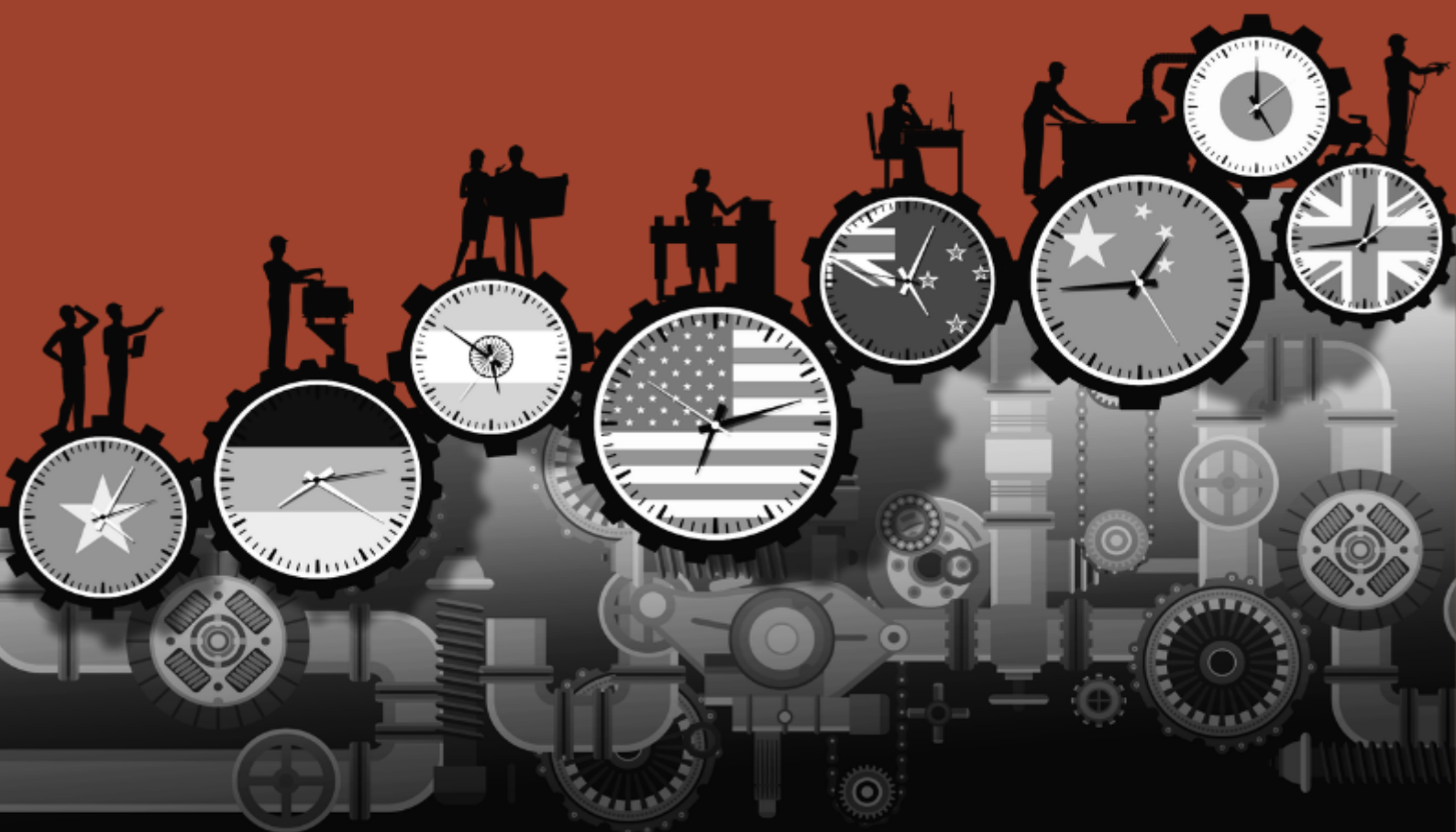


STATE OF REGULATION

Working-hour reforms for competitiveness



State of Regulation #3

Working-hour reforms for competitiveness

Bhuvana Anand, Pranjal Chandra, Abhishek Singh, and Naveena Pradeep

September 2026



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Published by
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Attribution: Bhuvana Anand, Pranjal Chandra, Abhishek Singh, and Naveena Pradeep. 2026. *State of Regulation: Working-hour reforms for competitiveness*. New Delhi: Prosperiti. DOI: 10.5281/zenodo.22112645

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Contents

Foreword: Arti Ahuja	i
Foreword: Dr. Laveesh Bhandari	iii
Acknowledgements	v
Executive Summary	1
1 Introduction	3
Why study working-hour regulations	3
What can you expect from this report?	5
Why does this report matter?	6
2 Findings	7
Ranking working-hour flexibility	7
Rules governing regular work	9
Rules governing overtime work	14
Rules governing rest	19
Overall working-hour flexibility	24
3 Implications	25
An illustration of what time restrictions cost factories	25
Two regulations make factories in India slow and expensive	29
Moving from slow and expensive to fast and cheap	30
4 Discussion	33
Practical difficulties revealed by court cases	33
Disputes over the application of working-hour rules	34
Disputes over the enforcement of working-hour rules	40
Disputes over the legal validity of working-hour rules	41

What do the cases teach us?	43
5 Conclusion	45
Bibliography	47
List of Judgments	53
List of Legislations	57
Annexures	59
Annexure 1: Methodology	59
Annexure 2: India and the ILO's Hours of Work (Industry) Convention, 1919	69

Foreword

Arti Ahuja

*Former Secretary
Government of India*



Working-hour regulation lies at the intersection of worker welfare, industrial organisation, and employment growth. Governments must protect workers from unsafe hours and inadequate rest. They must also provide a legal framework within which factories can organise production and workers can choose suitable employment arrangements.

This report examines whether India's working-hour framework gives factories and workers adequate flexibility. Its principal contribution is to measure how much flexibility regulations give factories and workers to set, vary, and sustain working time, and to compare India's framework with those of major manufacturing economies. The report studies the rules governing regular work, overtime, and rest, and uses case law and a factory-level illustration to show how these rules operate in practice.

The analysis is timely. India has recently consolidated its labour laws through the Labour Codes, and governments are now giving effect to the new framework through rules and exemptions. This process offers an opportunity to review whether working-hour regulations give factories and workers adequate room to respond to changes in demand, technology, and preferences.

Working-hour reform must form part of India's wider manufacturing and employment agenda. Factories that can respond to orders, manage production cycles, and use labour efficiently are better placed to expand and create jobs. Workers also gain when the law permits a wider range of lawful arrangements around hours, earnings, and rest.

I commend Prosperiti for bringing comparative legal research and operational analysis to an important area of labour policy. I hope the Union and state governments will study the report closely and use its findings while framing the next generation of working-hour reforms.

Foreword

Dr. Laveesh Bhandari

President and Senior Fellow

Centre for Social and Economic Progress (CSEP)



India faces a great challenge ahead: to remake its economy and value chains for a more volatile, and increasingly closed, trading environment. Yet it also aspires to become a significant manufacturing hub. Achieving this vision, and that of *Viksit Bharat*, requires addressing the many regulatory frictions that undermine industrial productivity and competitiveness. Among these is India's archaic legal architecture governing working hours.

This study finds that India ranks near the bottom, 16th of 17 jurisdictions studied, in working-hour flexibility. This translates directly into lost contracts, delivery delays, and higher unit costs. As an illustration, an Indian unit can take nearly two weeks longer than a competitor in Vietnam, because the legal framework governing factory workers' time is rigid.

The report makes an important point. Volatility in demand is natural, and manufacturing units need to scale up or down to respond to surges and drops. But, our law does not allow factories to balance working-hour increases during periods of higher demand with reductions during slumps. Overtime is then the only option, but because Indian law mandates it at 200 percent of regular wages, scaling up production becomes expensive. This, in turn, leads to the loss of opportunities in highly competitive global markets.

Such regulations not only harm firms, they also take away a worker's opportunity for higher earnings. Workers and their units are closely bound to one another: restrictive regulations ensure that old jobs are rationed and new jobs are not created. Working hour inflexibility harms workers just as much, and with that, India's ability to use well its most important asset, its workforce.

For many decades, studies on manufacturing and industrial competitiveness have been based on first principles—free markets, less regulation, ease of doing business, and lower costs. But, often such work leaves the task of identifying the specific action points to others. *Prosperiti* has gone deeper, making this a far more useful and practical study. I congratulate the authors, and hope that they continue to do this kind of work.

Acknowledgements

This report builds on research showing that India's labour regulations carry real costs. It grew out of *Labour Pains*, a study on labour regulation flexibility across Indian states, published in the Centre for Civil Society's *Regulation for New Realities* (Kaur, Kaur, and Anand 2020). The findings on working hours showed that India's rules were rigid enough to warrant a report of their own.

We are grateful to the officials who helped us understand the interpretation, application, and enforcement of labour laws. In policy discussions across states, several senior functionaries, including Seema Bansal (Vice Chairperson of the Punjab Development Commission), KK Pathak (Special Secretary to Government of India), Anil Kumar (former Principal Secretary, Department of Labour, Uttar Pradesh), and Chithra Arumugam (Additional Chief Secretary, Labour & ESI Department, Odisha), asked us difficult questions about the salience of working-hour reform. State officers, including Markandeya Shahi (Labour Commissioner, Uttar Pradesh) and Dr Malay Kumar Pradhan (Deputy Director of Factories & Boilers, Odisha), patiently explained how factories schedule shifts and how working-hour limits operate. These questions and conversations pushed us to test our claims, examine the protective logic of the law, and compile the evidence that became this report.

Many colleagues at Prosperiti helped build this report piece by piece. Dr Shubho Roy, Assistant Professor, Shiv Nadar School of Law and Research Director at Prosperiti, helped us think through the relationship between law and economics. Arjun Krishnan sourced the underlying laws and designed the methodology for translating legal text into data. Kaushiki Kaushalendra Singh set up the code behind the visualisations and helped translate the analysis into clear, effective charts. Aklovy Panwar vetted the legal datasets. Colleagues across Prosperiti questioned our assumptions, tested the argument, and helped us sharpen the analysis.

Our institutional partners, The Convergence Foundation, Godrej Foundation, Harish & Bina Shah Foundation, Lal Family Foundation, Tree of Life Foundation, and Veddis Foundation, provided support and encouragement that made this work possible. We are also grateful to Dr Shruti Rajagopalan and the India Political Economy Program at the Mercatus Centre for giving us a platform to share our early findings at the Ideas of India conference in Bengaluru in December 2025. We hope this report helps India revisit working-hour rules and give factories and workers greater room to compete, adapt, and grow.

Executive Summary

State of working-hour flexibility

India’s working-hour rules make production time hard to rearrange and expensive to extend. Factories must meet daily and weekly limits within fixed periods, pay twice the regular wage for overtime, and rely on legal processes to vary schedules. These rules reduce their ability to respond to demand surges, disruptions, and changing production needs. They also narrow workers’ ability to choose additional paid hours or alternative schedules.

This report compares India’s working-hour regulations under the OSHWC Code with those of 15 countries and the ILO. It ranks countries on the flexibility of rules governing regular work, overtime, and rest, and simulates how those rules affect production pace and cost in factories. India ranks 16th of 17 jurisdictions on flexibility, and its working-time rules make manufacturing slower and more expensive than in every country except Indonesia.

Two rules explain much of India’s disadvantage: regular hours cannot be averaged across weeks, and overtime must be paid at twice the regular wage. Together, these two rules leave factories in India with less room than factories elsewhere to respond quickly and cheaply to production surges.

The Union government and states are already revisiting working-hour rules. Between 2023–26, 12 states had already moved to give factories more room to schedule hours under the Factories Act. With the new labour codes, states can use this report to identify and change restrictive rules that would most improve manufacturing competitiveness.

Rank on
working-hour flexibility

Country	Rank
New Zealand	1
United States	2
ILO	3
United Kingdom	4
China	5
Germany	6
Viet Nam	7
Japan	8
Brazil	9
Philippines	10
Malaysia	11
South Korea	12
Singapore	13
Thailand	14
South Africa	15
India	16
Indonesia	17

Key findings

1. Among the 16 countries and the ILO benchmark, India ranks 16th or second to last on working-hour flexibility. India ranks in the bottom five on six of the 12 indicators studied.
2. India's regular hour limits are broadly conventional: 8 hours a day and 48 hours a week. The difference is that India requires the 48-hour limit to be met every week; at least 12 countries and the ILO allow regular hours to be averaged over longer periods.
3. India ranks last on flexibility of overtime work. It caps the length of the workday and requires overtime (OT) to be paid at twice the regular wage; India's OT premium is the highest in the world.
4. Rest is the one area where India is relatively flexible. India allows a rest day to be postponed by up to 90 days, but postponement requires government permission.
5. Changes to working hours can become industrial disputes even when they remain within statutory limits. In the past, the Factories Act set the limits; the Industrial Disputes Act made changes to established schedules contestable. The new Labour Codes retain this structure.
6. On account of our working-hour restrictions, a factory in India will likely take 23% longer than a factory in Viet Nam and 18% longer than a factory in China to complete the same order for electronic widgets like iphones, and will likely miss the delivery deadline. The Indian factory will likely pay for 18% more labour hours per widget than factories in either Viet Nam or China.
7. Two regulations make India a slow and expensive manufacturing location. The absence of averaging slows production; the overtime premium at twice the regular wage makes the additional hours needed to increase production expensive.
8. Recent reforms, such as increases in spreadover and overtime limits across 12 states, give factories more hours, but do not address these two constraints. Regular hours cannot be averaged, and overtime still costs twice the regular wage.
9. Adopting working-hour limits as recommended by the ILO could make Indian factories slightly faster and cheaper, but not enough to compete with Viet Nam or China.
10. India can become a fast and cheap manufacturing destination by allowing averaging of the weekly limit over 17 weeks and setting a 25% premium for overtime.

1

Introduction

Why study working-hour regulations

India's labour abundance should be a manufacturing advantage. Despite having one of the world's largest working-age populations, India has yet to establish an edge in labour-intensive manufacturing (UN DESA 2024; Romalis 2004; The World Bank 2024a). Many firms remain too small to absorb workers at scale; others grow by using more capital and skill, rather than more labour (Department of Economic Affairs 2019, 2025; The World Bank 2024b).

Labour regulation is one reason this demographic advantage has not translated into prosperity. Research over the last two decades links India's labour laws to higher employment costs, greater legal risk, lower firm output, lower investment, and weaker productivity, especially in labour-intensive sectors and sectors facing volatile demand (Amirapu and Gechter 2020; Chikermane and Agrawal 2022; Besley and Burgess 2004; Aghion et al. 2008; Hsieh and Klenow 2009; Dougherty, Frisancho, and Krishna 2014; Rajagopalan and Mathur 2024). India has the workers to support labour-intensive manufacturing, but its laws do not let factories turn that labour abundance into production, jobs, and competitiveness.

Within labour regulation, working-hour rules are a distinct constraint on production. These rules determine how many hours a factory can schedule at regular wages, when overtime begins, how much overtime costs, how long overtime can continue, when workers must rest, and what process must be followed to vary these limits. In effect, working-hour laws regulate the length, cost, and continuity of production schedules. They shape how long workers work and how factories organise production across days, weeks, and production cycles.

Regulatory flexibility on managing working time helps factories compete by changing how production time is arranged, extended, and priced. Factories face volatile demand, shorter product cycles, uncertain technology, and tighter delivery expectations (Dagnino, Picone, and Ferrigno 2020; Das and Abdel-Malek 2003). Firms compete not only on price, but also on delivery time, reliability, and responsiveness (Christopher 2000; Christopher and Holweg 2011; Stalk 1988). A factory that can rearrange working time across a production cycle can use capacity more efficiently, shorten delivery timelines, reduce inventory costs, and improve its chances of winning repeat orders (Aouam and Kumar 2019; Daugherty and Pittman 1995; Lederer and Li 1997; Li and Lee 1994).

Regulatory flexibility on managing working time also matters for workers because hours are one part of an employment bargain. Workers do not choose hours in isolation; hours interact with wages, overtime earnings, rest, commuting time, household responsibilities, and the predictability of income. Jobs are bundles of terms rather than single attributes, and employment contracts are continuing relationships in which firms and workers adjust obligations as circumstances change (Freedland 2005; Hart 1995; Rosen 1986; Williamson, Wachter, and Harris 1975). A uniform schedule can protect some workers, but it can also restrict workers who would prefer additional paid hours, compressed schedules, or a different distribution of work and rest.

Rules on hours shape how factories organise production and how workers combine time, wages, rest, and predictability. The key question is whether India gives factories and workers enough flexibility to rearrange production time, extend work when demand rises, and compete on speed and cost.

Existing research does not answer this question. Cross-country labour-regulation indices include hours only as one part of broader employment-protection scores, or measure proxies such as the cost of additional hours (Botero et al. 2004; Deakin, Lele, and Siems 2007). Comparative working-time research catalogues laws on hours and studies specific reforms in France, Germany, Japan, South Korea, and Canada, but does not rank countries on the legal flexibility to arrange production time (Lee, McCann, and Messenger 2007; Hunt 1999; Crépon and Kramarz 2002; Skuterud 2007; Kawaguchi, Naito, and Yokoyama 2017; Park and Park 2019; Batut, Garnerio, and Tondini 2023). This report fills that gap by comparing India with other economies on the legal flexibility to set, vary, and sustain working hours.

What can you expect from this report?

This report assesses the flexibility of working-hour regulations in India as they stand under the OSHWC Code against 15 economies. The countries in the study include India's manufacturing competitors, countries that dominate global manufacturing today, and countries that have relied on labour-intensive manufacturing for growth (Hanson 2020). The report builds an index of working-hour flexibility and ranks the countries based on the freedom for factories and workers to set and vary working time.

The report then estimates what these legal differences could mean for a factory in real life. Using a hypothetical 500-worker electronics factory facing a time-sensitive order, the report estimates how long a factory in each of the 15 countries takes to complete the order and the labour-hours cost of completing the order. By comparing the same factory across countries, the report isolates the effect of working-hour regulation on production pace and labour cost.

The report then uses 41 court cases to understand where working-hours regulations in India pinch in practice. This analysis shows how working-hours regulations shape the practical constraints on employers and workers to organise work, respond to exigencies, and settle the terms on which additional work is performed.

The research team built this report from statutory material, datasets, simulations, and case law. The team read 27 labour laws to identify working-hour provisions across the 16 countries and ILO standards. For India, the dataset reflects the Labour Codes and the rules notified under them. Pre-Code laws are used only to study court cases decided under them. The report is based on: (i) a raw dataset cataloguing legal provisions on working hours; (ii) a processed dataset converting these provisions into numeric values; (iii) an analysed dataset scoring countries across 12 indicators; (iv) a simulation dataset estimating the time and labour cost of regulations; and (v) a catalogue of 41 Supreme Court cases on working-hour disputes. Together, these materials are intended to help identify where India's working-hour framework limits mutually beneficial arrangements between workers and employers. The underlying datasets can be made available so that governments, researchers, policy advisors, and issue champions can use the data to inform their decisions.

We have taken great care with the data and analysis, but errors may remain. We welcome corrections and requests for the data at pranjal@prosperiti.org.in.

Why does this report matter?

Working-hour liberalisation is critical to India's manufacturing reform agenda. India has tried to improve manufacturing through industrial policy, production-linked incentives, infrastructure investment, and ease-of-doing-business reforms. These efforts will have limited effect if factories cannot meet the speed and cost demands of modern supply chains. Working-hour regulations shape those demands by deciding how production time can be arranged and priced.

