

Cost Benefit Analysis of Rajasthan Shops and Commercial Establishments Act, 1958

Background & Rationale

With an increasing thrust towards enhancing competitiveness of businesses in India, both Central and State Governments in the spirit of co-operative federalism have been undertaking regulatory and policy reforms. Such reforms intend to provide an enabling environment for employment generation and facilitating Ease of Doing Business (EoDB) in the country. To foster competitive spirit among states, the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, has been ranking different states annually through its Assessment of State Implementation of Business Reforms. Labour reforms, amongst others, have been at the centre of World Bank and DIPP's 'Doing Business Action Plan'.

Given that there has been a lot of emphasis on State-led reforms, the Government of Rajasthan among other States in India has been a frontrunner in introducing labour reforms and a series of other policy reforms over the past three years.

The labour policy instruments governing the conditions of work and employment in shops and commercial establishments in the States are respective shops and commercial establishments related legislations. Reform of such legislations has been on the agenda of Central Government for the past few years.

The Central government had introduced the Model Shops and Establishments (Regulation of Employment and Condition of Service) Bill, 2016 (Model Bill) laying down the guidelines for States to adopt and accordingly amend their respective State legislations regulating shops and establishments. Taking a cue from the central government, several states are taking initiatives to reform their respective shops and commercial establishment legislations. Such legislative changes impact different stakeholders in direct and indirect manner, including owners of shops and commercial establishments/ businesses, employees, consumers, government, economy of the state, among others. The impact on stakeholders can be positive (benefits) as well as negative (costs).

In light of the above, it is thus significant to nudge the State Government of Rajasthan to introduce amendments to the Rajasthan Shops and Commercial Establishments Act, 1958 based on an effective assessment of costs and benefits of the policy provisions on different stakeholders. CUTS International is therefore undertaking a Cost Benefit Analysis study on Rajasthan Shops and Commercial Establishments Act 1958 in this regard.

Methodology

The Act is expected to have impacted stakeholders including shops and commercial establishments, employees, and the government. To gauge the impact of Act, a comprehensive consultation

exercise with different stakeholders, based in different locations in Rajasthan will be carried out. Opinions of researchers and experts on labour issues will be obtained. A scientific methodology

will be utilised to identify stakeholders and administer pre-designed structured and semi-structured questionnaires to such stakeholders.

The key steps that'll be involved in undertaking the study have been elaborated below:

1. Understanding the Baseline

Based on interactions with the stakeholders, the existing situation on the ground will be understood, which shall help in assessing the impact (costs and benefits) on stakeholders under the current/ baseline scenario.

2. Identifying potential changes in the baseline

After interactions with stakeholders and experts, the gaps in information will be identified. The level of compliance to the baseline will also be assessed while interacting with the relevant stakeholders and experts. The changes expected in costs imposed by provisions prescribed in the Model Bill and Amendments introduced by other states, on stakeholders like government and industry will be estimated by using elements of the Standard Cost Model.

3. Comparison between baseline and expected changes

A comparison of costs imposed on relevant stakeholders through select provisions of the Act and provisions prescribed in the Model Bill & Amendments introduced by other states will be conducted. Additional qualitative benefits will also be highlighted. In addition, broad recommendations to improve the existing provisions will be made.

Outputs

A research report summarising the findings of secondary and primary research and also providing broad recommendations on possible improvements in existing provisions will be prepared. Such report will aid in better understanding of avoidable costs imposed by existing provisions of the Act.

Expected Outcomes

- To understand the cost-benefit imposed on the stakeholders.
- To suggest policy recommendations to the Government of Rajasthan

