



Directorate of Distance and Continuing Education

Manonmaniam Sundaranar University

Tirunelveli – 627012, Tamil Nadu.

M.A. ECONOMICS

(First Year)

Labour Economics

(SECM22)

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LABOUR ECONOMICS

Course Objectives:

1. To enable students to understand the functioning of labour markets, including wage determination, labour supply and demand, employment, unemployment, and labour productivity in both organised and unorganised sectors.
2. To analyse labour-related issues and policies, such as labour legislation, trade unions, social security, gender wage gap, migration, and government interventions, with special reference to the Indian economy.

Unit I: Labour Market and Policies

Labour Market- Nature and Characteristics, Demand for Labour in relation to size and pattern of investment, Choice of technologies and labour policies Supply of Labour, Growth of Labour Force, Labour Market Policies, Mobility and Productivity

Unit II: Employment and Wage Determination

Employment and Development relationship- poverty and unemployment, Unemployment- Types, concepts and measurement, Employment Policy Wage Determination- Classical, Neo-classical and Bargaining theories; Concepts of minimum wage and efficiency wage; Non-wage component

Unit III: Trade Union Movement

Since Independence and Present Scenario of the Trade Union Movement- AITUC – INTUC – HMS – UTUC – Association of Indian Trade Unions with International Trade Unions-Problems of Trade Unions – Essentials for success of a Trade Union - The Trade Union Act,1926- Recent policies relating to Trade union act

Unit IV: Industrial Relation

Need for Industrial Relation Machinery-Preventive and Curative methods- Collective Bargaining, Arbitration and Adjudications-industrial Democracy, the concept of Workers participation in management- Role of State in Industrial Relations.

Unit V: Social Security and Reforms

Social Security- Concepts and evolution, Social assistance and insurance, Review and Appraisal of State Policies, Special Problems- Child labour, discrimination, bonded labour- Labour market Reforms- Exit Policy, safety requirements, National Commission on Labour, Globalisation and labour markets, mobility of labour.

Labour Economics
Unit-I
Labour Market and Policies

1. Introduction of Labour Economics

Labour economics is the study of the workings and outcome of the market for labour. It is mainly concerned with the behaviour of employers and employees in response to wages, prices, profits and working conditions. Labour economics is the study of

- (a) The relationship between wages and employment opportunities.
- (b) The interaction among wages, income and decision to work.
- (c) The way wages, prices and profits affect occupational choices.
- (d) Incentives for and effects of educational and training investments.
- (e) The effect of unions on wages, productivity and turnover.
- (f) The effect of social policies (minimum wages, labour legislations and safety and health regulations on wage and employment.

1.1. Labour Market

Labour market is the place where employer and employees interact with each other. It is also called job market where employees compete to hire the best and employees compete for the best satisfying job. A Labour market in an economy functions with the demand and supply of labour. When the demand and supply of labour in a market is equal, the labour market will be in equilibrium. The labour is one of the most important factor of production. The labour services can't be separated from the labour, therefore the condition under which such services are rented, also plays an important role in the wage determination.

1.2. Labour Market in India

The Indian labour market is characterized by the predominance of informal employment as majority of the labour force work as casual worker and self- employed. In informal market more than 80 percent of India's workforce work as casual and self-employed. The agriculture sector one of the major employment providers which employs more than 40 percent of the labour force contributes of Gross Value Added (GVA) of the economy.

1.3. Employment Trends in India:

Post- independence, the issue of employment has had different resonance during different Plan periods. In the initial year's development planning, unemployment was not expected to emerge as a major problem. It was assumed that reasonable growth rate and labour intensive sectors would prevent any increase in unemployment and this expectation continued from one Five Year Plan to another during the 1950's and 1960's. However, the economy grew at a slower pace (around 3.5 as against the planned rate

of 5 percent per annum) and the labour force grew more rapidly than the increase in employment, doubling the unemployment figures during 1956-1972, from around 5 to 10 million and increasing the unemployment rate from 2.6 to 3.8 percent.

The above figures were however estimates in absence of any comprehensive survey or records. The availability of detailed information vis a vis the earlier estimates, from 1972-73 (NSSO Quinquennial Surveys) changed the official approach to employment in mid-1970's. It was increasingly realised that economic growth alone could not be relied upon to tackle the issue of unemployment any more. Therefore, a number of employment generation & and poverty alleviation programs were started since fifth five- y e a r plan (1974-79). Summary of unemployment rates over NSS rounds is given below:

1.4. Unemployment rates (per 1000 persons in labour force)

round (year)	all-India							
	unemployment rate							
	male				female			
	usual status (ps)	<i>us</i> (adj.)	cws	cds	usual status (ps)	<i>us</i> (adj.)	cws	cds
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	rural							
66 th (2009-10)	19	16	32	64	24	16	37	80
61 st (2004-05)	21	16	38	80	31	18	42	87
55 th (1999-00)	21	17	39	72	15	10	37	70
50 th (1993-94)	20	14	31	56	13	9	29	56
43 rd (1987-88)	28	18	42	46	35	24	44	67
38 th (1983)	21	14	37	75	14	7	43	90
32 nd (1977-78)	22	13	36	71	55	20	41	92
27 th (1972-73)	-	12	30	68	-	5	55	112
	urban							
66 th (2009-10)	30	28	36	51	70	57	72	91
61 (2004-05)	44	38	52	75	91	69	90	116
55 (1999-00)	48	45	56	73	71	57	73	94
50 (1993-94)	54	41	52	67	83	61	79	104
43 (1987-88)	61	52	66	88	85	62	92	120
38 (1983)	59	51	67	92	69	49	75	110
32 (1977-78)	65	54	71	94	178	124	109	145
27 (1972-73)	-	48	60	80	-	60	92	137

During 2009-10, urban unemployment was higher under both the UPSS and CWS but rural unemployment was higher under the CDS approach. This possibly indicates higher intermittent or seasonal unemployment in rural than urban areas, something that employment generation schemes like the MGNREGA need to pay attention to. However, overall unemployment rates were lower in 2009-10 under each approach vis-a-vis 2004-5. This may be explained on account of expansion in labour force by only 11.7 million vis a vis about 18 million increase in work opportunities under the current daily status (CDS) between 2004-5 and 2009-10, as per NSSO quinquennial survey. (The Eleventh Five Year Plan (2007-12) had aimed at generation of 58 million work opportunities). The increase in labour force was considerably lower than in comparable periods earlier, and can be attributed to the much larger retention of youth in education and also because of lower labour force participation

among working-age women. As a result, unemployment in absolute terms came down by 6.3 million.

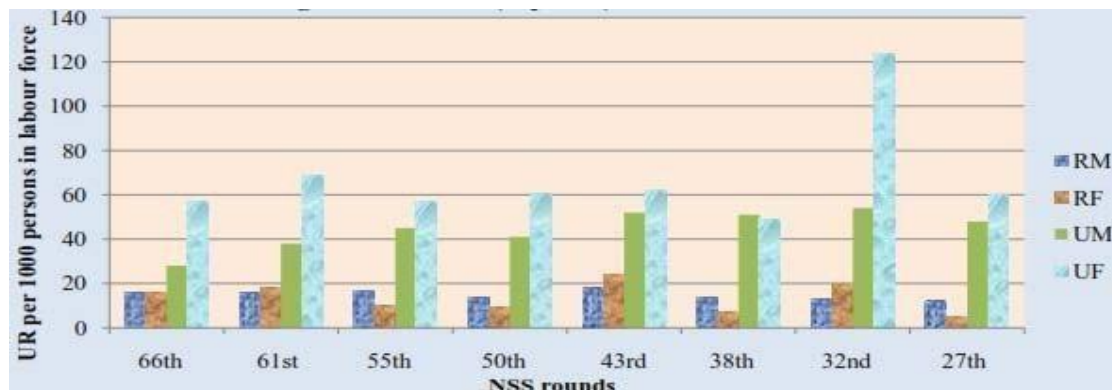
As per NSS results, unemployment rate as per weekly status (CWS) is uniformly higher than that as per Usual Status (adj). This occurs because some persons usually employed might not have worked throughout the year due to seasonality of work or otherwise. This is termed as visible **underemployment**. The NSS measures the visible underemployment by cross classifying persons by different statuses. For eg. Underemployment rate among the usually employed may be defined as the proportion of usually employed who were found not employed during the week preceding the date of the survey. As compared to 2004- 05, this rate has decreased in 2009- 10 for both males and females in both urban and rural regions.

The phenomenon of comparatively higher economic growth rate during last decade has not translated into similar reduction in unemployment rate. High population growth rate, in fact, has reduced **worker population ratio** in Urban areas and amongst females in rural areas whereas it remains same in case of rural males in 2009-10 as compared to 2004-05.

As per UNESCAP database, world unemployment rate (as per cent of labour force) has been hovering around 6 per cent since 1991 while in case of ESCAP region it has been around 4-5 per cent, with India & China both having unemployment rates around 2-4 per cent in the duration.

The concept of employment /unemployment is applicable only on people within **labour force** i.e. person who are either working, seeking work or available for the same. Persons who, owing to lack of work, had not worked but either sought work or were available for work comprise the **unemployed** category. Employment & unemployment indicators are measured in three different approaches, viz **usual status (US)** with a reference period of one year, **current weekly status (CWS)** with one-week reference period and **current daily status (CDS)** based on the daily activity pursued during each day of the reference week. Usually unemployed excluding the subsidiary status workers is referred to as **Usual status (adjusted)**.

All India Unemployment rate (per 1000 persons in labour force) according to Usual Status adjusted from 1972-73 to 2009-10.



1.5. Labour-Force-Participation Rate

Labour force includes persons who were either working (or employed) or those available for work (or unemployed). Some persons in the labour force are abstained from work for various reasons. Subtracting that number from the labour force gives the number of actual workers. These workers are further categorized as persons who are engaged in any activity as self-employed or regular wage/salaried and casual labour. The difference between the labour force and the workforce gives the number of unemployed persons.

Labour force participation rates (LFPR) under all three approaches declined in 2009-10 compared to 2004-5. However, the decline in female LFPRs was larger under each measure in comparison with male LFPRs which either declined marginally (UPSS), remained constant (CWS), or increased marginally (CDS).

Table 13.8 : All-India Employment and Unemployment Indicators (per 1000)						
Indicator	NSS 66th round(2009-2010)			NSS 61st round(2004-2005)		
	Total male	Total female	Total person	Total male	Total female	Total person
UPSS						
LFPR	557	233	400	559	294	430
Work Participation Rate	546	228	392	547	287	420
Unemployment Rate	20	23	20	22	26	23
CWS						
LFPR	550	207	384	550	257	407
Work Participation Rate	532	198	370	527	244	389
Unemployment Rate	33	43	36	42	50	44
CDS						
LFPR	540	179	365	538	215	381
Work Participation Rate	507	164	341	496	195	350
Unemployment Rate	61	82	66	78	92	82

Source : Key Indicators of Employment and Unemployment in India, 2009-10, NSSO.

1.6. Structure of Employment:

An aspect of employment trends and structure that is of interest in a developmental context is the distribution of workers by employment category in terms of self-employed, regular wage and salaried workers and casual wage earners. Till 2004-05 India witnessed predominance of self-employment and increase in the share of the casual category of workers (except for Urban females). The latter was generally referred to as increasing '**casualisation**' of workforce. NSS results reveal that the trend of

increasing casualisation continues from 2004-05 to 2009-10 across all the sections (Urban/Rural & sex wise).

Per 1000 distribution of usually employed by category of employment during 1983 to 2009-10 - All India

NSS round (survey period)	category of employment					
	usual status (ps)			usual status (ps+ss)		
	self- employed	regular/wage salaried employees	casual labour	self- employed	regular/wage salaried employees	casual labour
(1)	(2)	(3)	(4)	(5)	(6)	(7)
rural males						
66 th (2009-10)	530	87	383	535	85	380
61 st (2004-05)	576	91	333	581	90	329
55 th (1999-00)	544	90	366	550	88	362
50 th (1993-94)	567	87	346	577	85	338
43 rd (1987-88)	575	104	321	586	100	314
38 th (1983)	595	106	299	605	103	292
rural females						
66 th (2009-10)	503	55	442	557	44	399
61 st (2004-05)	564	48	389	637	37	326
55 th (1999-00)	500	39	461	573	31	396
50 th (1993-94)	513	34	453	586	27	387
43 rd (1987-88)	549	49	402	608	37	355
38 th (1983)	541	37	422	619	28	353
urban males						
66 th (2009-10)	409	420	171	411	419	170
61 st (2004-05)	446	408	146	448	406	146
55 th (1999-00)	412	419	169	415	417	168
50 th (1993-94)	411	427	162	417	420	163
43 rd (1987-88)	410	444	146	417	437	146
38 th (1983)	402	445	153	409	437	154
urban females						
66 th (2009-10)	354	444	202	411	393	196
61 st (2004-05)	404	422	174	477	356	167
55 th (1999-00)	384	385	231	453	333	214
50 th (1993-94)	372	355	273	458	284	258
43 rd (1987-88)	393	342	265	471	275	254
38 th (1983)	373	318	309	458	258	284

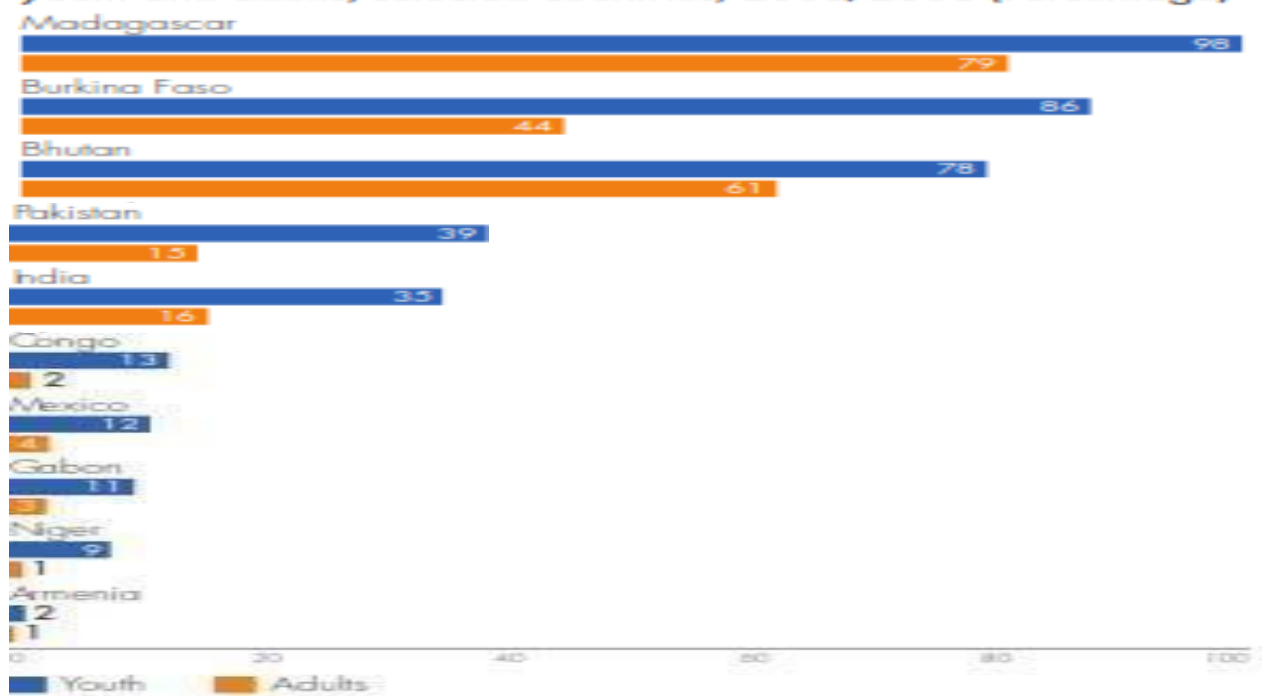
Only 15.6 per cent of the total workforce had regular wage employment/ salaried work during 2009-10 while 33.5 per cent was casual labour and 51 per cent was self-employed. Over the years, a shift is seen from self-employed to casual worker's category and most of it has taken place in rural areas, from agriculture to non-agricultural activities, such as construction, trade and services. To some extent, it is distress-driven, the small and marginal landholders and the landless not finding gainful work in agriculture and taking up whatever work they find in the non-agricultural activities, irrespective of earnings from them. But there is evidence to suggest that many are opting for non-farm work due to more regular employment and better earnings. This has been possible partly on account of various state sponsored employment programmes, and partly because of an increase in the demand for labour in expanding construction, trade and service activities in rural areas. In other words, 'casualisation' of the nature observed does not necessarily imply a deterioration in the quality of employment. A small part of the real casualisation, however, that has taken place due to displacement of regular workers from large enterprise in the urban areas, no doubt, indicates such a deterioration.

Most of the regular salaried/ wage job openings have been in Urban areas where the proportion of regular wage /salaried employees is considerably higher. But even in case of male workers in urban areas, the share of casual employment has increased.

As per reports of 2004-05 about 86 per cent of total jobs in India are in **informal sector** (All household enterprises having less than equal to five workers are treated as informal sector. The informal sector is taken to be a subset of household sector, in accordance with the concepts of 15th ICLS) whereas informal jobs account for about 95 per cent of all jobs. Preponderance of the workforce in the sector with symptoms of informality such as deprived job- security, tenurial security, guard against arbitrary dismissal, safety in work-profile, social security benefits etc. calls for putting adequate safety measures for workers in place but according to some the rigidity of many of these regulations are to be blamed for poor organised employment in the first place.

“To achieve full & productive employment & decent work for all, including women and young people” is one of the Millennium Development Goals (MDGs) targets. Informal sector leading to **vulnerable employment** (sum of percentage of unpaid family workers and own account workers in the total employment) has been a cause of concern not only in India but in other developing countries also & the **World MDG Report 2012** indicates that the progress in reducing vulnerable employment has been slow. As per the Report, youths in country like India tend to find themselves in low opportunity family based work situations. Many young people start their family by supporting informal family businesses or farms.

Share of contributing family workers in total employment, youth and adults, selected countries, 2003/2006 (Percentage)



As per the estimated employment in public and private sector (DGE &T), the share of private sector has increased from about 31 per cent to about 38 per cent during the last decade

1.7. Employment in the Organized Sector:

Employment growth in the organized sector, public and private combined, has increased by 1.9 per cent in 2010, which is lower than the annual growth for the previous year. The annual growth rate for the private sector was much higher than that for the public sector. However, in respect of both sectors, annual increase in employment had slowed down in 2010 vis-à-vis 2009. The share of women in organized- sector employment was 20.4 per cent in 2010 March end and has remained nearly constant in recent years.

1.7.1 Sectoral (Industry wise) distribution of usually employed:

Even though the share of employment in agriculture has been decreasing in rural areas, it continues to be major source of employment there with about 63 per cent of males and about 79 per cent of females employed in the sector. In urban areas share of trade, hotel & restaurant in employment has been increasing and presently it accounts for about 27 per cent of employed males and 12 per cent of employed females contrary to share of manufacturing which has shown a decline with present levels of 22 & 28 per cent for urban males & females respectively.

During 2010, share of agriculture, industry & services in employment (a s per cent of total employment) is about 51.1, 22.4 & 26.5 in case of India whereas the world average is about 34.1, 22.1 & 43.8 in the world. The change in share of employment in case of India is in tune with the development trends elsewhere according to which in the process of development economies increasingly move away from agriculture to industry & services sector, in terms of relative share in employment and income.

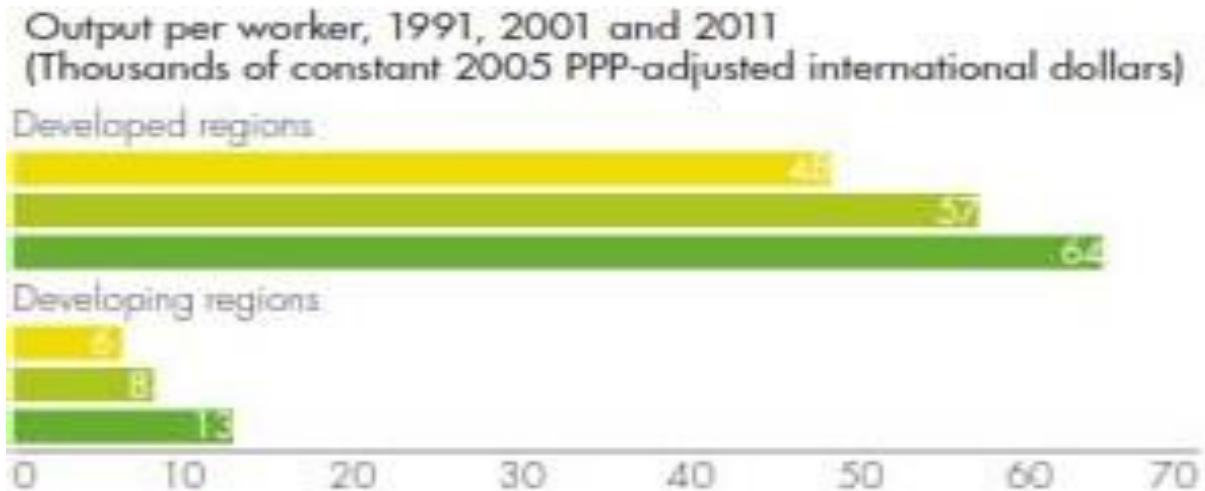
1.7.2. Earnings from Employment:

A large part of the employed people works at very low levels of income. This is indicated by much higher incidence of (HCR of 29.8 during 2009-10) poverty than the rate of unemployment. Thus the employment challenge in India consists not only of creating jobs for the unemployed, and providing additional work to the underemployed, but, to a much larger extent, of enhancing productivity and income levels of a large mass of the 'working poor'. In both rural & urban areas, proportion of casual labourers is found to be higher in lower MPCE decile classes whereas proportion of salaried/wage employee increases as we move up the MPCE decile classes.

As per Annual Survey of Industries (ASI) data, during the last thirty years, ratio of total emoluments to output in organised manufacturing has gone down from 8.75 in 1981-91 to 3.95 in 2009-10 even though the number of persons engaged in organized manufacturing has increased from an average of 7.95 million in 1981-91 to an average of 8.98 million during 1991-2001 and further to 11.79 million in 2009-10.

Per 1000 distribution of usually employed (ps+ss) by status of employment for each decile classes on monthly per capita consumer expenditure.

decile classes on MPCE	male				female				all-India
	self-employed	regular salaried/wage employee	casual labour	all worker	self-employed	regular salaried/wage employee	casual labour	all worker	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
rural									
0-10	376	32	592	1000	403	17	580	1000	
10-20	435	46	519	1000	433	21	546	1000	
20-30	465	46	489	1000	500	23	477	1000	
30-40	498	50	452	1000	502	27	471	1000	
40-50	520	61	419	1000	538	28	434	1000	
50-60	549	66	385	1000	567	38	395	1000	
60-70	599	70	331	1000	570	40	390	1000	
70-80	599	102	299	1000	638	50	312	1000	
80-90	616	125	259	1000	657	59	284	1000	
90-100	617	219	164	1000	695	113	192	1000	
all classes	535	85	380	1000	557	44	399	1000	
urban									
0-10	408	155	437	1000	420	140	441	1000	
10-20	432	235	333	1000	460	207	333	1000	
20-30	447	280	273	1000	462	228	310	1000	
30-40	434	338	228	1000	479	282	239	1000	
40-50	461	357	182	1000	465	349	186	1000	
50-60	415	453	131	1000	421	400	179	1000	
60-70	397	498	105	1000	442	460	97	1000	
70-80	400	543	57	1000	388	543	70	1000	
80-90	373	599	28	1000	317	658	25	1000	
90-100	351	638	11	1000	253	741	6	1000	
all classes	411	419	170	1000	411	393	196	1000	



Labour Productivity: Some attribute lower income levels of a large segment of labour in developing countries like India to its lower productivity. Developing regions, in fact, lag far behind the developed world in labour productivity.

But significant progress is being made in improvements of labour productivity in developing asian countries in contrast to African countries which still lag far behind. India's Labour productivity (in Thousands of 2005 PPP dollars) has increased from about 3.8 in 1990 to 5.5 in 2000 and about 9.7 in 2011. China was at similar level till about 2000 (5.5, starting from 3.0 in 1990) but its output per worker increased rapidly thereafter to about 16.8 in 2011. This has led to significant reduction in poverty amongst the working poor's in china, in fact Eastern Asia has set the pace for worldwide progress on working poverty.

1.8. Nature and Scope of Labour Economics

Following points clarify the nature of Labour Economics

1. Human Resource: Like all other resources, human resource is also scarce. Resources should be optimally utilized keeping in mind the economic problems. Unlike other fields of economics like agricultural economics and industrial economics where labour is viewed only as agricultural and industrial labour. Labour economics, labour is considered to be human resource, labour economics seeks for the optimal utilization of human resource.

2. Labour Problems: Labour economics identify, classify, and analyses problems of labourers, it also gives appropriate solutions to these labour problems. These labour problems bring obstacles in the smooth working of an organization. Elimination of these obstacles is necessary from the point of view of efficient utilization of human resources.

3. Utilization, Application and Conservation of Human Resources: Being a source of production, labour is inseparable from production. Since, labour is also scarce like other

factors of production. Therefore, it should be efficiently used. Before putting the labour to work, it has to be seen that whether we are making best use of his capacities, and talents or not. e.g., If a worker is available to work. He can either be in an agricultural field or in a firm, but if he is skilled enough to work in the firm, his services should be utilized there. Also, because the labour is available, it cannot be exploited. Labour is a scarce factor therefore it should be used in best possible manner.

4. Efficient and Effective Utilization: Efficient and effective utilization of human resource has always been an important objective of policy makers of developing nations. Whereas efficient utilization is related to selecting the best option of utilization, effective utilization has a reference to productivity. Situation of disguised unemployment where the workers actually doesn't make any contribution to the output counteract the concept of effective utilization.

5. Labour Market: In a free market economy the task of allocation of resources is assigned to the market forces. Under labour economics, we study the nature, efficiency, mode of functioning and imperfections in labour market for the efficient and best utilization of labour.

6. Human Welfare: Human welfare is an important facet taken under the preview of labour economics. It is human aspect in combination with technological development that can make the economies grow and progress at a faster pace. Healthy, active, talented and skilled manpower is always an asset to a country.

1.9. Characteristics of Labour Markets in Developing Economies

Recognition of labour as a factor of production and its tradability necessitates the notion of labour market. The orthodox approach perceives labour market as one amenable to be operated under supply-demand mechanism. The labour market is a place where workers and employers are brought into contract and wages and working conditions are decided. Therefore, it is a mechanism by which labour power is combines to production processes. The labour market is quite different from other markets, for its unique feature of factor traded in the market. However, the modern labour economics is indeed refinement of traditional competitive model by taking into consideration of existence of imperfections, rigidities and cost associated with labour mobility, trade unions organizations, uncertainties and imperfect information etc. In this backdrop the features of labour markets in developing countries are following:

i. Agricultural labourers live on the margin of existence:

The agricultural labour force is continuously increasing with the increase in the size of labour force in India, whereas the percentage contribution of agriculture to GDP (Gross Domestic Product) has been declined drastically over the period.

ii. Low wage rate in agricultural labour market:

The agricultural wage in rural labour market is very low and there is seen very little increase in agricultural real wages over the period.

iii. Gender discrimination and child labour:

The Indian labour market is characterised by wage differential and gender discrimination. The wage for female labourers in rural areas across all over country is less than male labourers. According to Rural Labour Inquiry Report on Wages and Earnings of Rural Labour Households (1999-2000), the Male labour force is paid about 30 per cent more than the female labour force. Moreover, the incidence of child labour is high in rural labour market and most exploited segment in Indian labour market.

iv. Migratory character of industrial labour market:

The increase in population is one of the main problems in developing countries. The population pressure on land has increased the supply of labour which leads to disguised and open unemployment in the rural economy. The disguised and open unemployment is one of the main reasons behind low wage rate in rural areas. The higher wage and work opportunities in urban areas attract rural unemployed labour force. In the peak agricultural season, the rural labour force migrates back to their villages and return back to urban labour market after the season is over

v. Heterogeneity of Workers and Jobs:

Though a labour is termed a single factor of production, but nay two units of labour are not uniform in terms of creativity and productivity. The labour units are differed by age, race, gender, education, experience, training, skills and motivation etc. These factors make labour heterogeneous.

vi. Imperfect Information:

Labour market information pertaining to nature and quality of the available workforce plays a crucial role in accomplishing the search results. There is lack of perfect information related to wages, working conditions and labour laws among workers. However, from the employers' side, it is difficult to know about the reliability and productivity of worker unit until it is turned out.

vii. Hypothetical Equilibrium

The models of labour market analysis assume that there is perfect information in the market and buying and selling of labour force take place them in market equilibrium. However, there is existence of imperfect information in market due to which buying and selling of labour market takes place even in absence of market equilibrium.

1.10. Demand for Labour and Supply of Labour

1.10.1 Introduction

Labour is demanded to produce goods and services. Firms demand labour because consumers want to purchase a variety of goods and services. The firm's labour demand is a derived demand, derived from the wants and desires of consumers. Many of the central questions in economic policy involve the number of workers that firms employ and the wage that these workers get paid. Supply of labour means the number of labourers doing a particular job who willingly offer their service at different wage rate and the number of hours or days that each labourers is prepared to work at different rate of wages. Thus, supply of labour refers to the number of days or hours for which a particular type of labour is willing to work at different wage rate.

1.10.2. Demand for Labour

Demand for labour is a concept that describes the amount of demand for labour that an economy or firm is willing to employ at a given point in time. The demand may not necessarily be in long – run equilibrium, and is determined by the real wage, firms are willing to pay for this labour, and the amount of labour workers are willing to supply at that wage. Demand for labour increases market wages and more workers enter the market. But this higher cost of labour will mean that employers will use less labour because it's more expensive.

Assuming there are many employers in a region, or that workers are highly mobile geographically, the wage that a company will pay to workers, is dependent on the competitive market wage for a given skill set. This means that any company is a wage taker, which is simply another way of saying companies must pay competitive wages in order to obtain workers.

1.10.3. Labour as a Derived Demand

Labour is only demanded as an input into the production process. In factor market, demand for labour is made by the producers or entrepreneurs. Demand for labour is a derived demand because demand for labour depends upon the demand for those goods and services which they produce. When the economy is expanding, we expect to see a rise in the aggregate demand for labour providing that the rise in output is greater than the increase in labour productivity. In contrast when the economy faces recession, or a slowdown, the aggregate demand for labour will decrease because business look to cut their operations costs and scale back on production.

The demand curve for labour is downward sloping. As shown in the figure 3.1. in the figure number of labourers is shown on OX – axis and wages on OY – axis. DD is the demand curve of labourers. It slopes downward, signifying that more labourers are demanded at low wages and less on wages.

1.10.4. Shift in Labour Demand Curve

The number of people employed at each wage rate are liable to change when there is a change in the conditions of demand in the job markets. Some of the reason responsible for the shift in demand for labour curve are:

1. A change in demand for a product which means that a business needs to take on fewer work.
2. A change in the productivity of labour.
3. A change in the level of national insurance contributions made by employers or other costs of employing people such as health and safety legislations and training levies.
4. A change in cost and productivity of machinery and technology which might be able to produce and provide a good or service in place of the labour input.

1.10.5. Demand for Labour and Market Wage Rate

There is an inverse relationship between demand for labour and the wage rate. At the higher wage rates the demand for labour will be less than at lower wage rate. If the wages are high, it will be costlier to hire extra employees. The demand for labour is highly dependent on the productivity of the worker. Firms always aim at maximization of their profits; they will use the factor of production function that does the job efficiently as possible and also minimize the cost of production. The marginal productivity theory, one of the oldest theory of wages which explains the relation between demand for labour and market wage rate.

1.10.6. Causes of Shifts in Labour Demand Curve

The labour demand curve shows the value of the marginal product of labour as a function of labour hired. Using this fact, the following changes the labour demanded each wage:

I. The Output Price

When the output price rises, the labour demand curve shifts to the right – more labour is demanded at each wage. When the output price falls, less labour is demanded at each wage.

II. Technological Change

Technological change causes the MPL function to change, generally to increase each level of L. this shifts the labour demand curve to the right. For instance, between 1960 and 2000 the average hourly output produced by US workers rose by 140 percent. However, it is also possible for technological change to shift labour demand to the left. If for instance a cheap industrial robot is installed in the production process for some industrial good, the marginal product of labour could decrease because the robot can replace labour. Such a technological change is called labour saving. Most technological change seems to be labour – augmenting raises the marginal product of labour. This can explain the fact that employment has risen

historically along with wages. Inflation – adjusted wages increased by 131 percent from 1960 – 2000 and firms also increased the amount of labour employed by 80 percent.

III. Supply of Other Factors

The quantity available of other factors of production can affect the marginal product of labour. For example, if the supply of ladders falls, the marginal product of apple pickers will decrease.

1.10.7. Factors Affecting Demand for Labour

- a. **The wage rate:** The higher the wage rate, the lower the demand for labour. Hence the demand for labour curve slopes downwards. As in all markets, a downward sloping demand curve can be explained by reference to the income and substitution effect. At higher wages, firms look to substitute capital for labour, or cheaper labour for the relatively expensive labour. In addition, if firms carry on using the same quantity of labour, their labour costs will rise and the income (profits) will fall. For both reasons, demand for labour will fall as wages rise.
- b. **The demand for the product:** The demand for labour is a derived demand, which means it is ultimately based on demand for the product that labour makes. If the consumer wants more of a particular good or service, firms will want the workers that make the product.
- c. **Productivity of labour:** Productivity means output per worker, and if workers are more productive, they will be in greater demand. Productivity is influenced by skill levels, education and training, and the use of technology.
- d. **Profitability of Firms:** If firms are profitable, they can afford to employ more workers. In contrast, falling profitability is likely to reduce the demand for labour.
- e. **Substitutes:** The extent to which labour is indispensable also affects the demand. If substitutes, such as capital machinery become cheaper or more expensive, the demand curve for labour will shift to the left or right. For example, if the price of new technology falls there may be a reduction in demand for labour.
- f. **The number of buyers of labour:** The number of buyers in a market can influence total demand in a given market. A single buyer in a market is called monopolist, and these are relatively common in labour markets. For example, Landon Underground is the only firm in the UK to employ underground tube drivers. In general, when a labour market is dominated by one employer the demand for labour is less than if there are many employers. In addition, there is a tendency for the wage rate to be lower in such markets, which is one reason why trade unions form, and exert pressure for higher wages.

1.11. Elasticity of Labour Demand

Elasticity is a means of measuring responsiveness. If the price of a good change, how responsive is the change in quantity demanded? A relatively large change in quantity demanded (Q_d) that demand is quite responsive, or elastic. A relatively small change in Q_d indicates that demand is less responsive, or inelastic.

In the realm of labour economics, we are interested in how responsive an employer's demand for labour is to the price (wage). More specifically we look for the relative change in employment level for a relative change in wage:

Elasticity of Labour Demand = Percentage of change in employment / percentage of change in wage

Notice that because demand curve is downward – sloping, this calculation will be negative. If wages go up, employment will go down (all else constant) and if the wage goes down, employment will go up (all else constant).

The terms elastic and inelastic, as used above, have both technical and relative uses. The technical use depends on the absolute value of the elasticity calculation above.

If the absolute value of the elasticity of labour demand is > 1 , that portion of the demand considered elastic.

If the absolute value of the elasticity of labour demand is < 1 , that portion of the demand curve considered inelastic.

If the absolute value of the elasticity of labour demand is $= 1$, that portion of the demand curve is considered unit elastic.

In the above sense, we say that a demand is more elastic than something else if it is more responsive to price. We similarly might say that a particular demand is less elastic to (or more elastic) than another of it is less responsive to price.

1.11.1. Determinants of Elasticity of Demand

Some of the main determinants of elasticity of demand for labour are as follows:

- i.** The proportion of labour costs in the total costs: If labour costs from a large proportion of total costs, a change in wages would have a significant impact on costs and hence demand would be elastic.
- ii.** The ease with which labour can be substituted by capital: If it is easy to replace workers with machines, demand would again be elastic.
- iii.** The elasticity of demand for the product is produced: A rise in wages increase costs of production which, in turn, raise the price of the product. This causes demand for this product to contract and demand for labour to fall. The more elastic the demand for the product is, the greater the fall in the demand for it and hence for workers – making demand for labour elastic.
- iv.** The time period: Demand for labour is usually more elastic in the long run here is more time for firms to change their methods of production.

v. The qualifications and skill required: The more qualification and skills needed; the more inelastic supply will be. For instance, a large increase in the wage paid to brain surgeons will not have much effect on the supply of labour. This is especially true in the short run, as it will take years to gain the requisite qualifications and experience.

vi. The length of training period: A long period of training may put some people off the occupation. It will also mean that there will be a delay before those who are willing to take it up fully qualified to join the labour force. Both effects make the supply of labour inelastic.

vii. The level of employment: If most workers are employed already, the supply of labour to any particular occupation is likely to be inelastic. An employer may have to raise the wage rate quite significantly to attract more workers and encourage the workers employed in other occupations to switch jobs.

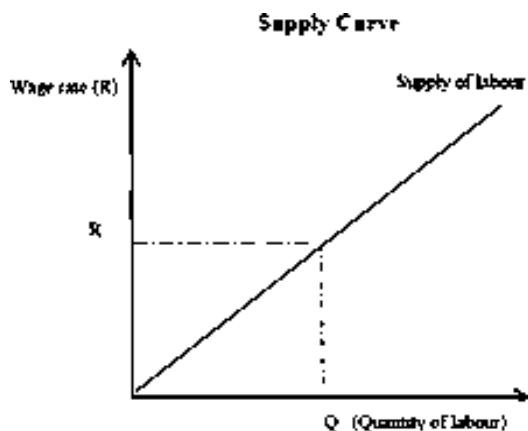
viii. The mobility of Labour: the easier workers find it to change jobs or to move from one area to another. The easier it will be for an employer to recruit labour by raising the wage rate. Thus, higher mobility makes the supply elastic.

ix The degree of vocation: the stronger the attachment of workers to their jobs, the more inelastic supply tends to be in case of a decreased in wage rate.

x. The time period: As with demand, supply of labour tends to become more elastic over time. This is because it gives workers more time to notice wage changes and to gain any qualifications or undertake any training needed for new job.

1.12. The Supply of Labour

The labour supply is defined as the number of workers willing and able to work, multiplied by the hours they are willing and able to work. It is determined by the wage rate. The higher the wage rate, the more labour is supplied, which means the supply of labour will slope upward. A worker's wage, along with any bonus, provides the main pecuniary (monetary benefit from working).



Factors other than wages will shift the supply curve to the left or right. These factors include:

I. **The size of the working population:** The working population is the number of people working age (16-60 for women and 16-65 for men) who are willing and able to work. The size of the working population is influenced by the retirement and school leaving age, migration, and numbers staying on at university.

II. **Migration:** Migration can have a considerable impact on the labour market. Migrants tend to be of working age, and while the general effect is to increase the supply of labour at all wage rates, migration especially affects supply at lower wage rates. This is because migrants tend to come from low wage economies, with average wages often far below the minimum wage in the UK.

III. **People's preference for work:** If people prefer more work, the supply of labour increases. Preference can be influenced by a range of factors, including changes in the cost of working. Such a subsidized childcare, and non – wage benefits of working.

