

The labour market flexibility debate in India : Re-examining the case for signing voluntary contract

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Abstrak

A major focus of India's ongoing policy debate over labour market flexibilization has been the statutory requirement that firms employing 100 or more workers cannot dismiss employees without prior government permission. The case for repealing that requirement (or greatly increasing the workforce threshold) is notably underpinned by Basu, Fields and Debgupta (2009). Here, the author challenges their particular theoretical argument for hiring and firing at will based on the voluntary signing of contracts, demonstrating that their general policy conclusion is logically unsustainable even within the framework of that model. The case for labour market flexibilization through voluntary contracting thus remains unfounded.