The Union government and states are already revisiting working-hour rules. Before the Labour Codes came into force, 12 states had initiated or enacted reforms to allow factories to schedule longer or more flexible hours. Under the Occupational Safety, Health and Working Conditions (OSHWC) Code 2020, states have greater rulemaking and exemption powers over working-hour limits. These powers create room for reform, but also risk fragmented change. Without a comparative framework, governments may continue to rely on sector-specific relaxations, factory-specific permissions, or short-term exemptions rather than general rules that apply transparently to eligible establishments. A comparison with other manufacturing economies may help illuminate the reform roadmap without treating India's current framework as inevitable. Inter-country differences help identify which parts of India's working-hour framework are unusually restrictive and where reform options lie.

The report's approach is grounded in a preference for economic freedom. Workers should be able to choose lawful arrangements that improve their earnings, time use, and mobility. Employers should be able to organise production in response to demand, technology, and competition. Working-hour restrictions may have valid protective aims, but they also impose costs on production, competitiveness, and worker choice. The relevant question is whether the law preserves enough room for factories and workers to arrange production time by agreement, while guarding against workplace harm.

2

Findings

Ranking working-hour flexibility

This report compares working-hour rules in India under the OSHWC Code with 15 countries. The countries are: Brazil, China, Indonesia, Germany, Japan, Malaysia, New Zealand, the Philippines, South Africa, South Korea, Singapore, Thailand, the USA, the UK, and Viet Nam.¹

Working-hour regulations comprise restrictions on regular work, overtime work, and rest. Mandates on regular work cap the daily hours that can be assigned at regular wage. Overtime work regulations determine how far beyond regular hours a factory can extend the workday and at what cost. Rest regulations prescribe the minimum breaks within a workday and between days. The three parameters come together to determine what a workday looks like in a factory vis-à-vis a worker, and together determine a factory's production and schedules.

Based on the labour laws of the countries and literature on working-hour regulations, each of the three parameters is broken down into a list of four indicators framed as questions. The answer to each of the questions is a number. In the case of most questions for most countries, this number is directly derived from the law of the country.² Some questions do not get an automatic answer from the law and have to be computed.³ In the case of the

1. The 16 countries together account for 54% of the world's population and 72% of the world's manufacturing output. Since these countries are members of the ILO, the report also uses ILO as a *placeholder* country.

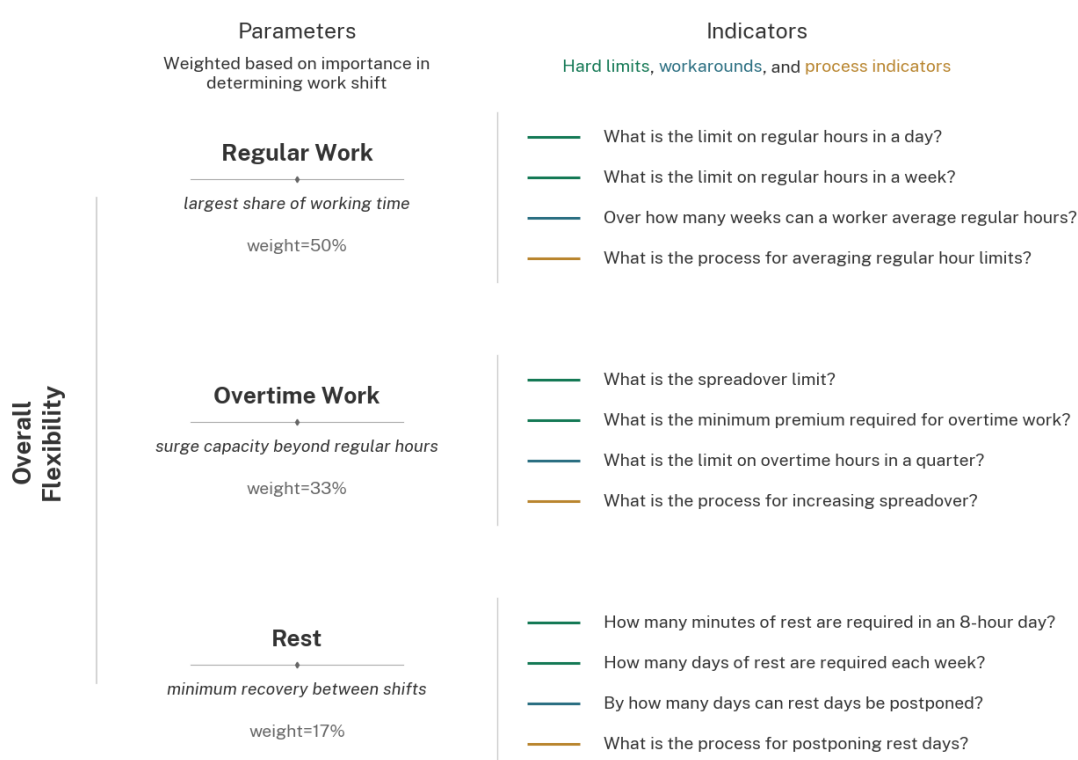
2. For example, the answer to 'What is the limit on regular hours in a day?' for the Philippines is 8. S. 83 of the Labor Code says, "The normal hours of work of any employee shall not exceed eight (8) hours a day".

3. For example, the answer to 'What is the limit on regular hours in a week?' for India is computed as 48. This number was derived from the daily limit and weekly rest day requirement. S. 25(1) of the OSHWC Code 2020 says, "No worker shall be required or allowed to work, in any establishment or class of establishment for more than...eight hours in a day" and S. 26(1) says, "no worker shall be allowed to work in an establishment for more than six days".

process questions, the number captures the government’s regulatory stance on a particular provision: whether prohibited, allowed subject to government permission, allowed subject to conditions, or allowed subject to consent.⁴ All indicators are normalised. The country which is most permissive on any question is marked as ‘frontier’ and scored as 100, and other countries are plotted relative to this frontier.⁵

Each country’s flexibility on regular work, overtime work, and rest is scored using a weighted average of the indicators. Overall working-hour flexibility is scored using a weighted average of the three parameters.

Figure 2.1: Conceptual framework for working-hour flexibility



We use this comparative framework to locate India’s position on working-hour flexibility. Each section compares India with the 15 comparator countries on each indicator under the three parameters. The chapter closes with India’s overall rank on working-hour flexibility (Annexure 1 details the methodology).

4. For example, the answer to ‘What is the process for averaging regular hour limits?’ for India is 2, meaning averaging is allowed subject to government permission. S. 127 of the OSHWC Code 2020 allows the “appropriate Government” to “exempt” establishments from provisions such as the daily limit.

5. For example, under Art. 53 of the Labour Standards Act of Thailand, “the total overtime, holiday work, and holiday overtime work must not exceed 36 hours in one week”. This is the most permissive among the countries studied, making Thailand the frontier.

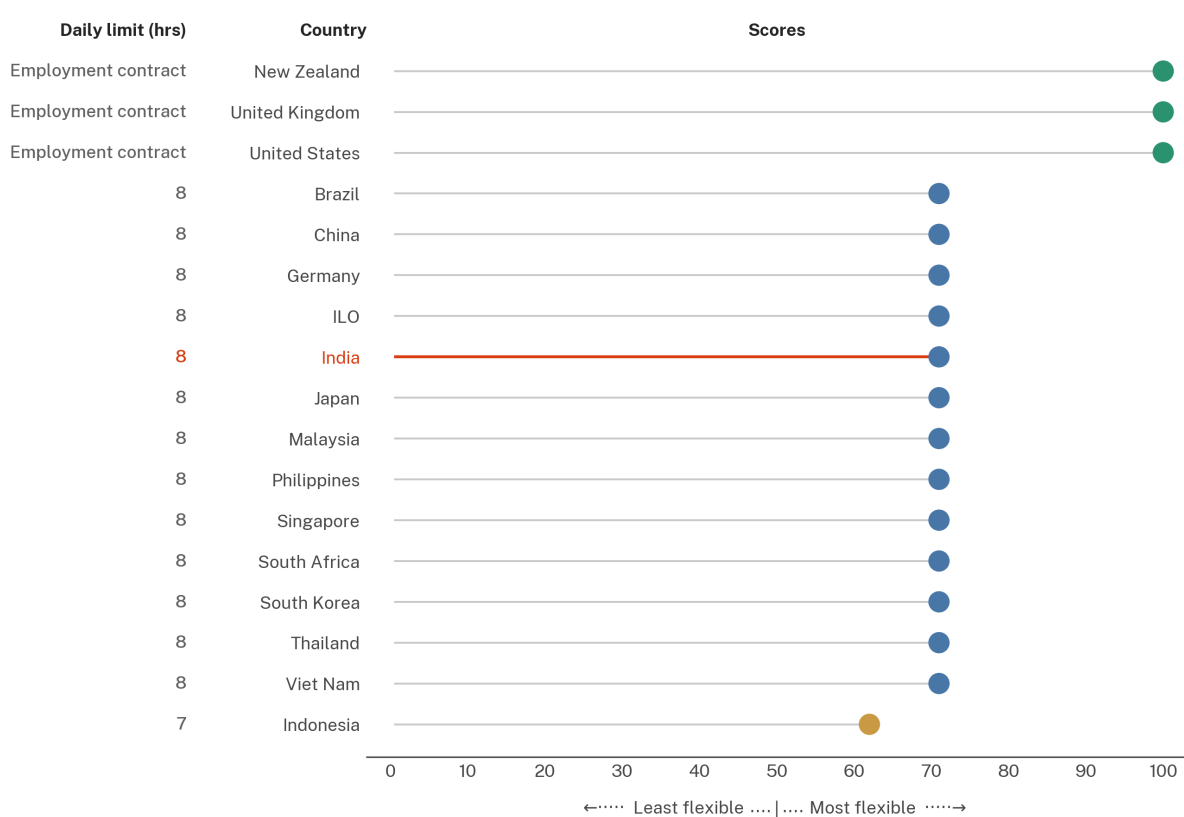
Rules governing regular work

At a minimum, labour laws set constraints on the number of hours that a factory can schedule by paying a regular wage. Such ‘regular work’ is a function of four factors: daily limits on regular hours, weekly limits on regular hours, the spans of time over which weekly limits can be averaged, and the process for availing the option to average. Regular work plays the single most important role in how much a factory can produce in a day or week and at what cost.

What is the limit on regular hours in a day?

In most countries, the limit on regular hours in a day is 8. India is no exception. In 12 countries, including India, any work above 8 hours must be compensated with a premium wage. The daily limit typically applies to each day independently.

Figure 2.2: What is the limit on regular hours in a day?

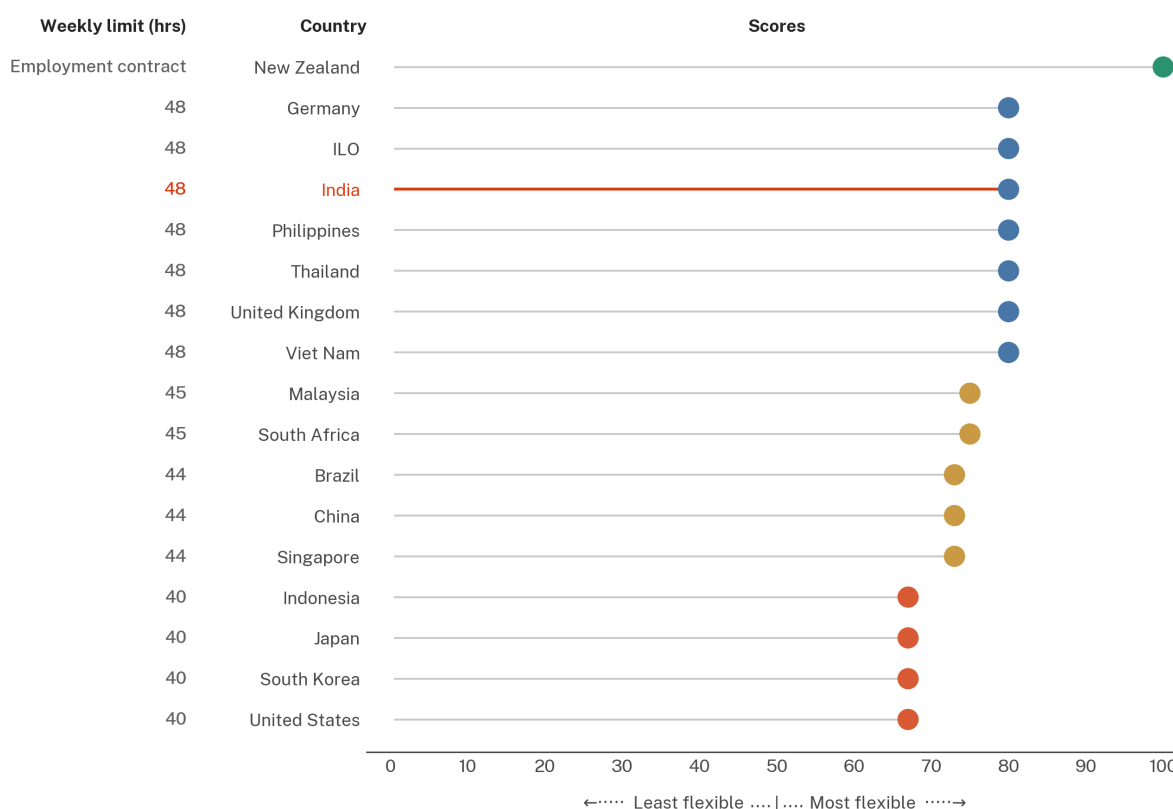


In the UK, the US, and New Zealand, the length of the regular workday is set by mutual agreement. In Germany and South Africa, the daily limits on regular hours can be extended partially. For instance, in South Africa, a regular day may be “...nine hours in any day if the employee works for five days or fewer in a week; or... eight hours in any day if the employee works on more than five days in a week” (S. 9, Basic Conditions of Employment Act 1997).

What is the limit on regular hours in a week?

Most countries set a regular weekly limit of between 44 and 48 hours. India, along with seven other countries, sets a limit of 48 hours. In India's case, the weekly limit is a result of the daily limit set under the law.⁶

Figure 2.3: What is the limit on regular hours in a week?



In contrast, New Zealand and the UK allow for limits to be higher than 48 hours. In New Zealand, the law only asks that, “hours of work agreed by an employer and employee must be specified...in the collective agreement [or] in the employee’s individual employment agreement” (S. 67, Employment Relations Act 2000). The UK allows employers and workers to deviate by opting out through a written agreement.

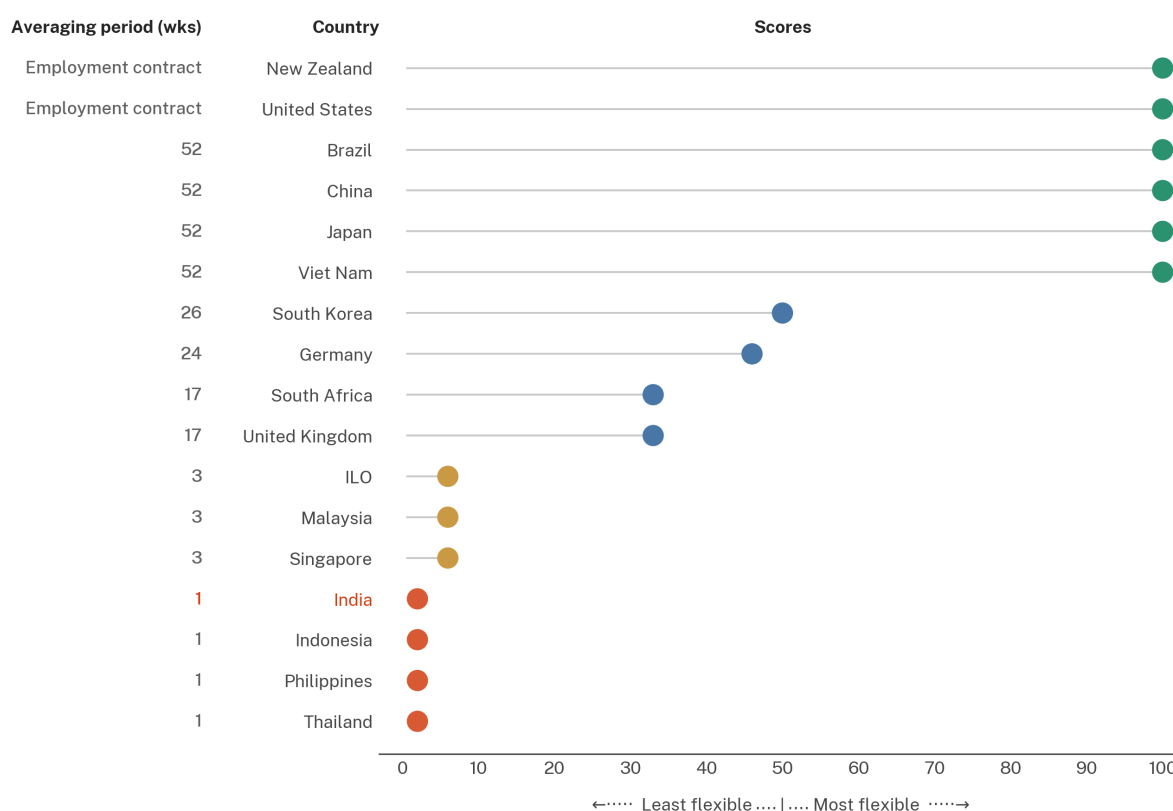
A few countries have reduced the weekly limit over decades of industrialisation. For instance, South Korea cut the weekly limit from 48 hours to 44 hours in 1989, following 36 years of economic growth, and further to 40 hours in a gradual transition between 2004 and 2011 (Park and Park 2019).

6. “No worker shall be required or allowed to work...for more than— (a) eight hours in a day” (S. 25(1), OSHWC Code 2020).

Over how many weeks can a worker average regular hours?

Most countries allow factories to exceed the weekly limit by permitting averaging. India is not one of them. At least 12 countries allow averaging of hours over a period of 3 weeks or more. In these countries, regular-hour limits are targets to be met on average, not ceilings to meet every week. Even the ILO permits averaging (Art. 2(b), Convention 001 1919). India requires that the 48-hour limit be met every single week.

Figure 2.4: Over how many weeks can a worker average regular hours?



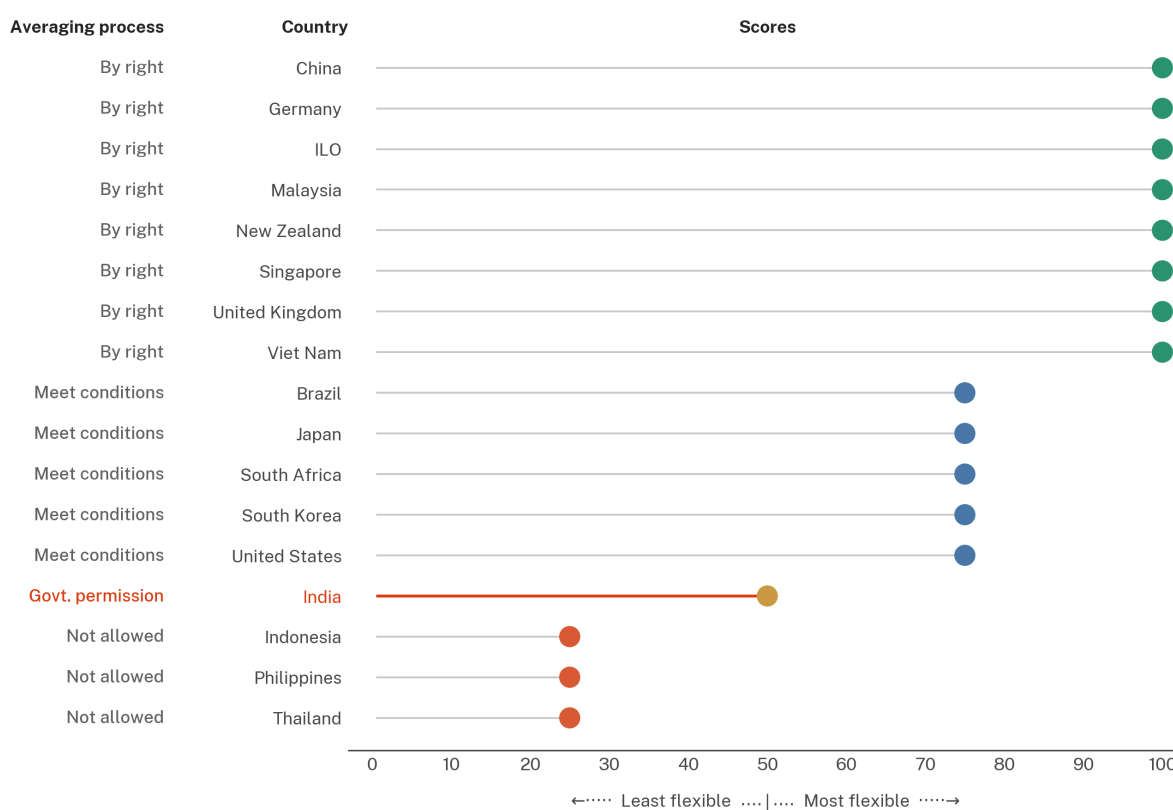
In frontier countries, weekly limits can be averaged over a period of up to a year. Four countries, Brazil, China, Japan, and Viet Nam, expressly set the limit for averaging at 52 weeks. In Germany, the daily working hours “may be extended to ten hours only if the average shift within six calendar months or twenty-four weeks does not exceed eight hours per working day” (S. 3, Working Time Act 2008). In some countries, such as New Zealand and the US, the averaging period can be set by mutual agreement between employers and workers.