IV. **Net advantage to work:** As well as wage rate, decisions to increase or decrease labour supply are influenced by non – monetary advantages, such as changes in working conditions, job security, holiday entitlement, promotion prospects, and other psychological benefits of work. Improvement in these benefits will shift labour supply curve to the right.

V. **Work and leisure:** For many, part – time work is an increasingly attractive option given the advantages of increased leisure. Early retirement is also a factor affecting labour supply. An individual's decision to supply labour is greatly affected by the choice between work and leisure. Given that time is fixed, work and leisure are substituted for each other. The choice between work and leisure can be affected by a number of factors, including,

- a) Age – Older workers often gain more utility from leisure.
- b) Direct taxes – higher income tax rates may increase the utility of leisure and reduce the supply of labour.
- c) Dependents: Having children may increase the utility of work and increase the supply of labour.
- d) Non – work income: some individuals can retire from the labour market because they have company pensions which may be received before state pensions, which available for men at 65 and women at 60. Non – work income can come in the form of cash benefits, such as the job seeker's allowance, and benefits – in kind, such as subsidised travel cards.

1.13. Individual Labour Supply

Normally supply curve of labour is an upward sloping curve from left to right, but on account of psychological factors the supply curve be a backward sloping. It is so because as

the wages exceed a particular limit, the labourer begins to prefer leisure to work. It means that at higher wage – rate supply of labour begins to diminish, and the supply curve has a tendency to slope backward.

1.13.1. **Substitution Effect:** Increase in wage rate will stimulate the labourer to work more; as such he will devote himself to work rather to leisure. He will substitute work – hours of leisure hours. Thus, because of substitution effect, rise in the wage – rate leads to increased supply of labourers. Substitution effect is positive.

1.13.2. **Income Effect:** Rise in wage rate means better position of the labourers. He now, prefers leisure to work. Thus, the income effect discourages work and encourages leisure. The Income effect is therefore negative.

Figure 3.3 shows backward sloping supply curve. Up to a wage rate w_1 , the relative price of leisure increases, and workers will look to switch from leisure to work. In other words, there is a strong substitution effect as wages start to rise. Hence, the supply curve slopes upwards and then backwards to point S.

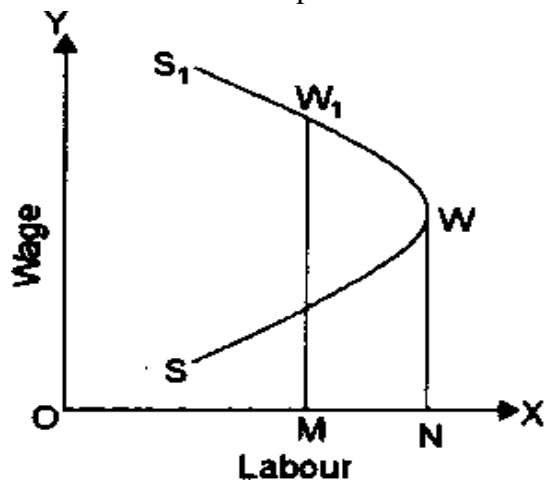


Fig.3.3.

However, beyond w_1 , the income effect begins to dominate and further rises in money wages, which increases real income, mean that less work is required to achieve the same level of real income.

1.14. Factors Affecting the Supply of Labour

- Length of training of workers: If a worker need lengthy training, the effective supply of labour is less in the short run.
- Barriers to Entry: Barriers to entry into the labour market, such as the strict requirement for qualifications, will make the supply of labour less than it would be with no barriers.
- Trade Unions: A trade union is an organisation that aims to protect the interests of workers. Around 30 % of UK employees are members of unions, with women more likely to be in a union than men. Union membership has fallen steadily over the last 20 years.

- Tax and benefit incentives and disincentives: Tax and benefit rates can lead to increase and decrease in the effective labour supply. When income taxes are excessive and benefits too generous, a stay-at-home culture may be encouraged.
- Labour subsidies: If the government gives a subsidy to workers to look for work or to train, then the supply of labour will increase, and the supply curve will shift to the right.
- The actual and potential labour supply: The actual labour supply includes those workers who are both willing and able to supply their labour, including the unemployed. The potential labour supply also includes those who, for one reason or another, are currently inactive.

1.15. Choice of technologies and labour policies:

Back in the nineties, a pioneering project funded by the European Commission emphasized the need to investigate “the social shaping of technology”, with a view to explore the reciprocal interactions between technology and society and to find out adequate methods to interpret them: Technology studies is a hybrid research field, it is a transdisciplinary undertaking, using cross-disciplinary resources in its efforts to conceptualize and analyse the interface of technology and society. An understanding of the choices built into the creation of new technologies, as well an evaluation of technological policy options, are central to the understanding of the social shaping of technology”

Viewed in a historical perspective, the relationship between what we call technology and the world of work understood as an essential part of any social organization, is not a new nor an easy one. From the Aristotelian notion of (tèchne) intended as an inherent dimension of any human productive activity, to the XIX century “machine breakers” Luddites worried by the social disruptive potential of the rising industrial model, to the current debates on the “de-humanizing” effect of artificial intelligence, it is widely acknowledged that technologies are not foreign to human nature but inseparable from it.

Technology, then, is not just a matter of engineering, electronics and robotics, but a concern for humanities and social sciences too, including philosophy, ethics, sociology, economics. and of course, Law.

Labour law, in particular, stands as an ideal standpoint to observe the legal system’s responses to the digital revolution, insofar as for a long time now it has been acknowledged that the major concerns for a socially unrestrained use of technology regard precisely the impact of new technologies in the work place. Once agreed that both technology and labour law qualify as factors of the production process, it becomes easy to understand why the intrinsic link connecting labour relations’ rules on the one side, and the various manifestations of “technology at work” on the other side, gives rise to a “double” question: how does technology affect the production process and its organization? And how does the legal system respond to these innovations?

Answering such questions requires the sweeping notion of “technology at work” to be further disentangled, with a view to catch the many possible different angles through which technology intersects the labour market, the labour relations, and the organization of work.

A great deal of debates has been engaged as to the extent in which technology transformed manufacturing activities in the direction of what is now called “Smart factory” or “Industry 4.0”. It is well-known, indeed, how advanced robotics, augmented reality, internet of things, digital twin’s technologies, and other artificial intelligence tools have already been experimented in several leading world factories with the aim of increasing automation and improving productivity and efficiency. Whereas such kind of developments are not directly dealt with in this book, since its full understanding would require different competencies than the legal expertise of its authors, there can be no doubt, however, that lawyers cannot ignore the rapidly changing technological superstructure affecting the manufacturing process and more in general contemporary economic relationships. Smart contracts as instruments of disintermediation potentially capable of modifying existing labour market policies and labour relations arrangements, both at an individual and collective level.

Once agreed that both technology and labour law qualify as factors of the production process, it becomes easy to understand why the intrinsic link connecting labour relations’ rules on the one side, and the various manifestations of “technology at work” on the other side, gives rise to a “double” question: how does technology affect the production process and its organization? And how does the legal system respond to these innovations?

Beyond technical issues impacting upon single segments of the labour-related administrative or contractual action, the labour law agenda at the time of the “Fourth Industrial Revolution” is actually filled by a series of multifarious questions related to the labour market effects of new technologies. Not only, as it is obvious, with reference to the “quantitative” job replacement effects of automation, which tend to be coupled with the introduction of new technologies since ever. But also, in a different and “qualitative” perspective, with regard to the New technology and labour law: challenges and perspectives transformations of both the labour market’s structure – from the so-called “hour-glass” effect⁶ to the mismatch of competencies – and the employer/employees relations dynamics, with the rise of new organizational models built upon artificial intelligence altering rigid classification systems and existing firm hierarchies in favour of more flexible schemes of task assignments within a context of job enrichment and job enlargement.

On the whole, there is a widespread awareness, also at an institutional level, that there is a need to accompany people through this transition and some tasks will be replaced, workers will have to work with machines, traditional occupations will be modified and new activities will emerge, as the European Commission put forward in one of its several policy documents dedicated to the technological transition and its effects on the labour market.

1.16. Labour market policies:

The type of segmentation in the labour market that has attracted most attention and debate, in fact, has its origin in labour legislation regulating the labour market. Labour laws define various categories of labour which enjoy different degrees of protection and differentiate between establishments to which they apply or do not apply. The typology of workers and thresholds varying among different statutes and sometimes among different provisions of the same statute result in multi-layer segmentation among workers. There are no laws that apply universally to all workers, not even just the hired wage earners. Even when a law, in principle, can be made applicable to all workers, in practice, it is not. We will illustrate these situations while describing the selected important statutes below.

The basic purpose of most, if not all, measures of labour regulation in India, like in any other country, in general, has been to protect labour from exploitation by employers, especially in unfavourable market conditions; for, it was recognized that the balance of power between labour and capital is unequal, labour being the weaker party in a bargaining situation. Yet, most labour laws protected only a segment of the workforce, ironically consisting of workers who have better bargaining position and have already got a relatively better deal. The most exploited and disadvantaged are generally left out of protective provisions of labour laws. The reasons advanced for such a 'regressive' labour legislation lie in difficulties in implementation, on the one hand, and inability of smaller enterprise to comply with them, on the other. Enterprise structure in India is dominated by millions of small, tiny and informal units highly dispersed in location; and, it is argued that the cost of implementation of labour laws universally would, therefore, be exorbitantly high. It is also argued that these enterprises are generally not in a position to meet the cost of compliance of legal provisions.

There is, at the same time, a huge multiplicity of laws, most of them applying to the larger enterprises comprising the organized sector employing only a small fraction of all workers. As a recent government appointed commission observed, "there are too many laws for too few in the organized sector and too few for too many in the unorganized sector" (NCEUS, 2009, p.174). According to official website of the Ministry of Labour and Employment, Government of India, there were 54 central laws concerning different aspects of labour. As labour is a "concurrent" subject in the Indian Constitution and, therefore, both the Union and State governments can pass legislation on it, there are also about 160 other laws enacted by various state governments. The state laws mostly supplement and sometimes address specific local issues, but are not in conflict with central laws. The 54 central laws can broadly be divided into the following six groups on the basis of the broad subject area covered by them: conditions of work and industrial relations, (19), wages and earnings (4), social security and labour welfare (14), gender equity and disadvantage groups, (5), employment and training services (2) and other aspects (10). Here, we briefly describe the main provisions of selected laws from each of the four groups: conditions of work, wages and remuneration, social security, and employment security and industrial relations to illustrate the legal basis of segmentation in the labour market. We mention here only those laws that commonly apply to workers in all sectors

and activities and have not referred to ones that relate to workers only in certain sectors and activities (e.g. Mines, Plantation, and Construction).

1.16.1. Laws relating to conditions of work

The need for ensuring safe and healthy conditions of work was realized rather early and the Factories Act providing for these conditions was enacted by British colonial government in 1884. Its revised version was passed in 1948. The Act stipulates standards on aspects like working space, sanitation, drinking water, toilets, temperature and humidity at work place as also provision for regulation of hours of works, recess during work, rest days, leave and holidays and special safeguards for work in dangerous processes. Regular periodical inspection of factory premises is to be made to ensure compliance. The Act applies to all establishments carrying out manufacturing process and employing 10 or more workers with use of power and 20 or more workers without use of power. Such establishments are required to be registered under the Act.

Prescribing only the minimum human conditions of work and welfare of workers as it does, the Act has not attracted any serious criticism. Some details of processes and methods (e.g. of maintaining cleanliness and hygienic and sanitary conditions) of compliance prescribed in the Act are, however, seen as unnecessary and often archaic and also leave room for harassment and extraction of monetary or other favour by unscrupulous inspectors whose frequent visits are in any case resented by employers. There is, no doubt, that howsoever minimal and necessary, compliance (and avoidance) of prescribed conditions entails direct and transaction costs and, as is often argued, the Act, therefore, discourages the smaller enterprises to grow up to the threshold size of a factory. The fact that overwhelming majority of enterprises employ less than 10 workers (e.g. 97 percent employ less than seven workers and 90 per cent less than five workers) is often cited as evidence in favour of this “growth trap” hypothesis. It should, however be noted in this context that the threshold need not deter the 90 per cent enterprises with only workers each to grow up to workers’ size.

Supplementing the Factories Act prescribing minimum conditions of work and welfare for workers in smaller establishments is the Shops and Commercial Establishment Act, which, in fact is legislated by the state government on the lines of a Central model. It applies to establishments other than factories and government offices, such as shops, restaurants, and hotels, places of entertainment like cinemas, and smaller electrical, mechanical, repair and manufacturing enterprises. All major states have passed versions of this law. It applies to establishments in urban areas, thus leaving the vast number of rural enterprises outside its preview. Establishments are required to register with municipal or other local bodies and to renew registration annually. The Act is implemented in a rather relaxed manner and, as a result, followed more in violation than compliance. Officials in many state governments do not even take it as a law regulating conditions of work of labour, but as a mechanism of collecting revenue for municipal bodies through registration and renewal fees and also an instrument to influence location of activities through licensing, as part of the town planning process.

1.16.2. Laws relating to wages and remuneration

Realizing that a large part of Indian workforce works in the unorganized sector with no bargaining power, and with almost “unlimited” supply of labour, workers are likely to be exploited by employers and paid below subsistence wages, the government soon after Independence passed the Minimum Wages Act in 1948. The Act provides for fixation and implementation of minimum wages. Its potential application is universal. It applies to any person employed for hire or reward to do any work skilled and unskilled, manual, or clerical, including “outworkers.” But it has been limited to the activities ‘Scheduled’ in the Act. Addition to the schedule can always be made; in 2012, there were 45 scheduled employments in the central, and 1650 in the states spheres, all states put together. Application to schedule activities is also not automatic: the appropriate government has to notify and fix wages for each activity/occupation and often region, as there are no one minimum wages fixed nationally or even state wise, that applies to all activities, occupations and regions. Its application is not barred in the organized sector but its relevance is limited there, as prevailing wages are generally much higher than those fixed under the Act.

Minimum wages Act could have been a major instrument in reducing segmentation in the labour market. It, however, does not seem to have had significant success in this respect. Though the Act itself does not define or lay down the criteria for fixing the minimum wage, it is understood that the ‘subsistence plus’ level of living of a family of standard size, in terms of food and non-food requirements is to be taken into consideration by the wages fixing authorities. Vast differences among the minimum wages fixed in different states and for different activities and occupations, however, do not suggest uniform application of such criteria. For example, in 2012, minimum wages fixed for unskilled agricultural worker were Rs. 90 in Orissa, and Rs. 150 in Kerala, and for skilled worker Rs. 129 in former and Rs. 200 in the latter state. Differences become much larger once we consider the effectiveness of implementation: according to data from NSSO, 59 percent of casual workers, 62 percent in rural and 32 percent in urban areas did not get the minimum wages fixed for them. Percentages were 82 percent for women and 49 percent for men. For the states of Orissa and Kerala, percentages were 90 and 14 respectively (NCEUS, 2009). Recent initiative by the Central government to fix a national minimum wage on a statutory basis has not yet borne fruit.

Another widely applicable statute relating to wages is the Payment of Wages Act. Passed long back in 1936, it stipulates regular and timely payment of and prohibits arbitrary and unfair deductions from wages. Initially applicable to workers with earnings up to a ceiling, it has now been made applicable to all workers. Similarly, its coverage has also been extended initially from factories and railways to other industrial establishments including those covered under Shops and Commercial Establishments Act, in some states. Thus any basis for segmentation it had earlier is removed. But large scale violation of the provisions of this Act found in the unorganized sector suggests that in practice the labour market is segmented even in the application of rather unexceptional provision of this Act.

A legislation which appears to have reduced segmentation at least within the organized sector is the Payment of Bonus Act 1965. It provides for compulsory payment of an annual bonus equivalent to one month earnings to all workers earning below a wage ceiling, irrespective of the profit earned by the enterprise. It has been observed that the law is fully complied with, all enterprises required to pay bonus stipulated in the Act, namely, all factories and other establishments employing 20 or more workers, in fact, pay it and some pay higher than the minimum as a result of pressure from workers' organizations. The provision of bonus under the act, however, makes the distinction between the organized and unorganized sector rather sharper.

1.16.3. Laws relating to social security

Provision of any social security for Indian workers started with the enactment of the Workmen's Compensation Act by the colonial government in 1923. Its scope was, however, limited to providing relief to workers against disability and death resulting from injury and accidents at work. The Act, amended from time to time, is still in operation. It provides for compensation by the employer to the workers for the injury caused to them "by accident, arising out of and in the course of employment, resulting in death or in total or partial disablement." Compensation is also given in certain limited cases in disabilities arising out of occupational diseases. All compensation is calculated as multiple of wage earned by the workers, with a prescribed minimum rate. The Act applies to all factories and mines.

The Workmen's Compensation Act has, however lost its importance with the passage of Employee's States Insurance Act 1948 and extension of its coverage over the years, as it does not apply where the new Act applies. The ESI Act is by far the most comprehensive social security legislation covering the risks of sickness, maternity, employment related injuries and disabilities. Medical care is provided through a network of hospitals, and panel clinics a cash reimbursement and benefits are given in case of sickness, maternity disablement, retirement, and funeral expenses on death. The Employees State Insurance Scheme is funded through an insurance mode with the contribution from workers (1.75 percent of wages) and employers (4.75 percent of wages). Medical facilities are provided by the government. The Act applies to all factories and establishments (except government offices) employing 10 or more workers, Initiatives have been taken in recent years to make it applicable to all smaller establishments as well.

The Employee Provident Fund Act, 1952 in a way supplements ESI act, in so far as it provides for the old age benefits which the former does not adequately take care of. It provides for the institution of a provident fund in all factories and establishments with 20 or more workers (except government which has separate scheme for its employees). Any other establishment can also become a part of the scheme voluntarily. The fund is created out of the contribution of workers and employers (10% of the workers' wages each) subject to a maximum of Rs. 6500. An employee can, of course, contribute more without expecting any corresponding contribution from the employer. Benefits include lump sum payment of accumulated amount of contributions and interest earned on them on retirement, withdrawal prior to retirement of part of the accumulated funds for housing,

treatment of illness and some other specified purposes, pension to retired worker or his nominee on death and disablement benefits and a lump sum insurance pay out.

The two Acts, ESI Act and EPF Act together provide for all the major risks for which security is ordinarily provided to the workers, namely sickness, accident, maternity, and old age. There is also a separate Maternity Benefit Act (of 1961) which applies to establishments not covered by ESI Act. Also, gratuity as a superannuation benefit is provided under the Payment of Gratuity Act (1971) applicable to all establishments employing 10 or more workers, to regular and permanent workers.

Overall, the social security legislation providing for major contingencies (except unemployment) is generally applicable to establishments employing 10 or more workers. Thus the lack of such covers for the self-employed and employees of the small establishments make the workforce segmented. Recent efforts to extend their coverage to the workers in the unorganized sector workers and initiative to evolve social security schemes for the latter on a statutory basis (e.g. under the Social Security for Unorganized Sector Workers Act, 2008), should lead to a reduction in the sharpness of segmentation in this regard.

1.16.4. Laws relating to employment security and industrial relation

Employment conditions including recruitment, discharge, disciplinary action etc. were sought to be regulated through the Industrial Employment (Standing Orders) Act 1946. Any establishment employing 100 or more workers was required to frame and get certified by government official, standing orders containing rules governing classification of workers, shift working, attendance, work time, termination of employment, suspension and dismissal for misconduct and grievance redress procedure etc. It aimed at ensuring orderly conduct of business at workplace and protecting the workers against unfair treatment by employers. Most provisions of this Act were subsequently also made in the Factories Act and Industrial Disputes Act. Some states (e.g. Maharashtra and Gujarat) do not apply it and several states have exempted selected industries and sectors from its application, under the powers given to them under the Act. The law is generally regarded as outdated making labour adjustment highly rigid for a globalized world. It has not attracted any large scale protest probably because of its limited coverage.

The law that has most comprehensively covered the aspects relating to employment conditions, industrial relations and job security and also has the widest coverage is the Industrial Disputes Act, 1947. Its central objective is to lay down systems and procedures for settlement of industrial disputes. For that purpose, it provides for several institutions and mechanisms. Plant level works committees are expected to minimize disputes. Once a dispute arises, bilateral negotiations, direct and through a conciliator, voluntary arbitration and compulsory arbitration or adjudication with the labour court and tribunals giving decisions binding on the two parties, the workers and management are the various sequential steps and institutions and mechanisms provided under the Act. Though recognizing the value of collective bargaining and insisting on it, before third party judicial intervention, the Act is, in practice tilted in favour of adjudication. Direct action, in the form of strikes and lockouts, is recognized as legitimate, but can be undertaken only after the failure of other

routes and after due procedure of notice and completion of conciliation proceedings. The extent to which collective bargaining could become an effective part of the industrial relations system, however, depends on the legislative provisions relating to, and the coverage and strength of, trade unions. The Trade Unions Act (1926) confers legal status to trade unions with the right to raise demands on behalf of the workers and lead them to take industrial action. Union functionaries also enjoy protection against criminal proceedings for any action in furtherance of a trade dispute. Lack of provision for a 'representative' unions (except in the state law in Maharashtra) has, however significantly reduced the scope of collective bargaining in a situation characterized by multiplicity of trade unions, mainly resulting from the multi-party political system where every party finds it necessary to float a trade union. In any case, the trade union coverage of workforce is very low. Only 2 per cent of all workers and 35 per cent of organized sector workers are union members.

The Industrial Disputes Act, in principle, applies to all establishments, but in practice to factories and establishments, employing 10 or more workers. Some provisions apply only to those employing 50 or more workers and still others to those employing 100 or more workers. The specific provisions that have been under intense debate and discussion and which also divide establishments into segments in terms of the application of different conditions for action, relate to employment security or employment protection. An establishment has to fulfil certain conditions before it can lay-off or retrench workers or close down the enterprise. In the case those employing less than 50 workers, workers can be retrenched after giving one month's notice and paying a compensation equivalent to 15 days' wages for every completed year of services, and laid-off with payment of allowance equivalent to half of the average wages of the past year. For closure, a sixty days' notice to workers and payment of retrenchment compensation as above are required. Establishments employing 50 – 99 workers are required additionally to notify the appropriate government at least 60 days prior to the intended action. For enterprises employing 100 or more workers, mere 'notice' to appropriate government is not enough, its prior permission is necessary. Notice period to workers has also to be longer, namely three months, for retrenchment. The condition of retrenchment compensation has, of course, to be fulfilled.

While the "restrictive" provisions of Industrial disputes act making it difficult for employers to adjust their workforce, through lay-off and retrenchment and to close down enterprises, were motivated by the government's concern about unemployment, they did create a sharp segmentation in the labour market: one set of workers working in small uncovered establishments have no job security, another has no job security but at least some compensation on job loss, another set also with a warning to have time to look for alternative, and still another with the risk of job loss only if government permitted. Side by side another form of employment of workers had emerged on the scene in which worker are not hired directly by enterprises, nor is work given out to other enterprises or "out workers" as in the system of outsourcing and putting out, but labour hired by contractors is used to carry out production. This form of labour called "contract labour" started becoming important during 1960's, and it was suspected that this was the result of the employers' attempt to reduce labour cost by paying lower wages and with no obligation for social security contribution or compensation on separation, thus denying workers job security and social security which they

would be entitled to if they were recruited directly by the enterprises on a regular basis. The Contract Labour (Regulation and Abolition) Act was, therefore, passed in 1970, prohibiting use of contract labour in 'core' activities of an enterprise carried out on a perennial basis and regulating its use in other activities.

1.17. Regulation, segmentation and growth of labour force and quality of jobs:

It is quite clear that Indian legislation on labour that appears quite comprehensive and well intentioned, has not been able to meet its primary objective, namely that of providing employment security and social security to the majority of workers, both because of limited coverage and ineffective implementation. At the same time, it would appear that it has sharpened rather than reduced the degree of segmentation among different sections of workers. Segmentation already exists on the basis, for example, of location, sectors, education, occupation and size and type of enterprises. Thus employment in rural areas and in agriculture was generally of poorer quality in terms of stability of employment and earnings than in urban areas and non-agricultural activities.

Application of most laws only to non-agricultural establishments and in urban areas and poor implementation of applicable laws in agriculture and in rural areas, have led to a wider divide between the two. Similarly, the quality of jobs in informal sector and smaller establishments has always been poorer than in the larger ones, because both of the better paying capacity of employers and higher bargaining power of workers due to presence of unions, in the case of larger enterprises. Application of most protective laws to the larger establishments only has not only increased the gap but also led to a sharper segmentation in the labour markets for the organized and the unorganized sector.

The Minimum Wages Act, in spite of all the problems in fixation and implementation of minimum wages, described earlier, could be seen as contributing to an improvement in quality of employment and reduce the degree of segmentation among different sectors of workforce, especially between those in the formal and informal sector and between men and women workers. Similarly, the laws relating to equal remuneration and other regulations on women's employment can also be seen as effective instruments both for improving the quality of women's works and bringing in gender equality.

A view has, however, emerged over the past decade that the institutional regulation of the Indian labour market has negatively affected both quantity and quality of employment. According to this view, labour laws, especially provisions relating to job security, have discouraged expansion of employment, particularly in the organized sector. Since employment in the organized sector has not expanded, newest employment has been of the poor quality in the informal sector, thus resulting in overall deterioration in the quality of employment trends in India. Some have concluded that "pro-labour" legislation and amendments have had negative effect on growth of output and employment. International financial institutions have also endorsed the view that the part of Indian labour laws that restrict the freedom of employers to reduce work force when required had adversely affected employment in the organized sector, and encouraged employment of inferior quality in the informal sector. Despite a number of studies contesting these findings on both methodological and empirical

grounds the government also seem to have come round the view that the Indian labour laws have “adversely affected the (organized) sector’s long term demand for labour”.

We have already discussed the trends in employment growth earlier. India has recorded reasonably high growth of employment over the long period. It averaged at two percent per annum over the period 1972-3/2004-05. It has more or less kept pace with the growth of labour force; as a result, unemployment rates have not changed much. Growth rate of employment, however, has decelerated in past two decades, when the growth of GDP has, in fact, significantly accelerated. This may be result of the global trends of increasing capital intensity of production in all sectors, from which India cannot remain immune as a part of the globalized economy. India’s employment challenge, in any case, is not confined to the magnitude of unemployment in the conventional Western sense of the term: unemployment rates measured with different criteria and reference periods are generally low, even though they are relatively high among the young and educated a feature that can be expected with growing labour force and increasing educational enrolment. The challenge is much more qualitative, a major part of which lies in low productivity and earnings, as reflected in much higher incidence of poverty than unemployment and a significantly large proportion of the poor among the employed.

Any relationship that one can postulate between labour market regulation and institutions and quantity of employment is not so much in respect of total employment but of employment in the organized sector where most of the regulations apply. A decline in employment in organized sector starting with mid-1990’s, lent credence to the proposition that the institutional setting of the labour market characterized by ‘excessive’ regulation has adversely affected employment growth in the sector: the employers either did not expand production, or used more capital-intensive technologies and/or outsourced production to smaller informal units where labour laws did not apply. In this connection the following facts need to be noted.

First, the decline in employment took place not in the organized private sector but in public sector which was caused by factors like need to downsize the government, increase in efficiency in public enterprises and privatization, and not because of labour regulation. Employment in organized private sector went on increasing throughout the period.

Second, output growth, in fact, accelerated during this period which implies that the enterprises did not stop expanding.

Third, capital intensity increased as part of the global process of technological change, as mentioned earlier and it was not necessarily due to ‘restrictive’ labour regulation.

Fourth, outsourcing of production increased significantly because new technologies, liberalization and globalization, and organizational innovations made decentralized production possible in many lines of production; and, lower cost of production, including labour cost in small enterprises provided the motivation for it. Real and transaction costs of compliance with labour regulation could have also played a part in this process.

Fifth, employment in the organized sector has increased at a reasonably high rate since 2004, without any changes having taken place in the legislative provisions of labour market regulation.

The fact, however, remains that the major part of increase in employment in recent years has been either in informal sector or in informal category in the formal sector. Of about 6.4 million new employment opportunity recorded during 2000- 2010, about 76 percent were in the informal sector. Even out of the 24 percent of the new employments in the formal sector, 81 percent were in 'informal employment'. Of the total new employment opportunities created during this period, about 94 percent thus consisted of informal employments. Thus, it is not as if employment has not at all grown: it has grown at about 1.8 percent during the period 1994-2010 and 1.6 percent during 2000-2010. But it appears that overall quality of employment has deteriorated as suggested by the false informalisation of the workforce. There are, however, facts that suggest the opposite trends at the margin. First, the trend of a decline in organized sector employment has recently been reversed and employment in this sector, even though most of it is now of irregular and insecure nature, still carries better earnings than in the unorganized sector. Second, the long term constancy of the share of 'regular' workers since 1970's at around 14 percent seems to have given way to an increase during the period 2000- 2010: it increased from 14.6 in 2000 to 15.4 in 2000-05 and further to 16.6 percent in 2009-10. Third, employment has grown faster in sectors like financial services and information technology services which are known to provide better earnings and greater job security, though their share in total employment is still very small. Fourth, earnings of workers have significantly increased in all segments of labour market. For example, the daily wages of casual workers (at constant 1995 prices) grew at about 2.5 percent per annum during 1993-2005 and higher at 3.0 percent during 2005-10, in rural areas. Growth rates in urban areas were slightly lower, yet quite significant at about 2 percent in both the periods. It appears that quality of employment is improving in the poorer segments of the labour market, but since the proportion of workers in secure jobs in organized sector is falling, the overall quality of employment is declining rather than improving.

A slow growth of employment in organized sector, especially of the secure type in regular jobs can be attributed to various factors, as suggested earlier. Here our concern is primarily with the question as to whether the legal framework regulating the labour market has been responsible for it. In the debate on labour flexibility and reforms, there has been a focus on the restrictive nature of a regulation as a deterrent in employment expansion in the organized sector enterprises. It is argued that employers do not hire because they are not able to fire, if necessary; later on. As a result, they either do not expand their operation, use technology which involve limited use of labour, employ labour in non-regular categories or outsource production. All these options are possible, but each under certain assumptions. It is unlikely that an enterprise would decide not to start or expand operations just because of the difficulty in adjustment in workforce, if the market for the product is expanding and business is sufficiently profitable. Use of technologies that use less labour is likely. But quite often, it is not possible to alter technologies instantly because such technological options are not available or are not economical. Outsourcing again would depend on the available technologies and organization of production in use in the concerned lines of production. It may not be possible as much in basic metal products as in textile garments. And where it is possible, the practice will be adopted irrespective of labour regulation, because it turns out less costly in any

case. Use of flexible categories of labour is the most likely choice an enterprise will make if it does not want to expand employment of labour on a regular basis, because of the difficulty in adjustment when needed.

It is difficult to precisely assess the extent to which these different processes have taken place and more difficult to relate them with the labour market regulation. Employment in the organized manufacturing sector has grown at a slower rate than in the unorganized sector. The fact that the output growth has been faster in the former than in the latter implies that more and more productivity enhancing, capital intensive technologies are being used by the organized sector. It is difficult to assess how much of it is a result of the necessity to fall in line with general global trend to remain competitive and how much due to the labour market inflexibility. It has also been accompanied by outsourcing more labour intensive and less productive processes in increasingly more lines of production.

Check Your Progress

No.	Short Question	CO	PO	Level
1	Define the labour market and mention any two of its key characteristics.	CO1	PO1	K1
2	How does the size of investment influence the demand for labour?	CO2	PO2	K2
3	What is meant by labour force growth? Identify one factor affecting it.	CO3	PO1	K2
4	State the role of labour market policies in employment generation.	CO4	PO3	K3
5	Briefly explain the concept of labour mobility.	CO5	PO2	K1

No.	Essay Type Question	CO	PO	Level
1	Examine the nature and characteristics of the labour market in developing economies.	CO1	PO1	K4
2	Discuss the demand for labour with reference to investment patterns and choice of technology.	CO2	PO2	K4
3	Explain the determinants of labour supply and analyse the trends in labour force growth.	CO3	PO1	K4
4	Critically evaluate labour market policies and their impact on employment and productivity.	CO4	PO3	K5
5	Analyse the relationship between labour mobility and productivity in the labour market.	CO5	PO2	K4

Unit -II

Employment and Wage Determination

2. Labour: A Big Canvas

From the philosophical underpinning of ‘expenditure of physical and/or mental effort, especially when difficult or compulsory’ – ostensibly to achieve some goal(s) – to a ‘political group’ with its distinct governance principles, ‘labour’ presents a whole panorama of connotations, some generic, others context specific. On the one hand, a person involved may be a big investor in some enterprise, or a low-paid marginal worker engaged in some establishment, on the other. Levels of education, intellect and skill do not matter; what differs is the goal to be achieved. In a somewhat concrete sense, ‘labour’ implies a human activity that provides necessary support to the production of goods and services in an economy and this activity involves those who provide the necessary capital as also those who are directly engaged in the production process, essentially through physical efforts. To bring in a more commonly understood connotation, ‘labour’ corresponds to services rendered by workers for wages (in a generic sense) as distinct from services rendered by entrepreneurs for profit. Extending the ambit of ‘labour’ to embrace all those who are branded as employees irrespective of their inherent and acquired capabilities, terms and conditions of their current engagements, and their roles and responsibilities in relation to the organisations being served and the like, along with those who are self-employed as entrepreneurs (without being investors as such) is surely not an inane idea, at least in the context of a discussion on national development. However, it may not be proper to identify either the entire labour force or workforce with ‘labour’.

2.1. Productivity of Labour

Industry (in a broad sense) supports economy and society, and enhanced industrial productivity (as distinct from production and as directly linked to value addition) is a ‘just’ demand everywhere. An important constituent of industrial productivity is labour productivity. To enhance labour productivity, labour justly demands a fair deal—not in terms of bread alone, but more in terms of needs that are individualistic, cannot be always quantified, and can be hardly compensated by an excess of some benefit or the other. Even in the current context of industrialisation and mass production, instances are not uncommon where a little ‘personal’ link between labour and capital or management has provided the necessary fillip to production quality, quantity and the value of output, in sharp contrast to situations. where an impersonal environment brings out only the basic minimum from the production workers. When we claim ‘people’s participation is both an objective and an effective means in a development strategy’, we refer to the role of ‘labour’. Right from the relatively old Ishikawa model for Quality of Working Life given in terms of a set of so-called equations connecting constructs like skill, attitude, environment, etc., to the more recent models and measures of Quality of Working Life, we find a set of elements to be taken care by the production system to get the best out of

its workers. Ishikawa relates 'organisational performance' to Quality of Working Life and the model depicted below does apply to any organisation, including the entire industry.

Knowledge x Skill = Ability

Attitude x Environment = Motivation

Ability x Motivation = Individual performance

Individual Performance x Organisational resources = Organisational performance

Organisational Performance x Society = Quality of Working Life.

Experiences of developed countries with better standards of living for 'labour' bear out the fact that 'labour' has played a significant role in improving the production process and augmenting the corresponding value addition in various establishments. Cases are not rare where 'labour' has turned around a sick industry to a profit-making one or industry has made a breakthrough in its products and services through innovations and even inventions wrought by its 'labour'. The understanding that a motivated and well-taken-care-of workforce directly engaged in production is the key to economic growth has definitely been around – if not in all countries. Concern for safety, health and environment of 'labour' at workplaces and during work, even outside fixed workplaces, coupled with visible improvements in working conditions, has gone a long way in augmenting value addition, something not easily achieved through enhanced pay and allowances wrested from management by proponents of workers' interests. Investors and top executives should act from their own appreciation of the need to go the extra mile when the situation so demands and not react to certain blown-up demands of groups who do not necessarily represent genuine interests of workers.

2.2. National Development and Labour

Given the above context, it will not be an exaggeration to state that 'labour' represents the bedrock of economic development. Of course, economic development is to be rightfully appreciated as a process by which not only the per capita real income increases over a reasonable time period, but two more fundamental needs are fulfilled: inequality in income does not increase and the number (not just percentage) of people below an absolute poverty line does not increase. These two stipulations which together reflect distributive justice are what makes economic development different from economic growth. And to ensure distributive justice, a fair distribution of income from economic activities between the two factors – labour and capital – is a must. National development is both a process to be planned, implemented, monitored and evaluated and the outcome of such a process that is sometimes quantified in terms of certain indicators. The ultimate aim of development is to improve the quality of life of the people. In fact, with a humanitarian perspective on development, one can add that the immediate objective of the development process is to provide conditions to the poor majority to meet their basic needs. In the world of today, development in one country or region cannot be achieved or even planned in complete disregard to happenings in the economies and societies in other countries. Improving the quality of life of all the people on earth is the state-avowed dictum for development.

Economic development planning has mostly proceeded on development being taken simply as economic growth, without due concern for distributive justice. Thereafter, planning has assumed a given investment of resources to generate a certain capital-output ratio, a capital-labour ratio, a trickle-down effect of big infrastructure development projects, and some other coefficients and relationships. Unfortunately, this type of philosophy propelling the development process has had too long a lease of life in both official and academic circles. Development planning has to be much more evidence based and must make good use of learning from the past – changing things lock, stock and barrel may end up in little. At the same time, planning must take a hard look at what needs to be changed for what and how in a manner that can be managed well. Change is known to be the most difficult entity to manage.

Planning of the development process should begin from a sincere appreciation of the role of human capital in all organisations and, therefore, in the entire economy and the society, followed by effective policies and programmes to elevate the entire labour force to a stock of human capital. Going slightly beyond human capital, some economists and management philosophers have spoken of intellectual capital as the most important contributor to the success of an organisation. According to some, intellectual capital is the net effect of human capital and structural capital. Intellectual capital has often been taken simply as the total stock of all intangible assets and capabilities in an organisation that can create value. Human capital is embedded in knowledge, skills, wisdom, capabilities, commitment and other positive attributes of the workers in an organisation. Structural capital has been generally understood in terms of organisational capabilities, commitment, knowledge management system, managerial philosophy, databases, and intellectual property rights like trademarks, copyrights and patents, and similar other characteristics of the organisation as a whole. To this is sometimes added relational capital as the third component of intellectual capital defined in terms of relations, interactions and linkages between the organisation and its upstream partners like suppliers and its downstream partners like the customers. Structural capital that remains with the organisation in the face of any labour turnover is at least partly influenced by investors and quite sensibly by management in direct communication with investors. In a broad sense, all the three constituents of intellectual capital owe their origin and sustenance to ‘labour’ in its extended connotation. With no claim of knowledge in managerial economics and industrial relations (theory and practice), the author can only voice his conviction that taking full advantage of human capital – not as hollow rhetoric, but as a reflection of advisories and actions – for the purpose of promoting national development must not be bogged down by convoluted procedures or undesired interferences by unscrupulous agents.

Going beyond the domain of economic growth, organised labour has played significant roles in the context of social and even political development processes. In fact, leaving aside the demand for a better deal for its constituents, labour organisations have raised voices – audible enough to initiate state actions – against inadequate budget provisions in major public services like education and healthcare, and also against political and administrative decisions, to tilt the economic structure in favour of some selected groups. It must be added here that

institutions that have been created – under pressure or out of a planned volition – to primarily benefit labour do also serve the general people, at least in some situations.

2.3. Poverty and unemployment

2.3.1. Poverty:

Poverty is a social phenomenon where a segment of society is unable to meet even its basic life necessities. The **UN Human Rights** Council characterizes poverty as a human condition marked by sustained or chronic deprivation of resources, capabilities, choices, security, and power necessary for enjoying an adequate standard of living and other essential rights.

