

Study the Impact of Labour Law on Socio-Economic Development in India

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Abstract: *The labor control system in India is complex by the abundance of labor regulations that exist. Indian labor regulations are sometimes accused for being too pro-worker, which breeds rigidity and impairs performance. The rules primarily target the organized sector. Divergent views exist in the literature currently in publication about the connection between labor law and economic growth. Most research conducted in the context of developing countries has shown that there is an inverse association between the two. Therefore, many people believe that the labor rules in India hinder progress. Evaluating the efficacy of labor laws in safeguarding workers and promoting national development is crucial in this regard. This study's primary goal is to comprehend the connection between labor legislation and economic growth. Using state-specific data from central government secondary sources, the authors have sought to analyze the connection between labor legislation and development. The Labour Law Environment Index has been taken into consideration while evaluating the efficacy of labor laws and regulations that regulate the labor and employment markets in various Indian states. In order to assess the degree of development of the chosen states, this research has established development parameters pertaining to infrastructure, prosperity, health, education, and other areas. This research has also examined the correlations between the LLEI and other development-focused indices, such as the infrastructure, education, and human development indices. The study's main conclusion is that there is a somewhat strong correlation between a state's labor law system and its overall performance.*

Keywords: Labour Law Reforms, Economic Development, Industrial Relations, Worker Rights, Regulatory Framework

I. INTRODUCTION

Both the Centre and the States of India have the authority to pass labor-related laws within their respective regions. Because of this, the labor regulatory system has become more complex due to the abundance of labor laws. The situation has been further complicated by the roughly fifty federal statutes and several state laws that address various labor-related topics. These laws are implemented and overseen by different levels of government, adding to the confusion. However, the majority of these labor regulations target the organized sector, and they are often criticized for being too pro-worker, which breeds rigidity and impedes productivity. A significant portion of the labor force in developing countries is exempt from labor regulations. Divergent views exist in the literature currently in publication about the connection between labor law and economic growth. Most research conducted in the context of developing countries has shown that there is an inverse association between the two. Many people believe that the labor rules in India hinder economic progress. Evaluating the efficacy of labor laws in safeguarding workers and promoting national development is crucial in this regard.

Objectives and Methodology of the study

This study's primary goal is to comprehend the connection between labor legislation and economic growth. This research will assist us in determining the relationship between various developmental aspects and the effectiveness of

the legislative framework governing the labor market. Using state-specific data from central government secondary sources, the authors have tried to analyze the link between them. Seventeen Indian states were taken into consideration for this research; the other states were left out since insufficient data was available. The reason for doing state-by-state assessments is because the labor market in India is regulated by many federal and state labor regulations, the majority of which are passed at the state level and vary from state to state.

The Labour Law Environment Index has been taken into consideration while evaluating the efficacy of labor laws and regulations that regulate the labor and employment markets in various Indian states. LLEI gauges how well states' legal, regulatory, and procedural frameworks support the efficient operation of labor markets. The LLEI value has been used to rank the chosen nations. In order to assess the degree of development of the chosen states, this research has established development parameters pertaining to infrastructure, prosperity, health, education, and other areas. The states have been rated according to the values of the several developmental indicators used for the research. Sufficient statistical methods and instruments have been used to get appropriate conclusions. Two correlation coefficients have been employed and evaluated to assess the statistical significance: Pearson's and Spearman's rank correlation coefficients. This research has also examined the correlations between the LLEI and other indices that emphasize progress, such as the infrastructure index, the human development index, the economic freedom index, and the regulation of labor and business index.

Contextualizing the Labour Law-Development Relationship

All social and economic cogs in a nation are in balance to produce the economy and jobs—the primary goals of the state. A robust economy is evidence of a well-managed regulatory framework, which promotes discipline within a state. An attempt has been made in this research to comprehend how labor legislation might assist to a nation's growth in order to better grasp the same. Additionally, an effort has been made in this study to identify a few instances in which labor law exists before the creation of a state.