Countries that have reduced weekly limits have also increased the averaging limits. In South Korea, for instance, the reduction over time from 48 hours to 40 hours per week coincided with an increase in the averaging window from 4 weeks to 6 months (Park and Park 2019).

What is the process for averaging regular hour limits?

Most countries allow employers to average regular limits either by default or subject to conditions. In India, while there is no express provision related to averaging, states may use “powers to exempt in special cases” to allow some form of averaging (S. 127, OSHWC Code 2020).⁷

Figure 2.5: What is the process for averaging regular hour limits?



Employers in frontier countries, i.e., Germany, the UK, New Zealand, Singapore, Malaysia, China, and Viet Nam, can average regular hours without the need to meet any additional conditions. For instance, China permits employers to compute working hours “comprehensively based on weeks, months, quarters, years”, requiring only that the averages match statutory limits (Art. 5, Labor Dept. Document No. 503 1994). In countries such as the US and Japan, conditions for availing the averaging provision include minimum notice to workers, monthly schedules, new caps on weekly limits, and additional rest allowances.

7. No state has as yet exercised these powers. Previous attempts to exempt enterprises from daily and weekly limits met with legal challenge. In 2020, some states temporarily increased limits on daily and weekly hours and overtime via exemptions. In at least one state, Gujarat, the High Court struck down the exemption for making “significant departures from the mandate of the Factories Act 1948”.

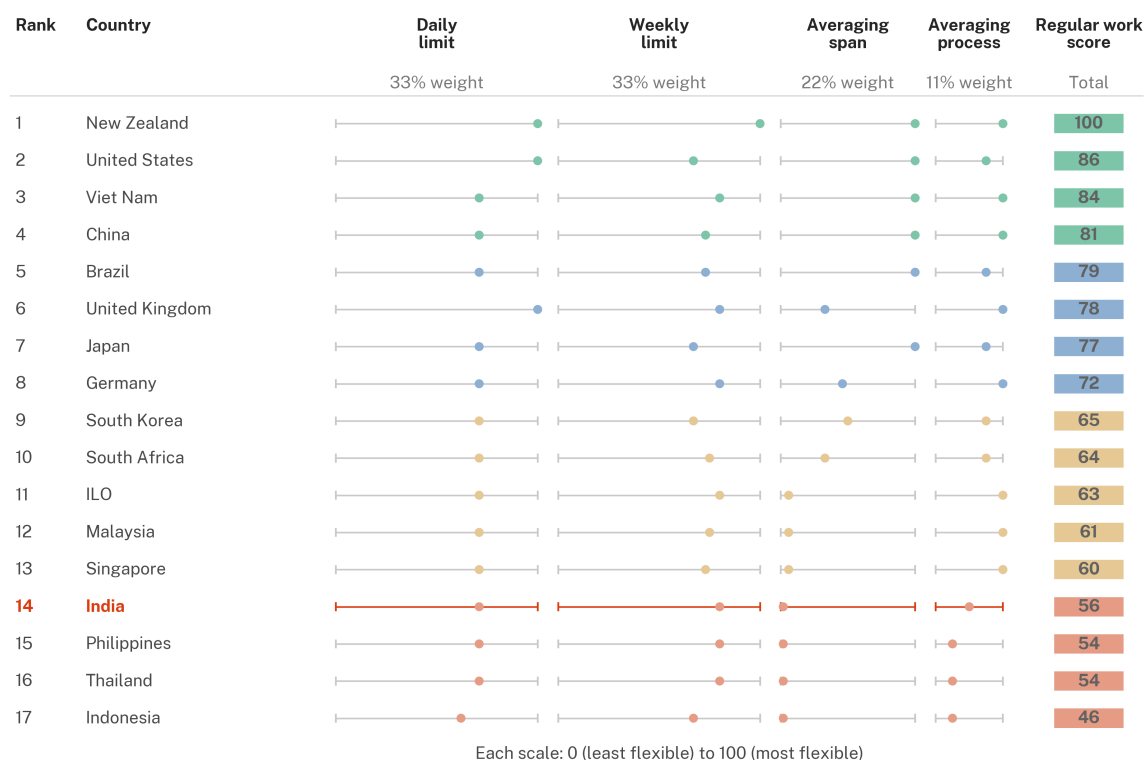
Flexibility in regular work

The world has largely converged on regular limits in a day and a week.

The countries that score the highest on regular work flexibility have found a different way to compete. Countries maximise production at the regular wage by maximising averaging. A comparison with China illustrates this point. India allows four more hours per week than China's 44-hour weekly limit. However, factories in China can meet the weekly limit on average over a year. Consider a four-week period in which factories face a surge in demand. A factory in India can schedule up to 192 regular hours in this period. On the other hand, a factory in China can frontload the same 4 weeks with 240 hours (25% higher than in India).⁸

The factory can then compensate workers with a reduced workweek of just 36 hours a week for the next 8 weeks. India lags behind the studied countries in the flexibility of regular work because it does not allow any rearrangement of those hours across days or weeks.

Figure 2.6: Country scores for flexibility in scheduling regular work



8. In 5 of 12 countries that allow averaging, regular weekly hours are capped at 72 hours.

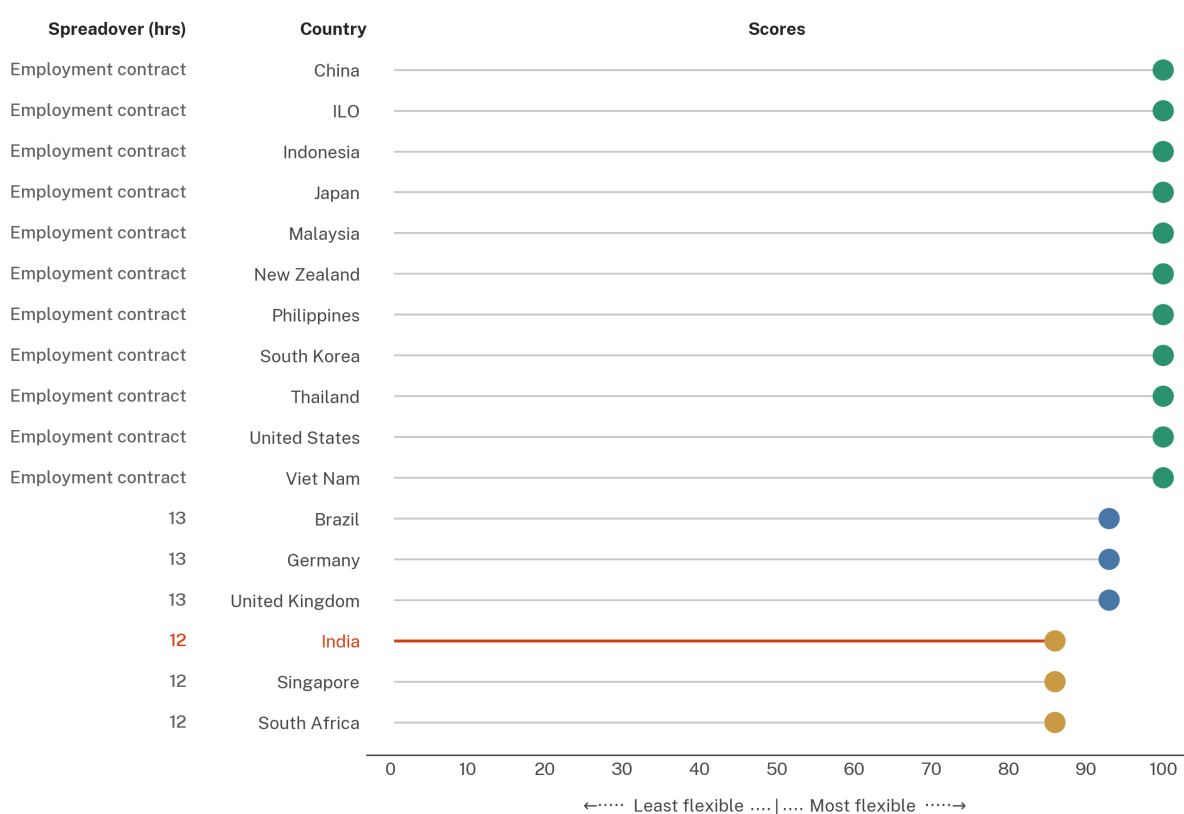
Rules governing overtime work

Countries allow scheduling additional hours beyond the regular at a premium over the normal wage. Overtime work comprises four indicators: the length of the workday, the minimum premium paid for each overtime hour, overtime hours permitted per quarter, and the process for extending the workday beyond the default limit.

What is the spreadover limit?

Most countries do not cap the length of the workday, i.e., set a spreadover limit.⁹ India caps it at 12 hours or less.¹⁰ ILO Convention 001 does not contain any reference to spreadover.

Figure 2.7: What is the spreadover limit?



Without a spreadover limit, factories and workers can decide the regular daily hours during averaging. For instance, during averaging, a factory in the UK can schedule at most 13 regular hours, while a factory in China faces no such limit.

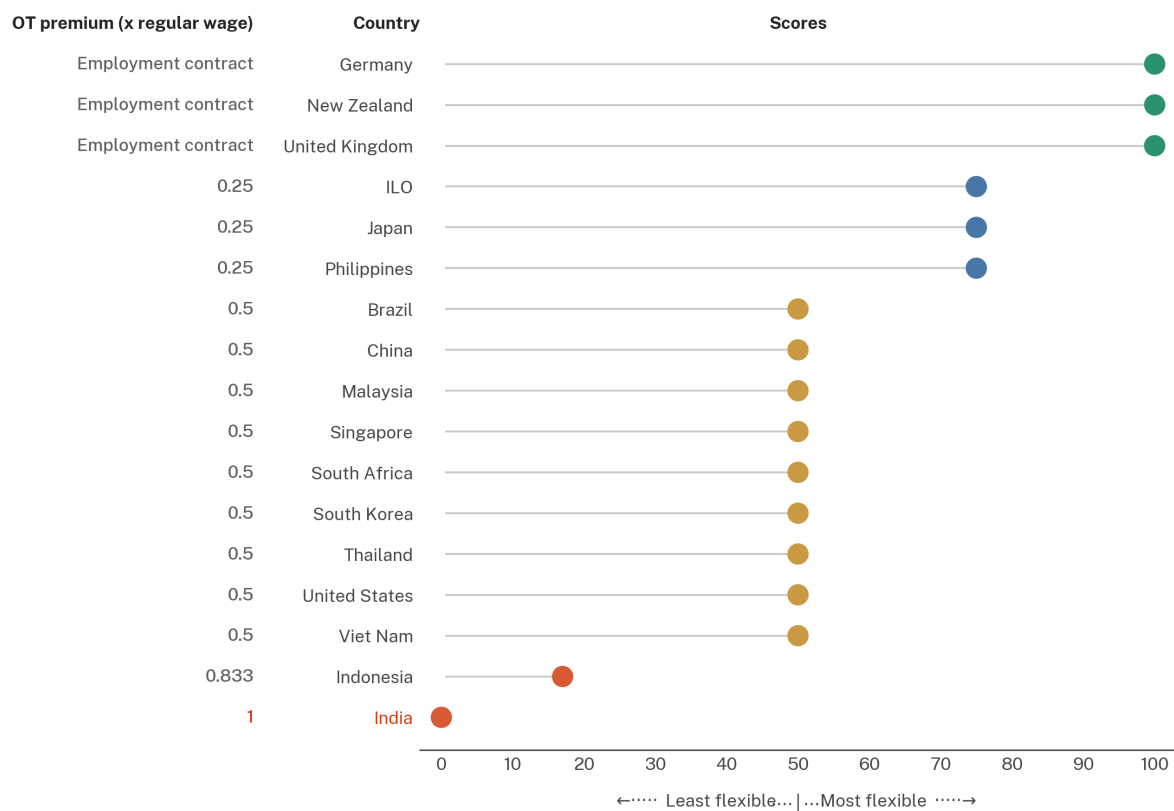
9. Brazil, China, Indonesia, and Viet Nam cap daily overtime without capping the spreadover.

10. Under the OSHWC Code 2020, states have the powers to set the spreadover. At least five states have set spreadover to 12 hours under their draft rules and at least four states have set the spreadover to 10.5 hours.

What is the minimum premium required for overtime work?

Most countries set the overtime premium at 1.5x the regular wage. In contrast, India requires employers to pay at least “twice the rate of wages” for every overtime hour (S. 25, OSHWC Code 2020). ILO Convention 001 requires that ratifying countries set the overtime premium at no less than 1.25 times the regular wage.

Figure 2.8: What is the minimum premium required for overtime work?



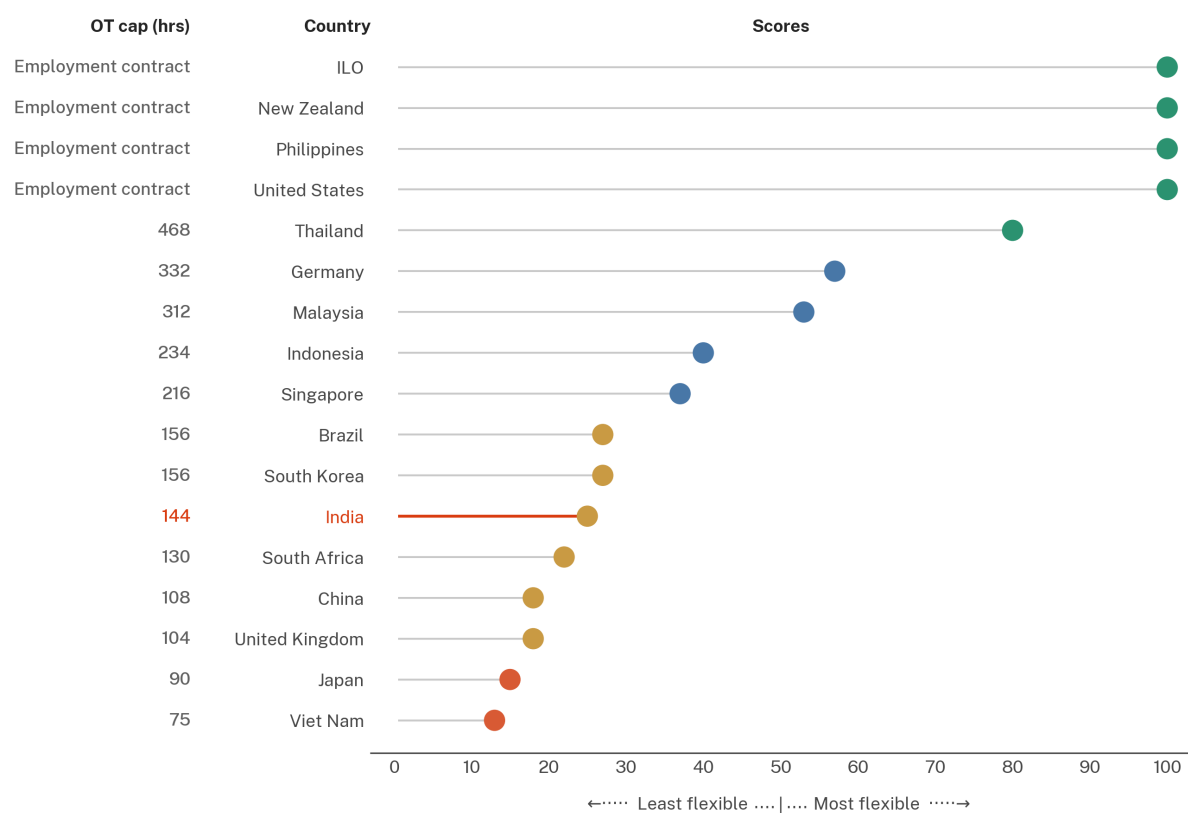
Japan and Indonesia use a tiered premium approach: lower for the first hours, higher as overtime accumulates. In Japan, the overtime premium is set at 25%, “provided, however, that if the number of hours by which (the) employer has extended the working hours...exceeds 60 hours in one month, the employer must pay premium wages...at a rate not less than 50 per cent over the normal wage per working hour” (Art. 37(1), Labor Standards Act 1947). Indonesia escalates faster. The premium doubles from the second overtime hour every day (Art. 31, Regulation No. 35 2021).

The UK, Germany, and New Zealand mandate no premium. In these countries, employment contracts, rather than statutory minimums, determine premiums. In New Zealand, for instance, “an employment agreement must contain...the wages or salary payable to the employee” (S. 65, Employment Relations Act 2000).

What is the limit on overtime hours in a quarter?

Most countries cap the number of overtime hours an employer can schedule at between 100 and 300 hours in a quarter. India caps overtime hours at 144 per quarter. Of the countries that do cap the hours, seven set a higher bar than India. For instance, South Korea's overtime limit is 156 hours, Malaysia's is 312 hours, and Thailand's is 468 hours.

Figure 2.9: What is the limit on overtime hours in a quarter?



India's score on this margin, however, does not fully reflect its flexibility. India's limits are lower, but overtime hours can be deployed over 3 months. In contrast, at least four countries set daily overtime limits, three countries set weekly limits, and two countries set monthly limits.¹¹ A factory in India can schedule 21 overtime hours every week for ~7 weeks.¹² A factory in South Korea, in contrast, can schedule only 12 overtime hours in a week.

New Zealand, the Philippines, and the US set no statutory limits on overtime hours or the time horizon over which they are scheduled.