There is no official data post-2011 to determine the country's poor population, but the United Nations estimated in 2019 that it was 364 million (36.4 crores), constituting 28% of India's population. Poverty, as defined by the World Bank (living on less than \$1.90 a day), was reported by the Indian Government in 2019 to affect 6.7% of its population.

According to **Oxfam**, the top 1% of India's population holds 73% of the wealth, while 670 million citizens, comprising the country's poorest half, witnessed only a 1% increase in their wealth. A recent report on rising inequality reveals that in 2020, approximately 4.6 crores Indians fell into extreme poverty, accounting for nearly half of the global new poor, as per the United Nations. Interestingly, the number of Indian billionaires grew from 102 to 143 during the pandemic period.

India's 100 wealthiest individuals reached a record high net worth of ₹57.3 lakh crore (\$775 billion) in 2021, according to Oxfam India's statement. This information is part of the Inequality Kills Report Thorros India Supplement, scheduled to be presented at the World Economic Forum's virtual event, The Davos Agenda, on January 17, 2022.

Poverty in India

Regarding poverty in India, estimates suggest significant progress, with millions lifted out of poverty between 2005-06 and 2019-20. However, poverty lines vary across states due to differing price levels. Poverty estimation is conducted by NITI Aayog's task force using data from the National Sample Survey Office.

The **poverty line** signifies the purchasing power needed to meet minimum needs and categorizes people into semicolon chronic poor, transient poor, and non-poor based on their poverty status. An Individuals who lack sufficient purchasing power fall into two groups: those **Above the Poverty Line** (APL) and those **Below the Poverty Line** (BPL).

The former, deemed not poor, possess a level of purchasing power considered adequate. Conversely, the latter, labeled as poor, lack the necessary purchasing power. The Asian Development Bank has established a new poverty line based on a daily expenditure of US \$1.35. According to the Tendulkar Committee Report, which offers **state-wise**

poverty estimates, Odisha, with 57.2% of BPL individuals, ranks as the poorest state, followed by Bihar, Madhya Pradesh, and Chhattisgarh.

2.3.2. Measures of Poverty

Head Count Ratio or Poverty Ratio: Calculated by dividing the number of people below the poverty line by the total population. It indicates the proportion of poor individuals in the total population.

Poverty Gap Index (PGI): Represents the difference between the poverty line and the average income of all households living Below Poverty Line (BPL), expressed as a percentage of the poverty line. It provides insights into the depth and severity of poverty.

Squared Poverty Gap Index: Represents the mean of the squared individual poverty gaps relative to the poverty line. It reflects the severity of poverty and inequality among the poor.

Sen Index of Poverty: Developed by Professor Amartya Sen, it incorporates the head count ratio, poverty gap index, and Gini coefficient. It captures the extent, severity, and inequality of poverty.

Multidimensional Poverty Index (MPI): Developed in 2010 by the Oxford Poverty and Human Development Initiative and the United Nations Development Programme. Considers factors beyond income, assessing poverty based on education outcomes and standard of living. Calculated as $MPI = H \times A$, where H is the percentage of poor people, and A is the average intensity of MPI poverty across the poor.

Human Poverty Index (HPI): Originally used by UNDP to measure poverty, it transitioned to the Multidimensional Poverty Index (MPI) in 2010.

Fisher Price Index (FPI): Updates the poverty line using actual consumption data, with a 60% weightage to food articles.

Conditional Cash Transfers (CCTs): A mechanism to combat poverty globally, involving government cash transfers to beneficiaries' contingent on specific actions. Actions may include enrolling children in school, regular check-ups, institutional delivery, and vaccination. Aims to alleviate poverty by providing cash to needy households and fostering positive behavior through conditional requirements.

Several expert groups have played a crucial role in estimating poverty in India.

Here are some notable committees:

YK Alagh Committee (1979): Initially focused on traditional income-based poverty measurement. It Shifted to a precise measure of poverty related to starvation, particularly in

terms of calorie consumption. The committees introduced the criterion of people consuming less than 2100 kilo calories in urban areas or less than 2400 kilo calories in rural areas being considered poor.

Lakdawala Committee (1989): The committee constituted by the **Planning Commission** to address methodological and computational aspects of poverty estimation and submitted its report in July 1993. Its recommended calculating consumption expenditure based on caloric consumption. The committee advocated constructing state-specific poverty lines, updated using the Consumer Price Index (CPI) for industrial workers in urban areas and CPI for agricultural labour in rural areas.

NC Saxena Committee (2008-For BPL Families in Rural Areas): The committee formed to review the methodology for conducting BPL Census in rural areas and led by Dr. NC Saxena, the committee aimed to recommend a suitable methodology for identifying BPL families in rural areas. These expert groups have contributed significantly to shaping methodologies for poverty estimation in India, addressing various dimensions beyond income and calorie consumption.

Tendulkar Committee Report (2009): The commission headed by Mr. Suresh Tendulkar, the Prime Minister's Economic Advisor. It tasked with reviewing the methodology for estimating poverty in India. This committee moved beyond the calorie criterion and adopted a broader definition of poverty, considering expenditures on health, education, and clothing. Its revised the poverty line for 2004-05, raising it to ₹447 per capita per month in rural areas and ₹579 per capita per month in urban areas and estimated 37.2% of the Indian population below the poverty line in 2004-05, contrasting with the official estimate of 27.5%. this commission updated data using the 66th Round NSS (2009-10) suggested a decline in the percentage of people below the poverty line from 37.2% in 2004-05 to 21.92% in 2011-12.

SR Hashim Committee (2010): The expert group, which submitted its report in August 2009, proposed significant changes in the methodology for identifying families below the poverty line (BPL) in rural areas. They recommended abandoning the score-based ranking used in the BPL Census 2002. Instead, the committee proposed an automatic exclusion of privileged sections and an automatic inclusion of deprived and vulnerable sections, with the remaining population surveyed and ranked on a scale of 10. Following this methodology, the committee estimated that 50% of the total population was below the poverty line.

Moving to urban areas, **the SR Hashim Committee**, tasked with identifying BPL families, suggested that households with three of the four items (refrigerator, motorized two-wheelers, landline telephone, or washing machines) should not be considered poor. The committee proposed a three-stage approach: automatic exclusion, automatic inclusion, and a scoring index to identify urban poor. Homeless families facing social and occupation deprivations were recommended for automatic inclusion in the BPL list. The definition of a poor family

included members engaged in begging, rag picking, domestic work, sweeping, or sanitation work.

Rangarajan Committee (2012): The scoring index ranged from 1 to 12, with households scoring from 1 to 12 considered eligible for inclusion in the BPL list. The **Rangarajan** Committee, constituted by the Planning Commission in May 2012 to review the Tendulkar Committee methodology for estimating poverty, submitted its report on July 6, 2014. The committee contested the Tendulkar Committee's findings, stating that the population living below the poverty line decreased from 38.2% in 2009-10 to 29.5% in 2011-12. The Rangarajan report revised the poverty line, increasing it to ₹972 per month (₹32 per day) for rural areas and ₹1407 per month (₹47 per day) for urban areas, in contrast to the Tendulkar Committee's suggestions.

2.3.4. Poverty comes in two forms:

1. Absolute Poverty:

This occurs when people's consumption or income falls below the minimum level required to meet basic needs according to national standards, expressed as a poverty line. Various definitions exist, with many countries using criteria such as calorie intake. For example, the Planning Commission in India suggested a daily intake of 2400 kilocalories in rural areas and 2100 kilocalories in urban areas. Another criterion is the Minimum Consumption Expenditure Criteria, which defines individuals living below the poverty line as those with per capita consumption expenditure below a specified threshold.

2. Relative Poverty:

This type of poverty is determined by comparing the per capita income of different countries. A nation with significantly lower per capita income compared to others is considered relatively poor. In poor nations, the portion of the population with lower incomes faces challenges meeting basic needs.

The World Bank uses multiple poverty lines, including \$1.90 per day, \$3.20, and \$5.50, reflecting different income levels in lower-middle and upper-middle-income countries. Measurement methods include the Gini coefficient and Lorenz Curve.

Lorenz Curve

The Lorenz Curve, developed by **Max O Lorenz in** 1905, illustrates income disparity between countries. The Gini coefficient, created by Corrado Gini, is a statistical measure of income or wealth inequality. A Gini coefficient of zero indicates perfect equality, while a value of one represents maximal inequality. This coefficient is often calculated based on the Lorenz curve, plotting the cumulative income proportion against the cumulative population percentage.

Gini Co-efficient

The Gini coefficient (also known as the Gini is a measure of statistical indexion Gini rated by the Italian statistician and sociologist Corrado Gini, it measures the inequality among values of a frequency drumoni distribution (e.g., levels of income). The Gini coefficient is commonly used as a measure of inequality of income or wealth. A Gini coefficient of zero expresses perfect equality, where all values are the same (e.g., where herbs everyone has an exactly equal income). A Gini coefficient of one (100 on the percentile scale) expresses maximal inequality among values (e.g., where only one person has all the income).

Inequality

The Gini coefficient, measuring perfect income equality at 0 degrees, reflects the income gap within a society. Inequality, often denoting the disparity between the wealthy and the impoverished, increases with a widening gap. This disparity manifests in the distribution of economic assets and income among individuals and groups, influenced by economic systems, access to resources, education, social factors like caste and gender, and more.

2.4. Inequality in India

In India, both overall GDP and per capita GDP have surged during the economic reform period. While the percentage of the population living in poverty has decreased, inequality has risen. The **Inequality Virus Report 2021** by Oxfam highlights a 35% increase in the wealth of Indian billionaires during the lockdown, accentuating the wealth gap. The Gini coefficient of wealth in India in 2017 was 10.83, positioning India among the most unequal countries. The top 10% of the population holds 77% of the total national wealth, and the number of billionaires has increased significantly.

2.4.1. Adverse Impacts of Inequality

The trickle-down theory, advocating for flourishing businesses benefiting lower-income individuals, has been critiqued. In India, the Consumer Price Index for Agricultural Labour (CPIAL) and Consumer Price Index for Industrial Workers (CPIIW) are used for poverty measurement. Growing inequalities can impede growth, create social unrest, and lead to the concentration of wealth in the hands of a few. Urban-centric growth in India, marked by migration and uneven investment, has sparked social friction. In such societies, there is a risk of policy capture by the wealthy, potentially undermining institutional foundations.

2.5. Unemployment:

2.5.1. Meaning and Definition

To understand the concept of unemployment it is necessary to understand the concept of the labour force. By the internationally accepted definitions, all persons who are working (have a job) and though not working, are seeking and available for work, are deemed to be in the labour force. However, persons who were neither 'working' nor 'seeking or available for work' for various reasons during the reference period were considered as 'not in labour force'. Persons under this category are students, those engaged in domestic duties, rentiers, pensioners, recipients of remittances, those living on alms, infirm or disabled persons, too young persons,

prostitutes, etc. and casual labourers not working due to sickness. Therefore, unemployment is a situation when a person actively searches for a job and is unable to find work.

In India, National Sample Survey Organization (NSSO), Employment and Unemployment Survey (EUS) was one of the major data sources on employment and unemployment. However, the EUS was discontinued after 2011-12. Thereafter, the Period Labour Force Survey has been carried out and its first report came in 2019 as PLFS (2017-18).

According to PLFS (2019-20), persons who were either 'working' (or employed) or 'seeking or available for work' (or unemployed) constituted the labour force. The labour force or in other words, the “economically active” population includes both employed and unemployed person.

Table: Work force participation rate (WFPR) and labour force participation rate (LFPR) in India

Category	WFPR (%) Population Census (2011)	LFPR (%) Labour Bureau (2011-12)
Rural male	41.6 (17.5)	79.4 (6.4)
Rural female	16.7 (53.2)	33.9 (48.0)
Urban male	48.7 (15.5)	73.7 (7.6)
Urban female	11.9 (36.0)	19.1 (46.9)
Persons rural	29.5	57.9
Persons urban	30.9	48.0
All males	43.8	77.9
All females	15.2	30.0
All persons all areas	29.9	55.4

Note (1) Though the Labour Bureau (LB) estimates refer to the year 2011-12—close to the population census year, 2011—they are not comparable with each other because the population census estimates are work participation rates for all age groups covering only the main (equivalent to the usual principal status) workers whereas the LB estimates are for age groups 15 and above and they cover all workers (usual principal and subsidiary status) and those who are unemployed. (2) Figures in parentheses are coefficient of variation based on the state-level data

Table: Labour Force Participation Rate in India

category of persons	LFPR during 2019-20 in		LFPR during 2018-19 in		all-India LFPR during 2017-18 in	
	usual status (ps+ss)	CWS	usual status (ps+ss)	CWS	usual status (ps+ss)	CWS
(1)	(2)	(3)	(4)	(5)	(6)	(7)
rural						
male	56.3	55.4	55.1	54.5	54.9	54.4
female	24.7	21.1	19.7	16.7	18.2	16.1
person	40.8	38.6	37.7	36.0	37.0	35.7
urban						
male	57.8	57.2	56.7	56.7	57.0	56.7
female	18.5	17.5	16.1	15.6	15.9	15.3
person	38.6	37.8	36.9	36.7	36.8	36.4
rural+urban						
male	56.8	56.0	55.6	55.2	55.5	55.0
female	22.8	20.0	18.6	16.4	17.5	15.8
person	40.1	38.3	37.5	36.2	36.9	35.9

Source: Mitra and Okada (2018)

Table: Unemployment rates (in percent) according to usual status (ps+ss) and current weekly status (CWS) during PLFS (2017 – 2018), PLFS (2018- 19) and PLFS (2019-20)

all-India									
status	PLFS (2019-20)			PLFS (2018-19)			PLFS (2017-18)		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
rural									
usual status (ps+ss)	4.5 (2.5)	2.6 (0.6)	4.0 (1.6)	5.6 (3.1)	3.5 (0.7)	5.0 (1.9)	5.8 (3.2)	3.8 (0.7)	5.3 (2.0)
CWS	8.7 (4.8)	5.5 (1.2)	7.9 (3.0)	8.7 (4.8)	7.3 (1.2)	8.4 (3.0)	8.8 (4.8)	7.7 (1.2)	8.5 (3.1)
urban									
usual status (ps+ss)	6.4 (3.7)	8.9 (1.6)	7.0 (2.7)	7.1 (4.0)	9.9 (1.6)	7.7 (2.8)	7.1 (4.0)	10.8 (1.7)	7.8 (2.9)
CWS	10.6 (6.0)	12.4 (2.2)	11.0 (4.1)	8.9 (5.0)	12.1 (1.9)	9.5 (3.5)	8.8 (5.0)	12.8 (2.0)	9.6 (3.5)
rural+urban									
usual status (ps+ss)	5.1 (2.9)	4.2 (0.9)	4.8 (1.9)	6.0 (3.4)	5.2 (1.0)	5.8 (2.2)	6.2 (3.4)	5.7 (1.0)	6.1 (2.2)
CWS	9.3 (5.2)	7.3 (1.5)	8.8 (3.4)	8.8 (4.8)	8.7 (1.4)	8.8 (3.2)	8.8 (4.8)	9.1 (1.4)	8.9 (3.2)

Figures in parenthesis give the proportion of unemployed (PU) person in the population in per cent

Source: Annual Report, PLFS, 2019-20

2.5.2. Nature of unemployment in India

Unemployment in India is both open and disguised. Like all other developing countries, India is presently suffering from structural unemployment which exists in open and disguised form. Most of the unemployment in the economy is definitely structural. During the period of 1950 to 2011, population in India increased at the alarming rate of around 2.1 percent per annum. However, with this increase in population the labour force has increased rapidly, and employment opportunities did not increase at the required rate. Hence there has been an increase in the rate of unemployment over the period.

2.5.3 Conceptual Framework of Key Employment and Unemployment Indicators

The Labour Force Participation Report (LFPR), Work Participation Rate (WPR), Proportion Unemployment (PU) and Unemployment Rate (UR) are some of the major indicators generally being used to assess labour market conditions. The definition of these indicators are as follows:

Labour force participation rate (LFPR): LFPR is defined as the percentage of persons in the labour force in the population.

I. **Worker Population Ratio (WPR):** WPR defined as the percentage of employed persons in the population.

II. **Proportion Unemployed (PU):** It is defined as the percentage of persons unemployed in the population.

III. **Unemployment Rate (UR):** UR is defined as the percentage of persons unemployed among the persons in the labour force.

Table: Key Labour Force Indicators

activity profile		key indicators
activity status(code)	category of persons	
11, 12, 21, 31, 41, 42, 51, 61, 62, 71, 72	workers	1. Labour Force Participation Rate (LFPR): $\frac{\text{no. of employed persons} + \text{no. of unemployed persons}}{\text{total population}} * 100$
		2. Worker Population Ratio (WPR): $\frac{\text{no. of employed persons}}{\text{total population}} * 100$
81, 82	unemployed	3. Proportion Unemployed (PU): $\frac{\text{no. of unemployed persons}}{\text{total population}} * 100$
91, 92, 93, 94, 95, 97, 98, 99	not in labour force	4. Unemployment Rate (UR): $\frac{\text{no. of unemployed persons}}{\text{no. of employed persons} + \text{no. of unemployed persons}} * 100$

Note: Activity status codes, 42, 61, 62, 71, 72, 82, and 98 are used only in the *current status* and the remaining activity status codes are used in both *usual status* and in *current status*

Source: Annual Report, PLFS (2019-20)

2.5.4. Measures of Unemployment

In this section we will consider various estimates of unemployment in India. In India, a large amount of employment and unemployment data is collected by the National Sample Survey Organization (NSSO). The NSSO has conducted nine such quinquennial Employment Unemployment Surveys (EUS) up to 2011- 12 and Period Labour Force Survey (PLFS) thereafter. The quinquennial EUS was started from 27th round (1972-73) and the latest round available is 68th (2011-12). However, the quinquennial EUS has been discontinued and a yearly PLFS is being conducted since 2017-18. The EUS and PLFS have been conducted using standardized concept and procedure based on recommendations of different committees.

In the labour force surveys, the activity status of a person is determined on the basis of the activities pursued by the person during certain specified reference period. The activity status determined on the basis of reference period of last 365 days preceding the survey is known as Usual Principal Activity Status (UPS) of a person. The activity status determined on the basis of reference period of last 7 days preceding the survey is known as the Current Weekly Status (CWS) of the person and the activity status determined on the basis of each day of the reference week is known as current daily status of the person. However, for the identification of individual according to activity status like “employed”, “unemployed” and “not in labour force” in case of more than one of these categories mentioned, is done by adopting either the major time criterion or priority criterion. The decision rule by which a person is classified as belonging to labour force, workforce and unemployment categories is crucial in all the above

measurements. According to PLFS (2019-20), the concept/procedure persistently being used in India for the classification are:

1. Usual Principal Activity Status (UAS)
2. Subsidiary Economic Activity Status (SES)
3. Current Weekly Activity Status (CWS)
4. Current Daily Activity Status (CDS)

Usual Principal Activity Status (UPS)

The Usual Activity Status (UAS) relates to the activity of a person during the reference period of 365 days preceding the date of survey. The activity on which an individual spent relatively long time (major time criterion) during the reference period of 365 days preceding the date of survey is considered Usual Principal Activity Status of that individual. To decide the Usual Principal Activity Status (UPS), the activity status of an individual is first categorized as “employed”, “unemployed” and “not in labour force”. Based on these three activity categories it is determined that the individual is belonging to labour force or not. However, if the individual is involved in more the one of these activity status categories, the main status activity category is determined based on the “relatively long time spent” criterion.

Subsidiary Economic Activity Status (SES)

As we discussed above the Usual Principal Activity Status is determined as the status on which the person spent relatively long time (major time criterion) during the 365 days preceding the data of survey. Such persons might have pursued some other activity for 30 days or more in addition to his/her Usual Principal Activity is considered as a Subsidiary Economic Activity status of the person. In case of multiple subsidiary economic activities, the major activity and status based on the ‘relatively long time spent’ criterion was considered. It may be noted that engagement in work in subsidiary capacity may arise out of the two following situations:

- A person may be engaged for a relatively long period during the 365 days in an economic (a non-economic activity) and for a relatively small period, which is not less than 30 days, in another economic activity (any economic activity).
- A person may be pursuing an economic activity (non-economic activity) almost throughout the year in the principal status and also simultaneously pursuing another economic activity (any economic activity) for relatively small period in a subsidiary capacity. In such cases, since both the activities were being pursued throughout the year and the duration of both the activities is more than 30 days, the activity which was

being pursued for a relatively small period was considered as his/ her subsidiary activity.

Current Weekly Activity Status (CWS)

The Current Weekly Activity Survey (CWS) relates to the activity of a person during the reference period of 7 days preceding the date of survey. It is decided on the basis of a certain priority cum major time criterion. According to the priority criterion, the status of 'working' get priority over the status of 'not working but seeking or available for work', which in turn gets priority over the status of 'neither working nor available for work'. A person is considered working (or employed) if he/ she worked for at least one hour on at least one day during the 7 days preceding the date of survey or if he/she had worked for at least 1 hour on at least one day during the 7 days preceding the date of the survey but did not do the work. A person is considered 'seeking or available for work (or unemployed)' if during the reference week no economic activity was pursued by the person but he/ she made efforts to get work or had been available for work for at least one hour on any day during the reference week. A person who had neither worked nor was available for work any time during the reference week, is considered to be engaged in non-economic activities (or not in the labour force). Having decided the broad current weekly activity status of a person on the basis of 'priority' criterion, the detailed current weekly activity status is again decided on the basis of 'major time' criterion if a person was pursuing multiple economic activities.

Current Daily Activity Status (CDS)

The current daily activity status of a person is determined on the basis of his/ her activity status on each day of the reference week using a priority-cum-major time criterion. As mentioned earlier, according to the priority criterion, the status of 'working' get priority over the status of 'not working, but seeking or available for work', which in turn gets priority over the status of 'neither working nor available for work'. The following points were used for determining the current daily status of a person:

If on a day, a person 'had actually worked for 1 hour or more' or 'had worked for 1 hour or more but did not do the work', he was given work status code.

For each day at most two economic activities (work activities) were recorded.

If a person was not engaged in 'work' even for 1 hour on a day, only one status code relevant for unemployment status or out of labour force status, as the case may be recorded using a priority cum-major time criterion.

2.5.5. Types of Unemployment

1. Structural Unemployment

Structural unemployment is a long-lasting unemployment, which arises due to structural shifts in an economy. Structural unemployment arises when there is a mismatch between the skills demanded and supplied in a given area. However, if wages were completely flexible and cost of occupational and geographical mobility will be low, the structural unemployment can be eliminated.

2. Frictional Unemployment

Frictional unemployment is the result of voluntary employment transitions within an economy. Frictional unemployment naturally occurs, even in a growing and stable economy. Workers choosing to leave their jobs in search of new ones and workers entering the workforce for the first time constitute frictional unemployment. This type of unemployment contributes to the natural rate of unemployment, which is the minimum level of unemployment in the economy due to economic forces and movement of labour.

3. Demand Deficient (Cyclical) Unemployment

Frictional unemployment arises because labour the market is dynamic and information flows are imperfect and structural unemployment arises because of long lasting imbalance in demand and supply due to structural shifts in an economy. However, the demand – deficient (cyclical) unemployment arises because of fluctuation in business activity (or business cycle). This type of unemployment occurs when a decline in aggregate demand for output market causes the aggregate demand for labour to decline in the face of downward inflexibility in real wages. The recent example of demand deficient unemployment is the “Great Recession” of 2007 to 2009. During the great recession of 2007 to 2009, the unemployment rate in the United States rose from 4.4 percent in the spring of 2007 to 10 percent in the fall of 2009.

4. Seasonal unemployment

It arises due to fluctuations in the demand for labour. It is similar to the demand deficient unemployment, which we discussed above. The seasonal unemployment can be expected regularly and follow a systematic pattern over the course of the year. The agricultural seasons are the best examples of seasonal unemployment. The demand for agricultural labourers declines after the planting season and remains low until the harvest season. Similarly, the demand for production workers like fruit pickers and holiday related jobs (tourism) are based on seasonal changes and is operational only during a particular season in a year.

5. Disguised Unemployment

The Indian agriculture sector is characterised by the existence of a considerable amount of surplus labour. The surplus labour in the agriculture sector leads to disguised unemployment. It is unemployment that does not affect the aggregate output and the marginal productivity of each extra unit of labour employed will be zero. For example, in rural areas, where agriculture is the main source of employment, this type of unemployment can be seen often. In rural areas, if a piece of land requires two units of labourers on it and instead four units of labourers are employed on it, that two units of labourers are said to be in situation of disguised unemployment.

6. Causes of Unemployment

The above discussion on unemployment in the developing country like India made it clear that most of the unemployment in India is structural unemployment. However, the main causes of unemployment are discussed below:

- a. **Jobless Growth:** The rate of growth of employment in India has been considerably less than the rate of economic growth. The Gross Domestic Growth (GDP) was 6.2 per cent per annum during 1980-81 to 2011-12. As against this, the growth of total employment was far slower at 2 per cent per annum during 1983 to 1994, 1.8 per cent during 1993-94 to 2004-05 and 0.45 per cent during 2004-05 to 2011-12. This indicates a situation of jobless growth. Therefore, the jobless growth is one of the major causes of the increasing unemployment in developing countries.
- b. **Increase in Population and Labour Force:** For a developing country like India, the population explosion is one of the major causes of unemployment. Since the independence death rate has rapidly declined and the country has entered the second stage of transition. In developing country like India, mortality rate has declined rapidly without the corresponding fall in the birth rate has thus registered an unprecedented population growth. This was naturally followed by the large expansion in the labour force. The developing countries have failed to tackle this challenge and the result is continuous increase in the labour force and unemployment.
- c. **Inappropriate Technology:** For the economic development of a country efficient use of the factors of production is a necessary condition. In case of a developing country like India, capital is scarce, and labour is available in abundant quantity. Under these circumstances, if market forces operate freely and efficiently, the country would have labour intensive techniques of production. However, in every sector of economy producer are increasingly substituting capital for labour, which leads to increase in unemployment.
- d. **Inappropriate Educational System:** The educational system in India is inappropriate. It is in fact the same education system which Macaulay had introduced in India during the colonial period. According to Gunnar Myrdal, India's educational policy does not aim the development of human resource. However, GoI has launched New Education

Policy 2020 and aims to address the many growing development imperatives of our country.

- e. **Lack of Planning:** Lack of planning is one of the reasons of unemployment in developing countries. There is a huge gap between demand and supply of the labour force.

2.6. Rural unemployment

Rural unemployment refers to unemployment that exist in rural areas. Rural unemployment can be categorized in open unemployment, disguised unemployment and rural educated unemployment. In India, about 80 percent of the total population lives in villages and unemployment is rural in nature. In rural areas, agriculture is one of the main occupations or sources of livelihood. However, agriculture provides employment to nearly half of the workforce in India.

2.6.1 Factors Affecting Rural Employment Situation

There are many factors which affect the employment situation in rural areas. Some of the major factors are following:

a. Population Explosion

One of the major reasons behind unemployment in rural as well as urban areas in developing countries is the population explosion. Due to the rapid increase in population, the rural unemployment has increased rapidly. In rural areas, the agriculture is one of the main occupations and it is impossible to absorb the rural labour force in agriculture sector. Therefore, the disguised unemployment is also an important reason behind the rural unemployment in India.

b. Limited Land

Rural India has a limited area of geographical land. Rapid increase in population has failed all attempts of government to provide proper agricultural land to all those who do not have land.

c. Lack of Industries

As we know during the slack season workforce in rural areas remains unemployed. Their employment opportunities can be increased if government installs subsidiary and other industries in villages/rural areas to provide gainful employment in rural areas during slack season. Due to lack of village industries, there are very less employment opportunities slack season, which an important reason behind rural unemployment.

d. Seasonal Nature of Agriculture

Agriculture has been always a seasonal affair. It keeps people engaged only for a few months over the year. As thereafter the rural workforce who mainly depends upon agriculture have nothing to do. Due to seasonal employment in agriculture, rural labourers get employment opportunities only during peak season and remains unemployed in the slack season.

e. Mechanization of Agriculture

Over the period, the mechanization in agriculture has improved at a high rate. Due to mechanization of agriculture i.e. use of machinery, the manual labour employment in rural areas is affecting significantly.

f. Small Holding and Fragmentation of Agricultural Land

Small land holding and fragmentation of agricultural land is one of the important factors contributing to rural unemployment.

g. Fall of Indigenous Industries

Apart from agriculture, village or cottage industries were other source of employment in rural areas. But with industrialization, these industries were destroyed, leading to large scale unemployment in rural areas.

h. Educated Unemployment

If a person has received education and is unemployed, he is called educated unemployed. Over the period, the educational opportunities have increased in India, but employment opportunities have decreased. According to Periodic Labour Force Survey (2018-19), for educated (highest level of education, secondary and above) persons of age 15 years and above, the unemployment rate in India was 11.0 per cent: 11.2 per cent in rural areas and 10.8 per cent in urban areas. Thus, the unemployment rate among the educated is presented for persons of age 15 years and above.

All India

general educational level (1)	unemployment rate								
	rural			urban			rural+urban		
	male (2)	female (3)	person (4)	male (5)	female (6)	person (7)	male (8)	female (9)	person (10)
	PLFS (2018-19)								
not literate	1.4	0.0	0.8	3.4	0.9	2.4	1.8	0.1	1.1
literate & up to primary	2.7	0.6	2.2	3.4	1.5	3.0	2.9	0.8	2.4
middle	5.3	1.7	4.7	5.4	4.3	5.3	5.3	2.4	4.8
secondary & above	10.1	16.6	11.2	9.2	17.6	10.8	9.7	17.1	11.0
all	5.5	3.5	5.0	7.0	9.8	7.6	6.0	5.1	5.8
	PLFS (2017-18)								
not literate	1.7	0.1	1.1	2.1	0.8	1.6	1.8	0.2	1.2
literate & up to primary	3.1	0.6	2.5	3.6	1.3	3.1	3.2	0.8	2.7
middle	5.7	3.7	5.4	6.0	5.1	5.9	5.8	4.0	5.5
secondary & above	10.5	17.3	11.5	9.2	19.8	11.3	9.9	18.5	11.4
all	5.7	3.8	5.3	6.9	10.8	7.7	6.1	5.6	6.0

Table: Unemployment rates (in per cent) according to usual status (ps+ss) for the persons of age 15 years and above with different educational attainments during PLFS (2017-18) and PLFS (2018-19).

Source: PLFS, 2018-19

2.7. Employment Policy Framework:

According to Bhaduri (2006), policy approaches for promoting employment in a growing economy could be categorised in three broad categories. These refer to a) strategy for using surplus labour through extensive growth; b) inter-sectoral transfer of labour out of agriculture induced by sectoral difference in labour productivity; and c) change in the pace and

composition of industrialisation. The conventional approach (a la Lewis model), has been to emphasise the role of sectoral transformation of workforce without recognising the scope and/or potential of alternative mechanisms that may affect employment growth in the economy. This has been echoed in a number of writings and policy formulations which raised serious concern over the stickiness of workforce despite the higher rate of economic growth in India. The result is pro-active policies for raising labour productivity in agriculture irrespective of the absorption capacity of the economy in especially in the industrial sector. While sectoral transformation, given the low productivity and massive under-employment in agriculture sector in a country like India is fairly justified, the strategy often fails (as in the case of India) given the limited options for labour intensive industrial sector in a high growth economy as noted above. This is particularly true when the growth is aligned mainly to the global markets and capital investment thereby undermining the domestic demand especially at the low end.

In a situation such as this, tightening of the agriculture (rural) labour market assumes special role, where the central thrust is on productivity enhancement rather than on expansion of employment opportunities in rural economies. Arguably, a situation such as this has been manifested by the observed decline in labour force along with slowing down in the addition to the workforce during the period of 2004-05 to 2009-10. Ironically therefore the productivity enhancement strategies in a labour abundant agrarian economy such as India, often resorts to policy options that substitute labour in agriculture either by changing the cropping pattern, or by increasing the use of chemical inputs, or through mechanisation, which at time, nor always, leads to displacement of labour. Thus shrinkage, rather than expansion of employment opportunities, is seen as the mainstay of raising productivity growth in agriculture. In turn improved labour productivity in agriculture may lead to greater demand for industrial goods and services, increase in export, and generating ingestible surplus, a part of which could be channelised to industry and service sectors that may possibly absorb the surplus labour from agriculture.

A trajectory driven mainly by high-productivity and high value-agriculture however, may face severe impediments arising out of environmental and poverty related factors. These refer mainly to weather related uncertainties, shrinking natural resource base (primary productivity of land and other resources), and the distress faced by the poor farmers who may be compelled to grow 'low value' food crops in order to meet at least part of the food requirements under the scenario of uncertainties ailing the food sector in the country and the world over [FAO, 2008]. These constraints may get further aggravated under the climate change scenarios for, the trajectory of high productivity-high value agriculture would invariably imply intensive use of chemical inputs and also water. It is here that the singular emphasis on sectoral shift of labour force may face additional impediments, beside the generally low employment opportunities, especially of the 'decent type' in the industrial and service sectors.

It is, therefore, imperative that the growth strategy gets appropriately tuned to the third policy option i.e. altering the pace and composition of industrial growth and create greater

space for agriculture not only as a traditional reservoir of labour for industrialisation, but also as a sector with greater flexibility of absorb labour and generate broad based or extensive growth. This of course, is not the same as 'agriculture first' strategy advocated earlier by a number of scholars. Here, the emphasis is not on sectoral priority. The idea is 'to combine the advantages of industrialisation and inclusive growth with extensive growth in agriculture achieved through better labour absorption and a higher participation ratio'. The central thrust here is that 'besides the issue of sectoral balance in any developmental strategy, the scope for increasing labour productivity through reorganising agriculture, as different from shifting a part of the labour to other sectors, should be thoroughly assessed and explored. This substantiated by and a renewed recognition of the potential for surplus labour absorption and increase in labour productivity in agriculture and rural sector, quite apart from the strategy for intersectoral shift of workforce. The Green Growth perspective may further enhance the potential of the primary sector to absorb productive labour by reversing the process of factor substitution that was mentioned above.

It is, therefore, argued that a balanced approach such as this may open up a number of avenues for reorganising production and consumption, essentially by harping on the demand side dynamics that leads to significant increase in effective demand in the domestic market. It is at this juncture, one may find a substantial space for convergence between the perspectives on employment, environment and social dimensions as suggested by the sustainable development framework.

2.8. Wage determination:

2.8.1. Introduction

Wage or salaries implies all remuneration except overtime work expressed in terms of money. Wages can be defined as economic compensation paid by employers to workers under some contract for services rendered by them. Usually, wages are paid to workers, which includes basic wage and other allowances, but do not include house accommodation, perquisites, bonus, retrenchment compensation, commission etc.

Principles of Wage Determination

The principle of wage and salary fixation is that it should be based upon relative contributions of different jobs and not based on who the job holders. Thus, it is required to be identify contributions of different jobs. This is what job evaluation precisely does. Hence, the employer gets information about what is the worth of a job in terms of its contribution towards achievement of organizational effectiveness.

2.8.2. Norms for Fixation of Wages in Industry

To compute minimum wage, standard working class of family should be considered as consisting of four consumption units and earnings of women, children and adolescents should be excluded. Minimum food requirements should be determined in terms of intake of 2400 calories for a normal adult in India. Clothing needs to be decided according to per capita consumption of 16.62 meters per year. About housing, minimum wages should be determined

from the standpoint of rent corresponding to minimum area specified under various government industrial houses.

Miscellaneous expenditure on items like fuel, lightening, etc., should be 20 percent of the total minimum wage. The Resolution further prescribed that the authorities involved must justify any deviation from such norms.

2.8.2. Principles of Wage Determination Process

Preserving Real Income

This is the argument used by employees and unions viewing wages as an income. During rising inflation, indexation becomes as a severe problem of an institutionalised wage – price spiral. Hence, underlying aspect that has also impacted upon real wage preservation arguments have been a basic minimum wage and comparative wage justice.

Labour Productivity

A valid economic theory connects wages to labour productivity. Rewarding labour with a wage hike after technological and capital investment, for labour efficiency not be justified.

The Capacity of Business to Afford Wage Increase

It emphasizes wages as a cost of production and the threat of wage increase to squeeze profits.

The capacity of the Economy to Absorb Wage Increase

It views the macro impact of wage hike upon inflation, competitiveness, other internal and external balance, the effect on business profits and investment.

Supply and Demand of Labour

Labour market conditions or supply and demand forces operated at the national, regional and local levels determined organizational wage structure and level.

Prevailing Market Rate

It is also termed as the ‘comparable wage’ or ‘going wage rate’ and is the most popular criterion. An organization’s compensation policies generally tend to conform to wage rate payable by the industry and community. Though, it is observed that few companies pay on higher than market wage for obtaining goodwill or to insure adequate supply of labour. On the contrary, other organizational pay lower wages to keep jobs adequately manned.

Living Wage

It implies that wages paid should be sufficient to maintain an employee himself and his family at a reasonable level of existence. Although, employers do not generally favour using the concept of a living wage as a guide to wage determination., instead they prefer to bas wages upon one’s contribution rather on his need.

Managerial Attitude

The management's desire to raise the company's prestige is a crucial factor in the wage policy of a number of firms. Strategies like improving or maintaining morale, to attract competent employees, to reduce labour turnover to, provide high standard of living for employees appear to be factors that encompasses under the management's wage policy decisions.

Psychological and Social Factors

It is a significant measure; as how hard a person will work for the compensation received or what pressure he would exert to get his compensation increased. Psychologically, the person perceives the level of wages as a measure of success in life. Sociologically and ethically, people feel that equal work should carry equal wages and no distinction should be made on caste, colour, sex or religion to satisfy the conditions under the management of equity, fairness and justice.

2.8.3. Principles of Wage and Salary Administration

Government of India provides many regulations for regulating the wages and salary administration, such as the Minimum Wages Act, 1948, The Equal Remunerating Act, 1976, The Companies Act, 1956, The Payment of Wages Act, 1936 etc.

Following are some major guidelines that should be followed in the administration of wages and salary:

- i. Wage policy should be developed to protect the interests of employers, employees, consumers as well as community.
- ii. Wage policy should be evidently written to ensure uniformity and consistency.
- iii. Wages and salary administration should be an integral part of financial planning.
- iv. Wage policy and programmes should be reviewed and revised periodically in conformity with the required changing circumstances.
- v. Management should ensure that employees know and also understand the prevailing wage policy of the company.
- vi. Wages and salary decisions should be checked against the standards set in advance at par with the wage policy.
- vii. An adequate database and proper organizational set – up should be developed for quick compensation determination and administration.
- viii. Wage and salary plan should be simple, so that it expedites the administrative process.
- ix. Wage and salary plans should be flexible according to both internal and external situations of the organization.

2.8.4. Labour Productivity and Wage Relationships

Although the applications of the principle of linking wages to productivity presents difficulty in practice because contribution to productivity levels and changes therein are not

easy to measure, yet productivity will be one of the important factors affecting wages. It may further be conceded that wage change beyond a certain level must reflect productivity changes. The Productivity of labour per unit of time is of great significance given the volume of employment. The size of the national income depends on the productivity of labour. Full employment which is necessary to improve the total output is not sufficient by itself to remove poverty per unit of labour is so rampant in the underdeveloped countries of the world. It is essential to raise output per unit of labour employed. The only way to maximize the total output is to engage all the available labour power and get the maximum production per unit of labour. Maximization of production per unit of labour per unit of time is a basic condition to the achievement of maximum total output within the limitations of the resources of the country.