The term "labor" refers to the whole set of resources that a person uses to carry out the task that has been assigned to him. These resources include energy, physical and mental effort, body and mental strength, expectation, and, ultimately, the return on investment of all these elements in terms of mental and physical satisfaction. These are all intricately linked, and the lack of just one of them throws off the whole circle, which spins constantly and puts the chain of labor investment at risk. "Labour Law" refers to a system of moral standards and guiding principles that are recognized by a statutory authority, a branch of government. Labor laws are the body of regulations that control the terms and circumstances of employment and include the complete interaction between an employer, an employee, and the government. The extent of rights, privileges, and powers that an employee and an employer may have inside an organization is determined by the labor laws, and the government is still in charge of enforcing and carrying out labor regulations within certain industries. Since the working class was constantly subjugated by tyrannical bosses under the "slave dynasty," the industry may have been a weak point in society in the absence of labor rules. Due to the unequal distribution of natural resources among the populace, there is now a high crime rate, instability, and lawlessness, all of which combine to make society seem primitive and unfit of human habitation. The periodic introduction of labor laws pertaining to different workplace-related concerns demonstrates that, in order to ensure a peaceful working environment, a labor law was formed to put an end to that evil force whenever a crisis emerged.

Labor law is the foundation of industrial progress because, as history has shown, employers that comply with the law have higher employee satisfaction and are better able to support the expansion of their nation's economy. The primary focus of every development initiative of a nation is determined by a set of principles that align with the nation's constitution. The Indian Constitution, especially its Part III and IV, which include the Fundamental Rights and the Directive Principles of State Policy, serves as a general guidance for both labor laws and policies. Because it makes a greater contribution to job creation, labor law functions as the cornerstone of each state's legal system. The nation's economy is growing because of the industrial boost and expansion that come from the heavy use of labor in all sectors of the economy.

The direction of industrial expansion and the range of work opportunities directly affect the growth of education. The labor legislation directly increases prospective advancement or advances the nation's educational planning since it is essential to the creation of jobs. As a matter of truth, the kind of educational improvement that a nation needs depends on its industrial growth. Efforts are undertaken to close the anticipated gap that may develop in the future between job searchers and employers in terms of connecting candidates with available positions. The industries' needs for knowledge and skills are always evolving, and globalization has made matters worse. Better educational policies are needed if industrial sectors are to expand sustainably and exponentially. A workforce with sober knowledge and habits, which educate them how to regulate workplace twisters and volcanoes in a more controlled way, is bred by better education. The parties' combined negotiating power is strengthened when compliance problems are consistently redesigned while non-compliance concerns are concurrently mitigated. This also teaches the parties how to establish a "win-win" environment at work. A more compliant work environment can only be guaranteed by labor legislation. Increased compliance leads to less industrial discontent, which helps an organization save a significant amount of money on things like wasted time, stock, raw materials, man-hours, man-days, and overtime compensation. Thus, the organization's overall health is maintained at all times, and the employer has compassion for its staff. The nation benefits from higher-quality output, a decrease in industrial accidents and casualties, and a committed and skilled labor force. Increased workforce engagement is a consequence of the employment sector's diverse and steady expansion, which is correlated with one another and necessitates strict oversight of the working environment in a manageable manner through the enforcement of labor laws with the direct participation of statutory authority. Strict adherence to labor laws' provisions contributes to the preservation of a friendly work environment by safeguarding the interests of the working class in terms of their welfare, health, and safety both on and off the job—a 24/7 observation of the most dynamic component of production—labor.

Strict regulations may not be effective in attracting companies, therefore although the restrictions should be made simpler, strict adherence to them is still necessary. Simplified legislation lowers the likelihood of non-compliance and encourages companies to abide by the law. This guarantees easier and quicker industrial sector expansion. The goal of labor laws is to protect the working class while they are employed, but they also protect the interests of the employer and the organization by providing precise definitions for terms like wages or salaries, employee, employer, establishment, working hours, leave, overtime, bonuses, etc. with corresponding ceilings. Because of this, the working class does not make any extravagant or unrealistic demands. Labor laws also safeguard the employer's interest by restricting numerous problems related to wages and benefits. This helps to keep the cost of manufacturing of each consumable fair so that the wheel of growth spins at its best.