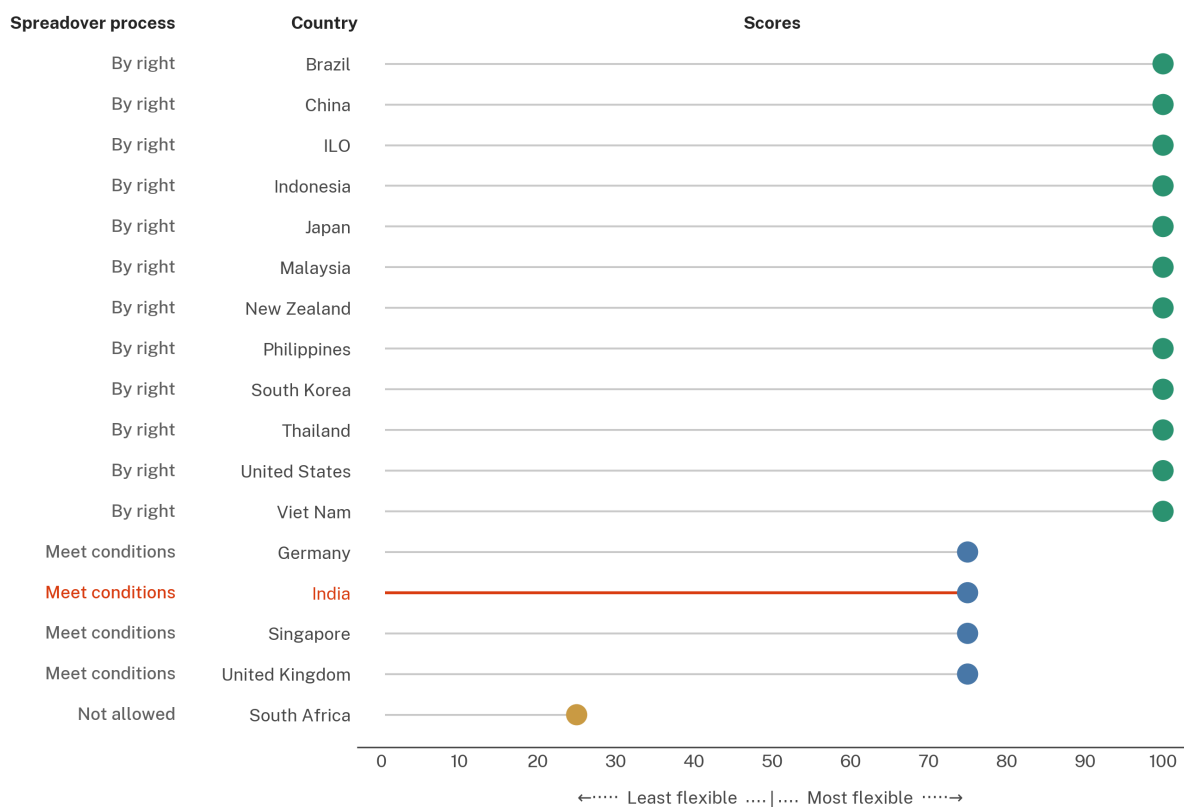
11. Some countries set overtime limits on multiple horizons. China and Viet Nam set both daily and yearly overtime limits. Japan sets both monthly and yearly overtime limits.

12. India allows only 3.5 overtime hours per day. That results in 21 overtime hours in a week. Since India allows 144 overtime hours in a quarter, a factory can finish the hours in 6.86 weeks.

What is the process for increasing spreadover?

Most countries do not explicitly regulate spreadover. In India, factories are bound by a spreadover limit unless they meet additional conditions. Employers may extend the workday but only on grounds such as urgent repairs, seasonal processes, or an “exceptional press of work” (S. 69(4), OSHWC Rules 2026).¹³

Figure 2.10: What is the process for increasing spreadover?



Among the few countries that regulate the spreadover, the grounds for extension are broader than in India. The UK allows employers to extend workdays for any “objective or technical reasons or reasons concerning the organisation of work” (S. 23, The Working Time Regulations 1998). Germany similarly allows extensions for emergencies or transitions between shifts. Unlike in India, these grounds for extension cover operational needs.

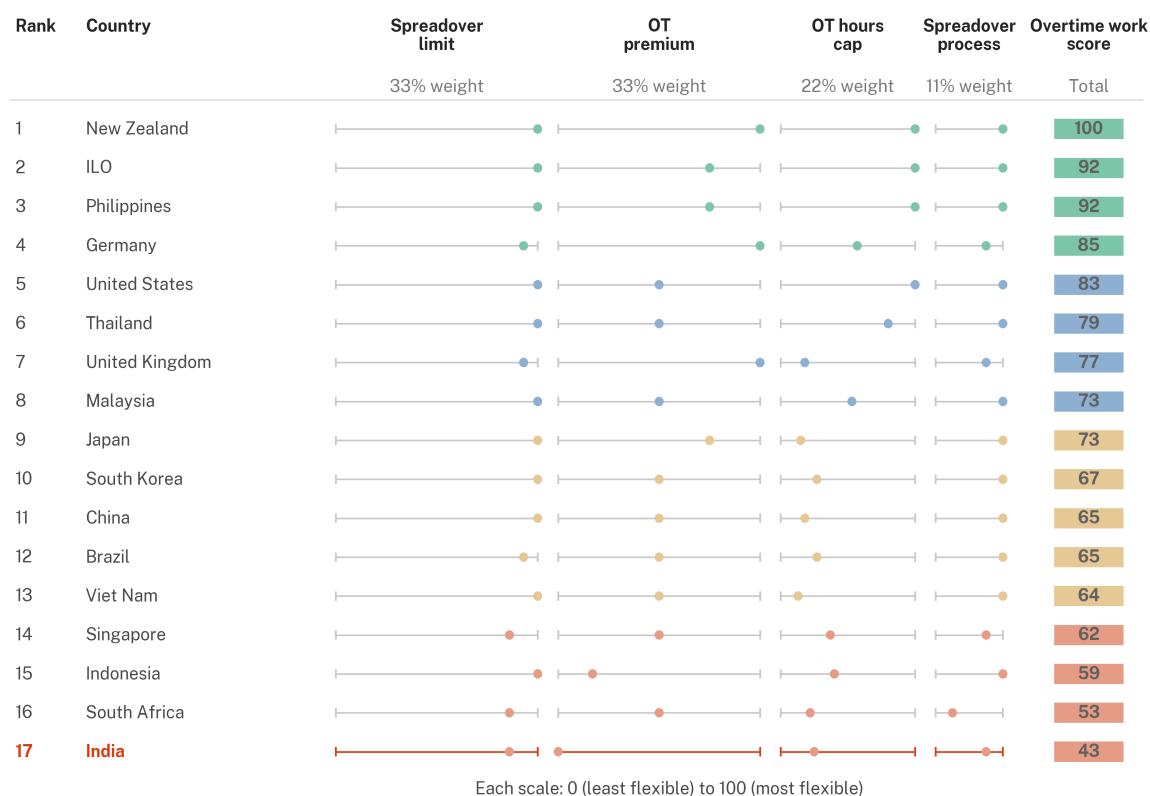
13. For example, during Covid-19, at least 3 states (Goa, Assam, Punjab) had extended the spreadover to 13 hours under the Factories Act citing “exceptional press of work”.

Flexibility in overtime work

Most countries regulate overtime work by making it more expensive and/or by capping its volume. They do so by setting overtime premiums, capping the work day, or capping the total overtime hours deployable per worker. Powerhouse countries typically only regulate one or two out of the three levers. Factories in the Philippines and the US face only the price constraint: the cost of the overtime budget. Factories in Germany and the UK face only the availability constraint: the volume of overtime hours. Most Asian economies, including China, Viet Nam, South Korea, and Japan, set a 1.5x premium and cap overtime hours but do not cap the length of the workday.

India regulates every single aspect of overtime availability. In India, factories cannot accommodate a rush order by extending the day, cannot stack up overtime across quarters in case needed, must pay the highest price for every hour of overtime they schedule.

Figure 2.11: Country scores for flexibility in scheduling overtime work



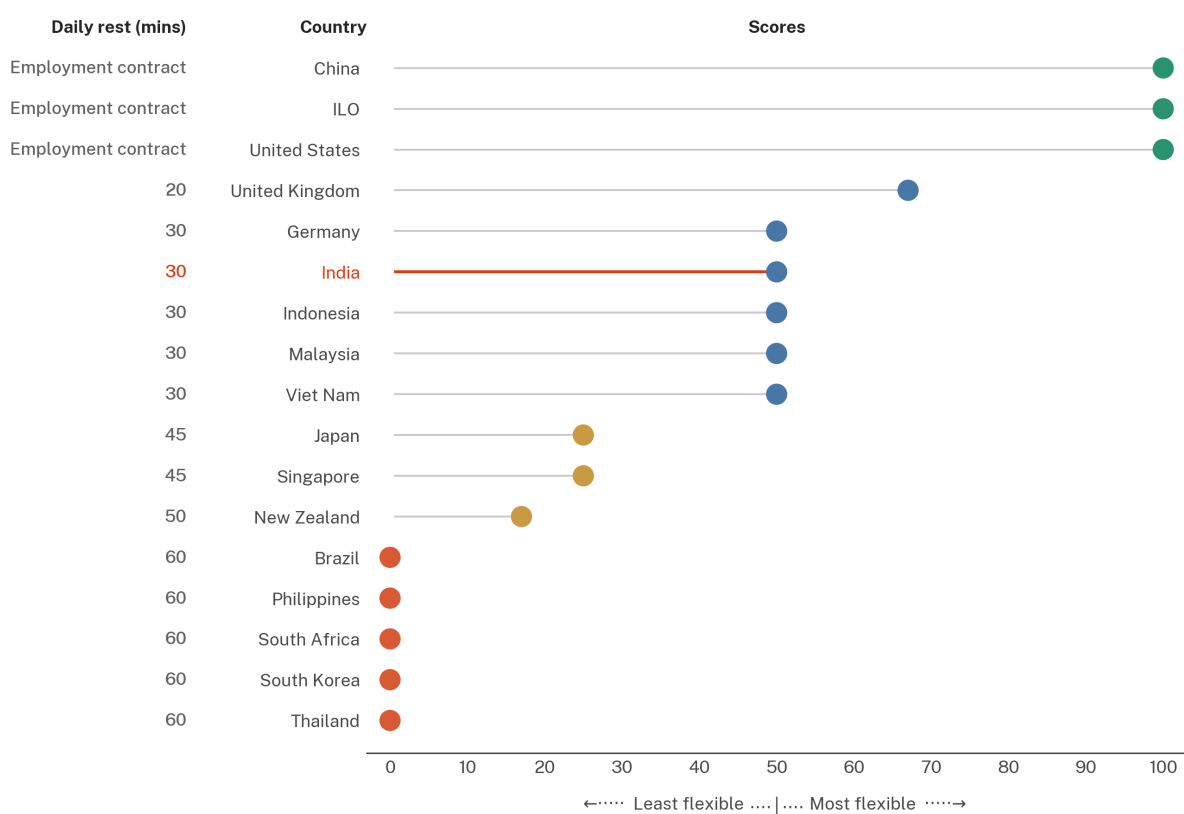
Rules governing rest

Labour laws set minimums for how much time must be set aside for rest during and between shifts. The length and timing of rest are determined by four factors: the minimum rest break during a shift, the number of rest days to be given each week, the number of days by which weekly rest days may be postponed, and the process for postponing rest.

How many minutes of rest are required in an 8-hour day?

Most countries mandate a 30 to 60-minute rest break in an 8-hour workday. In India, no worker is allowed to work for more than six hours without a 30-minute rest break. The ILO only requires employers “to notify...such rest intervals accorded during the period of work as are not reckoned as part of the working hours” (Art. 8(1)(b), Convention 001 1919).

Figure 2.12: How many minutes of rest are required in an 8-hour day?

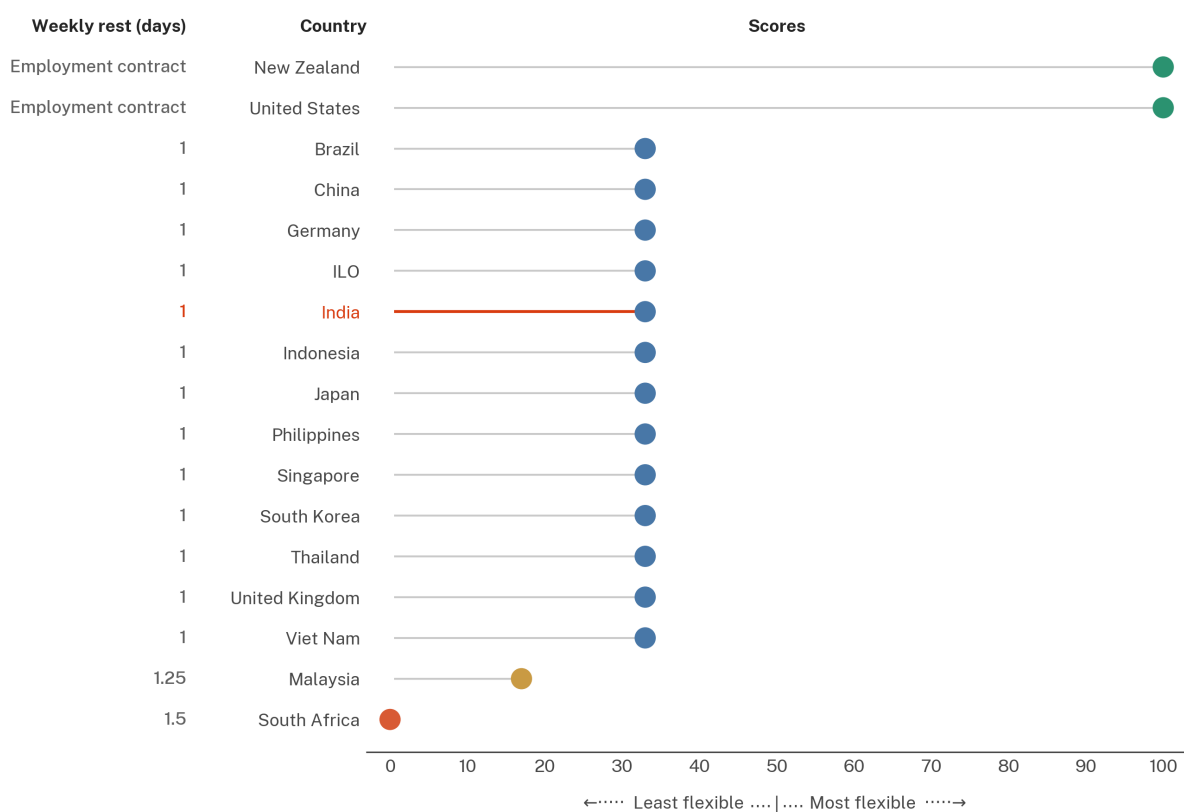


The US and China set no minimum for rest during shifts. Germany and New Zealand provide flexibility in when the rest is taken and how the break is split. For instance, Germany allows the mandated rest break to be “split up into units of at least 15 minutes each” (S. 4, Working Time Act 2008). Japan, the UK, South Africa, and Thailand, allow deviations from the mandated break through mutual agreement.

How many rest days are required each week?

Most countries mandate one day of rest every week. India is no exception. The ILO, under its Weekly Rest Convention, recommends “a period of rest comprising at least twenty-four consecutive hours” in every 7-day period (Art. 2, Convention 014 1921). But, in India, the rest requirement is framed differently from almost any other country; no worker in the country can “work in an establishment for more than six days in any one week” (S. 26, OSHWC Code 2020).

Figure 2.13: How many rest days are required each week?

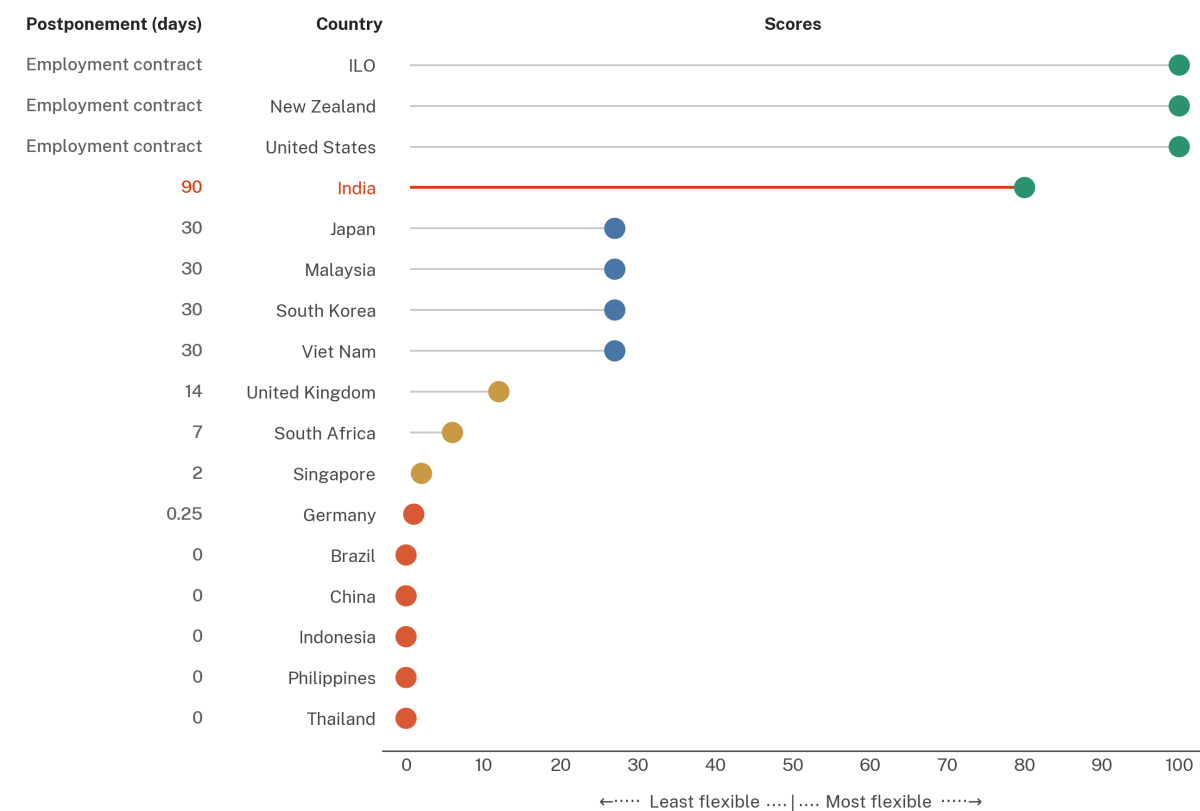


The US and New Zealand are silent on weekly rest. In effect, employers and workers can mutually decide when to schedule rest.

By how many days can rest days be postponed?

Most countries allow some postponement of weekly rest days. India's window for postponement is the widest. Workers who are not given their weekly rest day must receive "compensatory holidays of equal number" within the month the holidays were due or "within the two months immediately following that month" (S. 26(3), OSHWC Code 2020).

Figure 2.14: By how many days can rest days be postponed?



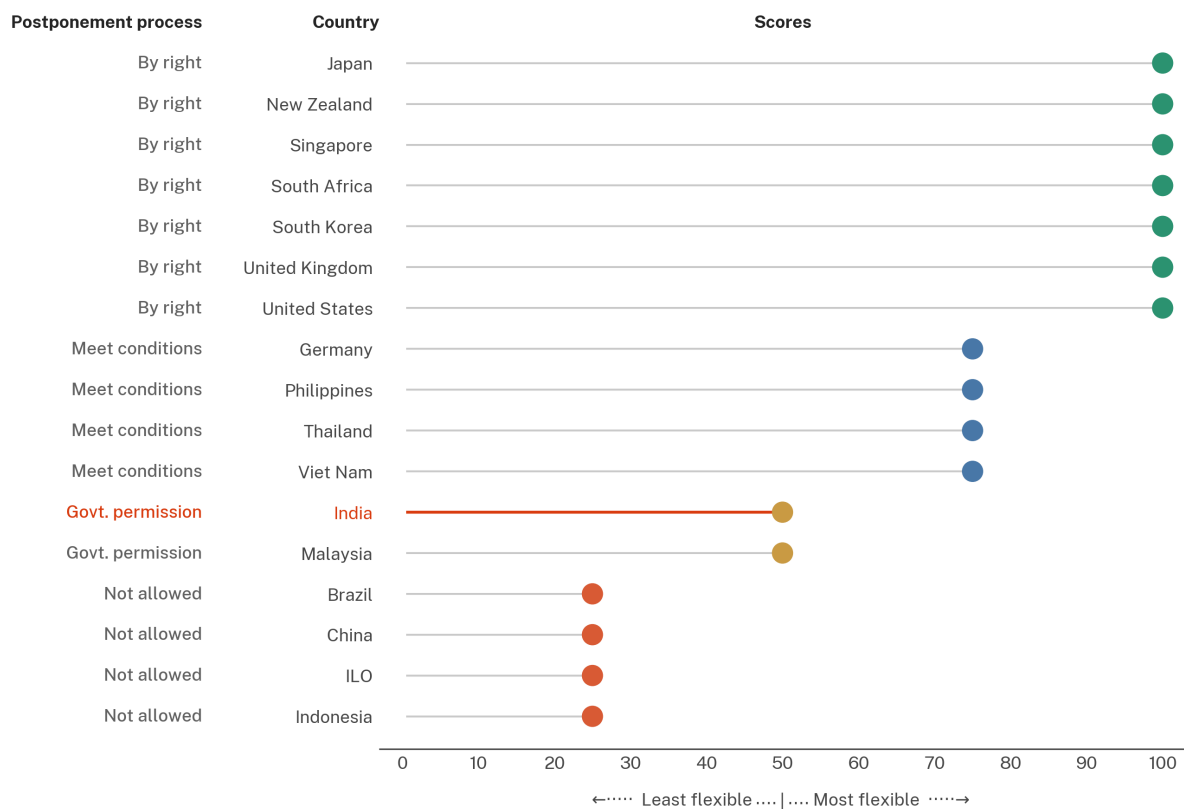
Four countries, Japan, Malaysia, South Korea and Viet Nam allow rest day limits to be met on average over a month. Japan, for example, mandates providing "...a worker with 4 days off or more over the course of a four-week period" (Art. 35, Labor Standards Act 1947). Similarly, in Viet Nam, "the employer is responsible to ensure that, on average, the worker has at least 04 days off per month" (Art. 111(1), Labour Code 2019).