There are various concepts used in different contexts and for specific purposes in expressing productivity in terms of one factor of production generally labour. When productivity per labour unit is expressed in terms of physical quantities, this is known as physical productivity, i.e., pounds of yard produced per man hour, number of bicycles produced per Monday, yards of cloth per man per day etc. When the units of production are not homogeneous and thus cannot be compared or averaged and the composition of production of the undertaking change over time the value of production reached by multiplying the units of production by their prices is used and this is called the value of productivity. When the value of production is divided by units of labour input, it is called average productivity. Marginal productivity means the additional output realized by employment of one more unit of labour. This concept is generally compared with average productivity. Whereas overall productivity is expressed in terms of one input factor, i.e., labour productivity, specific productivity intends to measure the contribution of a particular factor of production to the change in production.

The measurement of specific factor of productivity is often attempted on the basis of certain statistical tools applied to a series of input factors and corresponding series of output. Labour productivity is an important indicator of labour efficiency. The relationship of labour productivity and wages, which has been an essential economic concern. by increasing productivity and raising wages, expand their activities and pay higher dividends to shareholders. Infect growth of real wages along with labour productivity is a necessary precondition for macroeconomic stability, a maintain competitiveness, hedge against inflation and reduce the risk of the wage price spiral. Economic indicators and their relationship have been analysed not only by economists but also by employers and politicians. The relationship between wages and Labour productivity is important for every economic sector since the standard of living and distribution of incomes between labour and capital depend upon it.

2.8.5. Determinants of labour productivity

The productivity of labour depends upon a complex set of factors, all of which are not economic. It is not feasible to consider all such factors. The main determinants of labour product productivity are,

- a) Productivity of labour lastly and ultimately depends on the quality of the labour force. In the long run, an adequate skilled labour force alone can bring about a higher level of productivity. The quantity of the labour force, in turn, depended upon the nature and extent of investment in human capital in the form of provision of a better standard of living, health and nutrition, better facilities for education and training, for expressing talent and ability.
- b) The capital per worker is an important factor in determining the level of labour productivity. Hence labour capital ratio in industries in the economy as a whole is a significant determinant of production for work.
- c) The level of Technology is a very important factor in determining the state of productivity. Hence, the adoption and development of modern technology is essential for developing countries to raise their productivity.
- d) The productive efficiency of an enterprise depends to a great extent upon the quality of Management. Two important and fundamental factors necessary to bring about higher production per worker employed are a combination of the factors produced in a manner to yield highest possible return and humane treatment of the worker.
- e) Easy access to good and quality of raw details used in the production of the commodity are important condition for raising the production per worker in Enterprise.
- f) Economic organizations such as decision-making pattern and the social Institutions such as family attitudes have their impact of labour productivity and go a long way in determining the productive efficiency of an economy.

As in practice, we usually required a comparison of productivity over time and space, the device of index numbers is used to denote changes in the productivity. if we take physical production as the unit of output and man hours as the unit of table input, the changes in labour productivity in the current year over the base year may be calculated as Index of Labour Productivity = $\frac{\text{Production in the current year}}{\text{Production in the base year} / \text{Man hours worked in the current year} / \text{Man hours worked in the base year}} * 100$

2.8.6 Problems in Sharing Gains of Productivity

Different formulas have been suggested by expert bodies for sharing the gains of productivity. This formula has been developed on the assumption that productivity increases are not possible unless each factor is motivated to contribute its best not only to the industrial unit to which it belongs but also to the economic well-being of the society at large. In the process, an attempt was made to find a scientific way of distributing that gain of productivity

in a fair and equitable manner one school of thought is that the sharing of gain should be left to mutual negotiations between workers and the employers.

Before we discuss wage determination in the labour market, let's consider the labour market in general. **The labour market** refers to the marketplace for workers where those seeking a job and those seeking to find a worker meet. The labour cost - the wage individuals get paid, varies according to the job's nature. The difference in the level of skills and knowledge one has play an important role in explaining how the wage is determined. There are four main categories of labour: unskilled, semiskilled, skilled, and professional.

- **Unskilled labour** consists of job occupations that do not require skills.
- **Semiskilled labour** refers to job occupations that need a minimum amount of skills to operate the machines.
- **Skilled labour** refers to occupations requiring complex skills to use the equipment they work with.
- **Professional labour** refers to the workers with the highest skill and level of education.

The closer you are to being a professional, the higher you get paid.

Although every labour market is unique, most of them function in ways that are comparable to one another. For instance, when wages increase in one labour market, they also grow in other labour markets.

There are two different types of labour markets:

- Perfectly competitive
- Imperfectly competitive

In a perfectly competitive labour market, the wage is determined where demand and supply intersect. The employer and employee are wage-takers, meaning they can't influence the wage. However, in imperfectly competitive labour markets, the wage can be influenced by either the employer or the employee.

Theories of Wage Determination

There are a couple of theories of wage determination:

- I. Market theory of wage determination
- II. The theory of negotiated wages
- III. The signaling theory

2.9. Theories of Wages

2.9.1. Classical Theories of Wage Determination

The Scottish economist and philosopher Adam Smith in his book “The Wealth of Nations” failed to propose a definitive theory of wages. But he anticipated several theories that were developed by others. Adam Smith thought that wages were determined in the market place by means of the law of supply and demand, but gave no specific analysis of supply and demand for labour. Generally, the factor prices are determined by the interaction of demand and supply forces of the market, which should also be applicable in determining the wages for labour. However, this theory is not applicable while determining wages for labour.

2.9.2. Theory of Wages

In this chapter we shall be concerned with the share of income that is assigned to labour in the pricing process. That share is called wages. According to J. R. Turner, “A wage is a price. It is a price which is paid by the employer to the worker on account of labour performed.” In simple words, it may be defined as the price paid by an entrepreneur to the workers employed for productive purpose. Thus, it is the share of national dividend which accrues to labour in the broad sense of the term including all kinds of workers. Whether they receive salaries, pays or wages; whether they are paid daily, weekly, monthly or yearly; whether they are skilled or unskilled labourers; whether their work is manual or mental.

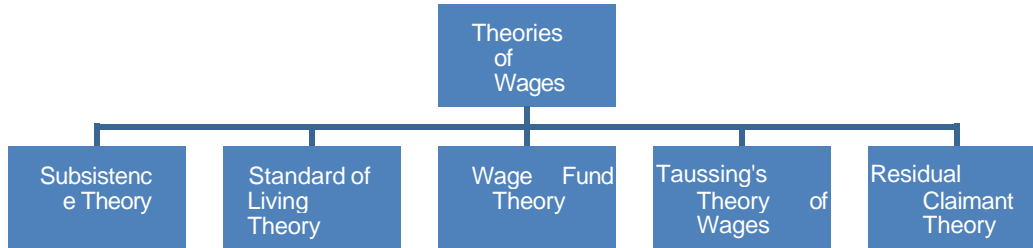
Wage payment is the reward for the labourers. Sometimes, a distinction is made between nominal and real wages. The money wage represents the money income of labourers while real wage represents his command over goods and services, which he can have with the help of his/her money wage. Real wage also includes facilities such as medical treatment and subsidized housing etc. Here our main purpose is to bring out the forces that which determine wage rate. Since wage is a price paid for the services of labour, the theory of wage determination is simply a special case of the general theory of value. Like other prices, the price of labour or wage is determined by its market demand and market supply. However, unlike other commodities and factors of production, labour has certain peculiarities. Hence a separate theory of wages determining the reward of labour is required. The main peculiarities of labour are following:

The demand for labour is derived demand:

1. The demand for a commodity depends upon its utility. However, the demand for labour depends not on its utility to the employer but its productivity.
2. Labour cannot be Separated from Labourer: Due to the inseparability of labourers from labour, various personal factors affecting the labourers must be considered when discussing the theory of wage determination.
3. Labour is a commodity, but labourer is not.
4. Labour power is the most perishable commodity.
5. The supply of labour increase and decreases slowly: If the demand for an ordinary commodity increases, its price rises, and it will be produced in increasing quantity.

This is not the case with labour. If the demand for labour increases, its supply can increase only after a sufficient period.

Several theories have been developed over the period to explain how wages are determined. These are following:

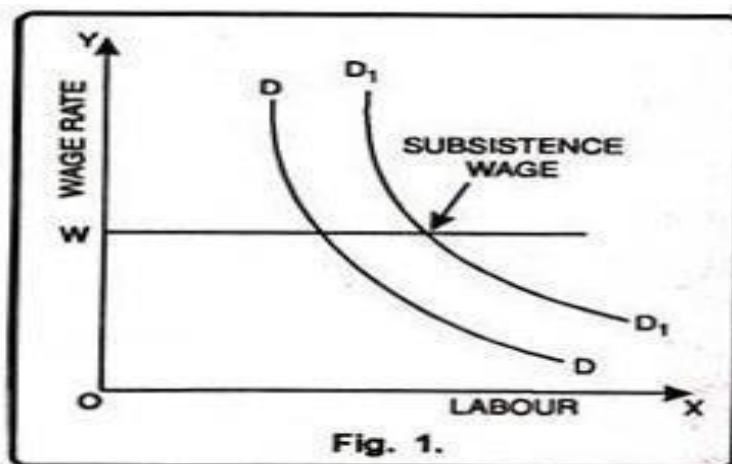


2.9.3. Subsistence Theory of Wages

The subsistence theory of wages was first formulated by the Physiocrats school of France, which flourished during the 18th century. The father of economics, Adam Smith also subscribed to this theory. The German economist Lassalle styled it as the Iron Law of Wages and it is also known as the Brazen Law of Wages. Ricardo and Malthus also contributed to this theory.

According to the Subsistence theory of wages in the long run wages of labourers determined at that level of wages which is just sufficient to meet the basic necessities of life. This level of wages is called a subsistence wage level. In simple words according to this theory in the long run wages would tend to just equal to enough food, clothing and shelter to maintain existence. The subsistence wage theory was based on Malthus theory of population. The main assumptions of Malthus theory of population are followings:

Law of diminishing returns in production. Which states that there were definite limits to a continued high rate of expansion of food production. Population increases faster than food production.



According to subsistence theory of wages in the long run wages of labour will be equal to subsistence level. If wages fall below OW in fig.1 this will lead to starvation among labourers. That will further lead to decrease in labour supply. With decrease in labour supply, the demand and supply forces will increase the wage rate to subsistence level. However, if wage rate will increase above subsistence level that will encourage labourers to bear more children which will increase labour supply further and again that will lead to fall in wages to the subsistence level.

Criticism

- The subsistence theory of wages assumes that increase in wages will always lead to increase in population. This is contrary to facts.
- This theory explains wage determination only from supply side conditions of labour and pays no attention to the reason why labour is demanded.
- The theory is only applicable in the long run. This theory ignores the influence of trade unions on wages. Trade unions play an important part in determination of wages.
- This theory fails to explain why wages are unequal in various occupations, regions and between different persons.

2.9.4. Wage Fund Theory

The wage fund theory was developed by J. S. Mill. According to J. S. Mill the wage depends upon the demand and supply of labour or as it is often expressed on the proportion between population and capital. By population means number only of labouring class or rather those who work for hire and by capital only circulating capital, not even the whole of that, but the part of which is expended in the direct purchase of labour. $\text{Wage Fund} = \text{Wage Rate} / \text{Number of Labourers}$

The wage fund or the part of the capital was fixed being the result of saving or accumulation in the past period.

The wage fund constituted the demand for labour and the average rate of wage was determined by dividing the wage fund by the number of workers. It means the general rate of wage will increase only if the wage fund increase or supply of labour diminishes. This theory is applicable to the underdeveloped countries where the population is increasing at a faster rate than the rate of saving (wage fund).

Criticisms

This theory doesn't explain how the wage fund arises and why it remains fixed.

The size of wage fund is not fixed independently of the quantity and equality of the labourers.

The theory doesn't explain the difference in wages in different occupations.

In the real world, wages do not correspond to the total amount of capital available. In some countries wages are high even though capital is scarce, i.e. in new countries.

This theory is not a scientific theory because it first assumes wage fund to be given and then determines the wage rate.

This theory neglects the quality and efficiency of workers in determining the wage rate.

This theory assumes that wages can increase only at the expense of profit. This is not correct.

The operation of law of increasing returns will lead to increase in productivity output, which may be sufficient to increase both profit and wages.

This theory believes that wages are paid out of circulating capital. But when process of production is short, wages are paid out of current production and in long run wages are paid out of capital.

2.9.5. The Residual Claimant Theory of Wages

The residual claimant theory was propounded by Walker. This theory replaced the wage fund theory. According to this theory, the labourer is residual claimant of the product of the industry. This theory states that the total product of the industry is to be divided into four parts – rent, interest, profit and wages. The worker/labourer will get out of total product what remains after the payment to land, capital and entrepreneur. Thus, wages are determined after rent, interest and profits have to be deducted from the total produce.

The residual-claimant theory holds that, after all other factors of production have received compensation for their contribution to the process, the amount of capital left over will go to the remaining factor. Smith implied such a theory for wages, since he said that rent would be deducted first and profits next. In 1875 Walker worked out a residual theory of wages in which the shares of the landlord, capital owner, and entrepreneur were determined independently and subtracted, thus leaving the remainder for labour in the form of wages. It should be noted, however, that any of the factors of production may be selected as the residual claimant—assuming that independent determinations may be made for the shares of the other factors. It is doubtful, therefore, that such a theory has much value as an explanation of wage phenomena.

Criticisms

- i. In real life, it is found that at times of inflation all rents, interests, profits and wages increase.
- ii. According to this theory, it is the labourers who are residual claimant, but in real practice it is the entrepreneur not the labourer who is residual claimant.
- iii. The entrepreneur bears the risk of the business while other factors of production get fixed prices.
- iv. This theory doesn't explain how trade unions are effective to increase the wages.
- v. It ignores the influence of supply of labour in the determination of wages.

2.9.6. Marginal Productivity Theory of wages:

The marginal productivity theory of wage states that the price of labour, i.e., wage rate, is determined according to the marginal product of labour. This was stated by the neoclassical economists, especially J. B. Clark, in the late 1890s.

The term marginal product of labour is interpreted here in three ways: marginal physical product of labour (symbolized by MPP_L), value of the marginal product of labour (symbolized by VMP_L) and marginal revenue product of labour (symbolized by MRP_L).

When marginal product of labour is expressed in money terms we obtain VMP_L . MRP_L is the change in total revenue following a change in the employment of labour. Marginal productivity theory of wage states that wage of labour equals $VMP_L (= MRP_L)$. Employer will employ labour up to the point until market wage equals labour's value of the marginal product (VMP) and marginal revenue product (MRP).

Assumptions:

1. Perfect competition prevails in products market and in labour market. Perfect competition in product market implies that products are homogeneous and the price of the goods is given for all firms in the market. Perfect competition in labour market also implies that labour as well as firms behave as 'wage-takers'; no one can influence the wage rate. Consequently, labour supply curve, S_L , becomes perfectly elastic. Since wage rate does not change, labour supply curve incidentally, becomes the average cost curve of labour (AC_L) and it coincides with the marginal cost curve of labour (MC_L).
2. Law of variable proportions operates.
3. The firm aims at profit-maximization.
4. All labourers are homogeneous and are divisible.
5. Labour is mobile and is substitutable to capital and other inputs.
6. Resources are fully employed.

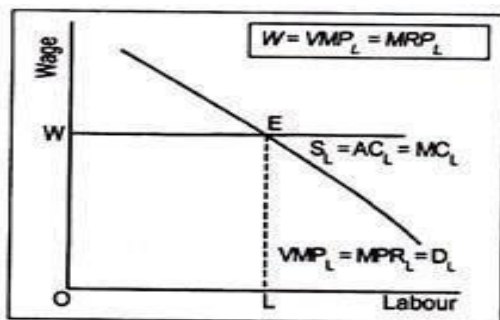


Fig. 6.11: MP Theory of Wage Determination

In the below figure, $VMP_L = MRP_L = D_L$ represents the firm's demand curve for labour. Further, as perfect competition exists in the labour market, the labour supply, $S_L = AC_L = MC_L$, curve has been drawn perfectly elastic.

The wage rate will be determined by the interaction of demand and supply curves of labour in the market. Labour demand curve is explained by the VMP_L curve. Since perfect competition exists in the product market, VMP_L curve coincides with the MRP_L curve. $VMP_L = MRP_L$ curve is the firm's demand curve for labour.

This curve slopes downward because of diminishing marginal returns. In the below

In Fig. 6.11, E is the equilibrium point since at this point labour demand equals labour supply. The equilibrium wage rate thus determined is OW. Corresponding to this wage rate, equilibrium level of employment is OL.

Note that for OL amount of labour, $VMP_L = MRP_L$ is LE, which equals wage rate OW. At this going wage rate (i.e., OW) the employer will be maximizing profit by employing OL units of labour. However, less (more) labour will be employed if market wage rate rises above (falls below) OW.

Limitations of Marginal Productivity Theory of Wage:

This neo-classical theory of wage determination is subject to a large number of criticisms. Most of the criticisms of this theory are directed against the assumptions. Most of the assumptions are unrealistic.

The Main Criticisms are:

- i.** In the real world, perfect competition does not exist—both in the product market and in the labour market. Imperfect competition is found in all the markets. This theory, therefore, has limited applicability in the real world. If it is applied to the imperfectly competitive market, the workers will be subject to exploitation.
- ii.** Labour can never be homogeneous— some may be skilled and some may be unskilled. Wage rate of a worker is greatly influenced by the quality of labour. A higher wage rate is enjoyed by the skilled labour compared to the unskilled labour. This simple logic has been totally ignored by the authors of this theory.
- iii.** Perfect mobility of labour is another unrealistic assumption. Mobility of labour may be restricted due to socio-political reasons.
- iv.** The marginal productivity theory of wage ignores the supply side of labour and concentrates only on the demand for labour. It is said that labour is demanded because labour is productive. But why labour is supplied cannot be answered in terms of this theory. This is because of the fact that, at a given wage rate, any amount of labour is supplied. But we know that higher the wage rate, higher is the supply of labour. This positive wage-labour supply relationship has been ignored by the makers of this theory
- v.** Full employment of resources is another unrealistic assumption.
- vi.** This theory, in fact, is not a wage theory but a theory of employment. Wage rate is predetermined. At the given wage rate OW, how many units of labour are supplied can be known from this theory. In this sense, it is a theory of employment and not a theory of wages.
- vii.** Finally, this theory ignores the usefulness of trade union in wage determination. Trade union, through its collective bargaining power, also influences wage rate in favour of the members of the organization.

In view of all these criticisms, the marginal productivity theory of wages has become useless.

Marginal Productivity Theory (Clark's Version)

J. B. Clark an American economist developed marginal productivity theory of distribution and presented it in his book "the Distribution of Wealth". He assumed a completely static society, free from disturbances caused by economic growth and change. According to this theory, labour is treated as a homogeneous factor by taking identical labour unit. This theory states that the employee will reach an equilibrium position when the wage rate is equal to the marginal productivity of labour. This theory assumes the total supply of labour available for employment in the whole economy as given and constant. According to this theory in the competitive labour market the wage rate will be determined by the marginal product of a given quantity of the labour force.

Marginal Productivity Theory: Marshall – Hicks Version

Alfred Marshall, who was contemporary of J. B. Clark gave a different version of marginal productivity theory. Marshall theory differed with Clark that state wage rate is determined by the marginal product of labour. Marshall stated that it was wrong to regard the marginal productivity principle or doctrine in the matter of wage determination as a wage theory. This is because he believed that wage rate or any factor price is determined by both demand and supply of labour. According to Marshall, marginal productivity doctrine explains only the demand side of the problem. Marshall believed that wages would tend to be equal to the marginal product. But he emphasized several times that the wages are not determined by the marginal product. Since like all other marginal quantities, marginal product is determined with price (wage) by the intersection of demand and supply.

Criticisms

Marginal productivity theory has been a pillar in the new – classical theory of income distribution and even in modern microeconomics it constitutes as an important factor in the determination of factor prices.

There exist many versions of marginal productivity theory.

- ✓ Clark's version states that in the long run under conditions of competitive equilibrium and fixed supplies, factor prices are determined by marginal productivity and price of a factor in all its various uses tend to be equal. On the other hand, Marshall version states that only the demand for a factor is determined by marginal product of a factor. Even in Marshallian version of price of a factor in equilibrium will be equal to its marginal product and price of a factor in its various uses will tend to be equal in the long run.
- ✓ Marginal productivity theory is based on several unrealistic assumptions.

- ✓ Under imperfect competition, factor rewards are not equal to value of marginal product. According to John Robinson “A factor is exploited if it is paid less than the value of its marginal productivity”.
- ✓ Factors do not get reward equal to MRP in condition of monopsony: when a factor is paid less than its marginal product, John Robinson calls it monopolistic exploitation.
- ✓ Marginal productivity theory cannot explain rewards of the factor used in fixed proportions.
- ✓ Marginal productivity theory neglects the role of labour unions in influencing wage rate.
- ✓ This theory ignores the positive relationship between factor rewards and productivity.

2.9.7. Bargaining Theory

The bargaining theory of wages states that wages, working hours and working conditions are determined by the relative bargaining strengths of the parties to the agreement. Adam Smith hinted at such theory when he noted that employers had greater bargaining strength than employees. In other words, employers were in a better position to unify their opposition to employees demands and employers were also able to withstand the loss of income for a longer period than could the employees.

This idea was developed to a considerable extent by John Davison, who proposed the Bargaining Theory of Wages (1898), that the determination of wages in an extremely complicated process involving numerous influence that interact to establish the relative bargaining strength of the parties. This theory argues that no one factor, or single combination of factors determine the wages that no one rate of pay necessarily prevails. Instead, there is a range of rates, any of which may exist simultaneously. The upper limit of the range represents the rate beyond which the employer refers to hiring certain workers. This rate can be influenced by many factors, including the productivity of workers, the competitive situation, the size of the investment and the employer’s estimates of future business conditions. The lower limit of the range defines the rate below which the workers will not offer their services to the employer. The Influences on this rate includes minimum wage legislation, the worker’s standard of living, their appraisal of employment situations and their knowledge of the rate paid to others. Neither the upper nor the lower limit is fixed, and either may move upward or downward. The rate or rates within range are determined by the relative bargaining power.

The bargaining theory is very attractive to labour organizations, for contrary to the subsistence and wage fund theories, it provides a very cogent reason for the existence of unions; simply put the bargaining strength of the union is much greater than of individuals. It should be observed, however, that historically labourers were capable of improving their situations without the help of labour organizations. This indicates that factors other than the relative bargaining of the parties must have been at work. Although, the bargaining theory can

explain wages rates in short run situations (such as the existence of certain wage differentials), over the long run it has failed to explain the changes that are observed in the average level of wages.

2.9.8 Marxian Surplus Value Theory

Karl Marx accepted Ricardo's labour theory of value (that the value of a product is based on the quantity of labour that went into producing it), but it subscribed theory of wages for a different reason than that given by the classical economists. In Marx's estimation it was not the pressure of population that drove wages to the subsistence level but rather the existence of large number of unemployed workers. Marx blamed unemployment on capitalists. He renewed Ricardo's belief that the exchange value of any product was determined by the hours of labour necessary to create it. Furthermore, Marx held that in capitalism, labour was merely a commodity; in exchange of work, a labourer would receive subsistence wage. Marx speculated, however, that the owner of capital could force the worker to spend more time on the job than was necessary for earning this subsistence income, and the excess product surplus value thus created would be claimed by the owner. The argument was eventually disproved, and the labour theory of value and the subsistence income, and the excess disproved and the labour theory of value and the subsistence theory of wages were also found to be invalid. Without them, the surplus – value theory collapsed.

2.10. Minimum Wages: Various Concepts

2.10.1. Introduction

After Independence, the Minimum Wages Act came into force in 1948. Labour laws made by Britisher were exploitative in nature. The Wages were low and different in every part of the country. There was no such term as "Minimum Wage" and conditions of labourers were so bad. The Minimum Wages Act, 1948 is based on Article 43 of the Constitution of India, which states that, "The State shall endeavour to secure by suitable legislation or economic organization or in any other way to all workers, agricultural, industrial or otherwise, work, a living wage (emphasis added) conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities".

According to International Labour Organization (ILO), minimum wage is the lowest amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, that cannot be reduced by collective agreement or an individual contract. The purpose of minimum wage is to protect the workers from unduly low pay. It enables them to earn adequate wages for the work done by them and to maintain a minimum living standard.

2.10.2. Objectives of Minimum Wages Act

The objectives of the Minimum Wages Act, 1948 is mentioned below:

- To fix the minimum rates of wages that are to be provided to the employees and revise such rates of wages every five years.
- To secure an adequate living wage for all the labourers in the interest of the public.
- To fix the daily working hours of the employees.
- To prevent exploitation of the workers by the employers.
- To ensure that the labourers can maintain a decent standard of living.
- To provide basic physical needs, good health and a level of comfort to the employees.
- To penalize the employers when they fail to provide minimum wages to the workers.
- To establish advisory boards to regulate and administer the provisions of the Act.
- To lay down the powers and duties of the inspectors for the purposes of this Act.
- To prevent any employer from wrongfully infringing the right of any employees.
- To establish appropriate authorities where the employees can seek redressal when the employer has failed to pay the daily wage.
- To authorize the Central and state governments to make rules and regulations for the purposes of this Act.

2.10.3. Various Concepts of Minimum Wages

According to economic theory, wages are defined broadly as any economic compensation paid by an employer to his labourer under some contract for services rendered by them. In its actual sense which is prevalent in the practice, and other allowances which are linked with the wages like dearness allowance etc. Traditionally, in the absence of any bargaining power by labourers, they did not have any say in the determination of wages paid to them.

In the Indian context, soon after the independence, Government of India setup a committee on fair wages in 1948 which has defined various concepts of wages govern the wage structure in the country, especially in those sectors which can be termed as underpaid and where workers do not have bargaining power through unions. The purpose of seeking employment is to sell labour to earn wages to attain a 'decent' or 'dignified' standard of living. One seeks a fair wage both to fulfil one's basic needs and to feel reassured that one receives a fair portion of the wealth in return for one's work.

Society and government have a duty to ensure fair wages to every worker, to ward off starvation and poverty. To promote the growth of human resources, and to ensure social justice without which likely threats to law and order may undermine economic progress. The contribution of India to accept the responsibility of the state to create an economic order in which every citizen finds employment and receives a 'fair wage'. This made it necessary to quantify or lay down clear criteria to identify a fair wage. Therefore, a central advisory council in its first session (November 1948) appointed a tripartite committee on fair wages. The committee consisted of representatives of employers, employees and the government. These

tasks were to inquire into and report about fair wages to labour. The committee on fair wages defined three different levels of wages are,

- **Living Wage**
- **Fair Wage**
- **Minimum Wage**

Living Wage

According to committee, the living wage represented the highest level of wage which should enable the worker to provide for himself and his family not merely the basic essentials of food, clothing and shelter, but a measure of comfort, including education for children, protection against ill health, requirements of essential social needs and a measure of insurance against, more important misfortunes including old age.

Fair Wage

Fair wage is the wage that is reasonable for the type of work done. The fair wage committee in this connection observed that the objective is not merely to determine the wages which are fair in the abstract, but to see that employment at existing levels is not only maintained, but if possible increased. From this point of view, it will be clear that the levels of the wages should enable the industry to maintain production with efficiency. The capacity of industry to pay should therefore be assumed by the wage boards in the light of this very important consideration. The fair wage committee also recommended that the fair wage should be treated with the productivity of labour. Therefore, to maintain fair wages it is essential that the worker must be first assured a living wage and only after this minimum has been done, the wages should be related to the productivity.

The fair wage committee appointed by the govt. of India, drew a distinction between a minimum and living wage and observed that the minimum wage is less than the living wage. With regard to fair wages, the committee recommended that it should be above the minimum and below the living wage.

Minimum Wage

According to International Labour Organization (ILO) minimum wages have been defined as the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract. Minimum wage is that wage, which is sufficient to cover bare physical needs of a worker and his family.

The committee was of the view that a minimum wage must provide for not merely the bare sustenance of life, but for the preservation of the efficiency of the workers. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities. The statutory minimum wage is the wage determined

according to the procedure prescribed by the relevant provisions of the minimum wages act, 1948. On April 11, 1946 a minimum wage bill was introduced in Parliament, but the passages of the bill were considerably delayed by the constitutional changes in India. It was however, passed into an act on March 1948. However, once the minimum rates of wages are fixed according to the procedure prescribed by law, it is the obligation of the employer to pay the said wages irrespective of the capacity to pay.

2.10.4. Problems of Implementation of Minimum Wages

While minimum wages can be an effective tool for addressing poverty and inequality, In India there are a number of issues and concerns about the setting and implementation of minimum wages. The minimum wage can have substantial and beneficial impact on subsistence wage and low paid workers. This section discusses some issues and concerns related to implementation of minimum wages in India.

2.10.5. Norms for Fixing Minimum Wages

In India the minimum wage act, 1948 does not specify the minimum wage, but provides the guidelines for setting minimum wages, which are based on the recommendation of the committee on fair wages (1949), the 15th Indian labour conference in 1957 and the 1992, supreme court judgement. However, the norms that have been specified for fixing minimum wages are helpful for those at the lowest skill level, but not for workers with different level of skills. The presence of a long chain intermediaries invariably results in wage theft or other malpractices, and this often occurs in industries where there is subcontracting.

1. Gender Disparity

Another issue related to the gender disparity in minimum wage fixing since scheduled employments dominated by women workers demonstrates lower minimum wage than those dominated but male workers. For example, in Kerala, the minimum wages in 2013 for women-dominated cashew factory work was INR 221 – compared to male-dominated coir manufacturing at INR 268, i.e. 18 per cent less. Similarly, in a tea plantation, where women workers are dominant, the minimum wage was INR 172 compared to that of male rubber tappers, at INR 210.

2. Level of Minimum Wages

The minimum wage act, 1948 only lays the procedure for fixing and revising the minimum wages, it does not define on what basis and at which level the minimum wage should be fixed. The wage fixing authorities will consider the principles laid down in the resolution of the 15th Indian Labour Conference, though may not always be able to fully follow them. As a result, one finds very large variation in minimum wage rates for the same employment occupations across states, not necessarily always reflecting the difference in cost of living.

3. Consultation with Social Partners

In practice, however, minimum wage is fixed by statute, by the decision of a wage board or council or by individuals or labour courts and tribunals across a wide range of countries. In India, two methods the committee or the notification methods are used to fix and revise minimum wages. There has been an erosion of faith in the system, both among employer and employees, as in some cases, the procedure for decision making in the wage boards and government took almost five years (Anant and Sundaram, 1998). The evidences show that there is no systematic procedure that is followed at the state level and that is to a large extent dependent on the institutional capacity of the state government. Period Revision to, and Adjustments of Minimum Wages.

The minimum wage Act, 1948 empowered the states to set a wide variety of minimum wage and revise them regularly at intervals not exceeding five years using the same method as for fixing minimum wages. The idea behind the regular adjustment of minimum wages is to ensure that they remain in line with the socio-economic realities of that state. However, the revision to adjustments of minimum wages have not always been in line with the law, and in certain cases the interval between revision has been quite long i.e. “Nine years on average”. In some states minimum wages are bit revised for more than five years. In some sectors, minimum wages are not reported, and it is not clear which minimum rate is applicable. In some cases, it seems that minimum wage revision is not even inflation adjusted. Minimum wage revisions based only on price inflations will not improve the purchasing power of the wage earners and will not ensure that the fruits of economic growth will be shared equitably.

4. Non-wage component:

1. Basic wage/salary
2. Dearness allowance (D.A.) and other allowances.
3. Bonus and other incentives.
4. Fringe benefits or perquisites. Hard variables Salary Augmented pay- overtime, extra pay, one time stuff Indirect pay things needed for work, uniform allowance, etc.

Check Your Progress

No.	Short Question	CO	PO	Level
1	Explain the relationship between employment and economic development.	CO1	PO1	K2
2	Distinguish between poverty-induced unemployment and cyclical unemployment.	CO2	PO2	K2
3	Define unemployment rate and mention one method of its measurement.	CO2	PO1	K1
4	What is meant by efficiency wage?	CO3	PO2	K1
5	State any two non-wage components of workers’ remuneration.	CO4	PO1	K1

No.	Essay Type Question	CO	PO	Level
1	Analyse the interrelationship between employment, poverty, and economic development.	CO1	PO1	K4
2	Discuss the types, concepts, and measurement of unemployment in developing economies.	CO2	PO2	K4
3	Examine the role of employment policy in addressing unemployment and poverty.	CO3	PO3	K4
4	Compare Classical, Neo-classical, and bargaining theories of wage determination.	CO4	PO2	K4
5	Critically evaluate the concepts of minimum wage, efficiency wage, and non-wage components of wages.	CO5	PO3	K5

Unit-III-

Trade Union movement

3. Introduction of Industrialization

Industrialization is the period of social and economic change that transforms a human group from an agrarian society to an industrial one. It is a process of wider industrialization, where social change and economic development are closely related to technological innovation, especially with the development of large-scale, energy and Metallurgy production. industrialization is the process of transforming the economy of a nation or region from a focus on agriculture to a reliance on manufacturing with the help of mechanized method and technical innovation. Industrialization is a transformation away from an agriculture or resource-based economy towards an economy based on mechanized manufacturing.

Industrialization leads to Greater average income and improved living standards in an economy. Early industrialization Orchid in Europe and North America during the 18th and 19th centuries, and later in other parts of the world. The most recent example of industrialization is China, where government policy changes in the late 20th century led to the Nation's transition from an economy based on subsistence farming to a global manufacturing Powerhouse. The economy consists of primary, secondary and tertiary sector. The primary sector includes forming, livestock, exploitation of mineral resources etc. Secondary sector includes manufacturing and processing of goods and the tertiary sector includes the service sector of an economy. The first transformation to an industrial economy from an agricultural one is called the industrial revolution. The industrial revolution first took place from the mid-18th to early 19th century in Europe as well as in North America. Starting in Great Britain, followed by Belgium, Germany and France and later marked as the first industrial revolution. In Europe, the era was characterized by a Surge in local manufacturing of goods for export, made possible by the growing population of consumers. The second Industrial Revolution Reform later changes that it came about during the mid- 19th century after refinement of the steam engine, invention of internal combustion engine, the harnessing of electricity, Construction of canals, Railway and electric power line. Finally, the presence of an industry in one country can make it more difficult for other countries to develops the same type of industry as found in the computer software and in internet industries. However, after a certain period of monopolization less than a decade long globally leading companies remained concentrated in the US and their economic power as well as capacity to dominate the media work against the development of the same type of industries in other states.

3.1. Trade Unionism

A Trade union is an outcome of the factory system. It is based on the labour philosophy “United we stand, divided we fall”. Trade union means a combination formed for the purpose of regulating the relation Union act 1926, however, includes a combination formed for the purpose of regulating the relations not only between workmen and employers but also between workman and workmen or between employees and employers. The industrial revolution in

India has changed the traditional Outlook in the labour management relationship. With the introduction of the modern factory system, the personal relationship between employer and employee has disappeared and has given rise to many social and economic levels, which made it imperative on the part of the workers to devise an effective means to contact employees and to bargain with them.

Trade unions are unique organizations whose role is variously interpreted and understood by different interest groups in the society. Traditionally trade unions' role has been to protect jobs and real earnings, secure better conditions of work and life and fight against exploitation and arbitrariness to ensure fairness and equity in employment context. In the wake of a long history of union movement and accumulated benefits under collective agreements, a plethora of legislations and industrial jurisprudence, growing literacy and awareness among the employees and the spread of a variety of social institutions including consumer and Public Interest groups to protect the role must have undergone qualitative change. It can be said that the protective role of trade unions remains in form but varies in substance.

3.2. Meaning of Trade Unions

A trade union or labour union is an organization of workers who have Banded together to achieve common goals in key areas such as wages, hours, and working conditions, forming a cartel of labour. India has the largest number of trade unions. But they have developed very slowly. Despite the slow growth, this brought about some economic, political and social betterment of the workers. Economically, they have improved a lot of the workers. Politically, unionism has produced a mighty secular anti-imperialist, anti-capitalist, egalitarian and socialistic force of the national economy. Trade unionism has not influenced a variety of industries. The degree of union unionization varies widely from industry to industry. The trade unions are of various sizes with thousands of members, yet, most of the unions are still characterized by their small size and small membership. Most of the Indian labour is illiterate, ignorant and poor. They are exploited by unscrupulous trade union leaders, which resulted in the following problems. In a democracy, political influence of trade unionism cannot be avoided. Through this research, we will discuss how in India, the historical development of trade union movement was inseparably intermingled with the political movement through live Liberation struggle due to the 21st century challenges in front of the trade union.

3.3. History of Trade Unions

The labour Movement in India is about 14 decades-old, since it may be traced from 1860. The early movement was generally led by philanthropists and social reformers, who organized workers then protested against inhumane working conditions. The early years of the labour movement were full of difficulties. Strike committees arose calling themselves trade unions and calling them trade unions and demanding the privileges of trade unions without any means of discharging responsibility is thereof. The position of the Trade Union has considerably improved since then. the number of trade unions has gone up and its membership funds have

increased. The development during the span of about 145 years may be considered broadly under the following six periods i.e.,

3.3.1. Pre – 1918 Period

The earliest sign of labour agitation was a Movement in Bengal in 1860, led by Dinbandhuhaiu Mitra, a dramatist and social reformer of Bengal followed by some of the journalists to protect against the heart shape of the cultivated and also the plantation workers. the government there upon appointment and Indigo Commission. The report of the commission reflects upon the grossest realities perpetrated by foreign planters with the aid and under the protection of laws framed by the British government especially for this purpose. Thereafter, the system of Indigo cultivation was abolished due to the discovery of synthetic processes. In 1875, Sarabji Shapuri in Bombay made a protest against poor working conditions of the workers at that time. The deplorable conditions of the workers were brought to notice of the secretary of state for India. The first factory Commission was, therefore, appointed in 1875 and as a result the Factories Act, 1881 was enacted. This act was, however inadequate, to meet the evil of child labour. Moreover, no provisions were made to regulate the working conditions of the women workers. This gave rise to Greater disappointment among the workers. Thereupon another factory Commission was appointed in 1884. in the same year mister and N M Lokhande organized the conference of Bombay factory workers and driver per memorandum signed by 5300 workers demanding a complete day of rest on Sunday, half an hour recess, Working hours between 6:30 a.m. to sunset, the payment of wages not later than 15th of the month and the compensation of injuries.

In 1889 in Bombay workers of spinning and weaving Mills demanded Sunday as a holiday, regularity in the payment of wages and adequate compensation in case of accidents. In spite of these agitations no material change could be brought there for another representation was made to the government in 1890. The standoff of 1884 was also treated and the petition for this time was organized by 17000 workers. The same year the Bombay mill hands associations the first Labour Association was organized with Mr Lokhande as its president. He started a labour journal in order to propagate the effective use of their own. In the very same Bombay Mills Hands Association placed its demand before the factory Labour Commission 1890., with Mr. Bengalee the great philanthropist as a member. The commission gave due consideration to the demands of the labour. Several labour associations were formed after 1890. For instance, the amalgamated Society of railway servants in India and Burma was formed in April 1897 and registered under the Indian Companies Act 1956 the printer's union kalakatta was formed in 1905, the Bombay Postal Union was founded in 1907, the Kamgar Hityardhak sabha and service League was formed in 1910.

