and not defined benefit contribution scheme as is being aggressively advocated by the World Bank. Perhaps a two tier system may be considered. A basic social security as a defined benefit scheme funded through revenue and contributory social security with defined contribution scheme.

Conclusions

Workers in general fall in two categories: Self-employed (excluding employers) or and wage earners. While dealing with the self-employed, care may have to be taken to distinguish between independent producers and dependent producers who may be camouflaged wage earners. Labour rights should properly be conceived to pertain to only wage earners open or camouflaged. Social security should of course be not considered only as labour right but citizenship right for the citizens who need it.

With this caveat, our discussion in the body of this paper clearly brings out the centrality of right to employment and untrammelled right to freedom to organize and collective bargaining and right to strike for the empowerment of wage earners. All other labour rights, even if enacted, are most likely to go unimplemented in the absence of these rights. Unfortunately, the dominant jurisprudence has failed to accept this necessity of collective protection of workers through their own collectivity and collective action.

Substantive labour standards need to be enacted to provide a floor of rights for all workers. This may include minimum wages, maximum hours of work, basic social and income security, basic health security and so on.

Women workers should be universally entitled to maternity benefits, extra leave in conformity with their biological cycles, crèche facility for the suckling worker. The question of equality and equal opportunities needs to be legally resolved. Their concern against sexual harassment at the workplace needs to be effectively tackled. The present system of excluding women from enjoying these basic human rights on the basis of number of workers in an enterprise must be jettisoned. What is needed is to start from the inalienability of these labour rights and then design a system of provisioning the same.

Such universal application of these labour rights cannot obviously be met by all employers individually. This is true for all social security measures as well. Either the state has to provide these labour rights through specific tax revenue or an alternative social mechanism may be designed and instituted..

A recent trend to provide privatized defined contribution social security pedalled by the World Bank needs to be halted. Social security cannot be privatised. The Bush's misadventure in this regard and his retreat has not however gone home to the policy makers and their advisors in this country. If defined benefit social security is not acceptable as the single financially viable system (I do not accept it, however), a dual system may be thought of- a universal basic defined social security for all workers, which would be funded through tax revenue and an additional defined contribution scheme funded individually by the workers and employers who can afford. Otherwise, most workers in the informal sector will only be getting a nominal social security that has hardly any element of security. Any social security scheme that does not ensure an income even equivalent to subsistence minimum wages is a travesty of social security. Social security benefits have to be applicable to all workers: wage earning and self-employed. In fact, social security should better be conceived as citizenship right rather than labour right.

To sum up, right to employment, right to organize and right to social security are the most basic labour rights that- if realized, would empower the working poor as well as give them social dignity. The hurdle that providing these labour rights effectively would encounter is the macroeconomic policy of neoliberalism that has become the new orthodoxy of economic governance. Neoliberalism and effective labour rights that are essential for empowering the working poor are obviously incompatible. Hence any one concerned with empowering the working poor need also try to achieve a macroeconomic policy that would be compatible with effectively empowering labour. Otherwise all attempts at doing something in the name of empowering the working poor through labour rights will remain mere palliatives to win legitimacy for neoliberal regime that looks at labour merely as a factor of production that entails cost to be minimized for international competitiveness.

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