The US and New Zealand set no ceiling on the period over which a rest day can be deferred. An employer in these countries can decide the length of postponement based on their needs and a worker's preferences. The ILO allows member states to authorise total or partial exceptions from the weekly rest mandate considering humanitarian and economic factors (Art. 4(1), Convention 014 1921).

What is the process for postponing rest days?

Most countries allow postponement of rest days by default. India requires employers to petition the government. In India, the postponement of compulsory rest days requires a special exemption from the government. Further, such an exemption may still be “subject to such conditions as may be prescribed” (S. 26(2), OSHWC Code 2020).

Figure 2.15: What is the process for postponing rest days?



Eleven countries allow accessing postponement by right or by merely meeting conditions set in the statute. Viet Nam specifically allows postponement for meeting production needs: “in special cases where it is impossible for the worker to take a weekly day off due to the production cycle” (Art. 111, Labour Code 2019).

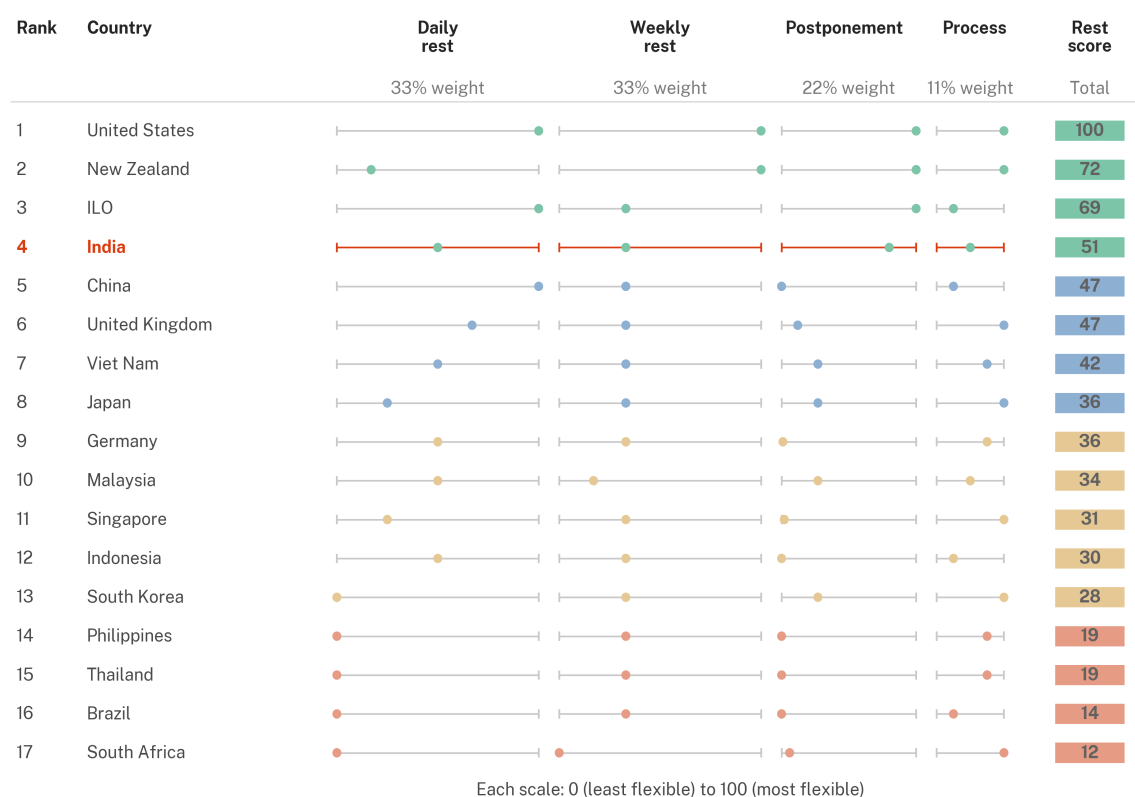
In frontier countries, employers and workers can reschedule rest days by right. In New Zealand, the US, the UK, Japan, South Korea, South Africa, and Singapore, the decision to defer the weekly holiday rests with employers and workers.

Flexibility in scheduling rest

Most countries have converged on the duration and scheduling of the rest to be provided. Ten countries mandate a rest period of 30-60 minutes for an 8-hour day and a weekly day off. The variation lies in how the rest interval is structured within a shift and the postponement of the rest day. At least six countries provide flexibility on both margins. The US sets no mandates on scheduling rest. In New Zealand, factories and workers can together decide the rest intervals and rest days. Japan, Germany, the UK, and Viet Nam provide flexibility in both how the rest interval is structured and the postponement of the rest day. In addition, at least five countries provide flexibility on one of the two margins.

Scheduling of rest intervals and rest days is the one parameter where India is relatively more flexible than other countries. But, within a shift the 30-minute break is fixed and cannot be split and postponing a single rest day requires government permission. The ILO's requirements on rest are limited. While it recommends one day of rest in every 7-day period, it does not prescribe minimum intra-day rest intervals.

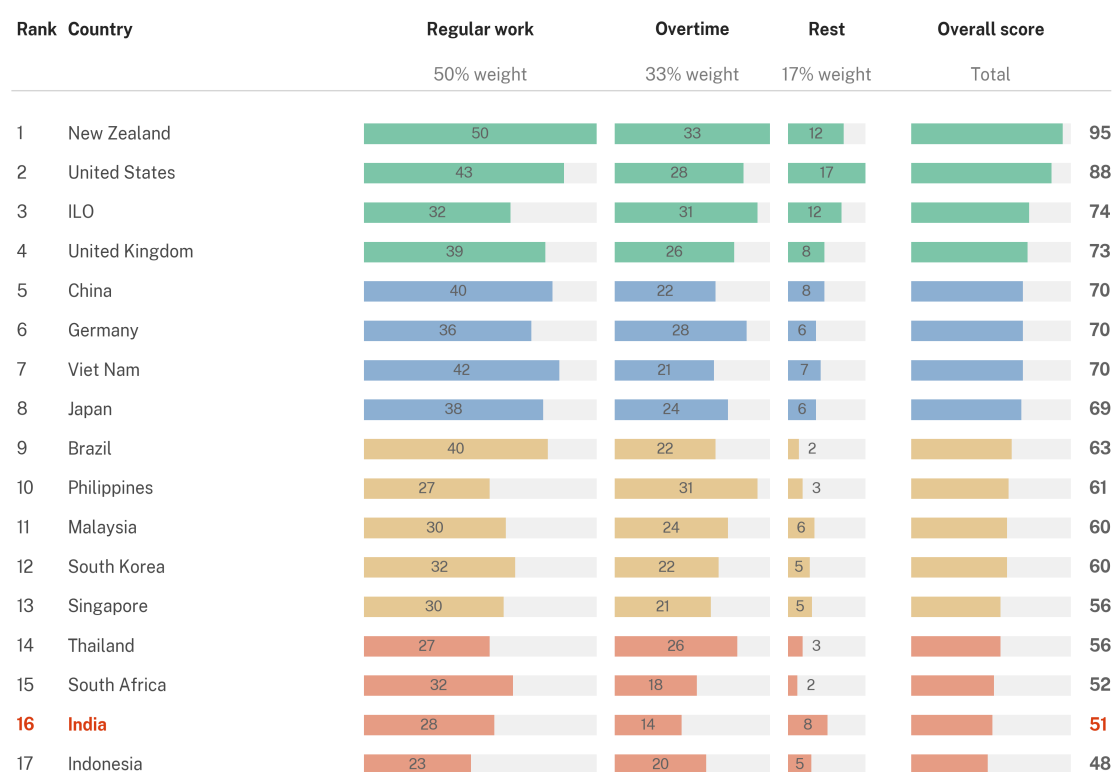
Figure 2.16: Country scores for flexibility in scheduling rest



Overall working-hour flexibility

Countries that lead the ranking impose few statutory constraints, relying on employer-worker agreements to design production schedules. New Zealand and the US sit at the extreme, mandating little on the regular workweek, overtime work, and rest. The UK, Germany, China, and Viet Nam regulate more margins, but each cap is paired with a corresponding release: an averaging window, an individual opt-out, or the absence of a workday limit. A factory in these countries facing a rush order can adjust on one margin when another is constrained.

Figure 2.17: Country ranks on flexibility of working-hour rules



India lies at the other end of the spectrum, setting limits on all aspects of working hours with little room for adjustment. Employers in India cannot redistribute regular hours across days or weeks and cannot scale up production at a reasonable premium. Production scale-up suffers further because a workday cannot be extended, and the number of overtime hours available is lower than in most other countries. Overall, India is among the least flexible countries in the freedom it gives employers and workers for designing their schedules.

3

Implications

An illustration of what time restrictions cost factories

Manufacturers compete on how quickly and cheaply they convert orders into finished goods. In modern supply chains, factories face dynamic demand, changing product cycles, and tighter delivery expectations (Christopher 2000; Christopher and Holweg 2011; Nitsche and Durach 2018). Firms have responded through time-based competition: compressing the time between order and delivery to win supply orders (Stalk 1988; Stalk and Hout 1990; Christopher 2000). But speed is useful only when production costs remain viable (Skuflic and Novinc 2026). Factories win orders when they can deliver quickly without pricing themselves out of the market.

Electronics manufacturing illustrates this pace-cost problem clearly. Electronics companies, such as Apple, work with compressed seasonal demand, tight delivery schedules, and low inventory buffers (Lopatto 2020). A factory responding to a time-sensitive order from Apple needs room to increase hours during a demand surge, absorb rework or last-minute specification changes, and still meet the delivery window. Without regulatory flexibility, the factory must choose between delay, higher production costs, or refusing the order. The same production target can become faster or slower, cheaper or costlier, depending on the country's working-hour rules.

The flexibility index in Chapter 2 ranks countries on their working-hour rules. Countries that score higher on working-hour flexibility should be faster at completing orders and cheaper at producing each unit. To test whether flexibility rankings translate into manufacturing performance, this section simulates a production order received by a hypothetical factory in each of the 16 countries in this report.

Consider a hypothetical 500-worker electronics factory in each of the 16 countries studied in this report. Suppose each factory receives an order in June to deliver 10,000 high-value consumer devices by September.¹⁴ How fast would an Indian factory deliver the order and at what cost compared to factories in other countries? Assume that the factories are identical in productivity, wages and other variables, and only the legal rules on working hours vary. For ease of exposition, we refer to these devices as iPhones. We assume each iPhone requires 40 man-hours across production tasks. The factory will need 4,00,000 man-hours to complete the order, scheduling 800 hours of production per worker over the entire period.

Simulating this hyper-simplified scenario calls for some adjustments from the flexibility dataset.

- First, the flexibility rankings capture a simplified reading of the law by scoring each regulation independently. In practice, regulations interact. For instance, a weekly limit and the absence of averaging together create overtime dependence; that dependence, together with a high premium, creates a cost penalty. The simulation tries to capture these interactions.
- Second, in many countries, the law is silent on limits like spreadover or rest. Does this mean no rest is given typically? The simulation applies common-sense defaults like a 12-hour workday and 30 minutes of rest. These are judgement calls, but they reflect the life of an actual factory rather than a theoretical reading of the statute.
- Finally, the simulation excludes process indicators—such as whether averaging requires government permission. There is no easy way to model these workarounds. The simulation therefore focuses on substantive constraints: how many hours, over how many weeks, at what cost.

We show the time the factory in each country would take to deliver the production order and the cost in labour-hours it would incur.

14. Apple times iPhone's September launch to match the November to February peak holiday-season demand. The November to February window covers the major consumer spending events in Apple's largest markets: Thanksgiving (fourth Thursday of November), Black Friday (the day after Thanksgiving), and Cyber Monday (the Monday after Thanksgiving) in the United States; Christmas and New Year across Western markets; and Lunar New Year in China, South Korea, and Southeast Asia—Apple's second-largest market by revenue. These events collectively account for the highest concentration of consumer electronics purchases in the calendar year (Apple Inc. 2024).

Figure 3.1 ranks countries by the number of weeks a 500-worker factory takes to complete the 10,000-iPhone order, and Figure 3.2 ranks countries by the paid labour-hours required to produce each iPhone.

Figure 3.1: Time taken to complete the order

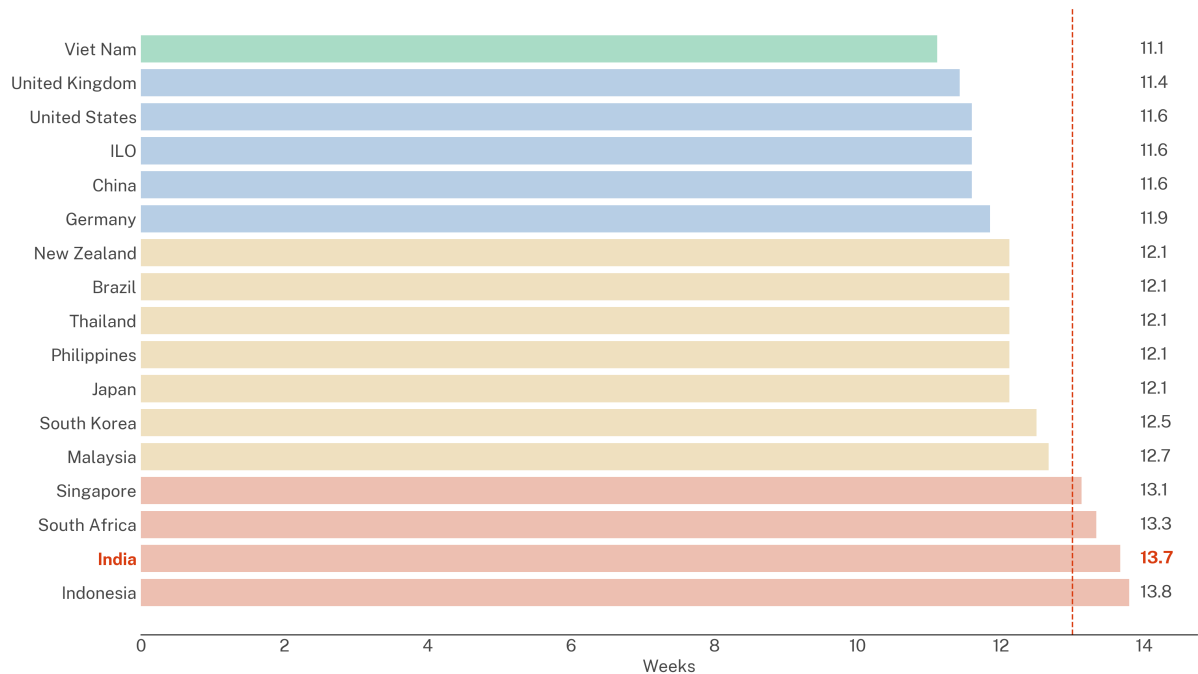
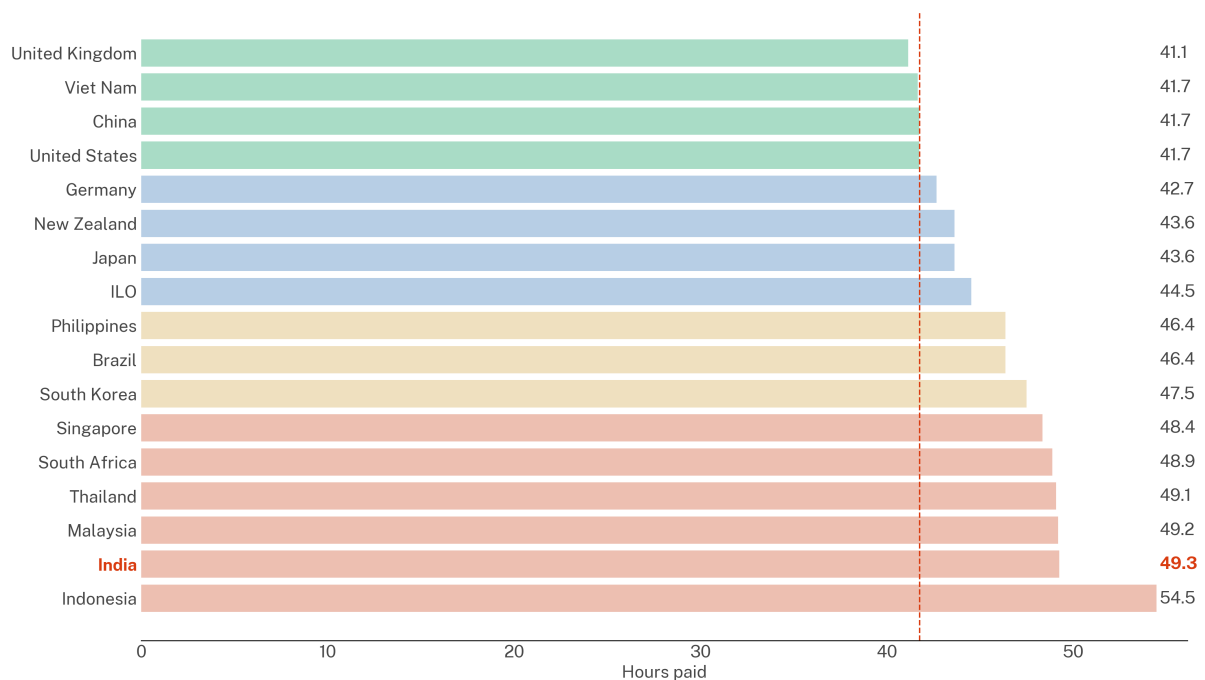


Figure 3.2: Cost per iPhone

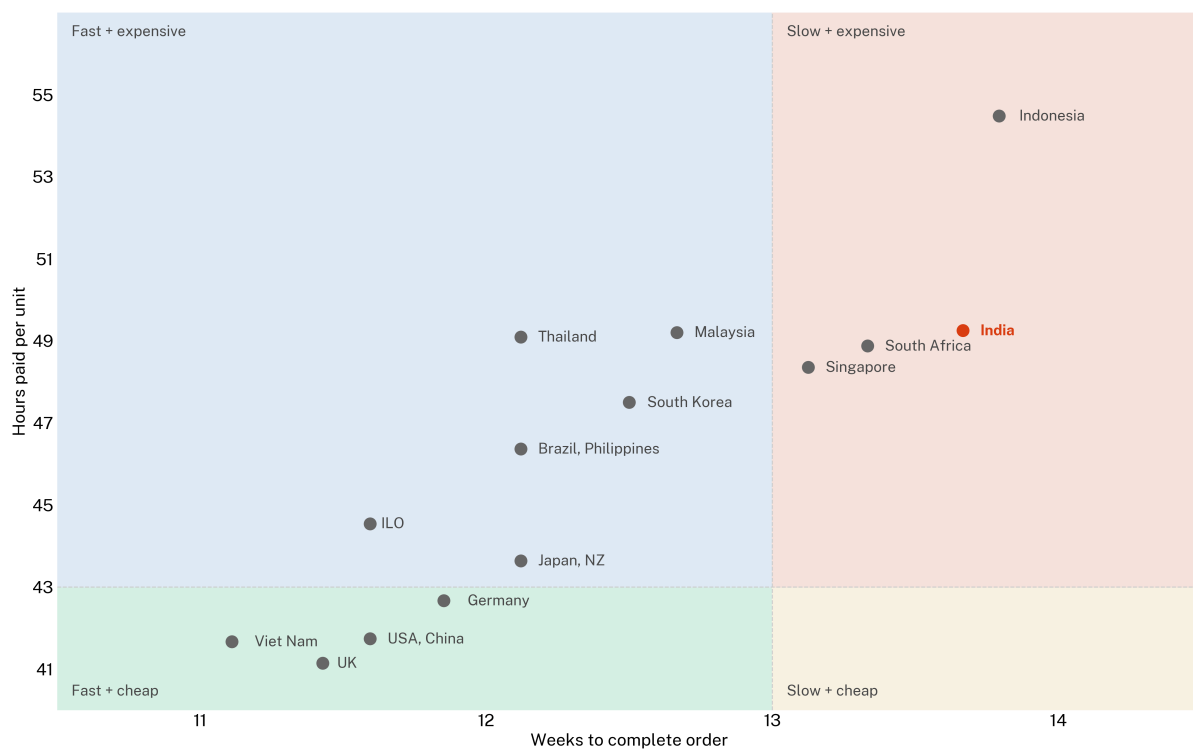


The Indian factory is one of the slowest in the simulation. It takes 13.7 weeks to complete the order, 23% more time than the fastest factory in the simulation. Only the Indonesian factory takes longer. In contrast, factories in 12 countries complete the same order in 11 to 12 weeks, well within the delivery window.