The post 1890 period was also important for the reason that several strike Orchid during this period, instances may be made of two strikes which occurred in Bombay in 1894. The first big strike of the mill operatives of Ahmedabad occurred in the first week of February 1895. The Ahmedabad mill owners Association decided to substitute a fortnightly quiz system

for a weekly one which was in the labour force even since 1886. This forced over 8000 Weavers to leave work. however, the strike was successful. There was also a strike in jute industries in Kolkata in 1896. In 1897, after plague epidemic, the mill workers in Bombay went on strike for payment of daily wages instead of monthly payment of wages. In 1903, the strike prolonged for six months and great hardship and starvation workers returned to work. Two years later in 1905, the workers of the Government of India press Kolkata launched a strike over a strike over the question a) Non-payment for Sunday and gadget holidays b) imposition of irregular Finance c) low rate of overtime pay and d) the refusal authorities to grant leave on medical certificate. The strike continued for a month. In December 1907, the workers of eastern railway workshop at Samastipur went on strike on the issue of increment of wages. They went to work after 6 days when they were granted an extra allowance owing to famine conditions prevailing at that time in that region.

3.3.2. 1918 – 1924 Period

The Period of 1918-1924, Can perhaps be best described as the era of the formation of modern trade unionism. This period witnessed the formation of many trade unions. Important among these were Madras labour Union. Ahmedabad textile labour Association, Indian seamen's Union, Kolkata Clerk's Union and all India Postal and RMS Association. One of the significant features of this period that the all India trade union Congress started in 1920. The growth of the trade union was accompanied by many strikes. The wages of workers were increased, but it could not keep pace with the soaring prices of commodities. There was a shortage of labour in some of the industries due to the epidemic of Influenza. several factors were responsible for its formation and growth.

The economic condition of the work played an important role in the formation of trade unions. The demand for Indian goods increased enormously for two reasons: 1) the shortage of shipping facilities led to restricted imports of several communities for which India was dependent on foreign countries. There was great demand for Indian goods from the allies and neutral countries. For this reason, the price of Indian commodities rose high. Naturally, the cost of living steadily increased, the employer got huge profit. The wage of work was increased but it could not keep pace with the soaring prices of commodities. This resulted in further deterioration of conditions of workers. Furthermore, there was a shortage of labour in some of the industrial Centers due to the epidemic of Influenza. These reasons led to the formation of trade unions to improve the bargaining positions. Political conditions prevailing in the country also help the growth of the labour movement. The struggle for Independence started during this period and the political leaders asserted that organized labour would be an asset to the course. The labour unions were also in need of some help. The political leaders took the lead and helped in the growth of the trade unions. The workers' revolution in Russia, which established the first workers state in the world had its own influence on the growth of the trade union movement.

Another factor responsible for the growth of trade union movements was the worldwide unrest in the post-war period. The war gave an awakening in the minds of industrial workers. Another factor was the setting up of the International Labour Organisation in 1919 of which India was the founder member. The constitution of ILO required one representative from the Government of member states. The government without consulting the union appointed Shri and M Joshi as its representative. This gave the workers an anxiety to organize. As a result, AITUC (All India Trade Union Congress) was formed in 1920. This gave an opportunity to send members of ILO conferences. Had also brought a change in government attitude to deal with labour problems.

The historic Buckingham mill case of 1920 in which Madras High court granted injunction against the strike committee of the Madras labour Union providing them to induce certain workers to break their contract of employment by refusing to return to work. Trade union leaders suddenly discovered that they were liable to prosecution and imprisonment for Bonafide Union activities and it was once Apparent that some legislation for the protection of the trade union was necessary.

3.3.3. 1925 – 1934 Period

This period witnessed a split in AITUC, Namely, leftist and rightist. Later in 1929, a wing of AITUC, namely the all India Trade union federation was formed. The main cause of the communist influence was the economic hardship of workers. This period has shown a remarkable decrease in the intensity of industrial conflict. At least two factors were responsible for it. First, the trade disputes Act was passed in 1929 prohibiting strikes and lockouts resulted in industrial strife. Another significant feature of this period was the passing of the trade unions act 1926 and the trade disputes act 1929. The former act provides for registration of trade unions and affords legal protection to intervene in trade disputes. The latter act provided for an ad hoc conciliation board and court of inquiry for the settlement of trade disputes. The act has already observed prohibited strikes and lockouts in public utility services and general strikes and lockouts in public utility services and general strikes affecting the community as a whole.

3.3.4. 1935 – 1938 Period

During this period Unity was forced into a trade union. This led to the revival of trade union activity. In 1935 the all India Red Trade Union Congress merged itself with the AITUC. Again in 1938 an agreement was reached between All India national trade union federation and AITUC Consequently NTUC (National Trade Union Congress) affiliated itself with AITUC. Several factors led to this revival of trade unionism. First, the change in political setup in the country is responsible for the change. It is significant that the Congress Party, which formed its government in 1937 in several provinces tried to strengthen the trade union movement and also to improve the condition of the labour. Second, the working class was also awakened to their rights and therefore I wanted to have better terms and conditions.

Thirdly, management also changed his attitude towards trade unions. This year 1938 saw the most important state enactment, the Bombay industrial disputes act 1938.

3.3.5. 1939 – 1946 Period

World War 2 like World War 1 brought Chaos in Industrial Relation. Several reasons may be accounted for by the industrial unrest and increased Trade union activity. First, the rise in prices could not keep pace with the increase in wages. Second, there was a split in AITUC Due to a Nationalist movement. The third post world war second witnessed retrenchment and therefore faced the problem of unemployment. During this period the membership of registered trade unions increased from 667 in 1930-40 to 1087 in 1945-46. Further the number of women workers in the registered trade unions increased from 18612 in 1939-40 to 38570 in 1945-46. Moreover, the period witnessed a large number of strikes. In 1946, another enactment of great significance in labour relations, namely industrial employment act 1946 was passed with a view to bring uniformity in the conditions of employment of workmen in industrial establishment and thereby to minimize industrial conflicts.

3.3.6. Since 1947

The period immediately preceding Independence and succeeding independence of India 1947 the political leaders of different political ideologies vying for having a separate and their own liver wing. The Indian National Congress, which was the strongest political party, formed Indian national trade union Congress (INTUC) in May 1947. The year 1964 saw a division of the Communist movement into two political parties the Communist Party of India and Communist Party of India Marxist. The 1970s saw an upsurge in the unionism of white-collar workers. With the rapid growth of tertiary sector and government's commitment to give employment to educated unemployed, there was a phenomenal increase in the white-collar workers in industrial enterprises. The White-Collar workers, mostly join the already existing unions of the Blue-Collar workers. Where as in the institutions, insurance companies, educational institutions, hospitals, etc. new Unions were formed. The various five-year plans of government of India for the boosted the growth of trade unions. Presently, there are 68544 are registered trade unions in India with 6.9 million active members and average membership of 8938. The five major trade unions, which account for about 75% of the total membership of all the trade union membership in India as follows

- A. Indian National Trade Union Congress (INTUC).
- B. Hind Mazdoor Sabha (HMS) at one time Affiliated to the socialist party of India.
- C. Bharatiya Mazdoor Sabha (BMS) is affiliate it to the Bharatiya Janata Party.
- D. All India trade union Congress (AITUC).
- E. Centre for Indian trade unions (CITU).

3.4. Trade Unions in India

The trade union Movement in India is over a century old. It is useful to take stock to see whether the trade unions in India are at the center stage or in the periphery. In order to do that, one may pursue the following relevant though selective statistics. In India, total workforce (467 Million) constitute 38.59 % of the total population. Out of total workforce, 228.8 million are engaged agriculture, 110.7 million in Secondary and 127.8 million in tertiary sector. However, the majority of workforce is engaged in informal sector. It has also been reported that by December 1991, the claimed membership of the Indian Trade Union movement was 3.05 Crore (30.5 million) With 82.24 percent of the trade Union membership being accounted for by the organized sector. Does the unorganized sector is meagerly represented? The world labour report summarizes the trade union situation in India `` Indian unions are too very fragmented''. In many workplaces several trade unions compete for the loyalty of the same body of workers and their rivalry is usually bitter and sometimes violent. It is difficult to say how many trade unions operate at the national level since many are not affiliated to any all India Federation.

The earliest date in Indian trade unionism tended to be on ideological Grounds each link to a particular political party. Much of the recent pigmentation, however, has centered on personalities and occasionally on cast original consideration. A part from the law membership coverage and fragmentation of the trade unions, several studies point to a decline in membership, growing alienation between trade unions and membership, particularly due to changing characteristics of the new workforce and waning influence of National federations over the enterprise unions.

A new pattern of unionization points to a shift for organizing workers in a region or industry to the emergence of independent unions at the enterprise level whose obsession is with enterprise level concerns with no form to link them with national federations that could secure for them a voice at national policy making levels. Several studies also point to a shift in employment from the organized to the unorganized sector subcontracting and the emergence of a difficult employment practice here. Those who work for the organization do not have employment membership, but a contractual relationship. Unfortunately trade unionism in India suffers from a variety of problems such as politicization of unions, multiplicity of unions, inter Union rivalry, an economic size, financial ability and dependence on outside leadership. The Bhartiya Mazdoor Sangh is the best Central trade union organization. The learned economist and visionary, Mananiya Dattopantji who has dedicated his life to the service of the society, along with some likeminded Nationalists, found it on auspicious Lokmanya Tilak Jayanti 23rd July 1955. Starting from zero in 1955, BMS is now a well-knit organization in all the states and in private and public sector undertakings. Several organizations of state and Central Government employees are also affiliated to the BMS.

The Sangh also enjoys the premier position in several industries. It has over 5680 related Union with the membership of more than 76.39 lakh (7. 639 million). Although

not affiliated to any International Trade Union Confederation, BMS has relations with Central labour organizations of other countries. BMS representatives have been taking part in International Labour Organisation sessions at Geneva for the past 25 years.

3.5. Growth of Trade Union Movement in India

3.5.1. The First Strike

The origin of the movement can be traced to sporadic labour unrest dating back to 1877 when the workers at the Empress Mills at Nagpur struck following a wage cut. In 1889, 5000 Bombay textile workers submitted a petition demanding regular payment of wages, a weekly holiday, and a mid-day recess of 30 minutes. It is estimated that there were 25 strikes between 1882 to 1890. These strikes were poorly organised and short lived and inevitably ended in failure. The oppression by the employer was so severe that workers prefer to quit their jobs rather than go on strike. Ironically, it was to promote the interest of British industry that the conditions of workers were improved. Concerned about low labour costs, which gave an unfair advantage to Indian factory-made goods., the Lancashire and Manchester Chamber of Commerce agitated for an inquiry into the conditions.

3.5.2. The First Factories Act, 1875

The first committee appointed to inquire into the conditions of factory work favoured legal restriction in the form of factory law. The first Factories Act was adopted in 1881. The factory Commission was appointed in 1885. The researcher takes only one instance, the statement of a witness to the same Commission on the ginning and processing factories of Khandesh: “the same set of hands, men and women, work continuously day and night for eight consecutive days. those who went away for the night return 83 in the morning to make sure of being in time when the doors open at 4 a.m., and for 18 hours’ work, from 4 a.m. to 10 p.m., three or four annas was the wage. When the hands are absolutely tired, new hands are entertained. Those working these successive hours frequently died”. There was another Factories Act in 1891, and a royal Commission on labour was appointed in 1892. History restricts our own chief games off these investigations and legislation.

3.5.3. The First Workers Organization in India

Quite large amount of pioneering work was done with remarkable perseverance by some eminent individuals, notably by Naraya Lokhande who can be treated as the father of India's modern trade union movement. The Bombay mill hands Association formed in 1890 under the leadership of Narayan Lokhande was the first workers Organization in India. Essentially a welfare organization to advance workers’ interests, the association had no members, rules and regulations for funds. Soon a number of other organizations of a similar nature came up, the chief among them were the Kamgar Hitvardhak Sabha and social service League. Organizations, which memo properly be called trade unions. Came into existence at the turn of the century, notable among them being the amalgamated Society of Railway servants of

India and Burma, unions of printers in Kolkata. The first systematic attempt to form a trade union on a permanent basis was done in 1906 in the Postal Offices at Bombay and Calcutta in the early years of the 20th century, Strikes had become quite common in all major industries. Even at this time, there were visible links between next Nationalist politics and the Labour movement. In 1908, mill workers in Bombay went on strike for a week to protest against the conviction of the Nationalist leader Bal Gangadhar Tilak on charges of sedition. There was also an outcry against the indenture system by which labour was recruited for the plantations, leading to the abolition of the system in 1992.

3.5.4. Madras Labour Union

The Madras Labour Union was founded in 1918. Although, it was primarily an association of textile workers in the European owned Buckingham and Carnatic Mills; it also included workers in many other trades. Thiru Vi. Ka and B. P. Wadia the nationalist leader founded the union. The monthly membership fee of the union was one anna. The major grievances of workers at this time were the harsh treatment meted out to Indian labour by the British supervisors, and the unduly short mid – day recess. The union managed to obtain an extension of the recess from the thirty - forty minutes. It also opened a cheap grain shop and a library for its members and started some welfare activities. There was a major confrontation between the union and management over. The demand for a wage increase, which eventually led to a strike and lockout. The management filed a civil suit in Madras High court, claiming that Wadia pay damages for inciting workers to breach their contract. As there was no legislation at this time to protect the trade union, the court ruled that the Madras Labour Union was an illegal conspiracy to hurt trading interests. AN injunction was granted restraining the activities of the union. The suit was ultimately withdrawn as a result of a compromise whereby all victimized workers with the exception of thirteen strike leaders, were reinstated and Wadia and other outside leaders severed their link with the union. Against this background, N. M. Joshi introduced a bill for rights of a Trade Union. But the then member of industries, commerce and labour himself promised to bring legislation in the matter and trade union act of 1926 were injected. By this time, many active trade union leaders notably N. M. Joshi, Zabwalla, Solicitor Jinwalla, S. C. Joshi, V. G. Dalvi and Dr. Baptista came on the scene and strong unions were organized especially in Port Trust, Dock staff, bank employees (especially Imperial Bank and Currency Office), customs, income tax and ministerial staff.

3.5.5. Textile Labour Association

About the same time as the Madras Labour Union was being organised, Anusuyaben Sarabhai had begun doing social work among mill workers in Ahmedabad, an activity which was eventually to lead the founding of the famous Mazdoor Mahajan textile labour Association in 1920. Gandhi declared that the Textile Labour Association, Ahmedabad, was his laboratory for experimenting with his ideas on industrial relations and a model labour union. He was duly satisfied with the success of the experiment and advised other trade unions to

emulate it. There were a number of reasons for the spurt in union in the twenties. Price has soared following world war 1, and wages had not kept pace with inflation. The other major factor was the growth of the nationalist home rule movement following the war, which nurtured the labour movement as part of its nationalist efforts. At this time the workers had no conception of a trade union and needed the guidance of outside leaders. The outsiders were of many kinds. Some were philanthropists and social workers (who were politicians). They saw in labour a potential base for their political organizations. The politicians were of many persuasions including socialists, Gandhian who emphasized social work and the voluntary settlement of disputes, and communists.

3.5.6. Formation of AITUC

The year 1920 also marked the formation of the All India Trade Union Congress (AITUC). The main body of labour legislation and paradoxically enough, even the formation of AITUC owe virtually to the activities of the International Labour Organisation (ILO). It was considered that the origin of the first world war was in the disparities between the developed and developing countries. As a result of the treaty of Versailles established two bodies to cure this ill viz., the League of Nations and ILO. India was recognised as the founder member of the later.

This is tripartite body on which each stet nominates its representatives. In the founding conference of ILO held in 1919 the Government of India nominated N. M. Joshi as the labour member in consultation with the Social Service League, which was then making the greatest contribution for the cause of workers. The ILO has a very exercising machinery to see that various governments take some actions on its conventions and recommendations of ILO. The formation of India's first Central Labour Organisation was also wholly with a view to satisfy the credentials committee of the ILO. It required that the labour member nominated by the government.

Be in consultation with the most representative organizations of country's labour. The AITUC came into existence in 1920 with the principal reason to decide the labour representative for ILO's first annual conference. Thus, the real flip to the trade union movement in India both in matter of legislation and formation of the Central Labour Organisation came from an international body viz., ILO and government's commitment to that body. Dependence on international political institutions has thus been a birth malady of Indian Trade Union Movement and unfortunately it is not yet free from these defects. The AITUC claimed 64 affiliated unions with a membership of 140854 in 1920. Lala Lajpat Rai, the president of Indian national congress became the first president of AITUC. In 192, there were 167 trade unions with a quarter million members in Indian. The India factories act 1922 enforced a ten – hour a day.

3.6. Trade Unions Act

The Indian Trade Unions Act, 1926 made it legal for any seven workers to combine in a trade union. It also removed the pursuit of legitimate trade union activity from the purview of civil and criminal proceedings. This is still the basic law governing trade unions in the country.

3.6.1. Ideological Dissension

Ideological dissension in the labour movement began within a few years of the AITUC coming into being. There were three distinct ideological groups in the trade union organisation: communists led by Shri M. N. Roy and Shri Shripad Amrut Dange, nationalists led by Shri Gandhiji and Pandit Nehru and moderates led by Shri N. M. Joshi and Shri V. V. Giri. There was serious difference between these groups on such major issues as affiliation to international bodies, the attitude to be adopted towards British rule and the nature of the relationship between trade unions and the broader political movement. The communists wanted to affiliate the AITUC with such leftist international organisations as the League against imperialism and Pan – pacific trade union secretariat. The moderates wanted affiliation with the BLO, and international federation of trade Unions based in Amsterdam. The nationalists argued that the affiliation with the later organisations would amount the acceptance of perpetual dominion status for the country under British hegemony. Similarly, the three groups saw the purpose of the labour movement from entirely different points of view. The party ideology was supreme to the communists, who saw the unions only instruments for furthering this ideology. For the nationalists, independence was the ultimate goal and they expected the trade unions to make this their priority as well. The moderates, unlike the first two, were trade unionists at heart. They wanted to peruse trade unionism in its own right and not subjugate it completely to broader political aims and interest.

3.6.2. Formation of NTUF

From the mid – twenties of the present century onwards the communists launched a major offensive to capture the AITUC. A part of their strategy was to start rival unions in opposition to those dominated by the nationalists. By 1928, they had become powerful enough to sponsor their own candidate for election to the office of the president of the AITUC in opposition to the nationalist's candidate. Nehru managed to win the election by a narrow margin. In the 1929, session of the AITUC chaired by the Nehru the communists mustered enough support to carry a resolution affiliating the federation to international communist forum. This resolution sparked the first split in the labour movement. The moderates who were deeply opposed to the affiliation of the AITUC by the League against imperialism and the Pan – Pacific secretariat, walked out of the federation and eventually formed the National Trade Union Federation (NTUF). Within two years of this event the movement suffered a further split. On finding themselves a minority in the AITUC the movement the British banned the Red Trade Union Congress. The British were the most favourably disposed toward the moderate NTUF. N. M. Joshi, the moderate leader, was appointed a member of the Royal

Commission. The splintering away of the NTUF had cost the AITUC thirty affiliated unions close to a hundred thousand members. However, the departure of the communists had not made much difference. In any case, the Red Trade Union Congress quickly fell apart, and the communists returned to the AITUC. During the next few years, there was a recompilation between the AITUC and NTUF as well. The realization dawned that the split had occurred on issues such as affiliation with international organisations, which were of no concern to the ordinary workers. In 1940 the NTUF had dissolved itself completely and merged with the AITUC. It was agreed that the AITUC would not affiliate itself with any international organisation, and further, that political questions would be decided only on the basis of a two – third majority. On the whole the thirties were a depressing period for Indian labour. There were widespread attempts to introduce realization schemes and to affect wage cuts. The wartime inflation also took its toll. While the militant elements on the labour movement fought for the redressal of worker's grievances, the movement itself was steeped in political dissent. The popular governments voted to power in the 1937 elections did not measure up to the worker's expectations although prominent labour leaders such as Shri Nanda and Shri Giri had taken over labour ministers. They did pass some useful legislations; however, a major piece of legislation was the Bombay Industrial Disputes Act, 1938, which attempted to eliminate inter union rivalries by introducing a system recognising the dominant union.

In 1939, when British unilaterally involved India in World War II, there was another wave of schisms in the labour movement. The Congress government voted to power in the 1937 elections resigned in protest against the country's involvement in an alien war, and the nationalist in the AITUC were naturally opposed to the war effort. But Roy and his supporters stood by the British. They founded a rival labour movement in 1941 called the Indian federation of Labour (IFL). Initially the communists opposed the war effort and British had in fact jailed most of their leaders. But there was a dramatic volte face in their position in 1942 when Soviet Russia joined the allies. In the same year the nationalists launched the Quit India Movement under Gandhi's leadership. The British reacted to these developments by emptying the jails of communists who were in jail there had existed/for some time pressure group called the congress socialists. The two groups outside jail were Roy faction and communists who had in common their support for the British war effort but had maintained their separate identities. The stage was set for a formal division of the labour movement, which would reflect the ideological differences. At this juncture, the government of India become quite active on the labour front and Dr. B. R. Ambedkar, the then labour member of the executive council to Viceroy with the assistance of S. C. Joshi was engaged and exercised to take action on all the recommendations of the Royal Commission on labour. At their instance a fact – finding committee was appointed to study the then existing situation. During the period 1945-47 most of the present labour legislations were drafted and conciliation and other machinery were also well conceived. In 1947, when the National Government was formed Shri S. C. Joshi, then chief labour commissioner was entrusted with the work of implementing the various

provisions of labour law. The whole of the present set up owes a debt to the work that was done by him and Shri V. V. Giri, the former president of India.

3.6.3. Formation of INTUC, HMS and UTUC

With the formation of National government Sardar Vallabhbhai Patel advocated very strongly the causes of forming a new central organization of labour. It was his view that the national government must have the support of organized labour and for this purpose the AITUC cannot be relied upon since it was thriving on foreign support and used to change its colours according to the will of its foreign masters. On 3rd May 1947, the Indian Trade Union Congress (INTUC) was formed. The number of Unions represented in the inaugural meet was around 200 with a total membership of over 575000. There was no doubt that this AITUC was the labour organization of the communists, and the INTUC the labour organization of the congress this was further confirmed when the congress socialists, who had stayed behind in the AITUC, decided to walk out in 1948 and form the Hind Mazdoor Panchayat (HMP). The socialist hoped to draw into their fold all non-congress and non-communists trade unionists.

This hope was partly realised when the Roy faction IFL merged with the HMP to form the Hind Mazdoor Sabha (HMS). However, the inaugural session of the HMS witnessed yet another split in the labour movement. Revolutionary socialists and other communists' Marxist groups from West Bengal under the leadership of Shri Mrinal Kanti Bose alleged that the HMS was dominated by socialists and decided to form the United Trade Union Congress (UTUC).

The UTUC is formally committed to the pursuit of a classless society and non-political unionism. In practice, however, many of its members are supporters of the Revolutionary Socialist Party. By the fifties the fragmentation of labour movement on political lines had become a permanent fact. Disunity was costing the labour movement dearly. The INTUC was firmly opposed to any alliance with the communists. The HMS was willing to consider a broad-based unity that would include all groups, but not for any arrangement with the AITUC alone. The major stumbling block to unity was the bitter experience to other groups had with the communists in the thirties. Even in specific industries such as railways where a merger between rival groups did take place, unity was short-lived. All that could be achieved between rival unions were purely local ad-hoc arrangements.

3.6.4. Formation of BMS

Before the rise of Baratiya Mazdoor Sangh the labour field was dominated by political unionism. The recognized central labour organizations were wings of different political parties or groups. This often-made workers the pawns in the power-game of different parties. The conscientious workers were awaiting the advent of a national cadre, based upon genuine trade unionism i.e. an organisation of the workers/for the workers and by the workers. They were equally opposed to political unionism as well as sheer economism i.e. "bread butter unions". They were votaries of Rashtranetee or Lakaneetee. They sought protection and promotion of workers' interest within the framework of national interests, since they were

convinced that there was no incompatibility between the two. They considered society as the third and more important party at all industrial relations, and the consumers' interest as the nearest economic equivalent to national interest. Some of them met at Bhopal on 23rd July 1955 (The Tilak Jayanti) and announced the formation of a new National Trade Union Centre (NUTC), Baratiya Mazdoor Sangh (BMS). During the all India conference at Dhanbad in 1994, BMS has given the clarion call to all its Karyakartas to be prepared to face the Third World War and Second War of Economic independence unleashed by the developed countries against the developing countries. The emissaries of the developed countries are the multinational companies who look up to India as a market to sell their outdated consumer products & technologies with a view to siphon out the profit to their respective countries. In fact, there is a concerted effort to even change the tastes and outlook of the average Indian through satellite and junk food channels to suit them. One might recall that the Indians were addicted to tea and coffee by the then British rulers by distributing them free of cost during 1940s. Today not surprisingly, India is the largest consumer of both the beverages. Now in this decade the soft drinks and potato chips rule the roost. BMS had made it adequately clear that every country that has develop to adopt and adopt methods which suits it, both culturally and economically.

Today India needs modernization and not blind westernization. BA public application Hindu economics by Shri M. G. Bokare and third way by Dattopaqnt Thengdi are eye openers to the planners of the nation in this direction. Practicing Swadeshi is the only remedy to counter this onslaught. in 1996, in its 41st year, BMS has redirected itself in organising the unorganised labour in the country with the view raise their standard of living and protect them against exploitation. Every member of the BMS has donated minimum rupees 100 in the 40th year to words the cause. BMS therefore encourages its workers to undertake social and constructive work along with date today Union work. During the Pakistan war, BMS unions suspended their demands and engaged themselves in repairing runways and donating blood for army men.

3.6.5. Formation of CITU and UTUC (LS)

By1965 of Splinter group of social is headed by Shri George Fernandez formed as Hind Mazdoor Panchayat. The spirit in the communist movement innovatively divided the AITUC, leading to the emergence of the Centre of Indian trade unions (CITU) in 1970. The UTUC was also split into two along ideological line, splinter group calling itself UTUC (Lenin Sarani) i.e. UTUC (LS). Regional Trade union organisations affiliated to regional political parties such as the DMK, AIADMK and MDMK in Tamil Nadu and the Shiv Sena in Maharashtra have also emerged. CYUOS in India (Central Trade Union Organizations). At present there are twelve CTUOs in India as follows:

Bartiya Mazdoor Sangh (MBS)

All India trade Union Congress (AITUC)

Centre for Indian Trade Union (CITU)

Hind Mazdoor Kisan Panchayat (HMKP)
Hind Mazdoor Sabha (HMS)
Indian Federation of Free Trade Unions (IFFTU)
Indian National Trade Union Congress (INTUC)
National Front of Indian Trade Union (NFITU)
National Labour Organization (NLO)
Trade Unions Co-ordination Centre (TUCC)
United Trade Union Congress (UTUC)
Union Trade Union Congress – Lenin Sarani (UTUC – LS)

3.7. Problems of Trade Unions

3.7.1. Uneven Growth

Trade unionism in India is characterized by uneven growth, both industry wise and area wise. Trade unions are popular in big industries and the degree of unionization varies widely from industry to industry. Besides, Trade union activities are concentrated in a few states and in a bigger industrial Centre mainly due to concentration of industries in those places, for example textile workers in Mumbai, Ahmedabad, Indore, Kanpur and plantation labour in Assam, West Bengal, Tamil Nadu and Kerala. The degree of unionization varies from industry to industry. The only industries that have seen growth of trade unions are in the area of plantation, coal mine, food, textile, printing press, chemicals, utility services, transportation, communication and Commerce. Furthermore, Trade union activities are limited to large scale industry sectors and manual labour and trade unions are unevenly distributed in different states. Trade unions don't exist for a variety of small-scale businesses.

3.7.2. Outside Leadership

Most of the trade unions in India have professional political leadership. The leadership is not rooted in the working class. Trade unions lack self-reliance. Such outsiders are generally professional men such as lawyers or social and political workers. They have no technical knowledge of the industry concerned and of the union due to this reason. Moreover, the subscription is not paid regularly, hence the funds with the trade unions are limited and they cannot contribute much to the labour welfare activities. The leadership of professional politicians is interested in exploiting workers for their political objectives. The political leadership is harmful to the cause of the working class; strikes are prolonged by political leaders for personal Prestige. Very often negotiations with employer's fail due to such political leadership. The interest and welfare of the workers are very often ignored. Thus, outside leadership of politicians is a major weakness of trade unions in India.

3.7.3. Multiple Unions

Multiple unionism, both at the plant at industry level pose a serious threat to industrial peace and harmony in India. The situation of multiple unions is said to prevail when two or

more unions in the same plant or industry try to assert Rival claims over each other and function with overlapping jurisdiction. The multiple unions exist due to the existence of craft unions, the formation of two or more unions in the industry. Multiple unionism is not a phenomenon unique in India. It exists in advanced countries like the UK and USA. Multiple unionism affects the industrial relation system, both positively and negatively. It is sometimes desirable for the health and democratic health of the labour movement. It encourages a healthy competition and acts as a check to the adoption of a democratic practice, authoritative structure and autocratic leadership. The nature of negative impacts of multiple unions dominates the positive impact. The nature of competition tends to convert itself into a sense of unfair competition resulting in inter Union rivalry. The rivalry destroys the feeling of mutual trust and cooperation among leaders. It is a major cause of weakening the trade union Movement in India. Multiple unionism also results in smaller size of the unions, poor finances etc. The multiplicity of union leads Inter Union rivalries and weakens the collective bargaining power. There are further problems due to multiplicity of trade unions:

3.7.4. Limited Representation

Due to multiplicity of multiplicity of trade unions, each union gets a small portion of total workforce of the establishment. It is difficult for all the unions come together and make a single charter of demands. This will make their bargaining power very weak.

3.7.5. Inter – union Rivalry

Inter – union rivalry is also result of the existence of multiple unions in an establishment. Due to this worker lose interest in unionism. Unscrupulous employers take advantage of this rivalry and may refuse to bargain on the plea that there is no strong representative union.

3.7.6. Lack of Commitment

Many trade unions have a political affiliation. Such unions are more committed to a political party's ideology than industrial unit and may not effectively promote and protect the interest of the workers.

3.7.7. Financial Problem

Due to the multiplicity of unions, the average size of membership per union reduced. Therefore, each union tries to increase its membership subscription rate very low. Another reason for the weak financial position the of union is that large amounts of subscription dues remain unpaid by the workers. Weak finance causes severe handicap for each of the unions and a weak union cannot initiate a strong argument during negotiations.

3.7.8. Low Membership

The average membership figures of each union are quite depressing. In 1992-93 the average membership figure was 632, a steady fall from 3594 per union from 1927-28. Because of their small size, unions suffer from lack of adequate funds and find it difficult to engage the services of experts to aid and advise members in times of need. They can't bargain with the employer effectively on their own.

3.7.9. Weak Financial Position

The financial position of the trade union is generally weak because of their average yearly income is low and inadequate. The subscription varies from union to union. Under conditions of multiplicity of unions interested in increasing their membership keep the subscription rate unduly low. As a result, the funds with the unions are inadequate and they cannot undertake welfare programs for their members. In such a situation, the subscription rates may be raised. It is argued that the financial condition of Indian workers is not too good to afford the increased rates. This, however, is only a myth. Over the years the average income of the workers has been on an increase. It is wrong to plead that they cannot afford higher.

3.7.10. Lack of Interest

For a large majority of workers, unionism, even today remains a foreign issue. In fact, workers avoid union activities out of sheer disinterestedness. Those who become part of the union, do not also participate in the union work enthusiastically. In such a scenario, it is not surprising to find outside political leaders exploiting the situation to serve their own personal agenda.

3.7.11. Absence of Paid Office Bearers

Weak finances do not permit unions to engage the services of full time, paid office bearers. Those who work on a part time basis, neither have the time nor the energy to take up activities sincerely and diligently.

3.7.12. Subscription Dues unpaid

Another important reason for the weak financial position of the union is that large amount of subscription dues remains unpaid. The names of constant defaulters continue to appear on the membership registers of most of the unions. They are neither expelled nor cease to be members. Rule for expulsion of defaulting members are seldom invoked. Besides, unions do not have proper staff and organization to collect subscription. A solution to the problem of collection subscription on the regular basis can be found in the check off system. Under this system, the subscription is deducted at the time of making wages payment by the employer. The amount is later on handed over to the union of which the worker is a member.

3.7.13. Other Problems

The other factors responsible for the unsound functioning trade union in India are

Illiteracy

Workers in India fail to understand the Implications of modern trade unionism. Their illiteracy coupled with ignorance and indifference account for the predominance of outside leadership.

Uneven Growth

Trade unionism activities are, more or less confined to major metros in India and traceable only in large scale units (especially cotton textile). The membership fees should be raised as the amount of wages of the workers increased significantly, comparable to the situation in 1926 when trade union Act provided for the collection of 25 paise per month per member as subscription fee. Even amended Rs. 1 is not sufficient. Some other sources of finance may also explore union financially healthy.

3.8. Advantages of Trade Unions in India

3.8.1. Greater Bargaining Power

The individual employee possesses very little bargaining power as compared to that of his employer. If he is not satisfied with the wage and other conditions of employment, he can leave the job. It is not practicable to continually resign from one job after another when he is dissatisfied. This imposes a great financial and emotional burden upon the worker. The better course for him is to join a union that can take concerted action against the employer. The threat or actuality of strike by the union is a powerful tool that often causes the employer to accept the demands of the workers for better conditions of employment.

3.8.2. Minimize Discrimination

The decisions regarding pay, work, transfer, promotion etc. are highly subjective in nature. The personal relationship existing between the supervisor and each of his subordinates may influence the management. Thus, there are chances of favouritism and discrimination. A trade union can compel the management to formulate personnel policies that press for equality of treatment to the workers. All the labour decisions of the management are under close scrutiny of the labour union. This has the effect of minimizing favouritism and discrimination.

3.8.3. Sense of Security

The employees may join the union because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident, injury, illness, unemployment etc. The trade union secures retirement benefits of the workers and compel the management to invest in welfare services for the benefit of the workers.

3.8.4. Sense of Participation

The employees can participate in the management of matters affecting their interests only if they join trade unions. They can influence the decisions that are taken as a result of collective bargaining between the union and the management.

3.8.5. Platform for Self – Expression

The desire for self – expression is a fundamental human drive for most people. All of us wish to share our feelings, ideas and opinions with others. Similarly, the workers also want the management to listen to them. A trade union provides such a forum where the feelings, ideas and opinions of the workers could be discussed. It can also transmit the feelings, ideas, opinions and complaints of the workers to the management. The collective voice of the workers is heard by the management and give due consideration while taking policy decisions by the management.

3.8.6. Betterment of Relationship

Another reason for employees joining unions is that employees feel that unions can fulfil the important need for adequate machinery for the maintenance of employer – employee. Unions help in betterment of industrial relations between management and workers in solving the problems peacefully.

3.9. The Trade Unions Act, 1926

3.9.1. Introduction

The India Trade Union Act, 1926 defined a trade union as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers for imposing a restrictive condition on the conduct of any trade or business and includes any federation of two or more trade unions. However, the veteran Indian Labour Leader Mr. N. M. Joshi has rightly observed in this connection that a trade union is essentially an organization of employees, not of employers and nor of co – partners, nor of independent workers. Even those organizations which are for workers bit not of workers, have no right to be called trade unions.

Hence, according to Prof. G. D. H. Cole defined a trade union as “an association of workers in one or more occupations: an association carried out mainly for the purpose of protecting and advancing the member economic interest in connection with daily work.”

According to Shri. V. V. Giri “a trade union is a voluntary organization of workers formed to promote and protect their interests by collective actions.”

The main objective of the Act is to provide for the registration of trade unions and to give registered trade unions a legal and corporate status, and immunity to their officers and members from civil and criminal liability in respect of legitimate trade union activities.

3.9.2. Definitions

Appropriate Government: means, in relation to Trade Unions whose objects are not confined to one State, the Central Government, and in relation to other Trade Unions, the State Government.

Executive: means the body, by whatever name called, to which the management of the affairs of a Trade Union is entrusted.

Office Bearer: "office-bearer", in the case of a Trade Union, includes any member of the executive thereof, but does not include an auditor.

Registrar: A Registrar of Trade Unions appointed by the appropriate Government under section 3, and includes any Additional or Deputy Registrar of Trade Unions and in relation to any Trade Union, the Registrar appointed for the State in which the head or registered office, as the case may be, of the Trade Union is situated.

Trade Dispute: Trade Dispute means any dispute between employers and workmen or between workmen and workmen, or between employers and employers which is connected with the employment or non-employment, or the terms of employment or the conditions of labour, of any person, and "workmen" means all persons employed in trade or industry whether or not in the employment of the employer with whom the trade dispute arises.

Trade Union: "Trade Union" means any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more Trade Unions. Provided that this Act shall not affect –

- ❖ Any agreement between partners as to their own business;
- ❖ Any agreement between an employer and those employed by him as to such employment; or
- ❖ Any agreement in consideration of the sale of the good-will of a business or of instruction in any profession, trade or handicraft.

In simple words, a trade union means an association of workers in a particular craft or industry. However, "trade union" includes both employer and workers' organizations. The employers' organization can also be registered as trade unions. The intention behind this is to place both on a par in matters of rights and responsibilities. It is primarily the objective of an association or combination which determines whether it is a trade union or not.

3.9.3. Registration of Trade Unions

The Act provides that the appropriate Government shall appoint a person to be the registrar of Trade Union for each state. It may appoint as many as additional and deputy registrar of Trade Unions as it thinks fit for the purpose of exercising and discharging under the superintendence and direction of the registrar, such power and function of the registrar under this Act as it may, by order specify. It may define the local limits within which any such

Additional or Deputy Registrar shall exercise and discharge the powers and functions of so specified.

Mode of Registration (Section 4)

For the registration of trade union at least 10 percent of workmen or one hundred workmen, whichever is less, subject to minimum of seven workmen engaged or employed in the establishment or industry with which it is connected, are the members of such trade union on the date of making of application for registration.

Application for Registration (Section 5)

Every application for registration of a trade union shall be accompanied with a copy of the rules of trade union and statement of the following particulars i.e.

Name of occupations and addresses of the members.

The name of trade union and head office address.

The title, names, ages, addresses and occupations of the office bearers of the trade union.

Rules of trade union (Section 6)

A trade union is entitled to register only if its executive is constituted in accordance with the provisions of the Act and its rules provide for the following matters, namely

The name of trade union.

The whole of its object for which the trade union is established.

The whole the purpose for which the general funds of the trade union shall be applicable.

The maintenance of a list of the members of the trade union and adequate facilities for the inspection thereof by the office bearers and members of the trade union.

The admission of ordinary members who shall be person actually engaged or employed in an industry with which the trade union is connected, and also the admission of the number of honorary or temporary office – bearers to form the executive of trade unions.

The payment of the minimum subscription by members of the trade union which shall be less than (a) one rupee per annum for rural workers. (b) Three rupees per workers in other unorganized sectors and (c) twelve rupee per workers in any other case.

The condition under which any member shall be entitled to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members.

- The manner in which the rules shall be amended, varied and rescinded.
- The manner in which the members of the executive and other office – bearers of the trade union shall be appointed and removed.
- The safe custody of the funds of the trade union, and annual audit of accounts thereof, and adequate facilities for the inspection of the account's books by the office bearers and members of the trade union.
- The manner in which the trade union may be dissolved.

3.9.4. Entry of Registration (Section 8)

The registrar, after satisfaction that the trade union has complied with all the requirements of this Act in regard to registration, shall register the trade union under the trade union Act.