The percentage of labor force is determined by how well industries or employment sectors function in a certain circumstance. For a state to have profitable growth, the price level of its production factors must be kept under control. The excess that is produced may be reinvested for the economy's further growth or development. Economic growth or progress depends on how well the infrastructure and resources available can be used in a methodical manner. Law is a discipline, and labor laws create a discipline in the workplace that manifests itself as a calm atmosphere where individuals collaborate and give their all. When both parties get what they most want, a friendly relationship between employers and workers is guaranteed. Labor laws guarantee this by enforcing and putting into practice their application.

Foreign investment and international commerce are seen as important components of a nation's economic growth, but they can only occur in nations where foreign businesses feel comfortable making investments and where the labor laws are sufficiently developed to regulate relationships at work. Thus, portraying a state via propaganda as a "compliant state" attracts the attention of global trade and business organizations seeking to invest. In the end, the nation gains from a spectacular rise in government income and the creation of jobs.

Labour Law-Development Relationship: The Indian Context

The Indian economy is predicted to develop at a 6.4% annual pace in 2013 by the United Nations Economic and Social Survey of Asia and the Pacific. In spite of this, there are some concerning general trends regarding the Indian labor

market. Only 8% of the nation's workforce is employed in the official, organized sector, with 92% of workers being employed in the informal or unorganized sector. In addition, there is a high rate of child labor, underemployment, unemployment, and a low proportion of women in the workforce in India. India's labor regulations primarily target the organized labor market. However, several laws, such as the Payment of Wages Act of 1936, the Workmen's Compensation Act of 1923, the Trade Unions Act of 1926, the Minimum Wages Act of 1948, and the Workmen's Compensation Act of 1970, apply to labor in the unorganized sector. Numerous job possibilities are offered by the unorganized sector, which also makes a considerable contribution to the national output. However, the vast majority of Indian workers in the unorganized sector are not covered.

The Indian government's Economic Survey 2005–6 notes that "labor markets are relatively inflexible, and labor laws are highly protective of labor." As a result, these rules have impeded the movement of labor, forced the organized sector to adopt capital-intensive practices, and negatively impacted the labor demand over the long term. Research indicates that States that have implemented a greater number of worker-friendly rules have often suffered losses in industrial productivity. One of the things preventing more investment and jobs from being created in India is the quantity and complexity of the nation's labor regulations. It has been said that the labor laws are "restrictive labor laws." According to some labor law experts, if the Industrial Disputes Act, 1947's provision requiring prior government approval for layoffs, retrenchments, and closures had not been extended to all businesses with 100 or more employees, the number of jobs in India's organized manufacturing sector would have been much higher. The Planning Commission Report, 2008, and the Economic Survey, 2005–06, both list one of the biggest obstacles that Indian companies confront as not being labor regulations. Research by Hasan et al. and Goldar showed that states that changed in ways that were favorable to business had seen faster increases in the number of jobs in the organized manufacturing sector. The labor laws in India need to be changed in order to guarantee the growth and development of the general standard of work, even if they are still restrictive and do not represent the primary barriers to the increase of employment in the organized sector.

Labor and labor-related legislation, according to Fenwick et al., may be a significant tool for fostering decent work and raising the quality of jobs, but entrepreneurs often see them as unaffordable regulatory burdens and expenses. Additionally, they said that a safer, happier, and more productive staff may result from MSE owners adhering to labor rules. MSEs contribute significantly to national economies in terms of labor and capital, but those that operate in the unofficial sector may provide a barrier to more extensive and long-term economic growth. Therefore, it is crucial to make sure that MSEs abide with labor rules in the Indian setting.

International trade agreements increasingly include provisions pertaining to labour standards. The employment situation in emerging nations may suffer if labor laws are strictly enforced. Thus, labor standards compliance has become more problematic as a result of economic globalization, which is often believed to be one of the issues impeding the development of poor countries. Elliott said that those opposed to global labor standards worry that these regulations would hurt developing nations' ability to compete on the basis of low-wage commodities or be exploited for protectionist ends, which would result in the loss of employment for workers. In India, adhering to international labor norms is a significant difficulty.