The Indian factory is also among the most expensive in the simulation. It pays for 49.3 labour-hours per iPhone, at least 18% more than factories at the cost frontier. Only the Indonesian factory is more expensive. In contrast, four countries produce the iPhone in under 42 man-hours.

Figure 3.3 positions each country by the time taken to complete the order and the paid labour-hours required per iPhone. A factory can be fast and cheap, fast and expensive, slow and cheap, or slow and expensive.

Figure 3.3: Time taken and Cost per unit for 10,000 iPhones by a 500-worker factory



India's disadvantage lies in the combination of slow delivery and high labour cost. Innovative products, with unpredictable demand and short life cycles, need responsive supply chains that deliver quickly and absorb last-minute changes. Functional products, with predictable demand and tighter margins, need efficient supply chains that minimise unit cost. The Indian factory offers neither: it is too slow to service the supply chains for innovative products and too expensive to service the supply chains for functional products.

Two rules make factories in India slow and expensive

India's *slow + expensive* position comes from the way its rules distribute and price working time. Two regulatory choices seem to matter most: the absence of averaging for regular hours and the high premium attached to overtime. Figure 3.4 shows the slow and expensive Indian factory's production cycle in comparison to the fast and cheap Vietnamese factory.

Figure 3.4: Production simulation under working-hour rules of India and Viet Nam



Lack of averaging limits an Indian factory's ability to sustain production pace, while the 2x premium turns this pace problem into a cost problem. Every hour above the 48-hour weekly limit must be routed through overtime, which the factory exhausts in 7 weeks. In total, it uses 656 regular hours and 144 overtime hours per worker. At twice the regular wage, the overtime costs 288 man-hour equivalent. Adding 41 hours of paid rest, the factory pays 985 labour-hours to produce 800 hours of output, or 49.25 man-hours per iPhone.

In contrast, Viet Nam gives its factories room on at least one margin: distribution of regular hours or pricing of overtime. Viet Nam's 52-week averaging window allows its factory to work up to 72 regular hours in peak weeks, complete the order in 11.1 weeks, and avoid overtime altogether. With only 33 hours of paid rest and zero overtime, each iPhone costs 41.67 man-hours.

Moving from slow and expensive to fast and cheap

India should aspire to be in the *fast + cheap* group, as the *slow + expensive* position leaves us with no clear supply-chain advantage. For a labour-abundant economy, manufacturing competitiveness depends on combining the cost advantages of abundant labour with the ability to meet demanding delivery schedules. India needs a reform package that lets factories both sustain pace and reduce the cost of additional hours. We test two reform scenarios: a conservative one with the lowest averaging period and typical overtime premium, and one closer to the regulatory positions of frontier countries.

Scenario 1: India adopts 3-week averaging and 1.5x OT

A 3-week averaging window with a 1.5x overtime wage is the most conservative reform package India could adopt. ILO Convention 001 allows weekly hours to be averaged over 3 weeks. Nine of the 15 countries set an overtime premium of 50% the regular wage. Figure 3.5 shows the factory-level result of this reform for the same 10,000 iPhone order.

Figure 3.5: Pace and cost if India adopts 3-week averaging + 1.5x OT

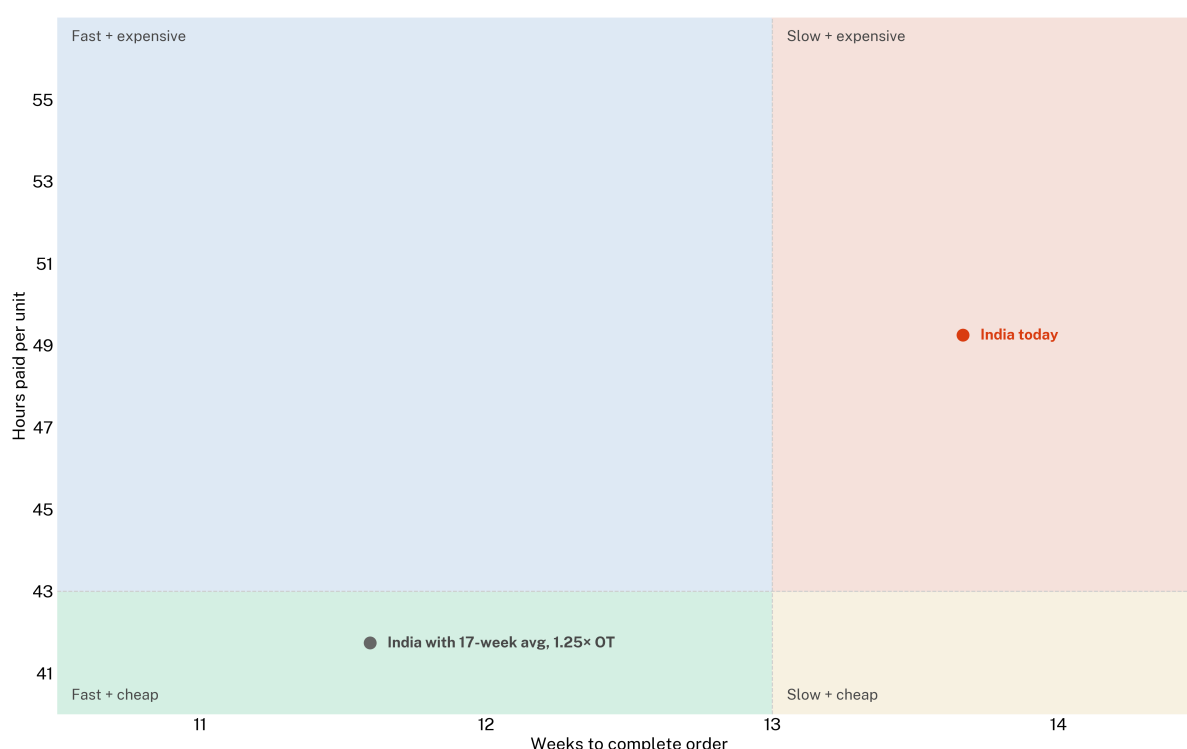


The reform improves pace by roughly 4% and reduces cost by about 7%, but the factory remains in the *slow + expensive* quadrant. India becomes slightly faster and cheaper, but still misses the 13-week delivery window and remains more expensive than at least 10 countries.

Scenario 2: India adopts 17-week averaging and 1.25x OT

This scenario tests a reform package closer to what flexible manufacturing countries allow. The 17-week averaging period approximates a 4-month production cycle, closer to the longer averaging windows used by countries near the fast and cheap frontier. Every country that is both fast and cheap—including Viet Nam and China—permits averaging over at least four months. The 1.25x overtime wage reflects premiums recommended under ILO Convention 001. Figure 3.6 shows the factory-level result of this reform for the same 10,000 iPhone order.

Figure 3.6: Pace and cost if India adopts 17-week averaging + 1.25x OT



This reform package moves India out of the *slow + expensive* position and towards the *fast + cheap* frontier. A 17-week averaging period allows the factory to work an average of 48 hours over 17 weeks. In total, this gives the factory 816 regular hours to redistribute across the period. Delivery time falls from 13.7 weeks to 11.8 weeks. Since the order can be completed using regular hours, reliance on overtime falls to zero, and the man-hour cost per iPhone falls from 49.3 to the frontier level of 41.7 man-hours. The 1.25x overtime then keeps additional hours affordable when actual production deviates from the plan. The route from slow and expensive to fast and cheap lies in reforming both the distribution of regular hours and the price of additional hours.

4

Discussion

Practical difficulties revealed by court cases

This chapter turns to Indian case law to understand what happens when factories and workers apply working-hour rules to production and scheduling decisions. Working-hour laws are written as general limits, procedures, and entitlements. They prescribe maximum hours, rest intervals, weekly holidays, spreadover, overtime rates, notice requirements, and record-keeping duties. Inside an establishment, however, working-hour decisions are concrete and bundled. A decision taken to meet an operational need can trigger disputes over notice, reasonableness, compensation, classification, or compliance.

The chapter uses Supreme Court disputes as a focused sample of legally contested working-hour decisions. Over the last 75 years, at least 41 cases related to working hours have been brought before the Supreme Court.¹⁵ In 34 of these 41 cases, employers and workers disagreed over enterprise-level changes to working hours and overtime wages. In four cases, the state initiated criminal proceedings against employers for violations of working-hour regulations. In three cases, employers or workers challenged the legality of working-hour regulations.

These cases reveal three recurring areas of difficulty: when working hours could be changed, how far employers could respond to operational disruptions, and when additional work attracted overtime. Together, the disputes show the friction between rules and the day-to-day decisions through which factories organise labour, time, and production.

15. These 41 disputes emerged from six pre- Labour Code laws: Payment of Wages Act 1936, Industrial Employment (Standing Orders) Act 1946, Industrial Disputes Act 1947, The Factories Act 1948, Minimum Wages Act 1948, and the Shops and Commercial Establishments Acts.

Disputes over the application of working-hour rules

Over the years, the Supreme Court has evaluated the merits of at least 34 appeals regarding the application of working-hour regulations. Some of these cases concerned when and under what circumstances working hours could be changed and some cases concerned the applicability, calculation, and process for overtime.

Under what circumstances can working hours be changed?

In 13 cases, the Supreme Court considered disputes over how work should be organised.¹⁶ The largest problem that emerges is that working-hour schedules become sticky once they settle inside an establishment. Some employers wanted to change existing schedules. Some workers wanted changes that employers resisted. The changes ranged from one-time adjustments to temporary arrangements and permanent changes in weekly schedules. Most disputes concerned the rearrangement of working time inside the statutory framework.

The legal difficulty arose because Indian law made changes to working hours procedurally difficult even when the changes remained within statutory limits. The Industrial Disputes Act 1947 required employers to give 21 days' notice before changing service conditions and provided for disputes arising from such changes to be treated as industrial disputes. The Factories Act may have regulated substantive limits on working hours, but changes to working hours also had to comply with the Industrial Disputes Act. As a result, the legal question often shifted from whether the proposed schedule was reasonable to whether the employer had followed the correct process. The interaction of laws turned scheduling decisions from factory compliance into industrial adjudication.

In some cases, temporary operational adjustments became disputes over service conditions. In *Tata Iron and Steel Co. Ltd. Vs. The Workmen and Ors.*, the employer temporarily altered the weekly rest day after water seepage overloaded the power house and threatened

16. Assam Match Company Limited Vs. Bijoy Lal Sen and Ors. 1973; Associated Cement Staff Union and Ors. Vs. The Associated Cement Co. Ltd. and Ors. 1962; Bhiwani Textile Mills Vs. The Workmen and Ors. 1969; Indian Oxygen Ltd. Vs. Their Workmen 1968; Lipton Limited and Ors. Vs. Their Employees 1959; Management of Sundaram Industries Ltd. Vs. Sundaram Industries Employees Union 2013; Management of the D.C.M. Chemical Works Vs. Their Workmen 1962; Pfizer (P) Ltd. Bombay Vs. The Workmen 1962; Salem Erode Electricity Distribution Company Ltd. Vs. Salem Erode Electricity Distribution Co. Ltd. Employees Union 1965; Tata Iron and Steel Co. Ltd. Vs. The Workmen and Ors. 1972; The Oil and Natural Gas Commission Vs. The Workmen 1972; Workmen of Bombay Port Trust Vs. The Trust of The Port of Bombay 1965; Saxby and Farmer (India) Private Limited Vs. Their Workmen 1973.

a breakdown in power supply. The employer was willing to pay a rest-day premium for work on the proposed rest days. One union accepted the arrangement, while another opposed it. In *Oil and Natural Gas Commission (ONGC) Vs. The Workmen*, the employer temporarily used 6.5-hour shifts while a workshop was under construction and later restored the original 8-hour shift. Workers resisted, saying that the temporary arrangement had since become a service condition. The Tribunal disagreed that it had become a service condition, but notwithstanding, awarded a 10% premium pay for the extra hours. In both cases, employers expected the changes to be treated as reasonable short-term workplace adjustments; but unions and the government viewed these as unilateral contract modifications.

In other cases, employers could not reorganise working hours within statutory limits even after complying with the notice requirement. In two cases, employers made the mistake of setting hours below the statutory threshold and wanted to make small modifications to working hours to improve operational efficiency. In *Pfizer Ltd. Bombay Vs. the Workmen*, the employer increased “net working hours by only 55 minutes per week” so they could run a continuous 20-hour manufacturing process for their new anti-tubercular drug. The employer proposed a 3-shift system and reorganised the schedule so that night shifts were staffed by men, since the law prohibited women from working at night. Workers were offered additional compensation, but the change was still contested because it introduced night work and changed the weekly schedule for some employees. In *Associated Cement Staff Union Vs. Associated Cement Co.*, the employer increased weekly hours from 34¼ to 37¼ hours. The employer followed the notice procedure and sought to bring working hours closer to those prevailing in other establishments. Workers opposed the change because they would lose out on opportunities for overtime. Together, the cases show how lower-hour arrangements, once adopted, could become difficult to revise even when the proposed increase remained modest, within the statutory ceiling, and procedurally compliant.

Workers could also challenge existing working-hour arrangements through charters of demands or via tribunals. In five cases, disputes over work schedules were brought through charters of demands or references to industrial tribunals.¹⁷ These disputes ranged from changes to regular working hours, leave entitlements and holidays. Workers often argued for entitlements beyond those specified under the Factories Act 1948. One such example is the dispute over changes to working hours. In *Lipton Limited and Ors. Vs. Their Employees*, workers argued for a reduction of working hours from 39 hours a week, which is around 9 hours less than the statutory limit of 48 hours. Working-hour arrangements were open to adjudication even when the employer had not breached the statutory framework.

17. *Indian Oxygen Ltd. Vs. Their Workmen* 1968; *Lipton Limited and Ors. Vs. Their Employees* 1959; *Management of Sundaram Industries Ltd. Vs. Sundaram Industries Employees Union* 2013; *Management of the D.C.M. Chemical Works Vs. Their Workmen* 1962; *Saxby and Farmer (India) Private Limited Vs. Their Workmen* 1973.

Even changes made in response to worker preferences could trigger disputes. In *Assam Match Company Vs. Bijoy Lal and Ors.*, the employer changed the date of a festival holiday at the request of a majority of workers. The majority had informed the employer that they would not work on the actual date of the festival. Another group of workers objected. The change in holiday date escalated into a dispute over whether Section 9A applied, eventually taking 7 years to resolve. The employer faced legal risk whether it accepted or rejected the workers' request. This illustrates how the law made even mutually useful adjustments contestable.

Disputes also contain instances where employers faced claims for additional payments despite complying with the law. In *Bhiwani Textile Mills Vs. The Workmen and Ors.*, the employer introduced Sunday work with a compensatory day off.¹⁸ Workers approached the tribunal arguing that Sunday work altered their service conditions. The tribunal allowed the change but awarded a 20% rest-day premium to workers working on Sunday.¹⁹ This left employers in a conundrum: even when they complied with the statute, tribunals could still impose additional financial obligations depending on industry practice and capacity to pay.

These disputes usually reached the Supreme Court after industrial adjudication, where tribunals had scrutinised changes to schedules, protected existing arrangements, and used discretion to extend the establishment's liabilities. When these disputes reached the Supreme Court, a further test was applied. The Court affirmed that employers could alter working hours within statutory limits, but required changes to be "reasonable". Across the cases, the Court considered production needs, worker health, efficiency, capacity to pay, and prevailing practices in comparable establishments in assessing what was "reasonable". This approach disciplined tribunal discretion, but may also have made new working arrangements harder to defend. Working-hour flexibility became backward-looking: it permitted what was already common more easily than what may have been operationally necessary.

The result was stickiness. A rest day, holiday, shift length, or weekly schedule could become "service conditions" and schedule experimentation could be near impossible. Changing the arrangement required procedure, adjudication, justification, and arbitrary compensation. Factories had reason to avoid shorter, temporary, compressed, or customised schedules because each arrangement could harden into a claim. The safer choice was to stick with the statutory limit and preserve as much scheduling room as possible.

18. Under Section 52 of the Factories Act 1948, employers were required to grant a compensatory holiday within three days before or after the weekly rest day if they wished to employ workers on the weekly rest day.

19. The Supreme Court later set aside the premium, not because such a premium was legally impossible, but because the tribunal had not applied the proper wage-fixation principles. The Supreme Court held that wages including additional payments for Sunday work must be determined by two factors: the capacity of the industry to pay and the practice prevailing in the industry in the region.

What is overtime and how much overtime must be paid?

The Supreme Court considered 22 disputes on the issue of overtime.²⁰ Six cases concerned what constitutes overtime. Four cases concerned how overtime dues should be calculated. Ten cases concerned which employees qualified for overtime. These disputes arose because the law set maximum hours and premium rates, but did not always clearly define how overtime operated within establishments that had their own normal working hours, categories of employees, and overlapping legal obligations.

The legal difficulty was that overtime was both a limit and a wage claim. Under the Factories Act, workers were entitled to double wages when work exceeded 9 hours a day or 48 hours a week. But many establishments fixed working hours between 36 and 42 hours a week. This created a workplace threshold below the statutory threshold. Once workers crossed the workplace threshold, disputes moved from scheduling to payment. One set of cases asked whether the additional hour counted as overtime and what premium applied. Other disputes asked what wage had to be used and which employees could claim payment.

One set of cases, on what constituted overtime, raised three sequential questions.

First, whether an additional hour counted as extra work at all. In *Lipton Ltd.*, the employer had set 39 hours as the normal working hours in the establishment. Workers claimed that any work beyond those 39 hours should count as overtime. The Supreme Court concurred that “any workman asked to work beyond these hours would obviously be working overtime”. The Court therefore treated the establishment’s normal week as relevant to deciding when extra work began.