Certificate of Registration (Section 9)

After the registration of trade union under section 8, the registrar shall issue a certificate of registration in the prescribed form which shall be conclusive evidence that the trade union has been duly registered under the Trade Union Act.

3.9.5. Cancellation of Registration (Section 10)

The registration of the Trade Unions can be cancelled by the registrar under the following conditions

On the application of the trade union to be verified in such manner as may be prescribed or

If the registrar is satisfied that -

- If the certificate of registration has been obtained by fraud and mistake or trade union has ceased to exist.
- If the trade union has willfully and after notice from the registrar contravened any provision of the Act or
- Allowed any rule to continue in force which is inconsistent with any such provisions or
- Has rescinded any rule providing for any matter, provision for which is required in the rule of a trade union.
- If the cancellation is to be effected on account of clause (ii) above, the registrar shall give to the trade union not less than 2 months' previous notice in writing specifying the ground on which it is proposed to withdraw or cancel the certificate.

3.9.6. Appeal

If the registration of any Trade Union refused by the registrar or refusal by the withdrawal and cancellation of registration by the registrar, the person may appeal where the head office of the Trade Union is situated within the limits of a Presidency-town, to the High Court, or Where the head office is situated in any other area, to such Court, not inferior to the Court of an additional or assistant Judge of a principal Civil Court of original jurisdiction, as the appropriate Government may appoint in this behalf for that area. The appellate court may dismiss the appeal and order the registrar to register the trade union or provide the certificate of registration. For the purpose of an appeal under sub-section (1) an appellate Court shall, so far as may be follow the same procedure and have the same power as in case of Code of Civil Procedure 1908. If the appeal is dismissed by the appellant court, the person has the right to appeal in the High Court accordingly.

However, all the notices and communication to the registered trade union may be addressed to the Head Office of the trade union. Any change in the head office shall be sent in written to the registrar within fourteen days to the registrar. Every registered Trade Union shall be a body corporate by the name under which it is registered and shall have perpetual succession and a common seal with power to acquire and hold both movable and immovable property and to contract and shall by the said name sue and be sued.

3.9.7. Rights and Liabilities of Registered Trade Unions

The Trade Union Act, 1926 provides certain duties, rights and liabilities to the registered trade unions. Section 15 of the act lays down that general funds of a registered Trade Union shall not be spent on any other objects than the following, namely: -

- the payment of salaries, allowances and expenses to office-bearers of the Trade Union;
- the payment of expenses for the administration of the Trade Union, including audits of the accounts of the general funds of the Trade Union;
- the prosecution or defense of any legal proceeding to which the Trade Union or any member thereof is a party, when such prosecution or defense is undertaken for the purpose of securing or protecting any rights of the Trade Union as such or any rights arising out of the relations of any member with his employer or with a person whom the member employs;
- the conduct of trade disputes on behalf of the Trade Union or any member thereof;
- the compensation of members for loss arising out of trade disputes;
- allowances to members or their dependents on account of death, old age, sickness, accidents or unemployment of such members;
- the issue of, or the undertaking of liability under, policies of assurance on the lives of members, or under policies insuring members against sickness, accident or unemployment;
- the provision of educational, social or religious benefits for members (including the payment of the expenses of a funeral or religious ceremonies for deceased members) or for the dependants of members;
- the upkeep of a periodical published mainly for the purpose of discussing questions affecting employers or workmen as such;
- the payment, in furtherance of any of the objects on which the general funds of the Trade Union may be spent, of contributions to any cause intended to benefit workmen in general, provided that the expenditure in respect of such contributions in any financial year shall not at any time during that year be in excess of one-fourth of the combined total of the gross income which has up to that time accrued to the general funds of the Trade Union during that year and of the balance at the credit of those funds at the commencement of that year; and
- subject to any conditions contained in the notification, any other object notified by the appropriate Government in the official Gazette.

Expenditure for political purposes is in no case permitted out of the general funds. Not only this even interest on investment of political fund will have to be credited to the political fund.

3.9.8. Conditions for creation of political fund

Such fund can be created only from contributions separately levied for or made to that fund. No member shall be compelled to contribute to that fund. The member who does not contribute to the said fund shall not be excluded from any benefits of a registered trade union. Contribution to the political fund must not be made a condition for admission to the trade union.

Immunity from Criminal Conspiracy Trade Disputes

No office-bearer or member of a registered Trade Union shall be liable to punishment under sub-section (2) of section 120B Indian Penal Code (45 of 1860), in respect of any agreement made between the members for the purpose of furthering any such object of the Trade Union as is specified in section 15, unless the agreement is an agreement to commit an offense.

Immunity from Civil Suit in Certain Cases

A registered trade union shall not be liable in any suit or other legal proceedings in any civil court in respect of any tortuous act done in contemplation or furtherance of a trade dispute by an agent of the trade union, if it is proved that such person acted without the knowledge of, or contrary to express instruction given by, the executive of the trade union.

Enforceability of Agreements

An agreement between the members of a registered trade union not be void or voidable merely by reason of the fact that any of the objects of the agreement are in restraint of trade. Provided that nothing in this section shall enable any Civil Court to entertain any legal proceeding instituted for the express purpose of enforcing or recovering damages for the breach of any agreement concerning the conditions on which any members of a Trade Union shall or shall not sell their goods, transact business, work, employ or be employed.

Right to Inspect Books of Trade Union

The account books of a registered Trade Union and the list of a members thereof shall be open to inspection by an office-bearer or member of the Trade Union at such times as may be provided for in the rules of the Trade Union.

Right of Miners to Membership of Trade Unions

Any person who has attained that age of fifteen years may become member of trade union and enjoy all the rights of a member.,

Disqualifications of Office – Bearers

An office – bearer, member and executive of a registered trade union can be disqualified, if,

- He has not attained the age of 18 years.
- He has been convicted by a Court in India of any offence involving moral turpitude and sentenced to imprisonment, unless a period of five years has elapsed since his release.

The proportions of the officers to be connected with industry should not be less than one half of the office – bearers of every registered trade union. Any change in the name of trade

union may require the consent of not less than two third of the total members of the union.

3.9.9. Amalgamation of Trade Unions

Any amalgamation between two or more than two registered trade union can be done, with or without dissolution of funds provided that,

- ✓ The votes of ½ of the members of each trade union entitled to vote are recorded or
- ✓ At least 60 percent of the votes recorded are in favour of the proposal.
- ✓ Notice of Change of Name and/or Amalgamation
- ✓ To change the name of a registered trade union, the secretary and seven members of that union must give a notice to the registrar.

However, in case of amalgamation of two or more than two trade union, the secretary and seven members of each union must give a notice to registrar regarding the amalgamation. If the registrar is satisfied with the change in name and the amalgamation, he will register the change in name and changed name for amalgamation in the register. The change in name or the amalgamation has effect from the date of registration.

Dissolution

To dissolve the registered trade union, a notice of dissolution signed by secretary and seven members of trade union be sent to the registrar. The dissolution shall be registered by the registrar if he is satisfied that the dissolution has been effected in accordance with the rules of the trade union. The dissolution shall have effect from the date of registration.

Returns

General Statement: The general statement of receipts and expenditure, assets and liabilities of all the registered trade unions, audited in the prescribed manner during the year ending on the 31st December shall be sent to registrar.

Statement of Changes: Together with the general statement, a statement of all the changes of office bearers during the year with copies of all the rules of the trade union corrected, shall be sent to the registrar.

Intimation of Every Alteration in the Rules: A copy of every alteration made in the rules of the registered trade union shall be sent to the registrar within the 15 days of making of the alteration.

Regulations

The appropriate government may, under section 29 of the Act, make regulation for the purpose of carrying into effect the provisions of the Act. The regulation so made shall be published in the Official Gazette, and on such publications shall have effect as if enacted in this Act.

Penalties and Procedure

According to section 31 of the Act, if any default is made by the registered trade union, all the office bearer and in absence of office bearer, all the members of the trade union shall be punishable with fine which may extend to Rs. 5 and in case of a continuous default, with an additional fine which may extend to Rs. 5 for each week after the first during which the default is to continue. However, the aggregate fine shall not exceed Rs. 50.

Any person who willfully makes any default, shall be punishable with fine which may extend to Rs. 500.

Supplying False Information Regarding Trade Unions

Any person who with intent to deceive or providing false information regarding trade union, shall be punished with fine which may extend to Rs. 200.

Cognizance of Offences

No court inferior to that of a Metropolitan Magistrate or a Magistrate of the First Class shall try any offence under this Act. No court shall take cognizance of any offence under this Act, unless complaint thereof is made with the previous sanction of registrar. In case of an offence of section 32, (supplying false information regarding trade unions) by the person to whom the copy was given, with six months of the date on which the offence is alleged to have been committed.

Check Your Progress

No.	Short Question	CO	PO	Level
1	Briefly describe the growth of the trade union movement in India since Independence.	CO1	PO1	K2
2	State any two objectives of All India Trade Union Congress (AITUC).	CO2	PO1	K1
3	What is the role of Indian National Trade Union Congress (INTUC) in the Indian labour movement?	CO2	PO2	K2
4	Mention any two problems faced by trade unions in India.	CO3	PO3	K1
5	What is meant by international affiliation of Indian trade unions?	CO4	PO2	K2

No.	Essay Type Question	CO	PO	Level
1	Examine the evolution of the trade union movement in India from Independence to the present scenario.	CO1	PO1	K4
2	Discuss the objectives, ideology, and role of Hind Mazdoor Sabha (HMS) and United Trade Union Congress (UTUC) in India.	CO2	PO2	K4
3	Analyse the problems faced by trade unions in India and suggest measures for their effective functioning.	CO3	PO3	K4
4	Explain the essential conditions required for the success of a trade union.	CO4	PO2	K3
5	Critically evaluate the provisions of the Trade Union Act, 1926, and examine recent policy changes related to trade unions in India.	CO5	PO3	K5

Unit-IV

Industrial Relations:

4. Concept and meaning of industrial relations:

Industrial relations mean the relationship between the worker on the one hand and his/her employer on the other. Workers offer their services for wages. But their performance depends upon the environment provided during the work, i.e., the conditions of work other than the wages. How the management treats its workers and how workers work in the interest of their employers is the essence of industrial relations. In most industrial units in the modern organised industries, workers organise themselves into unions and use their common interests as a force keeping them unionised. They use the unions as a means of ensuring good work environment. On the other hand, employers may also like to help in improving the work-environment so long as the cost of improvements in the environment result in an increase in productivity so as to compensate them for the costs incurred.

At the unit or micro level, development of an industrial unit and technological changes in it affect the working conditions. Some of the factors such as capacity expansion, may widen the opportunities of workers. Thus workers may welcome these changes and even like to promote them. Technological changes, which displace workers by machines, may raise the productivity of the workers but may also result in retrenchment. This may conflict with the interest of workers unless the technological change is also accompanied by expansion. Thus the issue of industrial relations has several aspects:

- i. relations between workers and management,
- ii. relations among the workers and
- iii. relations between the management and the unions of workers.

4.1. Industrial relations: need and importance

Production is the result of joint efforts of management and workers in any producing unit. Therefore, harmonious industrial relations are essential for achieving the targets of production and enhancing the productivity. In the absence of good relations, industrial conflicts surface and affect adversely all sections of the society. Other consequences of bad industrial relations are: work stoppage and impoverishment of the workers and retrenchment. Management faces loss due to stoppage of production, rise in cost of production and damages of machines and equipments. Disruption in the production activities lowers the national income.

It also causes decline in the Government revenue through lower collection of excise and corporate income taxes, hike in administrative expenses for maintaining law and order and for controlling the criminal activities during the period of industrial conflict. In words of Prof. Pigou, "On the one hand by impoverishing the people actually involved in the stoppage, it lessens the demand for goods the other industries make, on the other hand, if the industries furnish a commodity or service largely used in the conduct of other industries, it lessens the supply to them of raw material or equipment for their work."

India needed at the time of Independence rapid development of industries. It continues to need that. Accelerated development of industries, diversification of industrial structure as well

as shifts in the technology and scientific base of industrial production depend importantly on the work-environment provided to the workers. For continued and accelerated development of industries, resources must be efficiently used. Productivity must persistently rise. Industrial growth must proceed over time in a stable manner. All this is heavily dependent upon industrial peace and harmonious labour management relationship.

The industrial scene in India has changed perceptibly during the last five decades. The management has developed as an entirely separate profession. Technological changes have taken place. These technological changes have created problems such as:

- a) redundancy of present employment, and Industrial Relations
- b) adjustments of the present work force to the skill requirement.

Foreign capital is coming to India both in the form of collaboration with leading domestic industrial houses and in the form of their own subsidiary companies. This has had an impact over labour in so far as 'these foreign interests brought with them new currents in managerial practice and introduced new standards of rewarding and handling labour.' Further, the new economic reforms pursued since July, 1991 have also affected the working environment and industrial relations in different ways. We will come to this aspect later on in this Unit. In the light of the above, it is desirable for us to know the nature of industrial disputes that have taken place in India, settlement machinery for industrial disputes, collective bargaining, workers' participation in management and the problems of industrial relations in post economic reforms period.

4.2. Principal parties in the industrial relations in India

There are three principal parties in industrial relations:

- A. Trade unions
- B. Employers' associations
- C. State

Besides the three main parties in industrial relations, namely, employers or their associations, workers or their unions, Government plays an important role in following,

- i. Protecting the interests of workers, and
- ii. Helping to resolve the conflicts whenever they arise.

4.2.1. Trade unions

Trade union movement in India is over a century old. Growth of trade unions received a fillip after the adoption of the Constitution of India, which extended the right to form association to all citizen's subject to the interest of public order. These trade unions protect the interest of their members through a number of functions that they perform.

In the early 1990s around 9 per cent of the total working population was organised. In 1990, the number of trade unions was 52,016 having 61,81,000 members. This number is more than 10 times the number in 1951. The degree of unionisation is very high at over 90 per cent in the public sector and it is less in private sector particularly in small and medium scale units. Only one-fifth registered unions are affiliated to one or the other ten major trade union federations at the national level.

There have been several weaknesses in working of trade unions in India. The labour movement in India has been fragmented on ideological basis. Various trade union federations have been formed on political party line. All India Trade Union Congress (AITUC) has been completely under the control of the Communists since Independence. Indian National Trade Union Congress (INTUC) has been associated with Congress party. Split in AITUC led to form Hind Mazdoor Sabha (HMS) by the socialists. Another split in HMS took place by forming United Trade Union Congress(UTUC) by non-communists Marxist group. In 1955, Jan Sangh party formed Bhartiya Mazdoor Sangh (BMS). The split in the communists divided the AITUC further leading to the emergence of Center of Indian Trade Unions (CITU) in 1970. Regional federations affiliated to regional political parties such as DMK and AIDMK in Tamil Nadu and Shiv Sena in Maharashtra have also emerged. Thus, the fragmentation of the labour movement on political line has caused disunity and weakened the trade union movement. Due to lack of any statutory provision for recognition of trade union by the employer, several trade unions are formed at the same work place and compete for the loyalty of the same body of workers and their rivalry is usually bitter and sometimes violent. It is difficult even to say how many trade unions operate at the national level since many are not affiliated to any all India federation. Much of the recent fragmentation, however, has centered on personalities and occasionally on caste or regional considerations.

Apart from the low membership coverage and fragmentation of trade unions, decline in memberships, growing alienation between trade unions and members are other main weaknesses of trade unions. Due to changing characteristics of the new work force, new pattern of shifting from unions at regional or industry level to unions at enterprise level is emerging.

Trade unions are in a dilemma today. They do not like the entry of multinationals Industrial Relations but are attracted by the relatively higher emoluments and fringe benefits they offer. They favour the growth of small industry but do not like the work of the large units being contracted out to ancillary small-scale industries. Similarly, unions resist closure of sick units but can hardly defend their being worked indefinitely as loosing enterprises. They highlight the adverse effects of structural adjustment on employment and working conditions but do not oppose reforms.

4.2.2. Employers' Association

On all India basis there are three employers' associations:

- I. All India Organisation of Employers (AIOE) founded by the FICCI, New Delhi.
- II. Employers' Federation of India (EFI) founded by the ASSOCHAM in Bombay.
- III. Standing Conference of Public Enterprises (SCOPE) in New Delhi set up by central public sector undertakings.

These three have formed into a loosely federated umbrella organisation called the Council of Indian Employers (CIE) for the purpose of relations with the Government and the international organisations like ILO. Besides these three organisations, there is a fourth organisation called the All India Manufacturers' Organisation (AIMO) which mainly

represents the interests of small and medium scale enterprises in the private sector. Fifth is the Confederation of Indian Industry (CII). Both these organisations have been accorded representation separately by Ministry of Labour in various tripartite forums including Indian Labour Conference and International Labour Conference.

The individual and association members of AIOE are less than 160 and that of EFI is less than 240. The SCOPE has a membership of nearly 95 per cent of the central public sector undertakings.

4.2.3. State

The State is the third main element, which has a vital role in industrial relations to protect the interest of workers and to ensure industrial peace. It has enacted an extensive legislative system. Three important pieces of legislation have played a major role in shaping Indian industrial relations. These Acts are: Indian Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946, and Industrial Disputes Act, 1947. The Trade Unions Act, 1926, confers on unions the basic minimum legality without which they could be construed to be unlawful associations. Under this Law, any seven workers may form a trade union and seek registration with the Registrar of Trade Unions. The Act protects registered unions from civil and criminal proceedings arising out of the conduct of trade union disputes. The Industrial Disputes Act, 1947 is a crucial piece of legislation, which aims at the speedy resolution of any conflict between labour and management through – conciliation, arbitration and adjudication. Under this Act, 14 days' notice is required to be given before a strike or lockout is declared in any industry.

Under the Industrial Employment (Standing Orders) Act, 1946, every establishment employing a hundred or more workers is required to have a set of certified standing orders defining the conditions of employment. These standing orders relate to the classification of workers, shifts, attendance, discipline, termination of employment and grievance procedure. All these must confirm reasonable measure to model standing orders framed by the Government. The purpose of the Act is to ensure that the conditions under which the workers are employed conform to certain minimum standard.

The government has also taken steps to regulate the working conditions of the workers through several legislative measures covering specifically the conditions of work of industrial workers in different areas. For instance, the Factories Act, 1948 regulates service and working conditions of workers in all the industrial establishments employing ten or more workers where power is used and twenty or more workmen in all other types of industrial establishments. The Act deals with the basic minimum facilities relating to health, safety and welfare of workers. Similarly, Employees State Insurance Act, 1948, Payment of Bonus Act, 1965, etc., are examples of legislative measures to regulate the conditions in various industrial establishments. Industrial Disputes (Banking and Insurance) Act, 1949, Shops and Establishment Act of various States' etc. are illustrations of industry specific measures.

Apart from above, many measures have been taken to protect the interest of unorganised workers, which constitute about 91.5 per cent of labourers. These include: Minimum Wages Act, 1948, Bonded Labour System (Abolition) Act, 1976, Equal Remuneration Act, 1976, Child Labour Prohibition and Regulation Act, 1986. Under Minimum Wages Act, 1948, State Governments and Central Government notify minimum wages for various categories of labourers. Plantation Labour Act, 1951 provides certain basic facilities to plantation workers. Bonded Labour System (Abolition) Act, 1976 seeks to abolish the bonded labour system and to free labourers who have incurred a bonded debt and hence perform bonded or forced labour or service without any wages at all, or for nominal wages. Other important measures, which have direct bearing on unorganised labourers, are: Kerala Agricultural Workers Act, 1974, various Pension Schemes by different states. Keeping in view that economic reforms since 1991 may help the growth of the corporate sector but would not be able to reduce the number of unorganised workers in the foreseeable future, state's role for amelioration of the working conditions of unorganised labour is crucial and necessary.

4.3. Industrial Relations in the Public and Private Sectors

A. Proportion of workers involved in Industrial Disputes

After 1973, the total workers involved in Industrial disputes have shown a declining trend both in the public and in the private sectors. During 1978 to 1986 the percentage of workers involved in industrial disputes was much lower in the public sector than in private sector (except 1983 where the proportion of workers was marginally higher in public sector). After 1986, this trend has reversed and the proportion of workers involved in industrial disputes in the public sector is much higher than in private sector.

ii) Number of maydays lost and the average number of workers involved per dispute
Since 1973, the share of public sector in the number of maydays lost has persistently.

B. Number of maydays lost and the average number of workers involved per dispute

Since 1973, the share of public sector in the number of maydays lost has persistently been lower than that of the private sector. In 1995, it was as low as around 25% for public sector and 75% in the private sector.

Though the number of maydays lost in the public sector is much lower than the private sector, the average number of workers involved per dispute is more in the public sector than in the private sector. Owing to organization of bigger activities in public sector undertakings (like - insurance, railways, P & T departments) the size of work force employed in PSUs is also large. Hence a large number of workers are affected by strikes.

C. Average Number of maydays lost per worker

In public sector, average number of maydays lost per worker has been much less than the private sector. Less time is required to resolve the dispute in public sector than in private sector. This is due to the difference in attitude and thinking of the private sector. The industrialists in private sector feel that any increase in wages, bonus or

perks directly affects their profit. This results in prolonged negotiations. Against this, the Government agrees to the demands of workers in public sector since continuance of strike affects large segments of the economy, as the public sector covers the infrastructure industries.

It emerges from the above discussion that larger number of disputes take place in the private sector. The intensity of disputes that have taken place in private sector is greater in terms of both maydays lost and the average number of days a worker is involved in the disputes. The machinery of settlement is brought into action much more swiftly in the public sector than in the private sector.

4.4. Economic Reforms and Industrial Relations:

Labour market reforms are a part of the overall economic reforms package and hence there is a demand for labour market flexibility so that it can respond more efficiently to the market signals. On these lines, some countries like New Zealand and Australia have introduced reforms in labour market. However, the impact of these reforms are not very encouraging. These countries are facing high incidence of unemployment, declining real wages, and adverse balance of payment. Further, whether the economic performance of these economies have improved as a result of economic reforms is still not confirmed.

- 1) Flexibility in the labour market leads to decline in employment, deterioration in the quality of employment, rise in employment of casual, contract and female labour in place of permanent labour. It also encourages medium and largescale factories to sub-contract part of their production to small enterprises to cut on labour costs. All these features weaken the trade unions, widen the scope for labour exploitation and hence have severe repercussions for industrial relations. Hence introducing the flexibility in the labour market in a way that increases productive employment, improves the quality of employment and avoids exploitation is really a difficult task.
- 2) To attract foreign direct investment, changes in the industrial relations system are being demanded. In this context, in some countries export-processing zones have been set up which are free of trade controls. Trade unions in these countries have been banned and wages are low. Safeguards with regard to health, safety and holidays either do not apply or are not enforced. But the study on the conditions of workers in foreign enterprises in China shows that workers have faced serious problems like postponement of wages, extension of work hours, poor standards of occupational safety and health, and non-payment of social security benefits. As a result, unionised labour disputes and strikes have taken place frequently. Introducing the changes in Industrial Relations the labour laws to attract the flows of foreign investments without weakening labourers' working and living conditions is really difficult.
- 3) There is a persistent demand from the employers' side to delete or amend chapter V-B of Industrial Disputes Act, 1947. This chapter denies laying off, retrenchment and closure in all undertakings employing more than 100 workers every day for the preceding 12

months without prior approval from the Government. Here, we may recall that the strikes (by trade unions) and lockouts (by employers) are two different components of industrial disputes. The study undertaken by Prof. Ruddar Datt reveals that “both in magnitude and intensity, lockouts impose much more severe punishment on the working class since the maydays lost per dispute in a lockout were 16,273 during 1961-75. The loss sharply increased to 39,136 maydays during 1976- 90”. This is an indicator of the rising militancy of management against the workers during 80s and onwards. Various kinds of tactics like partial closure, use of retrenchment/VRS, lockouts as a means towards closure, sub-contracting, transfer of ownership etc. are resorted by the management to force retrenchment, voluntary retirement, reducing the status from regular workers to bad lies, cut in wages, etc.

Keeping in view the above facts, we can say that in spite of the provisions contained in chapter V-B of Industrial Disputes Act, 1947, the workers are being rendered jobless. In a recent move, the budget proposal for the year 2001-02 proposes to modify chapter V-B of Industrial Disputes Act 1947 so as to incorporate flexibility in use of labour. It is proposed that prior permission from Government for lying off labour, retrenchment and closure may be required for industrial establishments employing not less than 1000 workers instead of 100 workers.

- 4) Recently western countries through World Trade Organisation are trying to impose the social clause on developing countries. Under social clause, they are insisting on international trade agreement that links import with conformity to labour standards. Labour standards include not engaging child labourers, observation of minimum wages, equal employment opportunities, environment, safety etc. Trade unions have been opposing these social clauses as they fear that it could be pursued as protection in trading activities and as a political weapon in global politics. If the social clause is accepted it will make the future of industrial relations very uncertain.

In brief, how can we reconcile the twin objectives of (i) enhancing productivity and overall efficiency under competitive pressures by the enterprises; (ii) ensuring the basic workers' rights? These are the real challenges and difficult tasks before the policy makers.

- 5) Weakening of trade unions: Increases in the employment of temporary, casual, contract labour and female labour in place of permanent labour creates insecurity among workers. these developments divide the workers and weaken the trade unions.
- 6) The privatisation of the public sector can also act as a tool for breaking up the organised labour movement. When privatisation leads to job in-security, it might prevent them from participating actively in the trade union activities. So privatisation also will create division among the permanent employees and those who are on contract basis. Hence, weakening of the trade union movements will not be surprising feature of the privatisation programme.
- 7) Taking advantages of tax holidays, interest concessions, subsidies and de-licensing, the companies in private sector are relocating their production units in backwards areas.

Labourers employed in such units are casual, temporary, non-unionised and on contract basis. This is adversely affecting industrial relations.

- 8) Labour-saving technologies have also resulted in distortions in the compensation structure even within the same unit for doing the same work. National federations of labourers are not interested in taking up the cases of contract and casual labourers. This is leading to fragmentation of labour movement and poor impact on industrial relations.

4.5. Industrial disputes

The problem of industrial disputes is common to almost all the developed and developing countries of the world. Industrialization has tended to create a hiatus between management and workers, owing to the absence of worker ownership over the means of production this gap has led to industrial friction and conflicts, which ultimately cause industrial disputes. The causes of industrial disputes can be broadly classified into two categories: economic and non – economic industrial causes. The economic causes will include issues relating to compensation like wages, bonus, allowances, and conditions for work, working hours, leave and holidays without pay, unjust layoffs and retrenchments. The non – economic factors will include victimization of workers, ill treatment by staff members, sympathetic strikes, political factors, indiscipline etc.

4.5.1. Meaning of Industrial Disputes

According to section 2 of the industrial Dispute Act, 1947, “Industrial dispute means any dispute or difference between employers and employees and between employers and workmen or between workmen and workmen, which is connected with the employment or non – employment or the terms of employment or with the conditions of labour of any person”. Industrial disputes are symptoms of Industrial unrest in the same way that boils are symptoms of a disordered body. Whenever an industrial disputes occurs, both management and workers try to pressurize each other. The management may resort to lock – out and the workers may resort to strike, gherao, picketing etc.

4.5.2. Forms of Industrial Disputes

Some forms of disputes are given as follows:

Strike

Strike is a very powerful weapon used by a trade union to get its demands accepted. It means quitting work by a group of workers for the purpose of bringing pressure on their employer to accept their demands. According to Industrial Disputes Act, 1947, “Strike means a cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal or a refusal under a common understanding of any number of persons who are or have been so employed, to continue to work or to accept employment”.

Economic Strike

Under this type of strike, members of the trade union stop work to enforce their economic demands such as wages, bonus and other conditions of work.

Sympathetic Strike

The members of a union collectively stop work to support or express their sympathy with the members of other unions who are on strike in the other undertakings.

General Strike

It means a strike by members of all or most of the unions in the region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. It may also be an extension of the sympathetic strike to express general protest by the workers.

Sit Down Strike

When workers don't have their place of working, but stop work, they are said to be on sit down strike or stay in strike. It is also known as tools or pen down strike. The workers remain at their work – place and also keep their control over the work facilities.

Slow Down Strike

Employees remain on their jobs under this type of strike. They don't stop working but restrict the rate of output in an organized manner. They adopt go – slow to put pressure on the employers.

Lockout

Lock out is declared by the employers to put pressure on their workers. It is an act on the part of the employers to close down the place of work until the workers agree to resume the work on the terms and conditions specified by the employers. The Industrial Dispute Act, 1947 has defined lock out as the closing of a place of employment or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him. Lock outs are declared to curb the activities of militant workers. Generally, lock out is declared trial of strength between the management and its employees.

Lay Off

Lay – Off means inability or refusal or failure of an employer to give employment to a workman who is on rolls of his industrial establishment and who has not been retrenched. This is done by the employer on account of shortage of power, raw material, breakdown of machinery or for other reasons.

Gherao

It is a Hindi word which means to surround. The term 'Gherao' denotes a collective action initiated by a group of workers under which members of the management of an industrial establishment are prohibited from leaving the business or residential premises by the workers who block their exit through human barricade.

A human barricade is created in the form of a ring or a circle at the center of which the persons concerned virtually remain prisoners of the persons who resort to gherao. Gheraos are quite common in India these days. Gheraos are resorted to not only in Industrial

organizations, but also in educational and other institutions. The person who are gherao are not allowed to do any work.

Gherao have been criticised legally and morally. Legally gherao amount to imposing wrongful restraints on the freedom of some persons to move. That is why, courts have held it as illegal action. Gherao tend to inflict physical duress on the person affected. They also create law and order problem. Morally, to gharao a person to press him to agree to certain demands is unjustified because it amounts to getting consent under duress and pressure. A person who is gheraoed is subjected to humiliation.

Moreover, a person who has made a promise under gherao is justified in going back over the word after that. In short, as pointed out by a national commission on labour, gherao cannot be treated as a form of industrial protest because it involves physical coercion rather than economic pressure.

4.5.3. Industrial Disputes in India

As discussed above, the two most prominent forms of protests are strike and lockouts. The disputes result in the loss of production and national income. Therefore, it is not only necessary to know the nature and trends of these disputes, but also important to know the factors responsible for their emergence.

Increasing Trend of Man Days Lost

In the first three decades after independence, there was an alarming rising trend of the man days lost. In 1951, there was a loss of 38 lakh man days where it was about 70 lakh man days lost in 1956. Which jumped to 138 lakh man days lost in 1966 and again to 206 lakh man days lost in 1970. Due to rapid rise in prices in 1974, a record 402 lakh man days were lost. During 1981, it stood at 366 lakh man days, out of which strikes accumulated for 58 percent of the total time loss and lockouts had a share of 42 percent. An interesting fact is that the share of man days lost due to strikes was 11 percent and those due to lock outs, was 89 percent in 2003. The main factors behind the spread of industrial unrest are political instability in the country, growing indiscipline among the workers, the discredited trade union leader who lost their image during the period of emergency and more frequent use of lock outs by the employers after New Economic Policy 1991.

Rise in the Share of Lock Outs in Man Days

The share of lock out in total days lost has been on the rise. In 1951, 26 percent of the man days lost was through lock outs. This share rose to 40 percent in 1960, to 47 percent in 1971 and to 80 percent in 2004.

A trend analysis from 1961 to 1981 reveals that whereas the average life of a strike has remained between 8 to 13 days, whereas the average life of lock outs increased from 11-man days in 1961 to 13-man days in 1976 and further to 112 during 2004. The share of days lost due to lockouts increased from 68 percent in 1994 to 90 percent during 2003.

Industrial Peace

Industrial peace refers an Act relating to industrial matters as well as prevention and settlement of industrial disputes. This Act applies to industrial matters in relation to conciliation as well as arbitration for prevention and settlement of industrial disputes extending beyond the limits of any one state. In other words, industrial peace constitutes an obligation established by an explicit no – strike clause contained a collective bargaining agreement or deriving implicitly from the mere fact of signing of a collective agreement. Actually, it is a matter of controversy whether an explicit no -strike clause can give rise to a peace obligation binding on individual employees as well or only on the unions which have signed the relevant collective agreement. But it is widely recognised that, an economy organised for planned production and distribution aiming at the realization of social justice and welfare of the masses, can function effectively only in an atmosphere of industrial peace.

4.5.4. Causes of Industrial Disputes

We can classify the causes of Industrial Disputes into two broad groups Economic causes and Non – Economic Causes.

A. Economic causes include:

- Wages
- Bonus
- Dearness Allowances
- Conditions of Work and Employment
- Working Hours
- Leave and Holidays with pay
- Unjust dismissals of retrenchment

B. Non – economic causes include:

- Recognition of Trade Unions
- Victimization of Workers
- Ill -treatment by supervisory staff
- Sympathetic strikes
- Political causes

C. Wages and Allowances

Since the cost of living has generally shown an increasing trend, the workers have been fighting for higher wages to meet the rising cost of living and to increase their standard of living 34.1 percent of the Industrial Disputes in 1973 were due to demand for higher wages and allowances. This percentage was 36.1 percent in 1974. During 1985, 22.5 percent of the disputes were due to wages and allowances. Wage and allowances accounted for 25.7 percent of disputes in 1986, 26.6 percent in 1992, 25 percent in 1966 and 20.2 percent in 2000.

D. Personnel and Retrenchment

Personnel and retrenchment causes have also been important. During 1973, 24.3 percent of the industrial disputes were because of dismissals, retrenchment etc. as compared to 29.3 percent in 1961. In 1979, personnel and retrenchment topped the list of causes of industrial disputes with 29.9 percent. The number of disputes because of personnel a retrenchment was 32 percent in 1971, 23.1 percent in 1985 and 19.8 percent in 1996. In 2000, about 12.1 percent of the disputes occurred due to dismissals, layoffs and retrenchment etc.

E. Bonus

The Bonus has been an Important factor in the industrial disputes, 0.3 percent of the industrial disputes in 1973 were because of bonus as compared to 6.9 percent in 1961, 13.6 percent and 15.2 percent of the disputes were due to bonus during 1976 and 1977 respectively. It is worth noting that during 1982 only 43.7 percent of the disputes were due to bonus as compared to 7.3 percent in 1985. This percentage was 4.2 in 1992, 3.6 percent in 1996 and 8.5 percent in 2000.

F. Indiscipline and Violence

The number of disputes because of indiscipline and violence among the workers has been significant. During 1987, 15.7 percent of the disputes were because of indiscipline and violence as compared to only 5.7 percent in 1973. During 1985, 16.1 percent of industrial disputes were caused by indiscipline and violence in industrial undertaking. This shows that indiscipline and violence have continued to be a serious problem in industry during the past two decades.

G. Leave and Hours Work

Leave and hours of work have been so important causes of industrial disputes. During 1973, 1.5 percent of the causes were because of leave and hours of work. Their percentage share in the industrial disputes was 2.2 percent in 1977, 1.5 percent in 1996 and 0.9 percent in 2000.

H. Miscellaneous Causes'

Miscellaneous causes include modernisation of plant and the introduction of computers and automatic machinery recognition of union political factors etc. These factors have caused a significant number of industrial disputes in the country, 24.1 percent of the industrial disputes in 1973 were due to miscellaneous causes. They accounted for 19.5 percent of the industrial disputes in 1977, 29.2 percent in 1985, 27.8 percent in 1996 and 33.2 percent in 2000.

The Miscellaneous Causes of Industrial Disputes are as follows”

- ❖ Workers' resistance to rationalization, introduction of new machinery and change of place of factory.
- ❖ Non – recognition of trade union.
- ❖ Rumors spread out by undesirable elements.
- ❖ Working conditions and working methods.
- ❖ Lack of proper communication.
- ❖ Behaviour of supervisors.
- ❖ Trade union rivalry, etc.

4.6. Measures to improve Industrial Relations

The following measures should be taken to achieve good industrial relations:

I. Progressive Management

There should be progressive outlook of the management of each industrial enterprise. It should be conscious of its obligations and responsibilities to the owners of the business, the employees, the consumers and the nation. The management must recognise the rights of workers to organise unions to protect their economic and social interests. The management should follow a positive approach i.e., it should anticipate problems and take timely steps to minimize these problems. Challenges must be anticipated before they arise otherwise reactive actions will compound them and cause more discontent among the workers.

II. Strong and Stable Union

A strong and stable union in each industrial enterprise is essential for good industrial relations. The employer can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honoured by a large section of the workforce. Therefore, there must be a strong and stable union in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service.

III. Atmosphere of Mutual Trust

Both management and labour should help in the development of an atmosphere of mutual cooperation, confidence, and respect. Management should adopt a progressive outlook and should recognise the right of workers.

Similarly, labour unions should persuade their members to work for the common objectives of the organisation. Both the management and the unions should have faith in collective bargaining and other peaceful methods of settling industrial disputes.

4.7. Methods of Settlement of Industrial disputes and Prevention Mechanism

4.7.1. Prevention of Industrial disputes

Consequences of an Industrial Dispute will be harmful to the owner of Industries, workers, economy and the nation as a whole, which causes loss of productivity, market share, profits and colours of the plant too. Therefore, industrial disputes need to be averted by all possible ways.

4.7.2. Model Standing Order

The terms of conditions of employment have been a bone of contention between labour and management since the advent of the factory system. The standing orders regulate the conditions of employment from the stage of entry in the organization to the stage of exits from the organisation. They constitute the regulatory pattern for industrial relations. Since the standing orders provide Do's and Don'ts, they also act as a code of conduct for the employees during their working life within the organization. To prevent the emergence of industrial stifle over the conditions of employment, one important measure of is the standing orders. Under the industrial employment Standing Orders Act, 1946, it was made obligatory that Standing Orders would govern the conditions of employment.

The Standing Orders define with sufficient precision of employment under the employers and hold them liable to make said conditions known to workmen employed by them. These orders regulate the conditions of employment, discharge, grievances, misconduct, disciplinary actions etc. of the workmen employed in industrial disputes. These issues are potential problems in industrial relation. Unresolved grievances can become industrial disputes; and disciplinary action in the wake of disciplinary proceedings against misconduct may also lead to an industrial dispute.

4.7.3. Code of Discipline

Code of discipline is a set of a self – imposed mutually voluntary principles of discipline and good relations between the management and the workers in industry. In India, Code of Discipline was approved by the 16th Indian Labour Conference held in 1958. According to National Commission on Labour, the code in reality has been of limited use. When it was started, very favourable hopes were thought of it; but soon it started acquiring rust.

Main reasons for lapses on the part of the employer and employees to secure harmonious relations through the code may be listed as below:

4.7.4. Labour Welfare Officer

The Factories Act, 1948, provides for appointment of labour welfare officer in every factory employing 500 or more workers to look after all facilities in the factory provided for the health, safety and welfare of the workers. He maintains the liaison with both the employer and workers and serve as a communication link and contributes towards healthy industrial environment by properly administering standing orders, grievance procedure etc.

4.7.5. Labour Participation in Management

It is a method whereby the workers are allowed to be consulted and to have a say in the management of the unit. The important schemes of worker's participation are:

Work Committee

In the work committee, the representatives of the workmen are to be chosen from the workers engaged in the establishment. Their number of representatives shall not be less

than the number of representatives of the employer. The Royal Commission on the Labour considered works committee as internal machinery for the prevention and settlement of industrial disputes. It suggested three ways to stabilise the industrial relationship. The first was to encourage the establishment of stable trade unions. Second was to establish works committee in industries. The third was the appointment of labour officer for the welfare of labour.