Strong labor standards implementation, in the opinion of Baah and Akorsu, may result in more harmonious workplace relationships and societal stability, which in turn may boost investments, productivity, economic development, prosperity, and, eventually, the decrease of poverty. The authors also noted that the ILO's Decent Work framework, which emphasizes workers' rights, opportunities for men and women to secure decent employment and income, social protection, and social dialogue, cannot be used to reduce poverty on a sustainable basis if the poor's only asset—labor—is not sufficiently protected and rewarded. This seems to be the best justification for adhering to labor laws. Labor laws have the power to safeguard employees' interests, and employees themselves play a vital role in the expansion and development of a country. Thus, there is unquestionably a significant positive correlation between a nation's growth and its labor law system.

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

Exists a connection between India's prosperity and labor laws?

What is How do different development indices, such as the Economic Freedom Index, the Human Development Index, and the Regulation of Labor and Business Index, relate to one another. the connection between the system of labor laws and environments and other factors such as total production, salaries paid to employees, number of factories, number of workers, and employment in the organized sector?

Analyzing the Labour Law-Development Relationship

Seventeen Indian states were taken into consideration for this research; the other states were left out since insufficient data was available. The reason for doing state-by-state assessments is because the labor market in India is regulated by many federal and state labor regulations, the majority of which are passed at the state level and vary from state to state. The Labour Law Environment Index has been taken into consideration while evaluating the efficacy of labor laws and regulations that regulate the labor and employment markets in various Indian states.

Overall Performance of the States and Labour Law Environment Index

This section examines the link between the LLEI rank and the ranks of the various states based on various development metrics. Primary health, primary education, prosperity and budget, law and order, consumer market, infrastructure, investment environment, and agriculture are the eight distinct problems that were taken into consideration in this research. Based on the total rank, the chosen states were rated. The overall state rankings as well as the rankings of the eight study-specific characteristics are shown in Table I. Additionally included in the data are the LLEI rank and value.

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: Reproduced from Team Lease and IIJT's 2009 India Labour Report

We have determined the Spearman's rank correlation coefficient value in order to understand the link between the LLEI rank and the overall rank of the seventeen Indian states that were chosen. We may conclude that there is a positive correlation between the labor legal environment and the states' overall performance based on the coefficient value. At the 10 percent level, the association has been shown to be statistically significant. Table I shows that, for performing

states like Gujarat, there is consistency between the overall rank and the LLEI rank. State of Haryana karnataka Tamil Nadu and Kerala, along with underperforming states like West Bengal The Assam Orissa Bihar and Uttar Pradesh Regarding states such as Punjab In Madhya Pradesh, Himachal Pradesh, Maharashtra, and LLEI, the overall and LLEI ranks are not equal.

The authors also attempted to analyze the correlation between the rank of the other eight factors and the LLEI rank. We computed the Spearman's rank correlation coefficient values in this instance as well, and we found statistically significant correlations for the following four parameters: Infrastructure Rank, Law and Order Rank, Investment Environment Rank, and Agriculture Rank.

A state's law and order and its labor law environment are positively correlated. Regarding states such as Gujarat and Karnataka State of Madhya Pradesh Bengal (West) Orissa and Assam The state of Uttar Pradesh There is a considerable degree of parity between the LLEIR and the Law and Order Rank in Punjab and Bihar. Between the Infrastructure Rank and LLEIR, the Spearman's rank correlation coefficient value is 0.478, and the result is statistically significant at the 5% level. Table I shows that several states, including Punjab, Himachal Pradesh, Andhra Pradesh, and Madhya Pradesh, have Infrastructure Ranks that are lower than the LLEIR. Additionally, a positive link has been shown between LLEIR and the Investment Environment Rank. The IER and LLEIR for states like Punjab, Himachal Pradesh, Andhra Pradesh, and Madhya Pradesh do not agree. The results show that the Agriculture Rank and the LLEIR have a favorable association. The AGR and LLEIR of the chosen states have a somewhat agreement, with the exception of Punjab and Madhya Pradesh.