20. *Lipton Limited and Ors. Vs. Their Employees* 1959; *Indian Oxygen Ltd. Vs. Their Workmen* 1968; *The Workmen of the Calcutta Electric Supply Corporation Ltd. Vs. The Calcutta Electric Supply Corporation Ltd.* 1973; *Workmen of British Overseas Airways Corporation, New Delhi Vs. British Overseas Airways Corporation, New Delhi* 1962; *Philips India Ltd. and Ors. Vs. Labour Court, Madras and Ors.* 1985; *The Clothing Factory, National Workers’ Union Avadi, Madras Vs. Union of India (UOI) and Ors.* 1990; *Y.A. Mamarde and Ors. Vs. Authority under the Minimum Wages Act (Small Causes Court) Nagpur and Ors.* 1972; *Workmen of Jeessop [Jessop] Co. Ltd. Vs. Jeessop [Jessop] & Co. Ltd. and Ors.* 1963; *Union of India (UOI) and Ors. Vs. Suresh C. Baskey and Ors.* 1995; *Govind Bapu Salvi and Ors. Vs. Vishwanath Janardhan Joshi and Ors.* 1993; *Union of India (UOI) and Ors. Vs. G.M. Kokil and Ors.* 1984; *B.P. Hira and Ors. Vs. C.M. Pradhan and Ors.* 1959; *Security Printing & Minting Corporation of India Ltd. and Ors. Vs. Vijay D. Kasbe and Ors.* 2023; *The Works Manager, Central Railway Workshop, Jhansi Vs. Vishwanath and Ors.* 1969; *Currency Note Press and Ors. Vs. N.N. Sardesai and Ors.* 2018; *Bombay Gas Co. Ltd. Vs. Shridhar Bhau Parab* 1960; *Sitaram Ramcharan and Ors. Vs. M.N. Nagarshana and Ors.* 1959; *D. Krishnan and Ors. Vs. Special Officer, Vellore Co-operative Sugar Mill and Ors.* 2008; *Bombay Gas Co. Ltd Vs. Jagannath Pandurang and Ors.* 1975; *Workmen of Delhi Electric Supply Undertaking Vs. The Management of Delhi Electric Supply Undertaking* 1972; *Workmen of The Calcutta Port Commissioners Vs. Employers in Relation to The Calcutta Port Commissioners and Ors.* 1969; *Bombay Gas Co. Ltd. Vs. Jagan Nath Pandurang and Ors.* 1972.

Second, whether extra work should be priced differently. In *Lipton Ltd.*, the employer was only required to pay the ordinary rate of wages for each hour beyond the employer's norm. The position changed in subsequent cases. In *Indian Oxygen*, the Court held that once an employer set lower normal working hours, it could not require additional work beyond those hours without paying a premium. This was a new obligation imposed by the courts.

And, third, the price of that additional hour. After *Indian Oxygen*, courts set or approved premiums of between 1.25 and 1.5 times the ordinary rate when they found that additional work deserved compensation. In these cases, the premium was based on industry practice, comparable establishments, or capacity to pay. It took until *Philips India* for the Supreme Court to draw a clear line. Work beyond the establishment's normal hours could attract compensation, but double wages applied only once the statutory ceiling was crossed. Up until the *Philips India* case, courts had to price the intermediate category of working time.

Another set of cases concerned calculation: what wage base should be used once overtime was payable. Workers argued that overtime should be calculated on the basis of the full wages and benefits they ordinarily received. In *Y.A. Mamarde and Ors. Vs. Authority under the Minimum Wages Act (Small Causes Court) Nagpur and Ors.*, a three-judge bench of the Supreme Court held that "ordinary rate" meant the actual wages received by workers, not the minimum wages fixed under the Minimum Wages Act. This mattered in practice because every allowance included in the wage base raised the employer's overtime bill. Subsequent disputes focused specifically on whether allowances formed part of the ordinary rate. In *Govind Babu Salvi and Ors. Vs. Vishwanath Janardhan Joshi and Ors.* and *Union of India and Ors. Vs. Suresh C. Baskey and Ors.*, workers argued these allowances must be included and employers resisted. The calculation cases therefore added another layer of uncertainty: even where overtime was payable, employers and workers still had to litigate the wage base on which the premium applied.

Yet another set of cases arose from definitions and exemptions across laws and concerned coverage: which employees qualified for overtime. These disputes involved two related problems. First, labour laws sometimes gave narrow legalistic definitions of terms like "workers", "employees", or "factories". In *Workmen of Delhi Electric Supply Undertaking Vs. The Management of Delhi Electric Supply Undertaking*, the dispute was over whether workers employed at electrical sub-stations qualified as workers employed in a factory and were therefore entitled to overtime wages. Employers and workers could not know in advance whether workers in such establishments qualified.

Second, exemptions under one labour law did not prevent overtime claims under another. In *B.P. Hira and Ors. Vs. C.M. Pradhan and Ors.*, timekeepers who worked as administrative

staff responsible for attendance records and pay sheets argued for overtime wages. The employer argued they were not “workers” under the Factories Act because they did not work on the factory floor. Similarly, in *Union of India and Ors. Vs. G.M. Kokil and Ors.*, supervisors and management staff at India Security Press claimed twelve years of overtime wages as arrears. The Factories Act did not require employers to pay overtime to employees in supervisory, management, or confidential positions. In both cases, the Court referred to the Bombay Shops and Establishments Act to extend overtime entitlement to all persons employed in a factory, regardless of whether they were factory-floor workers. Employers could not rely on the exemptions in the Factories Act because a different labour law expanded overtime liability beyond those categories.

Tribunals used different standards for different overtime questions. When the question was whether additional hours deserved a premium, tribunals often treated the statutory ceiling of 48 hours as the operative threshold. When the question was what rate applied, tribunals looked to comparable establishments in the same industry or region. As a result, tribunal discretion converted compliance into additional financial liability. Where employers had followed the law on scheduling, tribunals still imposed additional payments based on industry practice and capacity to pay.

The Supreme Court treated working arrangements established by the employer as legally significant in determining overtime liability. The Court treated establishment-level working arrangements as capable of creating overtime obligations within the statutory framework. At the same time, it did not establish a uniform rule for pricing work performed between the employer’s normal hours and the statutory ceiling. This approach reduced the significance of the statutory ceiling as the sole trigger for overtime but left questions of entitlement and price to be resolved case by case.

The result was an uncertainty and price problem. Once an establishment adopted working hours below the statutory ceiling, every additional hour carried uncertain legal consequences. Additional time could be treated as ordinary work, premium work, statutory overtime, or accumulated arrears, depending on how adjudicators understood the workplace norm, the applicable statute, and the class of worker. Overtime became more than an added wage cost; it made production time harder to price, vary, and settle by agreement. This likely discouraged establishments from adopting shorter normal hours or customised working-time arrangements, because those choices could later raise the legal price of additional work.

Disputes over the enforcement of working-hour rules

In four cases, employers contested the enforcement of working-hour regulations; each of these cases involved criminal proceedings against employers.²¹ In these cases, the legal difficulty was that compliance depended as much on formal records as on actual hours. Any adjustment became a criminal offence if compliance varied even slightly from the statute.

Technical and procedural violations could sustain prosecution. In *S.M. Datta Vs. State of Gujarat and Ors.*, a factory inspector filed criminal complaints after finding workers working beyond prescribed hours without proper attendance registers. The case turned on paperwork.

The law was also near blind to operational exigencies or to management discernment. In *State of Gujarat Vs. Kansara Manilal Bhikhalal*, a machine breakdown halted production. The employer asked workers to start earlier the next day and wrote to the inspector about the changed hours. The letter reached the inspector late, and the Inspector pulled up the factory. In *Maneklal Jinabhai Kot Vs. State of Gujarat*, junior officers introduced an additional shift to clear accumulated work because new workers were not available. The junior officers were prosecuted and eventually convicted.

Moreover, the liability structure extended responsibility upward even when senior management did not personally cause the violation. In *Hemant Madhusudan Nerurkar Vs. State of Jharkhand*, a factory inspector found that overtime slips had not been provided to contract labourers and that leave books were missing. The occupier and manager were held jointly liable for the contractor's contraventions of the Factories Act.

The courts treated changes to notified schedules as offences even when the deviations arose from practical production problems. The question was whether the factory's actual working time matched the displayed period of work, worker register, attendance record, and statutory procedure for variation. Operational need did not change this inquiry. Once the record and the work diverged, courts treated the deviation as an offence capable of prosecution.

The result was that initiative became expensive. A breakdown, backlog, or staffing shortage could not simply be solved inside the factory. Working-hour law turned operational judgement into legal risk. Criminal liability could attach even where the adjustment was necessary, temporary, or made in good faith. The safer response was to stop, delay, or regularise paperwork before adjusting operations.

21. Hemant Madhusudan Nerurkar Vs. State of Jharkhand 2016; S.M. Datta Vs. State of Gujarat and Ors. 2001; State of Gujarat Vs. Kansara Manilal Bhikhalal 1964; Maneklal Jinabhai Kot Vs. State of Gujarat and Ors. 1967.

Disputes over the legal validity of working-hour rules

In three cases, the legal validity of working-hour rules was contested before the Supreme Court.²² In two cases, employers challenged regulations on the grounds that they restricted their constitutional freedom to carry on business. In one case, workers argued that the relaxation of working-hour limits during the pandemic was unlawful. In each case, the Supreme Court upheld the regulatory position that limited flexibility.

The legal difficulty addressed in these cases was that working-hour norms sat at the boundary between statutory protection and freedom to organise time. While the Factories Act and Shops Acts empowered the government to prescribe and relax hours, rest, and working conditions, it was not clear if and how they could be applied in the case of non-standard arrangements or in times of difficulty. Each of these cases challenged the state's power to prescribe, extend, or relax working-hour limits.

Working-hour limits could apply even where a proprietor organised work around his own labour and family assistance. In *Ramdhandas and Ors. Vs. The State of Punjab*, one of the petitioners ran a small retail shop with the help of his family. The petitioner argued that his business depended on goods arriving at unpredictable hours, often late at night, and required him to remain open for long periods. However, the law required all establishments to close within fixed hours and limit work to 9 hours a day or 48 hours a week. The dispute placed the proprietor's freedom to organise his own time against general regulation.

Working-hour limits could also extend to non-standard forms of work. In one case in Maharashtra, the government declared piece-rate bidi rollers as 'deemed workers' under the Factories Act.²³ This notification followed a Supreme Court ruling that such workers could not be regulated under the Act because they had no fixed hours, minimum output requirement, or contract of service. Employers challenged the notification in *Bhikuse Yamasa Kshatriya (P) Ltd. and Ors. Vs. Union of India*, arguing that the state had interfered with flexible contractual arrangements by applying factory regulation to non-factory employment. The dispute tested whether factory-style protections could reach work organised outside ordinary factory shifts.

Working-hour limits could also prove difficult to relax, even in the face of extraordinary disruption. During the pandemic, the Government of Gujarat exempted factories from

22. *Bhikuse Yamasa Kshatriya (P) Ltd. and Ors. Vs. Union of India (UOI) and Ors.* 1963; *Ramdhandas and Ors. Vs. The State of Punjab* 1961; *Gujarat Mazdoor Sabha and Ors. Vs. The State of Gujarat* 2020.

23. *Shankar Balaji Waje Vs. State of Maharashtra* 1961.

statutory working-hour limits to ensure “maintenance of minimum production levels in factories”. Gujarat Mazdoor Sabha, a registered trade union, challenged the notification on the grounds that Covid-19 did not rise to the statutory threshold of an emergency. The dispute tested whether emergency powers under the Factories Act permitted temporary relaxation during a health and production shock.

Across these cases, the Court prioritised statutory limits and protective purpose over the freedom to choose different working arrangements. It largely treated working-hour limits as protective regulation within the state’s authority. Its approach created an asymmetry: state power to prescribe and extend working hours was treated broadly, while state power to relax working hours was treated narrowly.

In the first two cases, the Court rejected employers’ protests. In *Bhikuse Yamasa*, it rejected the argument that the notification interfered with freedom of contract and held that employment was no longer purely “a matter of contract between the employer and the employee”. It held that “the State has a vital concern in preventing exploitation of labour and in insisting upon proper safeguards for the health and safety of the workers”. It found that extending working-hour regulation to bidi rollers served the same protective purpose as the Factories Act. In *Ramdhandas*, the Court held that working-hour limits were a reasonable restriction in the public interest, and that the proprietor’s “health and welfare was a matter of interest not only to himself but also to the general public”.

The Court took a narrower view when the state relaxed working-hour limits. In *Gujarat Mazdoor Sabha*, it held that Section 5 of the Factories Act could be used only during a “public emergency” if the economic hardship was extreme, and that a notified disaster by itself was insufficient. Across the three cases, it treated working-hour regulation as a matter of public welfare. It upheld state control over piece-rate work, family-run self-employment, and small retail work, while closely scrutinising relaxation during a declared disaster.

The result was a reach problem. Once working time was treated as a matter of public welfare, flexibility had to justify itself against the statutory purpose of protection. Laws and courts together limited the ability of individuals to organise work for themselves even when no exploitation was possible. This approach made flexibility harder to justify, including where the arrangement was temporary, mutually useful, or linked to business continuity.

What do the cases teach us?

This chapter adds an institutional layer to understanding working-hour regulation in India by examining how legal limits operated once applied to workplace decisions. The 41 disputes arose under six laws, each attaching different consequences to working time. Tribunals and courts often treated existing arrangements as worker benefits, making them difficult to change. Working-time arrangements could therefore have different legal consequences depending on which law applied, creating uncertainty for establishments and workers.

The cases reveal a law-and-economics problem in working-hour regulation: the legal provisions changed the relative price of lawful choices. The statutory ceiling told establishments how far they could go, while the surrounding legal regime determined what it cost to choose within those bounds. A shorter normal week, a temporary shift, Sunday work, or extra work below the statutory ceiling could trigger procedure, additional claims, or prosecution risk. Protection through fixed limits reduced the cost of uniformity and raised the cost of variation. The central insight is that working-hour law changed the payoff from experimentation.

The consequence was that employers had reason to standardise working-time arrangements at the statutory ceiling. Sticking to 48 hours became the arrangement least exposed to the legal costs of notice requirements, reasonableness scrutiny, and uncertain compensation obligations. The statutes allowed establishments to operate below the ceiling, but adjudication made lower-hours arrangements sticky and difficult to price. Over time, establishments had strong incentives to avoid shorter, temporary, compressed, or customised schedules and choose the Factories Act ceiling as their normal schedule. Employers lost the ability to vary hours with production cycles, and workers lost the ability to treat working hours as a negotiable term of employment. The legal framework likely kept both sides in a working-time arrangement that maximised neither production nor earnings.

This reading is consistent with the decline in working-hour disputes after 1980. Most disputes reached the Supreme Court in the first three decades after the enactment of working-hour regulations, when establishments were still experimenting with different arrangements. Since 1980, the number of disputes has dropped to one to three per decade. The decline in litigation is consistent with standardisation becoming the dominant response. The new Labour Codes have changed the form of working-hour law without changing the mechanism that produced these disputes. The provisions related to working-hours in the new Codes are nearly identical to provisions in The Factories Act 1948 and the Industrial Disputes Act 1947. Arrangements below the statutory ceiling remain vulnerable to the same adjudication dynamics that made them costly before.

5

Conclusion

India is an outlier in working-time restrictiveness. Among the 16 countries studied in this report, India gives factories and workers among the least room to design day-to-day schedules. India controls each margin of working time at once: regular hours cannot be redistributed across days or weeks, overtime is priced at twice the regular wage, overtime hours are capped, the workday cannot be extended beyond the statutory ceiling, and even rest-day postponement requires government permission. Across six of the 12 indicators of flexibility, India ranks in the bottom five.

These restrictions blunt our manufacturing competitiveness. Holding productivity, capital, skill and other factors constant, a factory in India is 23% slower and 18% more expensive than an identical factory abroad. The pace disadvantage comes from the absence of averaging: factories cannot work longer during a surge and reduce hours later without converting extra hours into overtime. The cost disadvantage comes from the overtime premium: every overtime hour costs twice the regular wage. Together, these rules force Indian factories into a slow and expensive position.

Working-hour reform is already under way in India. Before the Labour Codes took effect, 12 states had moved to give factories greater scope to extend or organise working time, by increasing the spreadover of a workday or raising permitted overtime hours. The OSHWC Code 2020 builds on this direction by giving states wider authority to prescribe working hours, overtime, and rest through rules. These reforms recognise that factories need greater room to respond to production peaks. They do not, however, address the two constraints that matter most for manufacturing competitiveness: factories still cannot average regular hours across a production cycle, and overtime still costs twice the regular wage.

The next reform task is to make those hours easier to schedule and more cost-effective to use. Even the ILO's guidance on working time recommends expanding "the range of

opportunities for workers to structure their work and personal activities”, and permitting workers to “exercise direct influence over the length and arrangement of their working hours” (International Labour Organization 2019). First, India should allow employers and workers to average regular hours over at least a quarter or longer by default, as 12 peer countries do. Second, India should bring its overtime premium down to a competitive level. Implementing these reforms will require a return to the negotiating table for amendments to the working-hour framework.

In the interim, states should not wait for a national settlement. Section 127 of the OSHWC Code allows state governments to exempt “any new factory or class or description of new factories from all or any of the provisions of this Code” where it is satisfied that the exemption is necessary “to create more economic activities and employment opportunities”. States can use this power to test the two missing reforms through a risk-based route. States could allow factories in export-oriented or time-sensitive manufacturing to average regular hours over a quarter or longer, and to pay overtime on a staggered premium scale instead of the flat double rate. The exemptions could be time-bound and renewable on compliance and performance. This gives states a practical path: prove the reform in lower-risk factories, measure the gains, and use the evidence to build the case for national amendments.

India’s lens on working-hour reform should move from risk aversion to opportunity. The goal is a legal framework in which production time is easier to arrange, overtime is easier to offer lawfully, and factories can respond to orders without turning every scheduling decision into legal risk. India has the workers and entrepreneurs to compete for manufacturing at scale. The law should stop making production time the constraint.

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Annexures

Annexure 1: Methodology

This edition of the State of Regulation report measures the flexibility of working-time rules across countries. Flexibility refers to the room the law gives employers and workers to set and adjust working hours in response to their needs. Countries set rules on daily and weekly working-hour limits, determine whether hours may be redistributed across weeks, regulate overtime and its price, cap the span of the workday, and prescribe daily and weekly rest. This report combines individual provisions into a single measure of regulatory flexibility, following the approach used to construct composite indicators (Organisation for Economic Co-operation and Development 2008).

The analysis draws on three strands of research. Cross-country labour-regulation indices show how legal rules can be coded and compared (Adams et al. 2023; Botero et al. 2004; Deakin, Lele, and Siems 2007; The World Bank 2010). Comparative working-time research documents statutory limits, policies, and patterns of work across countries (Lee, McCann, and Messenger 2007). Country studies estimate the employment and productivity effects of particular working-hour reforms (Batut, Garnerio, and Tondini 2023; Crépon and Kramarz 2002; Hunt 1999; Kawaguchi, Naito, and Yokoyama 2017; Park and Park 2019; Skuterud 2007). These strands provide the foundation for studying working-time regulation.

The report adds to the literature by developing a composite measure of regulatory flexibility. It also brings an economic freedom perspective by asking how much lawful choice remains once all the rules related to working hours are applied. The methodology produces two outputs from a common legal dataset: a flexibility index that compares 16 countries and ILO standards on the legal room to organise working time, and, a factory simulation that applies each country's rules to estimate production pace and labour cost.

Conceptual framework

The methodology begins by defining what constitutes working-time flexibility and the dimensions through which it can be observed in law.

We began by reading India's new Labour Codes as well as previous laws and the ILO conventions on industrial working hours. These sources identify three main parts of a factory worker's schedule: regular work, work performed beyond regular hours, and rest breaks. We organised our conceptual framework around these three parameters.