Functions of work committee

The Indian Labour Conference in 1959 declared the following items with which the works committee would deal with,

- ❖ Basic amenities such as drinking water, rest rooms, medical, health and canteen services.
- ❖ Conditions of work such as proper light, ventilation, temperature and sanitation. Promotion of thrift and saving.
- ❖ Educational and recreational activities.
- ❖ Administration of festivals and national holidays.
- ❖ Safety and accident prevention, occupational diseases and protective equipment.

Joint Committee or Joint Management Council

Joint management council originated in the Government's industrial policy resolution, April 1956. After the publication of second five-year plan and a team was appointed to study the working "worker's participation in management" in some European countries. The 15th session on the Indian Labour Conference accepted the recommendation of the team. The main objective of the joint council is

- To promote cordial relations between management and worker
- To secure better welfare and other facilities for workers and train them to understand and share the responsibility of management.

Functions

The important functions of the joint management council laid down by the 15th session of an Indian Labour Conference in these areas are as follows: The joint management council should make efforts,

- To encourage suggestions from employees
- To improve working and living conditions of the employees
- To encourage communication between management and employees

The joint management council should have the right to receive information, discuss and give suggestions on,

- ✓ General running of undertaking
- ✓ General economic situation of the organization
- ✓ Methods to manufacture and work
- ✓ The state of production, marketing and sales undertaking
- ✓ Long term plans of development
- ✓ Annual balance sheets and profits

The joint management council should be entrusted with responsibility in respect of

- Administration of welfare and safety measures
- Preparation of work schedule, breaks and holidays
- Operation of vocational training
- Payment of rewards for valuable suggestions from employees

Joint management council should be consulted by the management on matters like

- Introduction of new methods of production
- Reduction, closure or cessation of operations
- General administration of standing orders and their amendment whenever required

Collective Bargaining

Collective bargaining is the most developed in Indian history since independence and deserves the attention of all who are concerned with the preservation of industrial peace and implementation of industrial productivity. In the laissez faire the employer enjoyed unfettered rights to hire and fire. In United States of America, the workers have the right to organize and bargain collectively. In Japan the right to collective bargaining is guaranteed under their constitution. Collective bargaining in India is of late development and therefore in view of the above circumstances, the legislature in order to establish and maintain harmony and peace between labour and capital come out with a legislation named. The industrial dispute Act, 1947 which provides for the machinery for the settlement of industrial disputes. This act has two main objects, first is the investigation and the second is the settlement. There is some routine criticism of the adjudicatory system, i.e., delay, expensive governmental interference in referral and uncertain outcome. Therefore, the parties to the industrial disputes are coming closure to the idea that direct negotiations provide better a approach to resolving key difference over wages and other conditions of employment.

4.8. Necessary conditions for effective collective bargaining

✓ Favourable Political and Social Climate

That existence of a favourable political and social climate is a necessary condition for effective collective bargaining. Collective bargaining has made headways in settling industrial disputes in the countries where it has been duly supported by the government and favoured by the public. From this point of view, the political climate has not been much favourable for collective bargaining in India. Sometimes due to multiplicity of trade unions in the country sponsored by different political parties' employees are favoured not based on the merit of issue involved in disputes but based on their different political considerations.

✓ Problem Solving Attitude

Both the parties while negotiating should adopt a problem solving to reach an agreement. Neither party should adopt an adamant or fighting aide. The negotiating team should follow give and take approach.

✓ **Trade Unions**

In a democratic country like ours, employees should have fundamental rights to form trade unions for protecting their interests. Stronger the trade union, effective is the collective bargaining and vice – versa.

✓ **Availability of Data**

Data and information serve as inputs for decision making. Hence, the availability of required data serves as a pre – requisite for successful collective bargaining.

✓ **Continuous Dialogue**

Possibility for an agreement may increase with continuation of dialogue. Sometimes there may be deadlock. In such cases, dialogue must not end but continue with problem solving approach. Keeping the controversial issue aside for the time being may help narrow down disagreement and continue the dialogue.

The major objectives of collective bargaining are,

- ❖ To protect the interest of both the employer and employee
 - ❖ To foster and maintain cordial and harmonious relations between the employer /management and the employees.
 - ❖ To promote industrial democracy
 - ❖ To keep the government interventions at bay
- The Importance of collective bargaining are

Collective bargaining develops better understanding between the employer and employee.

- It promotes industrial democracy
- It benefits the both employer and employees
- It is adjustable to the changing conditions
- It facilitates the speedy implementation of decisions arrived at collective negotiations

✓ **Tripartite Bodies**

Industrial relations in India have been shaped largely by the principles and policies evolved through the tripartite consultative machinery at industry and national level. The aim of the consultative machinery is to bring the parties together for mutual settlements of differences in a spirit of cooperation and goodwill.

India labour conference (ILC) and standing labour committee have been constituted to suggest way and means to prevent disputes. The representatives of the workers and employers are nominated to these bodies by the central government in consultation with the all – India organisations of workers and employers.

The agenda of ILC/SLC meetings is settled by the labour ministry after taking into consideration the suggestions set to it by member organizations. These two bodies work with minimum procedural rules to facilitate free and full discussions among the members. The ILC meets once a year, whereas the SLC meets as and when necessary.

4.9. Machinery for Settlement of Industrial Disputes

Conciliation

Conciliation refers to the process by which representatives of employer and employees are brought together before a third party to discuss, reconcile their differences and also to arrive at an agreement through mutual consent. The third-party acts as a facilitator in this process. Conciliation is a type of state intervention in settling the Industrial disputes. The industrial disputes Act empowers the central and state government to appoint conciliation officers and a Board of Conciliation as and when the situation demands.

Arbitration

A process in which a neutral third-party listen to the disputing parties, gathers information about the disputes and then takes a decision which is binding on both the parties. The conciliator simply assists the parties to come to a settlement are in progress. The advantages of arbitration are a) it is established by the parties themselves and therefore both parties have good faith in the arbitration process b) the process is formal and flexible in nature c) it is based on mutual consent of the parties and therefore helps to build healthy industrial relations. The disadvantage of arbitration are, a) arbitration is an expensive procedure and the expenses are to be shared by the labour and the management b) delay often occurs in the settlement of disputes c) Judgement can become arbitrary when the arbitrator is incompetent or biased.

Types of Arbitration

Voluntary Arbitration

In this arbitration the arbitrator is appointed by both the parties through mutual consent and arbitrator acts only when the dispute is referred to him.

Compulsory Arbitration

Implies that the parties are required to refer the dispute to the arbitrator whether they like him or not. Usually, when the parties fail to arrive at a settlement voluntary or when there is some other strong reason, the appropriate government can force the parties to refer the dispute to an arbitrator.

Adjudication

Adjudication is the ultimate legal remedy for settlement of Industrial dispute. Adjudication implies intervention of a legal authority appointed by the government to make a settlement which is binding on both the parties. Alternatively, adjudication implies a mandatory settlement of an industrial dispute by a labour court or a tribunal. For the purpose of adjudication, the industrial dispute Act provides a 3 – tier machinery i.e., Labour court, industrial tribunal and National Tribunal.

Industrial democracy:

Introduction: Over the last several years, a combination of powerful social, cultural, political economic and industrial pressures has created world - wide demand for greater participation and democratisation. According to Abraham Lincoln, Democracy is ‘**Government of the people, by the people and for the people**’. Industrial Democracy should likewise, mean management of a unit by the people, and for the people. People here would mean all those concerned with a unit- the owners, the managers, the workers, the customers, the suppliers, the state and the society as a whole. They are all important as they have stake in the proper functioning of the unit.

In a dynamic society, industrial relations should be based on an integrated and synthetic approach, and should aim at the development of a common social, cultural and psychological understanding on the one hand and restraining the conflict or struggle complex on the other. The philosophy behind industrial relations in a democratic set-up is to ensure the dignity and welfare of the individual, so that he may develop into a good citizen, so that he may be free from domination, regimentation or arbitrary authority, where this authority is exercised by a management, Trade Union officials or government officials.

4.10. Meaning and Significance of Industrial Democracy:

Democracy is ‘Government of the people, by the people and for the people. Industrial Democracy should likewise, mean management of a unit by the people, and for the people. ‘People’ here would mean all those concerned with a unit-the owners, the managers, the workers, the customers, the suppliers, the society and state as a whole.

Unfortunately, however, political thinkers, social scientists, administrators, businessmen, all have so far thought only of the workers and not others in their concern for industrial democracy. The state sets its say as a regulator of business. The customer, the suppliers and the society are left out. Some awareness towards society in developing through realisation of social responsibility of business.

Real industrial democracy will come about when major policy decisions in an industrial unit are taken by a body comprising representative of all parties concerned, each having an equal voice in an environment that enables free and frank expression of power.

Purpose of Industrial Democracy:

The purpose of industrial democracy is to give the workers a sense of belongingness to the organisation and a sense of commitment to various decisions taken. In its absence they will consider themselves to be just employees, having no commitment to the objectives or the policies, plans and programmes of the organisation and no responsibilities for anything that goes wrong in relation to them in the organisation. This will, in the ultimate analysis, hinder the effective working of the organisation and its growth.

4.11. Workers' Participation in Management:

Workers' participation in management is a highly complex concept. The notion that workers should participate in the management of enterprises which employ them is not a new concept. It has apparently existed since the beginning of the industrial revolution. However, its importance increased gradually over a period of years due to the growth of large-scale enterprises, increase in work-force, paternalistic philosophy and practice of informal consultation. Moreover, the growth of professionalism in industry, advent of democracy, and development of the principle of social justice, transformation of traditional labour management relations have added new dimensions to the concept of participative management. The philosophy underlying workers' participation stresses: (i) democratic participation in decision-making; (ii) maximum employer-employee collaboration; (iii) minimum state intervention; (iv) realisation of a greater measure of social justice; (v) greater industrial efficiency; and (vi) higher level of organisational health and effectiveness.

It has been varyingly understood and practised as a system of joint consultation in industry; as a form of labour management cooperation; as a recognition of the principle of co-partnership, and as an instrument of industrial democracy. Consequently, participation has assumed different forms, varying from mere voluntary sharing of information by management with the workers to formal participation by the latter in actual decision-making process of management.

Workers' participation in management is mental and emotional involvement in group Industrial Democracy situation which encourages workers to contribute to group goals and share responsibility. Participation has three ideas:

- i. First, participation means mental and emotional involvement, rather than mere muscular activity. A person's self is involved rather than his body. It is more psychological than physical.
- ii. Second idea in participation is that it motivates persons to contribute to achievement of organisational goals by creative suggestions and initiatives.
- iii. Third area is that it encourages people to accept responsibility. They are ready to work with the manager, instead of against him.

To put it briefly, it is team working together for a common purpose, it is a notion of industrial democracy. Workers have greater say over their work situation.

4.11.1. Objectives of Workers Participation in Management

The objectives of workers' participation in management are as follows:

- To raise level of motivation of workers by closer involvement.
- To provide opportunity for expression and to provide a sense of importance to workers.
- To develop ties of understanding leading to better effort and harmony.
- To act on a device to counter-balance powers of managers.

- To act on a panacea for solving industrial relation problems.

4.11.2. Elements of Participation

The term “participation” has different meanings for different purposes in different situations. McGregor is of the view that participation is one of the most misunderstood idea that has emerged from the field of human relations. Keith Davis has defined the term “participation” as the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibilities in them. This definition envisages three important elements in participation. Firstly, it means mental and emotional involvement rather than mere physical activity; secondly, participation must motivate a person to contribute to a specific situation to invest his own resources, such as initiative, knowledge, creativity and ingenuity in the objectives of the organisation; and thirdly, it encourages people to share responsibility for a decision or activity. Sharing of responsibility commits people to ensure the success of the decision or activity.

Different **forms of participation** are discussed below:

4.11.3. Collective Bargaining: Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counter threats like; strikes, lockouts and other direct actions. Joint consultation, on the other hand, is a particular technique which is intended to achieve a greater degree of harmony and cooperation by emphasising matters of common interest. Workers prefer to use the instrument of collective bargaining rather than ask for a share in management. Workers’ participation in the U.S.A has been ensured almost exclusively by means of collective agreements and their application and interpretation rather than by way of labour representation in management.

4.11.4. Works Councils: These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.

4.11.5. Joint Management Councils and Committees: Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.

4.11.6. Board Representation: The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers' representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.

4.11.7. Workers Ownership of Enterprise: Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and worker's council. Even in such a system, there exist two distinct managerial and operative functions with different sets of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

4.12. Workers' Participation in Management in India

In our country, the concept of workers' participation in management is comparatively of recent origin even though there were a few instances of informal joint consultation as early as in 1920's in the Government Printing Press, Tata Iron and Steel Company, Jamshedpur, Indian Aluminium Works, Belur and in the Railways. The Delhi Cloth and General Mills Ltd. also introduced worker's participation in management in 1938 by having an elected representative of workers on the Board of Directors of the Mills. The element of participation was also evident in the Permanent Arbitration Board at Ahmedabad, where representatives of the Mill Owners' Association and the Textile Labour Association settled many disputes through voluntary arbitration. The Royal Commission on Labour (1929-31) recommended the formation of works committees, "which can play a useful part in the Indian industrial system".

It also suggested the establishment of a joint machinery to deal with the more general questions, and to act as an advisory appellate body in respect of disputes which are confined to one establishment. The recommendations of the Commission bore fruit with the provision of formal statutory machinery under the Bombay Industrial Relations Act, 1946, and the Industrial Disputes Act, 1947. The B.I.R. Act, which applies to the textile industry in Maharashtra and Gujarat, provides for the setting up of joint committees only in units which have a representative union. The U.P. Industrial Disputes Act, 1947 provides for the formation of works councils in State government undertakings, employing 100 or more workmen. The Government of Gujarat by the B.I.R. (Gujarat Amendment) Act, 1972 have made it compulsory for industrial establishments employing 500 or more workmen to set up joint management councils.

4.13. Participation/Consultation at the Company and Shop floor Levels in India

Since Independence, various schemes have been formulated to provide for employee participation/consultation at the company and shop floor levels. Some of these are discussed below.

Works Committees (1947): The Industrial Disputes Act, 1947 provides for limited participation of elected representatives of workers in bipartite works committees with a view to promoting measures for securing and preserving amity and good relations between employers and workers. Some committees like the canteen and safety committees are statutory. The functioning of the committees are, however, not satisfactory due to the lack of clarity about their scope and functions and conflict between the elected representatives of the works committees and the trade unions operating in the enterprises.

Joint Management Councils (1958): The Industrial Policy Resolution, 1956 reiterated that, 'in a socialist democracy labour is a partner in the common task of development and should participate in it with enthusiasm. There should be joint consultation and workers and technicians should, wherever possible, be associated progressively in management.' Accordingly, in 1958, Joint Management Councils (JMCs) were introduced. They were supposed to be responsible for welfare, safety, vocational training, preparation of holiday schedules, etc. They were also to be consulted on matters relating to changes in work practices, amendment or formulation of standing orders, rationalisation, productivity, etc. They did not receive much support from unions or management and the apparent similarity in the scope and functions of JMCs and works committees resulted in a multiplicity of bipartite consultative bodies.

Employee Director in Nationalised Bank (1970): Following the nationalisation of Industrial Democracy banks in 1969, the government required all nationalised banks to appoint employee directors to their boards, one representing the workmen and the other representing the officers. The scheme entailed the verification of trade union membership, an identification of the representative union. The tenure of an employee director was to be three years, though union membership verification need not occur even once in a decade. In parallel, the government also began appointing labour representatives to the boards of several public enterprises; but these representatives had no direct link with the enterprise in organising the union at the local level and were drawn from among the national leadership or on the basis of some other elusive criterion. There was no clarity about the role and function of worker directors.

Amendment to the Constitution and the Workers' Participation (1975): In 1975 the Constitution was amended and Section 43A inserted in the Directive Principles of the Constitution. The section provided that, 'The State shall take steps by suitable legislation or in any other way to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry.'" Accordingly, the Scheme of Workers' Participation in Management at the shop floor and plant levels in manufacturing

mining industries employing 500 or more workers was notified in 1975. Shop floor and plant level councils were assigned specific functions relating to production and productivity, management of waste, reduction of absenteeism, safety, maximising machine and manpower utilisation, etc.

Scheme of Workers' Participation in Management (1977): Another scheme, broadly similar to the 1975 scheme, was introduced in 1977 and extended to commercial and service organisations with 100 or more employees. Both schemes evoked some enthusiasm initially during the Emergency, but withheld soon after the lifting of the Emergency and the change in government in 1977. In 1978, the new government constituted a special tripartite committee on workers' participation in management which recommended a three-tier participation at the levels of the board, plant and shop floor. But the government did not last long enough to implement the recommendations.

The 1983 Scheme: In 1983, another new scheme was introduced and made applicable to all central public sector enterprises, except where specifically exempted, and a standing tripartite committee was set up by the Ministry of Labour to facilitate review and corrective measures. Implementation of the scheme was left to the administrative ministries concerned. Barely half of the central public sector enterprises introduced the scheme over the next decade, and several of these atrophied subsequently.

Workers' Share in Equity (1985): The 1985-86 Union Budget made provisions for offering stock options to employees up to a total of at least 5 per cent of the total shares. This was intended to enhance workers' participation in management.

The 1990 Bill: The government's discontentment with the implementation of voluntary efforts resulted in the convening of a national seminar and the subsequent introduction of a bill in the Rajya Sabha in 1990 to introduce workers' participation at all three levels board, plant and shopfloor - through legislation. The bill is still (September 2000) to be taken up for discussion.

The Second National Commission on labour 2002 has recommended, "The time has come to legislatively provide for a scheme of worker's participation in management. It may be initially applicable to all establishments employing 300 or more persons. For the smaller establishments, a non-statutory scheme may be provided." This was followed by the government intention to pass a law that makes it mandatory for companies to go for worker's participation and reserve some seats for worker's representatives.

Check Your Progress

No.	Short Question	CO	PO	Level
1	What is meant by Industrial Relations machinery?	CO1	PO1	K1
2	Distinguish between preventive and curative methods of industrial dispute settlement.	CO1	PO2	K2
3	Define collective bargaining and state its significance.	CO2	PO1	K2
4	What is industrial democracy?	CO3	PO2	K1
5	Mention any two roles of the State in industrial relations.	CO4	PO3	K1

No.	Essay Type Question	CO	PO	Level
1	Explain the need for Industrial Relations machinery in maintaining industrial peace.	CO1	PO1	K3
2	Discuss the preventive and curative methods used in the settlement of industrial disputes.	CO1	PO2	K4
3	Examine the role of collective bargaining, arbitration, and adjudication in resolving industrial conflicts.	CO2	PO2	K4
4	Analyse the concept of industrial democracy and evaluate the importance of workers' participation in management.	CO3	PO3	K4
5	Critically assess the role of the State in regulating and promoting healthy industrial relations.	CO4	PO3	K5

Unit-V

Social Security and Reforms

5. Introduction

The idea of social security has developed over some undefined time frame. In the crude social orders, it was humanity's battle against weakness to shield him from the caprices of nature or finding the fundamental necessities of day to day life. In ancient age its Joint family system that dealt with the social security needs. With the rapid industrialization, there was a separation of family setup destructing the customary system urging the need of social security. In this way, the idea of social security continued developing and enlarging as there is no commonly accepted definition of the term.

Social security is essential for the individual's development and society. It is regarded as one of the essential human rights. Protection of those rights will help to accomplish different formative objectives of the nation. The notion of social security is extremely old, however the terms, the laws and foundations worked around it with the end goal to standardize the idea. Social security conveys means to deals with the emergencies situation and such security is to be provided by the state yet it additionally reaches out to security by state in the event of possibilities.

The expression "Social Security" was first authoritatively utilized in the title of the unified state's enactment the Social Security Act of 1935-despite the fact that this Act initiated programmes to meet the danger of old age, death, disability and jobless as it were. It showed up again in an Act passed in New Zealand in 1938 which united various existing and new social security benefits. It was in 1941 in the wartime documents known as the Atlantic Charter, of the eight points of the Atlantic Charter, one directly bear on Labour Standards, Economic Advancement, and Social Security. As per the fifth clause of the Charter the two prerequisite necessary to bring cooperation amongst the countries working in the economic field are to enhance the labour norms and to work toward achieving social security. The ILO was quick to embrace the term, awed by its incentive as a straightforward and capturing articulation of one of the most profound and most widespread desires of individuals all around the world.

In the Indian context, various authorities characterize the concept of social security distinctively and henceforth there is no commonly accepted definition of the term. As of late some new ideas such as safety nets, social protection and social funds have developed. Extensively, all these concepts are a piece of all-pervasive term social security, which comprises mainly two elements: security related to jobs or work in general and income security. In perspective of this, a broad idea of social security in India incorporates, the sum of all government regulations and provisions that aim at upgrading the general population's living conditions, including enactment/acts/laws, regulation, and planning in the fields of old age, wage, unemployment, health care, and also income security measures such as food security, employment, education and health, housing, social insurance, and social assistance.

5.1. Social security: A Definition

Social security has procured a more extensive understanding in few countries than in others. Essentially it may be interpreted as meaning which protect the interest of the individual through proper policy and effective welfare measure that help the people to overcome their economic and social distress.

Definition by Sir William Beveridge. In 1942, Sir William Beveridge headed a committee that reviewed the national schemes of social insurance in Great Britain amid the post war period Further his report is viewed as the foundation stone of the present social security system as he has proposed that social security system would play a role in reducing inequality and preventing poverty if social security is intended to fulfill the need to annul need by guaranteeing that every citizen willing to serve as indicates by his power has consistently a pay adequate to meet his obligations.

ILO defines social security as follows: “The security that society outfits, through appropriate organization, against specific risks, to which individual, are uncovered. These risks are essentially contingencies against which the individuals cannot afford by him”.

These risks are being sickness, maternity, invalidity, old age and death. It is the qualities of these contingencies that they imperil the ability of the working man to support himself and his dependents in health and decency. The society owes duty towards the remaining members in case they face certain event that is detrimental to their life.

As per aforementioned definition it established the existence of an organization which endeavor towards social security. Nonetheless the definition does not provide much as the definition does not deal with other facets of life such as political, economic, religious etc. which are very pertinent to a human’s life. The definition is only confine to dealing with situation and events that an individual may encounter which ultimately leads to reduction of his income or resources. The definition only deals with situations that endanger the individuals and his dependents.

As per the **contention of ILO social Security** is a multi-winged and multi-faceted concept. It is a social need of the people which ought to be started with birth and should proceed till death.

As per **National Commission on labour 'Social- Security'** deals with providing safeguards to the individual at the time of enforceable event.

Definition by Fried Lander

According to Friedlander Social security is a security which is to be provided to the society in individual in order to deal with various event and occurrence in life.

As indicated by him the idea of social security is used depict as a program of security to guarantee the supported offer to working class by covering certain risks to which a man is

exposed in which these dangers are to such an extent that an individual with pitiful profit can't bear.

Definition by Giri (V.V.)

V.V. Giri defines Social security as “Social security, as currently understood, is one of the dynamic concepts of the modern age which is influencing social as well as economic policy. It is the security that the state furnishes against the risks which an individual of small means cannot, today, stand up to by himself or even on private combination with his fellow countrymen.

Sinfield describes Social security situational i.e., as a state of complete protection against the loss of resources.

5.2. Essential Characteristics of Social Security

Social security is to provide security in the event of old-age, unemployment, sickness during such situation an individual is not in a position to sustain himself and his family members thus security should be provided in order to help such an individual. In most of the case the social security is provided to an individual by the schemes the following are the prerequisite that should be incorporated in the various schemes that may be introduced time and again by the government.

- i. In the first and foremost place any such scheme should incorporate provision on providing monetary benefits to the individual in case he suffers any loss owing to happening of some event.
- ii. These schemes should be endorsed by way of an enactment. It should also clearly mention the obligations or the duty of the state and any enforcement agency towards implementation of the said schemes.
- iii. It should be managed by both public as well as private organization
- iv. The benefits of the schemes should be available as and when required to the person who is in need of the same.

5.3. Evolution and Development of the concept of “social security”

Social security existed from the time immemorial designed to have its own social system in the form of joint family setup, craft guilds, philanthropy etc. While due to Industrialization, Urbanization and Privatization this lost its significance.

5.3.1. Pre-Independence Era: -

Social security is not a development after independence or after the adoption of the Indian Constitution. Social security existence was there in the form joint family, the caste and the community. It is through these agencies the individual were protected during the time of economic calamity. Along with Vedas and the ancient scriptures, religion also encouraged

people to maintain harmony in the society. Kautilya's Arthashastra, Manusmriti, Yagyavalka and Sukranti also talk about the directive principles of state policy. Among Islamic religion charity was in the form of Khairat and Sadaqah which given in the name of Allah and in certain occasions such as Id-ul-Fitr. Zakat was also paid at the rate of 2.5 percent by the Islam who possess a minimum amount of wealth.

With the industrialization and urbanization, the social set up completely changed. The duty was cast on the state to provide social security after the adoption of Constitution of India through directive Principles of state policies. Through which the Industrial legislation originated.

However, in 1880, the Indian textile were influencing the market and offering a unbendable competition to the British market. Thus this gave rise to the enactment of the Factories Act 1883. This Act was passed by the British Government to make the Indian labour costlier because of the pressure brought by the textile magnates of Manchester and Lancashire.

The conditions in those mills were pathetic the labourer had to face excessive working hours. Further there was no provision for safety, welfare, holidays, leave etc. for workers. Indeed, social security was known for its absence. The employees were prone to more accidental injury due to insufficient safety measure. Thus in order to protect their interest, Fatal Accident Act, 1855 was enacted. Through this act the compensation was paid to the worker and his dependents in case of death or the injury they face at the time of their employment.

In 1859, two legislations were enacted i.e. Indian Merchant Shipping Act and Workmen's Breach of Contract Act accordingly in 1860, Employers and Workmen (Disputes) Act were enacted which act as a mechanism to settle disputes between employer and employee. The workers of the plantation labour rights were protected through Island Emigration Act 1892 and Indian Mines Act, 1901 were subsequently enacted keeping into consideration of the health and safety of the workers in mines.

Thus from the above it is evident that the British Government had enacted laws only dealing with particular categories of Industries and these laws did not cover within its ambit the whole working class. There are no comprehensive social security laws and policies or no such things as one umbrella coverage for all workers and they need to be more efficient to cover entire working class. The government has adopted the non-interference policies toward the demand of the workers.

The First World War in 1919 prompted various new improvements, the world swung to harmony and reconstruction and brought into being in 1919 the International Labour Organization. In the very same year of its foundation, ILO adopted the Maternity Protection Convention 1919 envisaging payment of maternity benefit. Later between 1921 and 1941 ILO adopted as many as 17 Conventions. One of the important reforms that was brought during the Montague-Chelmsford Reforms was the enactment of Employees Compensation Act, 1923 followed by enactment of Provident Fund Act, 1925, Maternity Benefit legislation and the Employers' Liability Act.

The Royal Commission on Labour to enquire into the working condition of Industrial labour was also appointed in 1929. The commission also recommended that maternity benefit legislation on the lines of (Bombay) Maternity Benefit Act, 1929 should be enacted in the other provinces. However, no legislative step except on the maternity benefit (at provincial level) was taken. However, various committees were appointed during this period to look into the condition of the workers' health.

1919-1942 was marked as the major labour reform in the history as there was an amendment in the previous legislation and new legislation was enacted accordingly⁴⁴. These enactment addresses to certain industrial set up. Through this legislation enactment the workers right were protected in term of working condition, the workers were granted intervals during the working hours, holidays, bonus. Amid 1942-1946 India couldn't bear to overlook the development and the social security plans in other countries consequently the Government of India held a Third Labour Ministers Conference in the year 1942 in Delhi, through this the Labour Minister in order to protect the interest of the worker recommended for the implementation of scheme of sickness benefit and agreed to advance loan for the implementation of that scheme in industries in India. A milestone in the area of social insurance was reached by appointment of a committee in March 1943 by the government of India.

Adoption of International labour Organization brought changes in the existence labour legislation. Apart from that after First World War, there was a shift in the outlook of the British Government towards the Indian workers. Indians were offered an opportunity to an organization on neighborhood subject called exchanged subjects which paved a way in the growth of industrialization. Social security stepped into sound footing after Second World War extending the duty towards the Government authorities to protect the interest of the workers through Defense of India Rule. Subsequently the Government started taking interest on initiating labour policy. The committees were appointed accordingly by the Government who submitted their report taking into the consideration of the condition of the labours and on the basis of their recommendation the policy, schemes or legislation were framed accordingly.

5.3.2. Post-Independence period: -

It was after Indian Independence the worker rights were protected. Crucial labour laws governing the various aspect of work were passed in quick succession. After independence the labour welfare movement acquired new dimension. In most of the case the social security is provided to an individual by the schemes the following are the prerequisite that should be incorporated in the various schemes that may be introduced time and again by the government.

- i. In the first and foremost place any such scheme should incorporates provision on providing monetary benefits to the individual in case he suffers any loss owing to happening of some event.

- ii. These schemes should be endorsed by way of an enactment. It should also clearly mention the obligations or the duty of the state and any enforcement agency towards implementation of the said schemes.
- iii. It should be managed by both public as well as private organization
- iv. The benefits of the schemes should be available as and when required to the person who is in need of the same.

Indian Government took keen interest to provide the security to workers and passed a Several. In order to make employers' liable to pay the compensation to the employees and his dependent for the injury caused arising out of and in the course of employment Employee's Compensation Act 1923 was enacted and at state level Compensation Commissioners are appointed to execute the act. The ESI Act 1948 is a social insurance and is a contributory type scheme in which both medical and cash benefits are provided by the Employees' State Insurance Corporation (ESIC). EPF and Gratuity both is paramount Acts for the Social security in old age.

The Government has also enacted the legislation for the protection of workers working in the Mica and coal mines.

The Maternity Benefit Act 1961 is especially for the women workers it provides them security at the time of pregnancy for the workers it provides them security at the time of pregnancy and delivery. Social security is a subject of concurrent list so the Central Government constituted enactments for the workers and the state government bears the responsibility of their effective enforcement through Labour Department. The constitution of India enriched a list of Fundamental Rights and Directive Principles of State Policies for achievement of social order based on justice, liberty, equality and fraternity. The constitution made specific mention of duties that the state owes to labour for social regeneration and economic uplift.

The word social security is not explicitly mentioned in Indian Constitution but the framer of the constitution leaves no doubt that they are concern of the right of the citizen to enjoy social security by the provision of the Fundamental Rights and Directive Principles of State policy. Thus the concept of social security is implicit in the Constitution.

Two fundamental rights relating to working class are under Article 23 & 24 which lays down certain provision against exploitation of weaker section of the society and prohibition of employment of children in factories. Apart from these two provisions the Article 38, 39, 41, 43, 47 of the Directive Principles of State Policy of Indian constitution in Part IV refers to the State's obligation to make laws. These Articles in the constitution of India assure social security and socio-economic justice to the citizen.

Thus from the above it is evident that the Britisher had enacted laws only dealing with particular categories of Industries and these laws did not cover within its ambit the whole working class. Mentioned may be made of such laws dealing with providing compensation to the worker's uncertain emergencies.

In order to provide facilities related to health, recreational, education, and other welfare related matters there are many provision dealing with the same also it is the duty of the Government to sensitized the workers about all the available facilities, schemes etc which is being endorsed by the Government for the benefit of the workers. Nonetheless, the initiatives undertaken by the authorities have proved to be inadequate towards achieving the desired goals.

5.4. Need of Social Security

In India 90 percent of families earn their livelihood from the unorganized sector. Most of the rural and informal sector workers in the world do not have any social security measures. In most of the developing countries the rural and informal sector constitute the bulk of the population. They do not have any form of insurance or security (e.g. maternity benefits, retirement benefits, health insurance, etc.) no do they have representative organizations that might help them by fighting for their benefits. The poor are particularly vulnerable to the lack of health security measures. They spend a greater percentage of their budget on health-related expenditures. During sickness they need to spend a large amount of money for treatment are unable to earn money while under treatment. The Majority of poor households reside in remote rural areas, where no government and private medical facilities are available or obtaining treatment at town or district level hospital involves travel costs, which are not significant. As a worker/Employee, you need a source of social security protection for yourself and your family. As an employer you are responsible for providing adequate social security coverage to all your workers.

Needs that Necessitates Social Security

Physical Risks: Sickness, invalidity, old age, maternity, accidents, death.

Economic Risks: Unemployment, Economic burden of large family.

Social Impact of Social Security Measures

Short – term Effects: Provides adequate medical care and prevents accidents and illness which will ultimately benefit the workers and the society.

Long – term Effects:

- Higher productivity and a greater feeling of security.
- Reduced absenteeism, labour turnover and stabilized working class.
- Improve the living standards of the people and strengthen livelihoods.

Significance of Social Security Methods

Important step towards the goal of welfare state and helps in the formation of stable and efficient labour force.

- ❖ Tends to reduce the wastage arising out of industrial disputes, sickness, and disability.
- ❖ The Social cost of industrialization in the shape of unemployment, disability, frustration and mass dissatisfaction is considerably minimized.

Aims of Social Security Measures

Aims of social security measures are to be taken to improve the condition of work. Some of the aims of the social security measures are,

- Reduction in the hours of work.
- Better lighting and ventilation.
- Proper disposal of trade.
- Waste and adequate provision for the bathrooms etc.
- Improve the safety measures to reduce accidents and disability.

5.5. Approaches to Social Security

Social security is a very comprehensive term. The two important means of providing social security are social assistance and social insurance.

Social Assistance

Social assistance refers to the assistance rendered by the society to the poor and needy persons without placing any obligation on them to make any contribution to be entitled to relief as in the case of workmen's compensation, maternity benefit and old age pension etc. Thus, one may say that a social assistance scheme provides benefits to persons of small means granted as of right in amount sufficient to meet a minimum standard of need and financed from taxation.

Social assistance represents the unilateral obligations of the community towards its dependent group. It is provided by the society or the government to the poor and needy individual.

The important features of social assistance are: **(i)** the whole cost of the programme is met by the State and local units of Government **(ii)** benefits are paid as of legal right in prescribed categories of need **(iii)** in assessing need, a person's other income and resources are taken into account, certain resources such as a reasonable level of personal savings are disregarded.

Social Insurance

It is a method to provide benefits to persons of small earnings, which combine the contributions of the beneficiaries with subsidies from the employer and the state. In this case the beneficiaries, employers and the Government make contributions towards the creation of a common pool, out of which benefits are paid to the members in the event of any contingency. Thus, social insurance is a co-operative device which aims at granting adequate benefits to the insured on the compulsory basis in time of unemployment, sickness and other emergencies.

5.6. Review and appraisal and Special problems of child labour

Children are the greatest gift to humanity and Childhood is an important and impressionable stage of human development as it holds the potential to the future development of any society. Children who are brought up in an environment, which is conducive to their intellectual, physical and social health, grow up to be responsible and productive members of society. Every nation links its future with the present status of its children. By performing work when they are too young for the task, children unduly reduce their present welfare or

their future income earning capabilities, either by shrinking their future external choice sets or by reducing their own future individual productive capabilities. Under extreme economic distress, children are forced to forego educational opportunities and take up jobs which are mostly exploitative as they are usually underpaid and engaged in hazardous conditions. Parents decide to send their child for engaging in a job as a desperate measure due to poor economic conditions. It is therefore no wonder that the poor households predominantly send their children to work in early ages of their life. One of the disconcerting aspects of child labour is that children are sent to work at the expense of education. There is a strong effect of child labour on school attendance rates and the length of a child's work day is negatively associated with his or her capacity to attend school. Child labour restricts the right of children to access and benefit from education and denies the fundamental opportunity to attend school. Child labour, thus, prejudices children's education and adversely affects their health and safety.

India has all along followed a proactive policy in addressing the problem of child labour and has always stood for constitutional, statutory and developmental measures that are required to eliminate child labour. The Constitution of India has relevant provisions to secure compulsory universal primary education. Labour Commissions and Committees have gone into the problems of child labour and made extensive recommendations. India's judiciary, right up to the apex level, has demonstrated profoundly empathetic responses against the practice of child labour. Despite several proactive legislations, policies and judicial pronouncements, the problem of child labour persists as a challenge to the country.

5.7. Government Initiatives Legislation, Policy, Programmes and other Interventions:

The Constitutional guarantees are reflected in the policies, plans, laws and schemes on child labour. As per Article 24 of the Constitution, no child below the age of 14 years is to be employed in any factory, mine or any hazardous employment. Further, Article 39 requires the States to direct its policy towards ensuring that the tender age of children is not abused and that they are not forced by economic necessity to enter avocations unsuited to their age or strength. Recently, with the insertion of Article 21A, the State has been entrusted with the task of providing free and compulsory education to all the children in the age group of 6-14 year.

Child Labour (Prohibition and Regulation) Act (1986) was the culmination of efforts and ideas that emerged from the deliberations and recommendations of various committees on child labour. Significant among them were the National Commission on Labour (1966-1969), the Gurupadaswamy Committee on Child Labour (1979) and the Sanat Mehta Committee (1984). The Act aims to prohibit the entry of children into hazardous occupations and to regulate the services of children in non-hazardous occupations. In particular it is aimed at (i) the banning of the employment of children, i.e. those who have not completed their 14th year, in 18 specified occupations and 65 processes; (ii) laying down a procedure to make additions to the schedule of banned occupations or processes; (iii) regulating the working conditions of children in occupations where they are not prohibited from working; (iv) laying down penalties for employment of children in violation of the provisions of this Act and other Acts which

forbid the employment of children; (v) bringing uniformity in the definition of the child in related laws.

Despite several proactive legislations the problem persists as a challenge to the country. In consonance with the above approach, a National Policy on Child Labour was formulated in 1987, setting out objectives and priorities to eradicate child labour and protect all children from exploitation. The three components stated in the National Policy on Child Labour are: (a) Legislative Action Plan emphasizing strict and effective enforcement of legal provisions relating to Child Labour, (b) Focus on General Development Programmes for benefiting children and their families, and (c) Project-based Plan of Action focusing on areas with high concentration of child labour through implementation of National Child Labour Project.

Child Labour exists in India notwithstanding the Laudable provisions of the Constitution and laws addressing child labour. Despite the fact that a host of social, economic and cultural factors is responsible for continuance of child labour, Government is committed to the task of elimination of child labour in all its forms by adopting gradual and sequential approach to address the problem in its enormity.

To address the traditional and stereotype demand and supply factors including cheap and docile labour, poverty, illiteracy, indebtedness, unemployment and landlessness, that contribute to the prevalence of child labour, Government of India follows a multipronged strategy which involves strong enforcement of legal provisions relating to child labour with simultaneous efforts towards rehabilitation of children and by making efforts of raising the income levels of parents through linkages with the employment and income generation programmes and other poverty alleviation programmes of the Government.

With the objective to implement the multi-pronged strategy the National Child Labour Project (NCLP) was first initiated in 1988, as a part of a larger Plan of Action arising out of the National Child Labour Policy. The National Child Labour Project has been strengthened by several major initiatives at national, state and district level in the country aiming at elimination of child labour. The main thrust of this scheme has been to reduce the incidence of child labour in the pockets of their concentration. Providing education through special schools, and subsequently mainstreaming them in regular schools are the major activities under the NCLP at the ground level. The working children are identified through surveys conducted by the independent agencies, and inspections conducted by the Labour Department. On the basis of their reports, children are withdrawn from labour force. These children are enrolled in the special schools which provide formal/non-formal education, vocational training, supplementary nutrition, monthly stipend, regular health check-up, etc., and are subsequently mainstreamed in formal education or self-employment within a period of six months to three years of their enrolment in the special schools.