Economic Freedom Index and Labour Law Environment Index

The states of India's Economic Freedom Index discuss the stark inequalities in economic governance that exist there and have drawn attention to the state-level changes that are necessary to enhance equitable economic development. The three factors that determine the EFI are the size of the government, the security of property rights and the legal framework, and labor and business regulations. The EFI demonstrates the clear relationship between people' well-being and economic freedom. India's high-EFI states have more economic freedom and are doing better in terms of per capita growth, job creation, and investment attractiveness.

We have examined the link between the EFI value and LLEI value in this part. At the 5% level, the Pearson's correlation coefficient value is statistically significant and positive. We may conclude from the positive and substantial coefficient value that states with more economic freedom have better labor laws, and vice versa.

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

	LLEI Value 2009	LLEI Rank2009	Economic Freedom IndexValue 2009	Economic Freedom IndexRank 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

An entrepreneur often needs to make judgments that fall short of what the workforce expects. An entrepreneur must so deal with a number of limitations, which limits their independence. Our nation has labor regulations that support workers. The frequency of labor strikes and disputes illustrates the degree of economic flexibility that an entrepreneur has when it comes to managing their own company. An entrepreneur is also powerless over their own company when it comes to a shortage of raw materials and infrastructure. These kinds of restrictions make it very difficult for the company owner to make judgments that might benefit their enterprise. The degree of freedom entrepreneurs have to manage their firms is shown by the Regulation of Labour and Business Index.

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

To assess whether an appropriate work environment fosters a more liberated atmosphere for entrepreneurs, we have examined the relationship between the Regulation of Labour and Business Index value and the LLEI value. At the 5%

level, the derived Pearson's correlation coefficient value is positive and statistically significant. We may conclude from the positive and substantial coefficient value that entrepreneurs have more flexibility to manage their enterprises in states with stronger labor laws. In light of this, it is important to note that industrial relations in our nation are evolving rapidly and that trade unions are becoming less militant. Entrepreneurs have a great degree of flexibility in states like Gujarat and Andhra Pradesh, where the labor legislation climate is highly favorable.

Other Selected Parameters and Labour law Environment Index

We have chosen a few additional parameters, such as per capita income, wages to workers, total output, number of factories, number of workers, and employment in the organized sector, and evaluated their correlation with the LLEI value in order to gain a better understanding of the relationship between labor law and development. The per capita income of the chosen states and the LLRI value have a 0.675 Pearson correlation coefficient, which is significant at the 1% level. Therefore, the degree of correlation between a state's labor regulatory framework and per capita income is relatively strong. Both the LLEI value and per capita income are greatest in Maharashtra. There is a correlation between the LLEI value and the per capita income, with the exception of a few states including West Bengal, Punjab, and Himachal Pradesh. The LLEI value and the salaries that are given to the workers are highly correlated. Maharashtra, which has the highest LLEI rating, also pays the highest salaries to its workers. For the other variables, such as total production, the number of factories, the number of workers, and employment in the organized sector, positive correlation coefficient values have also been found. Maharashtra holds the record for both the greatest LLEI value and the biggest number of workers in the organized sector. There is a substantial association between the growth of a state and its labor regulatory system, as shown by the positive correlation values found with parameters such as salaries to workers, total production, number of factories, number of workers, and employment in the organized sector.

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 Workers2009	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 India, www.ap.gov.in, 2009

II. CONCLUSION

There is little doubt that a state's growth and development are positively impacted by its labor law environment. An efficient labor regulatory system can have a positive impact on a number of variables, including the rise in entrepreneurship, the creation of formal and informal employment opportunities, investment, increased factory productivity, improved financial status for the working class, improved support for the agricultural sector, and an improvement in the state of law and order. The link between labor legislation and development is hampered by a few things. The material that is now in publication states that India's labor rules slow down growth, although this is not one of the major issues that companies confront. More study is required to identify these elements. The HDI and LLEI were shown to have very little association. On the other hand, a strong positive association has been found between the LLEI and other variables such as total production, wages to workers, number of factories, number of workers, and employment in the organized sector. As a result, the labor law system affects a state's economic aspects more so than its social aspects. To further enhance the link between labor laws and growth, India's labor laws need to be adjusted.

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