We then reviewed literature and the laws of a few other countries. This wider review helped identify the different ways in which countries regulate each parameter, including workarounds to hard limits and procedural elements that determined working hours. This understanding also helped us with the subsequent indicator design and weighting strategy. Table 5.1 sets out the conceptual framework.

Table 5.1: Conceptual framework for working-time flexibility

Parameter	Definition	Hard limits	Patterns and workarounds
Regular work	= hours that may be scheduled at ordinary wage	Max daily hours allowed at ordinary wage	Convergence around 8 hours
	= comprises the largest share of working time	Max weekly hours allowed at ordinary wage	Rough convergence around 48 hours; may be averaged over weeks/quarter/year
Overtime work	= hours beyond regular at premium wage	Max length of the work day	Rough convergence around 12 hours; determines the daily overtime limit
	= second largest share of day and determines factory surge capacity	Min premium mandated	Convergence around 50% above the ordinary wage
Rest	= breaks during the day and during the week	Min intra-day breaks	Rough convergence around 30 minutes every 5–6 hours; may be freely scheduled
	= occupy a small share of the day and week	Min weekly breaks	Convergence around 1 day a week; may be postponed

Flexibility index

We used the conceptual framework to record the legal provisions for each country and convert those provisions into comparable indicator values to allow for scoring and ranking.

Raw data

The first step was to identify the working-hour rules applicable in each country. For each country, we identified the laws that govern hours in factories and industrial establishments and traced every operative provision. The team reviewed 27 labour laws and international conventions across the 16 countries and the ILO. We only selected provisions outlined in national-level rules; sub-national variations were excluded.

For each parameter, i.e. regular hours, overtime hours, and rest, we recorded who is regulated, what is regulated, and how it is regulated. Where a country regulates hours through more than one instrument, we recorded each: the principal statute and the subordinate rules. Each entry in the dataset records the country, indicator, legal citation, operative legal text, and the workers or establishments to which the provision applies.²⁴ Once we completed the recording, every provision was sourced again, independently of the original record, and the retrieved text checked against what had been entered.

The resulting dataset provides a common record of the working-time rules, as they stood on 06 May 2026, used for the cross-country comparison.

Comparable data

The legal provisions could not be compared directly as definitions and phrasing varied significantly across countries. Some countries cap the working day, others cap only the week; some countries state overtime limits by the day, others by the year; some countries stagger the overtime premium rate based on the hour, time of day, or day of the week; some countries mandate a break after a fixed number of hours worked, others mandate an accruable fixed number of minutes per day; some apply uniform hour limits irrespective of gender, others set different limits for women workers in the night shift.

To generate comparable data, we broke the three parameters down to 12 indicators that could be populated with numerical values. The 12 indicators cover the principal legal limits related to working time, the scope for varying those limits, and the process through which variation

24. For Brazil, the legal text was available only in Portuguese and was translated into English.

may be accessed. Each parameter has two hard limit indicators, one workaround indicator, and one process indicator.

- Six indicators are hard limits: ceilings or floors that bind every shift a factory runs. For example, an 8-hour daily cap applies to every day without exception.
- Three indicators are workaround provisions: mechanisms that allow an employer to extend the hard limit. For example, averaging allows weekly regular hours to exceed the ordinary limit in some weeks provided the limit is met on average over a longer period, say 3 weeks as in the case of the ILO.
- Three indicators are process provisions, that allow access to a workaround or extend a hard limit. For example, a country may prohibit averaging, require government permission, permit it subject to conditions, or allow it by default.

The 12 indicators are framed as questions about a fixed set of circumstances: working time rules that applied to a male worker in a regular shift on a regular working day.

For nine of the 12 indicators, answers could be expressed in a consistent unit—minutes, hours, or weeks. In most cases, the answer is read directly from the statute. For instance, in India, the OSHWC Code sets regular hours at 8 in a day, so the answer for “What is the limit on regular hours in a day?” is recorded as 8. However, in some cases the number was computed based on the provision. For example, India mandates 30 minutes of rest after 6 hours of work, which yields 30 minutes in an 8 hour day. Where countries express limits over different reference periods, we convert them to a common period. For example, Thailand’s overtime limit of 36 hours a week is recorded as 468 hours over a 13-week quarter. Where national law sets no limit for an indicator, we record the observation as NA. For example, New Zealand does not prescribe a statutory weekly limit on regular hours and instead requires agreed hours to be specified in the employment agreement.

The remaining three indicators capture the process through which an employer may vary a limit. We code each indicator on a four-point ordinal scale. A score of 1 means variation is not permitted; a score of 4 means it is available by default or through agreement. For example, India gets a score of 2 for the process of averaging weekly hours because firms have to seek an exemption from the government under the OSHWC Code 2020.

Analytical framework and scores

The 12 indicators do not constrain a factory's flexibility in scheduling production equally. We assign weights of 3, 2, and 1 in descending order of how directly a parameter or indicator constrains the production schedule. Regular work sets the baseline schedule a factory operates under every day and receives the highest weight (3). Overtime extends that schedule during demand surges and receives a middle weight (2). Rest interrupts the schedule periodically and receives the lowest weight (1). Similarly, indicators are assigned a weight. Hard limits are assigned a weight of 3, workaround provisions are assigned a weight of 2, and process provisions carry the lowest weight of 1. The weights reflect an ordering, not estimated effect sizes. A weight of 3 does not mean that regular work constrains a schedule three times as much as rest. The 3-2-1 scale gives progressively greater influence to rules that we judge constrain scheduling more directly; there is no empirical literature to help us corroborate or decide relative weight magnitudes.

We normalise the twelve indicator values so that higher scores always represent greater flexibility. For each indicator, we determine whether flexibility increases with a higher or lower value. We then rescale each country's value relative to the most flexible position, using the distance-to-a-reference normalisation approach set out in the OECD handbook on composite indicators (Organisation for Economic Co-operation and Development 2008).

Where countries set no relevant regulation for an indicator, the team assigned numerical values based on a formula or based on judgement. Of the 204 observations in our dataset, 32 have 'NA' to indicate the absence of specific regulation. In these cases, the team assigned values. Where higher limits are more flexible, the team assigned a value that is 125% of the next highest limit observed. For instance, New Zealand sets no weekly limit on regular hours, and so the weekly limit was set at 125% of 48 hours, i.e., 60 hours. Where the formula produced an implausibly high value, we applied a cap. For instance, the 125% rule to spreadover limits of 12–13 hours would imply a workday of up to 16 hours; instead, we capped the imputed value at 14 hours. Where a lower threshold allows more flexibility, the team assigned a value of 0. For instance, the US sets no minimum rest break, so its rest requirement was recorded as zero minutes.

Each country's parameter score is a weighted average of its indicator scores, and its overall score is a weighted average of the three parameter scores. At each stage, we multiply the scores by their assigned weights, add the products, and divide by the sum of the weights.

Table 5.2 sets out the analytical framework used to generate comparable data, weights assigned to parameters and indicators, and the formulae used to score and rank countries.

Table 5.2: Analytical framework for working-hour flexibility index

Parameter	Indicators	Indicator type	Value range	Weights	Formula
Regular work	What is the limit on regular hours in a day?	Hard limit	7–8; 3 countries set no legal limit, so are recorded as NA	3	Country value ÷ Max value
Weight = 3	What is the limit on regular hours in a week?	Hard limit	40–48; 1 country sets no legal limit, so is recorded as NA	3	Country value ÷ Max value
	Over how many weeks can a worker average regular hours?	Workaround	1–52; 2 countries set no legal limit, so are recorded as NA	2	Country value ÷ Max value
	What is the process for averaging regular hour limits?	Process	1 if Not allowed	1	Country value ÷ Max value
			2 if Allowed with govt. permission		
			3 if Allowed subject to conditions		
			4 if Allowed subject to consent		
Overtime work	What is the spread over limit?	Hard limit	12–13; 11 countries set no legal limit, so are recorded as NA	3	Country value ÷ Max value
Weight = 2	What is the minimum premium required for overtime work?	Hard limit	1x–2x; 3 countries set no legal limit, so are recorded as NA	3	1 - (Country value ÷ Max value)
	What is the limit on overtime hours in a quarter?	Workaround	90–468; 4 countries set no legal limit, so are recorded as NA	2	Country value ÷ Max value
	What is the process for increasing spreadover?	Process	1 if Not allowed	1	Country value ÷ Max value
			2 if Allowed with govt. permission		
			3 if Allowed subject to conditions		
			4 if Allowed by default		
Rest	How many minutes of rest are required in an 8-hour day?	Hard limit	20–60; 3 countries set no legal limit, so are recorded as NA	3	1 - (Country value ÷ Max value)
Weight = 1	How many days of rest are required each week?	Hard limit	1–1.5; 2 countries set no legal limit, so are recorded as NA	3	1 - (Country value ÷ Max value)
	By how many days can rest days be postponed?	Workaround	0–90; 3 countries set no legal limit, so are recorded as NA	2	Country value ÷ Max value
	What is the process for postponing rest days?	Process	1 if Not allowed	1	Country value ÷ Max value
			2 if Allowed with govt. permission		
			3 if Allowed subject to conditions		
			4 if Allowed by default		

Simulation of pace and cost

To make the consequences of working-hour regulations legible, we place the same factory in every country and ask it to do the same job. A 500-worker factory receives an order for 10,000 iPhones to be delivered in one quarter. We simulate the time it will take and the man-hours it will cost to deliver this order in each comparator country. Table 5.3 lists the assumptions made to build the simulation.

The simulation converts these assumptions into two outputs: production pace and paid labour-hours per unit. The 10,000-unit order requires 400,000 production hours. With 500 workers, each worker must complete 800 production hours, equivalent to 20 units of output. The model asks how quickly each country's working-hour rules allow those 800 hours to be accumulated, and how many labour hours the factory must pay for to produce them.

Production pace depends on how many hours the factory can lawfully produce each day, and how long it can sustain those hours. Because the factory is assumed to prioritise the deadline, it uses all time legally available, including overtime. Daily capacity is determined by the interaction of regular hours, spreadover, and rest. Weekly limits may then reduce the hours available across six working days. Averaging can raise this weekly ceiling by allowing regular hours to exceed the ordinary weekly limit during peak weeks, provided the statutory average is restored over the reference period. In the absence of averaging, the period over which overtime is regulated and the limit on overtime hours determine how long a factory can sustain the pace.

South Africa illustrates how these limits interact. Its daily rules allow 10 production hours, giving a potential 60-hour week over six working days. Its ordinary weekly limits of 45 regular hours and 10 overtime hours restrict production to 55 hours. Averaging allows the factory to use the full 60 hours permitted by its daily limits during peak weeks, provided regular hours return to the statutory average over the reference period. The model applies these rules week by week until each worker accumulates the 800 production hours needed.

Production cost depends on how the hours used to complete the order are priced. Regular hours are paid at the ordinary wage and overtime hours at the applicable premium. The simulation also treats the common intraday rest period as paid at the ordinary wage. We add all paid labour-hours required to complete the order and divide them by output to estimate paid labour-hours per iPhone.

Table 5.3: Assumptions underlying the production simulation

Assumption and model specification	Rationale
Standardised factory	
- Fixed premises accommodating 500 workers at a time - Single regular day shift of male workers	The same factory and worker profile is used in every country so that differences in the applicable working-hour rules can be compared on a common basis.
All other production conditions held constant	
Worker productivity, wages, technology, absenteeism, skill mix, specialisation	These factors also affect how quickly and cheaply a factory can produce. Holding them constant allows the simulation to isolate the effect of regulation.
Labour required per unit	
40 labour-hours per unit	Final assembly of an iPhone alone is estimated to require approximately 17–24 hours. We assume 40 hours.
Firm behaviour	
- Factory seeks to complete the order as quickly as the law permits - Factory works until the order is complete and uses overtime as available	Pace matters in time-sensitive manufacturing. The model therefore assumes that a factory uses the working hours legally available to it, including overtime, to minimise completion time.
Common scheduling conventions	
- Daily spreadover is capped at 12 hours where no max is set 30 minutes of rest are given in an 8-hour day, paid at ordinary wage - One rest day is given/taken each week	Labour laws structure rest and the workday in different ways, and often leave details such as payment for breaks unspecified. Hence, the simulation uses a common set of operating conventions based on reasonableness and patterns across countries.

Limitations of the analysis

The limitations of this study arise from what is included in the legal comparison and from the assumptions required for the index and simulation.

1. The study measures *de jure* flexibility. We did not conduct worker or establishment surveys or other *de facto* research on actual schedules, hours worked, overtime payment, or compliance. Actual working arrangements may differ materially from what statutory rules permit. An ILO survey of India's garment industry found that one quarter of workers regularly worked more than 10 hours a day; overtime was common and unpaid (International Labour Organization 2015). Evidence from Brazil also shows that enforcement of labour regulation affects the movement between formal and informal employment (Almeida and Carneiro 2012). Restrictive rules can coexist with flexible arrangements conducted off the books, especially where enforcement is weak. Where such a gap exists, the *de jure* measure still identifies an important institutional fact: actual flexibility is likely being achieved outside the formal legal framework.
2. The study covers a defined subset of working-time regulation at the national level. Annual and accrued leave, paid holidays, night-shift rules, and other provisions that also affect the amount and organisation of working time fall outside the framework. The ILO treats weekly rest and paid annual leave as part of the wider body of working-time standards (International Labour Organization 2014). Sub-national regulation is also excluded. In the US, for example, federal law does not generally require meal or rest breaks, while states impose their own meal and rest requirements (US Department of Labor 2023).
3. The analysis compares countries at very different stages of development and industrialisation. The study does not compare India with the working-hour rules that richer countries applied when their incomes and manufacturing structures were closer to India's. South Korea illustrates why the distinction matters. Its standard workweek fell from 48 hours to 44 hours in 1989 and then to 40 hours through reforms implemented between 2004 and 2011; over time, it also expanded the period over which working hours could be averaged (Park and Park 2019). Current-law comparisons may therefore benchmark India against regulations that countries adopted after becoming substantially richer and more industrialised. A development-adjusted comparison would require reconstructing each country's working-hour regime at a comparable stage of economic development.

4. The pace-cost simulation isolates working-hour regulation from other determinants of manufacturing performance. Productivity, wages, capital intensity, skills, input prices, logistics, market size, and standards of living are held outside the model. “Cost” consequently means paid labour-hours per unit, not monetary production cost. A US factory can appear fast and cheap in the simulation even though its actual wage and capital structure is very different from India’s. These differences are large enough to matter but have not been taken into consideration.
5. The study does not estimate the worker-welfare effects of enhanced working-time limits. Working-hour limits seek to protect worker health and safety and ensure adequate rest. WHO and ILO estimates also associate working 55 or more hours a week with higher risks of stroke and ischaemic heart disease (World Health Organization and International Labour Organization 2021). These considerations provide a case for sensible limits on working time.
6. The flexibility scores depend on methodological choices made in constructing the index. The research team assigned weights to regular work, overtime, and rest of 3, 2, and 1, and assigned the same weights of 3, 2, and 1 to hard limits, workarounds, and processes. The ordering reflects our assessment of how directly each rule constrains production schedules, but the relative magnitudes are not derived from estimated effects in the literature. The treatment of unregulated indicators, including the use of 125% of the observed frontier for some missing statutory limits, introduces another judgement into the scores. We do not test alternative weights or assumptions through sensitivity analysis. OECD guidance on composite indicators recommends such analysis because weighting, normalisation, imputation, and aggregation choices can affect scores and country rankings (Organisation for Economic Co-operation and Development 2008). Small differences in overall scores or ranks may reflect the choices used to construct the index, as much as differences in the underlying laws.

Annexure 2: India and the ILO's Hours of Work (Industry) Convention, 1919

India's ILO obligations shape the space available for working-hour reform. India ratified the Hours of Work (Industry) Convention, 1919 (Convention 001) in 1921 and remains bound by it. Hence, India's reform options must be assessed against both domestic law and its obligations under the Convention.

The report identifies averaging of regular hours and a lower overtime premium as two important routes to improving the pace and cost of production. ILO Convention 001 permits greater flexibility than India's present law on both margins. India could reduce its overtime premium from 2x to the Convention's 1.25x minimum and introduce forms of averaging permitted under the Convention. As the report shows, these reforms would make India less uncompetitive, not globally competitive. The relevant question is how far India can reform working-hour rules while remaining within its existing ILO commitments.

The ratification of the 1919 Convention was imposed on India by the colonial government. After the First World War, the British government took the lead in designing the new international labour regime. Alcock (1971) notes that, from a British economic perspective, it was useful for a country with advanced employment regulation to encourage similar standards in competing markets. At Versailles, India was represented by delegates appointed under colonial rule rather than by a government accountable to an Indian electorate (Gidney 2023). Incidentally, the Convention contained special recognition for still-industrialising countries. In 1919, India's delegates secured an exemption that allowed a 60-hour work week for countries where "climatic conditions, the imperfect development of industrial organisation or other special circumstances" made industrial conditions substantially different (Das 1923). India ratified the convention and, in 1922, introduced an 11-hour-per-day, 60-hour-per-week limit, applicable to all workers regardless of gender.

India subsequently adopted stricter limits than the Convention required, in part to increase employment. One justification was "work sharing" or that shorter hours could spread work across more workers (Pencavel 2015). The Labour Investigation Committee, set up by the Government of India in 1944, argued that reducing weekly hours could permit additional shifts and "absorb more men in industries", easing unemployment during the post-war transition (International Labour Organisation 1949). The 48-hour weekly limit and the 9-hour daily limit were adopted in 1948, "well in advance" of the Convention exemptions concerning India (International Labour Organisation 1949).

This approach, that a fixed quantity of work can simply be redistributed across workers, has repeatedly failed empirical scrutiny. Studies of reductions in working hours in France and West Germany found that employment fell rather than increased, while later studies across Europe reached similar conclusions (Batut, Garnero, and Tondini 2023; Crépon and Kramarz 2002; Hunt 1999; Skuterud 2007). When working hours are reduced, firms may adjust through lower output or greater use of capital rather than hiring additional workers.

None of the 15 comparator countries in this report are currently bound by ILO Convention 001. In fact, only 47 countries worldwide have ratified the Convention. New Zealand, which had ratified the Convention in 1938, later denounced it in 1989, stating that the Convention no longer reflected contemporary ways of working or their growth needs. Britain itself never ratified the Hours of Work Convention (Krishnan, Anand, and Chandra 2026). As a result, comparator countries have retained greater freedom to design working-hour rules around domestic economic priorities without being constrained by Convention 001, as in India.

Table 5.4: Acceptance of ILO Hours of Work (Industry) Convention, 1919

Country	Status	Implication for domestic law and reform
India	Ratified in 1921	Bound unless it denounces or otherwise changes its treaty position
UK, USA, Viet Nam, China, Japan, Germany, Philippines, Thailand, Indonesia, Singapore, South Korea, Brazil, Malaysia	Did not ratify	Retain domestic freedom to design working-hour rules
New Zealand	Ratified in 1938 Denounced in 1989	Removed treaty constraint on flexible working-hour reform

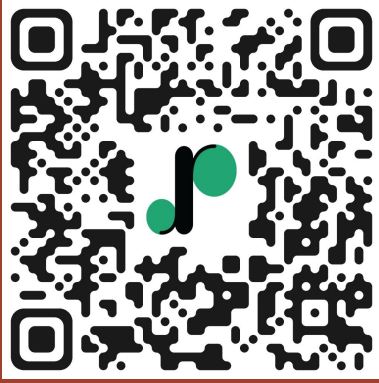
The comparison leaves India with a policy choice its peers do not face: whether to reform within Convention 001 or revisit the treaty constraint itself. India has three broad options. First, it can adopt reforms clearly within the ILO framework: 3-week averaging and a 1.25x overtime premium, which would narrow India's disadvantage without moving it to the *fast + cheap* frontier. Second, it can examine whether longer averaging can be structured consistently with ILO supervisory practice. Third, it can reconsider whether continued ratification of the 1919 Convention serves its present manufacturing objectives.

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