The principal agency for implementation of the NCLP is the Project Society formed at district levels and registered under the Registration of Societies Act, 1860. The Project Society functions under the overall chairpersonship of District Collector. The funds under the Scheme are sanctioned by the Ministry directly to the District Collector, who in turn, disburses them

amongst the NGOs for running these Special Schools for working children. The funds are also provided under the Scheme for conducting regular child labour surveys, awareness generation programmes and training of instructors/teachers, etc. The District Collector is assisted by the members of the Project Society who could be drawn from the relevant departments of the Government at the district levels, trade unions, employers' associations, and voluntary organizations. The operationalisation of the NCLP involves (a) establishing a Project Office in each of the child-labour endemic district (b), conducting survey and identification of child labour, particularly in hazardous occupations, (c) opening up of special schools and supporting them, (d) enrolment of working children in the special schools and ensuring their formal/informal education up to a maximum period of three years, (e) providing mid-day-meals and regular health check-ups to the enrolled children, and finally (f) mainstreaming those children and keeping track of them for some time after mainstreaming. In addition to these, the Project Office is also expected to (1) establish convergence of services and schemes with other departments, and (2) implement and monitor different labour laws relevant for abolition of child labour. All these stages are components of one integrated approach aim at reducing the intensity of child labour and also effectively contribute to overall development of children belonging to vulnerable section of the society in the concerned districts and subsequently at the all-India level.

National Child Labour Project was first launched in 1988 and the project was implemented in nine districts. By the end of 1989, a total of 12 projects were operational in eight states covering 13,668 working children who were employed in hazardous industries such as Glass, Brassware, Lock, Carpet, Slate, Tile, Match and Fireworks, Gems, Agro-Chemicals and Beedi. In August 1994, the process of rehabilitation of Child Labour was intensified after the in-depth consultations with District Collectors of child labour-endemic districts. Consequently, the NCLP Project was extended to 76 districts. The coverage progressively increased to 85 projects in 2001 and expanded to 100 districts by the end of 9th five-year Plan, and further expanded to 250 districts during the 10th Plan period and 271 districts during the 11th Plan period. The Supreme Court had issued a number of directions to the Central as well as state governments to eliminate child labour. Major thrust to the NCLP came with the landmark judgement of the Hon'ble Supreme Court in December 1996 in the case of M.C. Mehta Vs. State of Tamilnadu. The Honourable Supreme Court gave certain directions regarding the manner in which the children working in the hazardous occupations were to be withdrawn from work and rehabilitated, as also the manner in which the working conditions of the children employed in non-hazardous occupations were to be regulated and improved upon.

The Hon'ble Court specifically ordered withdrawal of children working in hazardous industries and ensuring their education in appropriate institutions. It also prescribed employment of at least one adult member of the family of the child so withdrawn from work, a contribution of Rs.20,000/- per child was ordered to be paid by the offending employer into a corpus of fund set up for the welfare of child labour & their families. Failing which, the State

Government to contribute to this Welfare Fund Rs.5,000/- per child. The interest earnings of this corpus were to be used for providing financial assistance to the families of these children. The Hon'ble Court also ordered regulation of working hours for the children engaged in non-hazardous occupations, so that their working hours did not exceed 5-6 hours per day and that at least two hours of education was ensured. It further directed that the entire expenditure on education of these children be borne by their employers. Thus the landmark judgment of the Honourable Supreme Court in December, 1996 in the case of M. C. Mehta vs. State of Tamil Nadu gave further impetus to the implementation of the different poverty alleviation schemes targeting child labour households.

The formulation and implementation of the National Child Labour project (NCLP) involves consultation with all the concerned Ministries/Departments. At the National level the progress of the programme is being monitored by the Central Monitoring Committee headed by Secretary, Ministry of Labour & Employment. A core group has been set-up for active convergence on a sustained basis among various ministries at the central level for rehabilitation of child labour and their families. This core group is headed by Secretary, Ministry of Labour & Employment comprising representatives from concerned Ministries such as Women and Child Development, HRD, Social Justice and Empowerment, Rural Development, Urban Housing and Poverty Alleviation. At the national level, various activities relating to the NCLP are carried out by the Child Labour Division in the Ministry of Labour & Employment (MoLE). Presently, the Child Labour Division is headed by Joint Secretary. The implementation of the NCLP Scheme is monitored by the Ministry of Labour & Employment (MoLE) through prescribed periodical reports and regular visits of Officials of MoLE, State Governments and Audit Departments. Funds are released based on the progress of project activities.

5.8. Elimination of Child Labour in India – Coordination with ILO

The International Labour Organisation (ILO) launched the International Programme for Elimination of Child Labour (IPEC) in the year 1991 with the objective to end child labour globally. India was the first country to sign the Memorandum of Understanding (MOU) in the year 1992. During the 11th Plan Period, three Projects viz., INDUS Project, Andhra Pradesh Phase-II & Karnataka Project were implemented in the country under ILO-IPEC. Jointly funded by the Ministry of Labour, Government of India and the Department of Labour, United States of America (USDOL), the INDUS Child Labour Project was implemented in ten hazardous sectors in 21 districts across five states viz. Delhi (NCT Delhi), Maharashtra (Districts of Amravati, Jalna, Aurangabad, Gondia and Mumbai Suburban), Madhya Pradesh (Districts of Damoh, Sagar, Jabalpur, Satna and Katni), Tamil Nadu (Districts of Kanchipuram, Thiruvannamalai, Tiruvallur, Nammakkal and Virudhunagar) and Uttar Pradesh (Districts of Moradabad, Allahabad, Kanpur Nagar, Aligarh and Ferozabad). The project adopted a participatory method to identify beneficiaries and enrolling child workers in schools, transitional education centres and vocational training centres was seen as a key

strategy for rehabilitation of child and adolescent workers withdrawn from work. The project was instrumental in the operationalising the public education component in the field. The Project also developed income generation strategies for child labour elimination by linking child labour families with the ongoing government schemes that provide access to micro credit and subsidies. The project has systematically worked at developing a comprehensive multi-pronged communication strategy. A variety of tools have been developed to aid awareness raising efforts at the field level. Through its Action Programmes, the INDUS project worked towards sensitising and building capacities of key government agencies and civil society partners in project states on child labour. The project, through an action research to study the occupational health and safety made efforts to develop interim solutions to protect adolescents and young adults from hazards at work places. The project has also operationalised a beneficiary tracking system, for tracking and following up on the progress of all project beneficiaries.

Converging against Child Labour: Support for India's Model Approved by the Government of India, the project of the ILO 'Converging Against Child Labour—Support for India's Model', with the duration of 42 months, is presently implemented in two districts each in the States of Bihar (Katihar and Sitamari), Jharkhand (Ranchi and Sahibganj), Gujarat (Surat and Vadodara), Madhya Pradesh (Jabalpur and Ujjain), and Orissa (Cuttack and Kalahandi). The broad objective of this project is to bring together various Government Departments and Stakeholders to work for the elimination of child labour.

5.9. Strategy for dealing with Child Labour during the 12th Five Year Plan Period

The strategy for dealing with Child Labour during the 12th Five Year Plan Period has been formulated based on the suggestions given by the members of the working group in the two meetings conducted on 27th May and 8th July 2011 (Minutes enclosed at Annexure XIII and XIV). The broad highlights of the suggestions are:

- ❖ The Child Labour (Prohibition and Regulation) Act should be strengthened and amended.
- ❖ The problems of working children of the migratory families should be addressed. Child labour survey should specifically capture migration of children. Residential schools should be opened in each Metro and Mega cities and also in every district.
- ❖ It is important to run residential schools for rehabilitation of child labour.
- ❖ The NCLP Scheme should expand further to a large geographical coverage.
- ❖ Emphasis should be given to the monitoring and tracking of NCLP school children.
- ❖ The convergence approach should be followed to enhance social protection and welfare measures for working children.
- ❖ The NCLP Scheme should be realigned in the light of Right to Education Act 2009. Teachers of the NCLP Special schools should be properly trained.
- ❖ Three tier Monitoring Committee at the District, State and National level should be made for effective implementation and monitoring of the NCLP Scheme.

- ❖ Panchayat Raj Institutions should be involved in monitoring and tracking of child labour.

5.10. Extension of National Child Labour Project (NCLP) Scheme:

The NCLP Scheme, which began with a modest number of only 12 districts, has been progressively extended to various parts of the country with the coverage of 271 districts in 21 States of the country (List of 271 districts spread over 21 States is given in Annexure-I). There have been demands from various States for expanding the coverage of NCLP Scheme to more districts, there is, therefore, a need to expand the Scheme in all the 600 districts in the country. The expenditure on 600 Project Societies works out to Rs. 72,11,57,80,000/- (Annexure IX). Further analysis of Census 2001 figures for Working Children indicates that approximately 12 lakh children are working in hazardous occupations. This includes 1.85 lakh children as Domestic Workers and about 71,000 children working in Dhabas, Hotels, Restaurants etc. These two categories of occupations have been declared as hazardous in October, 2006. In light of this fact such an expansion is essential. In case of budgetary constraints, priority may be given to the donor states, i.e. where there is dominance of child labour and from where the child labour migrate to the recipient states. The donor states may include States like Orissa, Bihar, Jharkhand, Uttar Pradesh etc. Also priority should be given to the recipient States, i.e. to the States to which these children migrate in search of labour. The recipient States may include Maharashtra, Gujarat and Delhi.

Revision of National Child Labour Project (NCLP) Scheme: The revision of the NCLP Scheme has already been initiated during the 11th Plan but some of more additional components are to be added for further strengthening of this Scheme and in a direction to make it compliant with the provisions of RTE.

5.11. Bonded labour:

Article 23 of the Constitution of India of 1949 bans trafficking in human beings and forced labour. However, the legislation defining and banning bonded labour was approved by Parliament only in 1976.

The first large survey to assess the nature and magnitude of bonded labour was undertaken in 1978. Subsequently, the Supreme Court of India has pronounced a number of judgements to clarify the meaning of the term 'bonded labour'. It has also appointed Commissioners to the Court and has given a number of directives to Central and State governments to indicate the incidence of bonded and forced labour and to vigorously implement the Bonded Labour System (Abolition) Act, 1976. Since 1997, the National Human Rights Commission (NHRC) has been given a pivotal role in monitoring the implementation of the Bonded Labour System (Abolition) Act and in ensuring that the directives of the Supreme Court are followed by the Central and State governments.

The National Commission on Rural Labour (NCRL) Report of 1991 (Ministry of Labour 1991a and 1991b) will be an important benchmark in this study, both in interpreting the contemporary situation and situating changes that have occurred in the last few years

5.11.1. Conceptual and Definitional Issues Relating to Bonded Labour

The ILO Conventions on Forced Labour and relevant UN Conventions define and prohibit various types of forced labour, slavery and servitude, and debt bondage. The League of Nations adopted the Slavery Convention in 1926, which was followed by the first ILO Forced Labour Convention, 1930 (No. 29), ratified by India in 1951. Article 2(1) of the Convention defines forced labour as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”. Following this, the United Nations’ Universal Declaration of Human Rights (UDHR) of 1948 reaffirmed the principle that “no one shall be held in slavery or servitude” (Article 4) and the right to “free choice of employment” (Article 23(1)). Though Convention 29 on Forced Labour did not specifically refer to debt bondage, over time the ILO’s Committee of Experts on the Application of Conventions and Recommendations has stated repeatedly that ‘debt bondage’ is one form of ‘forced labour’ and is covered by the Convention’s definition. The ILO’s Worst Forms of Child Labour Convention, 1999 (No.182) specifically includes forced labour, debt bondage and serfdom of children in its purview.

Debt bondage is a specific form of forced labour, in which the element of compulsion is derived from debt. The UN Supplementary Convention on the Abolition of Slavery, the Slave Trade and Institutions and Practices Similar to Slavery (1956) defines debt bondage as “the status or condition arising from a pledge by a debtor of his personal services or those of a person under his control as security for a debt, if the value of those services as reasonably assessed is not applied towards the liquidation of the debt or the length and nature of those services are not respectively limited or defined” (Article 1(a)).

5.11.2. Elimination of Bondage: Nature and Scope of Interventions

The existence of bonded labour is an affront to basic human dignity. There has been some change in the nature and incidence of bonded labour in India as a result of various factors, including the impact of social change and social movements, economic modernisation and State intervention. While these processes have impacted positively on the unfree status of labour in traditional agriculture and in some other sectors, the incidence of bonded labour still remains high in some segments of unorganised industry, the informal sector and in the relatively modern segments of agriculture in some areas. The Bonded Labour System (Abolition) Act created a legislative framework for the elimination of bonded labour in 1976. But, as both the Supreme Court and the NHRC have shown, its implementation by the States has generally remained weak. The Supreme Court of India has, in a series of judgements, given directions to improve the situation and since 1997, under its direction, the National Human Rights Commission has been directly involved in monitoring the situation and making reports to the Court. In its order of November 11, 1997, passed in the writ petition No. 3992 of 1985 – PUCL vs State of Tamil Nadu and others, the Supreme Court has entrusted to the NHRC the responsibility of monitoring the directions of the Court issued from time to time and the implementation of the provisions of the Bonded Labour System (Abolition) Act.

The NHRC started monitoring the implementation of the Act in 13 states identified as Bonded Labour Prone states. These are: Andhra Pradesh, Arunachal Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh. The Commission has appointed two Special Rapporteurs, Mr. Chaman Lal and Mr. K. R. Venugopal, who have been constantly reviewing the situation in bonded labour prone states and sectors.

The Special Rapporteur in the Northern States has focused on the carpet belt of Uttar Pradesh consisting of the districts of Varanasi, Bhadohi, Mirzapur, Jaunpur, Sonbhadra and Allahabad, where most of the children employed are migrants from the state of Bihar and Jharkhand, working under extremely oppressive conditions against some petty advances paid to their parents. Their cases are invariably found to be attracting the provisions of the Bonded Labour System Abolition Act. The Special Rapporteur has also focused on the problem of Kols in the Pathar area of Uttar Pradesh and has held regular review meetings with officials in the States of Uttar Pradesh, Bihar, Madhya Pradesh, Haryana, Punjab and Rajasthan. He has also been assisting the Commission in monitoring and reviewing the situation in other North Indian States and in ensuring that rehabilitation of bonded labourers, especially migrant labourers, takes place on a long-term basis.

In the Southern states, the Special Rapporteur, Mr. K. R. Venugopal, has tried to move in a convergent direction by involving and influencing a number of departments and by including policy making within the ambit of his work. He has particularly highlighted the issues of bonded quarry workers in Karnataka and Andhra Pradesh and bonded labour in silk weaving and power loom industries in Tamil Nadu. He has held regular meetings with officials in the States of Karnataka, Tamil Nadu and Andhra Pradesh.

The Special Action Group constituted by the NHRC and the institution of the Special Rapporteurs has breathed some life into the legislative system and has given support to the grass-root NGOs that have been involved in taking up issues of bonded labour. Further, in September 2000, the NHRC constituted an Expert Group headed by Mr S. R. Sankaran, to make an assessment of the Bonded Labour situation in the country, examine the extent and effectiveness of the Bonded Labour Laws and enforcement mechanisms and review the functioning of the Centrally Sponsored Scheme for the rehabilitation of the released labourers. The Commission has also constituted groups to study the problem of bonded labour and child labour in a number of areas, including the Kol tribals in Uttar Pradesh and the lock makers of Aligarh.

The identification of bonded labourers continues to present difficulties, and only a small number of bonded labourers are actually identified, almost always due to the persistent efforts of NGOs (NHRC Annual Report, 2000-01). But among those labourers who have been identified and released from bondage, the NHRC finds that the rehabilitation of migrant labourers is being totally neglected. This is also the view of the Supreme Court of India.⁴⁹ There can be no doubt that effective prevention of bondage amongst vulnerable groups and

the rehabilitation of freed child and adult bonded labourers are complex issues, requiring sustained action from governments, NGOs and the international community.

The Ministry of Labour, Government of India had initiated a Centrally Sponsored Scheme under which Rs 4,000 was initially provided for the rehabilitation of each bonded labourer, to be equally contributed by the Federal and the State government. The amount has since been gradually raised, reaching Rs. 20,000 in May 2000. The Central government also provides assistance for surveys, awareness campaigns and evaluations. Released bonded labourers are given priority in a number of government programmes, such as the distribution of government land, and some States have initiated specific programmes for their rehabilitation. But, by and large, the process of rehabilitation is frequently delayed, particularly in the case of inter-state bonded migrant labourers, and the degree of concerted convergent action required on the part of the administration is rarely forthcoming. Prosecution of employers is also weak. Since the bonded labourers are very poor and asset less, some can relapse into bondage, while others may experience only a very marginal increase in income. Not being from an entrepreneurial background, bonded labourers may not be able to earn significantly higher incomes or even retain their assets. The National Human Rights Commission has been trying to make the states undertake rehabilitation of the bonded labourers through convergent action, and through helping the bonded labourers form groups or cooperatives which can take up economic activity on a sustained and viable basis. As discussed earlier, in Allahabad district, the Commission has supported the granting of mining leases to SHGs of Kol tribals and opposed a system of action which excludes these groups from bidding for the mining rights.

5.12. Labor Market Reforms:

The following are the most important areas of labour regulation in India, including the ones relating to job security provisions that need reform so as to develop a rational and equivalent framework.

First, as was mentioned earlier, there are too many laws governing the labour market, often covering the same aspects, such as conditions of work, wages, employment protection industrial relations and social security. It creates problem in implementation for the employers and often also gives them pretext to evade. Workers find it difficult to comprehend the nature and extent of protection and benefits available to them and are, therefore, unable to see whether they receive their entitlements. Operatively important terms such as ‘industry’, ‘work’, ‘child’, ‘wages’ and ‘establishment’ are defined differently in different statutes. Also, certain provisions in some statutes are too detailed, often focusing on procedure rather than outcomes, and often archaic. The need for rationalization, simplification and consolidation of labour laws has long been felt. The National Commission on Labour had made definite recommendations in this regard, which have also been followed up more recently by the National Commission for Enterprises in the Unorganized Sector.

It is advisable that India develops a Labour Code, like most other countries, wherein all laws are consolidated and codified. Short of that, all statutes should at least be consolidated

into a few laws according to subjects: conditions of work, wages and earnings, job security and industrial relations and social security.

Second, irrespective of the arguments and evidence to claim its neutral or negative effects, provision relating to prior government permission to retrench, lay-off and closedown, are blatantly irrational and unfair; and these provisions of Chapter V B of Indian Disputes Act must be removed. At the same time, the retrenchment compensation to workers which stands to be the lowest anywhere, 15 days' wages for every completed year of service, must be suitably enhanced to 30 or 45 days of wages, as recommended by various committees and commissions, including the second National Commission on Labour. In the long run, a suitable unemployment insurance scheme should be worked out on the lines of Employees' State Insurance Scheme.

Third, it is clearly observed that the use of contract labour has become a large scale phenomenon in Indian industry. Part of it may be primarily with the intention of denying job and social security to workers. But given the emerging patterns of production and trade networks, a good part of it seems to be a result of the genuine requirements of industry. Emphasis on 'prohibition', rather than 'regulation' of contract labour appears to be in conflict with this trend. It seems necessary to allow use of contract labour where production requirements justify it, but discourage its use just for denying worker the benefits they would have been entitled to. What is important in this connection is to ensure that the contract labour is paid the same wages as the regular workers for similar work and that a minimum measure of social security, viz. sickness and accident, maternity, and old age benefits are provided to contract workers on a portable basis. Both contractor and the principal employer should be jointly and severally responsible for effectively implementing these provisions. It has been observed in field studies that while the incidence of contract labour has significantly increased in recent years, the provisions of law that exist in respect of equal wages and social security are not ensured.

Fourth, and perhaps most important from the view point of reducing the sharpness of dualism and segmentation in the labour market, it is necessary to ensure human conditions of work, minimum wages and a 'floor' of social security to all workers in the unorganized sector. In the labour reforms debate focusing on job security and labour market flexibility, it is forgotten that an overwhelming majority of Indian workers work in highly competitive, exploitative and unregulated labour market with very poor condition of work, low earnings, no employment security and no social protection. Proposals to introduce laws to ensure minimum conditions of work and social security to unorganized workers have been made from time to time by various government appointed commissions. A limited initiative has been made in the area of social security, but hardly any attention has been paid in respect of conditions of work. Similarly, it is also necessary to have a national statutory minimum wage. With a fast growing economy and prospects of its emerging as a global economic power in near future, India certainly owes these measures to the vast mass of its workers in the unorganized sector.

5.14. Exit Policy

This policy is applicable to all the employees of the company. If an employee resigns or gets terminated:

- ❖ He/She needs to serve notice period of at least one month. (even if there is nothing written in the letter of appointment. In case the employee leaves the organization before one month then the employee has to pay the company an amount equivalent to salary for the unserved notice period)
- ❖ In case the notice period is mentioned in the letter of appointment then also it will be one month except for HOD, VP and above designations. For HOD, VP and above designations, Notice period written in the letter of appointment will apply. In case the employee leaves the organization without serving the full notice period he/she will need to pay the company an amount equivalent to the unserved notice period.
- ❖ During notice period, he/she needs to conduct smooth handover of his current responsibilities. The company reserves the right to extend the notice period if the employee goes on leave notice period.
- ❖ He/She needs to submit the company's assets to the respective departments, clear dues and submit no dues certificate to HR department before leaving the organization for further process of his/her leaving/experience certificate & full and final settlement.
- ❖ The exit interview can be conducted if required for development needs of the company.

5.15. Review and Recommendations of National Commission on Labour:

Since Independence, a plethora of committees and commissions have addressed the issue of comprehensive reforms to various aspects of labour and labour management relations in India. The most important one during the pre-independent India was the Royal Commission on Labour which submitted its report in 1931. In the post-independent India there were two national commissions. The First National Commission was appointed in 1966. It submitted its report in 1969. Many of the recommendations were not acted upon and they continue to be relevant even today. The Second National Commission on Labour (2nd NCL) headed by a Gandhian and former Union Minister for Labour, Shri Ravindra Verma, was appointed in 1999 and it submitted its report in 2002.

1. The Approach: From the commitments of the Government of India, the following rights of workers have been recognized as inalienable and must accrue to every worker under any system of labour laws and labour policy:

- right to work of one's choice
- right against discrimination
- prohibition of child labour
- just and humane conditions of work
- right to social security
- protection on wages including right to guaranteed wages

- right to redress of grievances
- right to organize and form trade unions and right to collective bargaining.

One cannot overlook the fact that rights are also related to duties. Existing set of labour laws should be broadly grouped into four or five groups of laws pertaining

1. Industrial Relations,
2. Wages,
3. Social Security
4. Safety and
5. Welfare and Working conditions.

There is a need for uniform definition of the term 'worker' in all groups of laws. There is no need to define 'industry' because laws should cover all establishments employing 20 or more. There should be a separate legislation for establishments employing 19 or less than 19 persons. There should be uniformity and consistency in the definition of 'appropriate government' under all groups of laws. Another legislation is proposed to provide social security cover for the unorganized labour. Labour should remain in the Concurrent list of the Constitution. All those drawing upto Rs 25,000 per month should be ordinarily treated as workers. All the supervisory personnel, irrespective of their wage/salary, should be kept outside the rank of worker

2. **Trade Unions:** It would have been desirable if the Trade Union Act 1926 also provided for a ceiling on the total number of trade unions of which an 'outsider' can be a member of executive bodies. 10% membership requirement should not apply to workers in the unorganized sector. All workers concerned should benefit from agreements whether they are members of that union or not. A worker who is not a member of any trade union will have to pay an amount equal to the subscription rate of the negotiating agent or the highest rate of subscription of a union out of negotiating college. The amounts collected on this account may be credited to a statutory welfare fund. There should be no craft or caste based unions. Provision to set up a separate political fund may be allowed to continue. However, care must be taken to ensure that the general funds of trade unions are not used for political purposes. To strengthen trade unions, the incentives for consolidation can lie in the field of registration and recognition where the criteria for eligibility can be upgraded or at least proportionately upgraded.
3. **Industrial Action:** Strike could be called if 51% or more support the decision through a strike ballot. In essential services once 14-day notice is given strike could be deemed to have occurred and dispute must forthwith be referred to compulsory arbitration. The union which leads an illegal strike must be derecognized and debarred from applying for registration or recognition for a period of two or three years. 'Go slow' and 'work to rule' are forms of action, which must be regarded as misconduct. Essential Services Maintenance Act should be withdrawn.
4. **Negotiating Agent:** Check off is favoured, with 66% entitling the union to be accepted as the single negotiating agent, and if no union has 66% support, then unions that have

the support of more than 25% should be given proportionate representation. The validity of check off, the tenure of union recognition and wage settlement should all be four years.

- 5. Prior Notice Under Section 9-A:** The Commission does not see any merit in statutory obligation for the employer to give prior notice. Notice under Section 9A should not operate as a stay under Section 33 though such a decision of the management will be justiceable under Section 33A.
- 6. Chapter VB:** Pay adequate compensation, offer outsourced jobs to retrenched workers or their cooperatives, if any enterprise decides to close down give workers or trade unions a chance to take up the management of the enterprise before the decision to close is given effect to. Prior permission is not necessary in respect of lay off and retrenchment in an establishment of any employment size. Establishments employing 300 or more can obtain post facto approval of the appropriate government. Retrenchment is more precisely defined and compensation is less in case of closure of sick units (30 days per completed year of service) to 45 days per completed year of service in case of retrenchment in sick units to make them viable to 60 days per completed year of service in profit making organizations.
- 7. Arbitration/Adjudication:** Establishment of National Labour Relations Commission (NLRC) at the Centre and Labour Relations Commission at the state level under Article 323- B of the Constitution are recommended. The NLRC should have same powers as the Supreme Court. Revamp of labour court and introduction of labour lok adalats is favoured.
- 8. Grievance Redressal:** Every establishment shall establish a grievance redressal committee consisting of equal number of workers' and employers' organizations.
- 9. Workers' Participation in Management:** The time has come now to legislatively provide for a scheme of worker's participation in management, initially in establishments employing 300 or more persons. For small establishments, a non-statutory scheme may be provided.
- 10. Contract Labour:** Organizations must have the flexibility to adjust the number of their workforce based on economic efficiency. It is essential to focus on core competencies if an enterprise wants to remain competitive. Contract labour shall not, however, be engaged for core production/service activities. However, for sporadic seasonal demand, the employer may engage temporary labour for core production/service activity. Such labour will, however, be remunerated at the rate of a regular worker engaged in the same organization doing work of a comparable nature. The principal employer will also ensure that the prescribed social security and other benefits are extended to the contract worker. No worker should be kept continuously as a casual or temporarily worker against a permanent job for more than 2 years.
- 11. Minimum Wages:** There should be a national minimum wage based on the formula of the 15th Indian Labour Conference. The Commission does not endorse the

recommendation of the study group on unorganized sectors regarding the level of minimum wage (equal to that of the lowest paid government employee as per V Central Pay Commission award), because it is high, but sets even higher limit of need-based minimum wage endorsed by the Indian Labour Commission in 1957 as the goal.

- 12. Bonus:** One month's wage should be paid as bonus to every worker. Any demand for bonus up to a maximum of 20% will be subject to negotiation. The existing ceilings for bonus entitlement should be enhanced to Rs 7,500 and Rs 3,500 for entitlement and calculation respectively.
- 13. Factories Act:** There need not be any restriction on the question of night work for women if the number of women workers in a shift in an establishment is not less than five, and if the management is able to provide satisfactory arrangements for their transport, safety and rest after or before shift hours.
- 14. Working Days/Hours:** We do not approve of the practice of declaring a holiday on the death of a person. On polling days, half day may be permitted to those who have to go to cast their votes.

5.16. Social Security Schemes Adopted for Socio – Economic Upliftment of Labour in India:

The principal social security laws for workers are the following:

5.16.1. The Employees State Insurance Act, 1948 (ESI Act)

The Act contains an enabling provision under which the “appropriate government” is empowered to extend the provision of the Act to other classes of establishments – industrial, commercial, agricultural and other – wise. Under these provisions most of the state governments have extended the provisions of the Act to new classes of establishment, namely shops, hotels, restaurants, cinemas including preview theatres, road – motor transport undertakings and newspaper establishments employing 20 or more coverable employees.

Administration

The ESI scheme is administered by a corporate body called the employees' State Insurance Corporation (ESIC). Union Minister for labour is the chairman of this corporation. It consists of members representing Central and State governments, employers, employer organization, medical profession and Parliament. The head quarter of ESCI is located at Delhi and has 58 Field offices such as 23 Regional Office, 26 Sub – Regional office and 4 Divisional offices and 2 Camp office and 3 Liaison office throughout the country. Besides, there are 610 Branch offices and 187 Pay offices for administration of cash benefits to insured persons. The government's recent decision to raise the limit from Rs. 15,000/ per month to Rs. 25,000/ month to get covered under the ESI scheme without any improvement in service quality has been opposed by a section of trade unions.

Coverage of this Scheme

91.48 lakh employees, including 15.43 lakhs women and the total number of beneficiaries were around 354 lakhs. Medical facilities are provided through a network of 1427 ESI

dispensaries, over 2100 panel clinics, 307 diagnostic centres, 143 ESI hospitals and 43 hospital annexes with over 2700 beds. The payment of cash benefits is made at the grass root level through 610 branch offices.

Finance of the Scheme

Run by the contributions of the employees, employer and grants from the central and state governments. Employer – 4.75 percent of total bill, employee – 1.75 percent of wage bill. State government's share on medical care is 1/8 of total cost of medical care; ESI corporation's share of expenditure on medical care is 7/8 of total cost of medical care.

Benefits to the Employees

Medical benefit, sickness benefit, maternity benefit, disablement benefit, dependents benefit, funeral benefit, rehabilitation allowances.

Medical benefits include outpatient care, supply of drugs and dressings, specialist services in all branches of medicine, pathological and radiological investigations, domiciliary services, antenatal, natal, post-natal services, immunization services, family planning services, emergency services, ambulance services, inpatient services.

Sickness Benefit

Periodic cash payment to an insured person in case of sickness maximum period of 91 days.

Extended Sickness Benefit

For long term diseases; for a maximum period of 2 years; where the insured person has been in continuous employment of 2 years.

Maternity Benefit

Confinement – 12 weeks, miscarriage 6 – weeks, sickness arising out of confinement – 30 days.

Disablement Benefit

For temporary disablement – 150 percent of the SBR as long as temporary disablement persists. For total permanent disablement – insured person is given life pension as decided by medical board of ESIC.

Dependents Benefit

In case of death; as a result of employment injury, the dependents of an insured person are eligible for periodical payments, widow 3/5, children 2/5.

Funeral Benefits

Funeral expenses are in the nature of a lump sum payment up to a maximum of Rs. 10,000/- made to defray the expenditure on the funeral of deceased insured person. The amount paid either to the eldest surviving member of the family or, in his absence, to the person who actually incurs the expenditure on the funeral.

Rehabilitation

On monthly payment of Rs 10, insured, person and his family members continue to get medical, treatment after permanent disablement or retirement.

5.16.2. The Workmen's Compensation Act, 1923

Any worker employed in any way of wide variety of hazardous occupations suffers an injury is eligible for compensation. The injury must disable him for more than 3 days, totally or partially. The Workmen must have been employed in the specified occupation for a continuous period at least 6 months. The rate of compensation.

Death: 40 percent of the monthly wages of the deceased workman, multiplied by the relevant factor, or Rs. 20,000; whichever is more.

Total Permanent Disablement: 50 percent of the monthly wages; multiplied by the relevant factor; or 24,000; whichever is more.

Partial Permanent Disablement: The compensation is a percentage of that payable in the case of total permanent disablement.

Temporary Disablement: A sum equal to 25 percent of the monthly wages of the workmen shall be paid half – monthly. The State government appoints commissioners to investigate and solve every case for workmen's compensation.

The Employees' Provident Fund & Miscellaneous Provisions Act, 1952 EPF & MP Act

The Employees' Provident Fund & Miscellaneous Provisions Act, 1952 EPF & MP Act apply to specific scheduled factories and establishments employing 20 or more employees and ensures terminal benefit to provident fund, superannuation pension, and family pension in case of death during service. The EPFO extends to the entire country covering over 4 lakh establishments. At present, over 3.9 crore EPF members and their families get benefits under the social security schemes administered by the EPFO scheme under the EPFO are Employees Provident Fund (EPF), Employees Provident Scheme (EPS), Employees Deposit Linked Insurance Scheme (EDLI).

5.16.3. The Maternity Benefit Act, 1961

The Act applies to the whole of India. It applies to all establishments – factories, mines, manufacturing units and shops etc. Where a minimum of ten or more workers are working. According to this act, every woman is entitled to payment of maternity benefit at the rate of the average daily wages for the period of 6 weeks up to and including the day of delivery and for the period of 6 weeks postnatally; i.e., a total of 12 weeks. In case of MTP or miscarriage she is entitled to leave with wages for a period of 6 weeks immediately following the period of miscarriage or MTP. She should have been worked for not less than 80 days in the 12 months immediately preceding the date of her expected delivery. There is provision of leave with wages for tubectomy operation for a period of 2 weeks. A woman suffering from illness arising out of pregnancy, delivery, premature birth of child, miscarriage or tubectomy operation shall be entitled, in addition to the period of absence allowed her, to leave with wages at the rate of maternity benefit for a maximum period of one month.

5.16.4. Central Government Health Scheme (CGHS)

Established on 1954 with the objective of providing comprehensive medical care facilities to the central government employees and their family and to avoid cumbersome system of medical reimbursement.

Beneficiaries

Members and Ex – members of Parliament, Judges of Supreme Court and High Court, sitting and retired, Freedom Fighters, Central Government Pensioners, Employees of Autonomous Bodies/Semi govt. Organizations, Accredited Journalists, Ex – Governors and Ex – Vice Presidents of India. Facilities provided under CGHS through dispensaries, polyclinics and Government/recognised hospitals.

Facilities Provided

Outpatient care facilities in all systems, Emergency Services in Allopathic system, Free supply of necessary drugs, lab and radiological investigations, domiciliary visits to seriously ill patients, specialist consultation both at the dispensary and hospital level, family welfare services, specialized treatment in both govt. and private recognized hospitals, 90 percent advance for undergoing specialized procedures on admission in hospitals when required.

National Social Assistance Programme (NSAP)

In 1995, the Government of India introduced for the first time an all – India protective type social security scheme, the National Social Assistance Programme (NSAP). The NSAP encompasses a national policy for social assistance benefit to poor households in the case of old age, death of breadwinner and maternity. The programme has, so far, three main components: The National Old Age Pension Scheme, the National Family Benefit Scheme, and the National Maternity Benefit Scheme.

5.16.5. National Old Age Pension Scheme

Under the scheme, central assistance is available with age of the applicant (male or female) is 65 years or above and the applicant is destitute in the sense of having little or no regular means of subsistence from his/her own sources of income or through support from family members or other sources.

5.16.6. National Family Benefit Scheme (NFBS)

Central assistance under the scheme is available on death of the primary breadwinner occurs while he or she is more than 18 years and less than 65 years of age. The primary breadwinner shall be a member whose earnings contribute substantially to the household income. The bereaved household qualifies as one below the poverty line, according to the criteria prescribed by the Government of India. The amount of benefit is Rs. 10000/- in the case of death of primary breadwinner due to natural or accidental cause and is paid to the member of the household of the deceased who, after local inquiry, is determined to be the head of the household.

Janani Suraksha Yojana

It was launched in 12th April 2005. The objectives of this scheme were reducing maternal mortality and infant mortality through encouraging delivery at health institutions & focusing on institutional care among women in below poverty line families. Salient features of this scheme were 100 percent centrally sponsored scheme & it integrates the benefit of cash assistance with institutional care during antenatal, natal and immediate post – partum care.

Criteria for Beneficiaries

- ❖ Women delivering at home or admitted to sub Centre/Government Hospitals/Recognized Private Hospital (general ward).
- ❖ Belonging to the BPL families.
- ❖ Current delivery must be the first or second live delivery.
- ❖ Should be more than 19 years old.
- ❖ She must have got ANC check – up at least 3 times.
- ❖ She must have taken IFA tablets and TT injection.

ASHA would work as a link health worker between the poor pregnant women and public sector health institution in the ten PLS. they will also get an assistance of Rs. 500 if delivered at home up to live births and also assistance of up to Rs. 1500 for caesarean section.

Yashaswini Health Insurance Scheme of Karnataka

The government of Karnataka has introduced Yashaswini Health Scheme during the year 2002-03 for the benefit of the members of agricultural credit society and banks and it has been extended to the members of the “Self Help Group” unable to afford for surgeries.

- It has more than 2 million members.
- More than 1600 surgeries are covered under this scheme.

Insured person can claim in 150 private hospitals aligned with the scheme.

- Maximum coverage provided per person per year amount to Rs. 200000.
- Single surgery of up to Rs. 96000.
- Annual premium is Rs. 120.

The scheme also receives Government subsidies.

- The scheme does not cover inpatient admission without surgeries.
- Free OPD treatment is also provided.

Prasoothi Araika

It covers all pregnant women belonging to BPL of all districts. The benefits and conditions of the scheme are the pregnant women have to register their names with the junior Female Health Assistant of the area. The beneficiaries will get Rs. 1000 during the second trimester ante natal check – up (i.e., between 4th and 6th month) and Rs. 1000 during the third trimester ante natal check – up (i.e., between 7th and 9th month), totaling Rs. 2000 paid through bearer

cheque. During every ANC check – up, the medical officer of the Health Centre/Hospital puts the signature, date and seal on the ANC card. This facility is extended to all pregnant women belonging to below poverty line families. The benefit is limited to the first two deliveries. The junior female health assistant has to record the ANC registration number along with noting whether it is first or second delivery.

Madilu Scheme

The scheme came into operational from August 15, 200. The objectives were to bring down the maternal mortality and neonatal mortality & Promote institutional deliveries among pregnant women belonging to BPL group. Beneficiaries of this scheme are pregnant women (BPL). Who delivers in Government hospitals. Limited to first two live birth, contains mosquito curtain, Medium sized carpet, Medium sized bed sheet, a thick blanket for mother, Bathing Soap, washing soap, cloth to tie abdomen of mother, sanitary pads, comb and coconut oil, towel, tooth paste and brush, bed spread over rubber sheet for the baby, bed sheet for baby, bathing soap for baby, rubber sheet for baby, diaper, baby vest, sweater, cap and socks for baby, one plastic kit bag.

Thayi Bhagya Scheme

It is public – private partnership in maternal health care. Here women belonging to BPL families can avail totally cashless treatment in recognized private hospitals. Under this scheme, the pregnant women belonging to BPL family can avail delivery services free of cost in the registered private hospitals near her house. Benefit is limited to the first two live deliveries. Registered hospitals will be paid Rs. 3 lakhs per 100 deliveries, which includes normal and complicated deliveries.

Other Schemes

Monthly social security Pension of Rs. 400/- to be granted to the senior citizens under “Sandhya Suraksha” scheme to the citizens above 60 years of age. The beneficiaries under this scheme will be chosen from among small and marginal farmers, labourers from unorganized sector including agricultural labourers, weavers, fishermen.

Bagyalakshami Scheme

Which deposits Rs. 10,000/- in the name of 1st born girl child of families below poverty line (BPL) which she can draw at the age of 18 years with interest. The benefits of the scheme are restricted to 2 girl children of a BPL family. The father, mother or guardian should have undergone terminal family planning method and the total number of children does't exceed 3. After enrollment and due verification by the department, an amount of Rs. 10,000/- will be deposited with the selected financial institution in the girl child's name.

Arogya Kavacha

Launched on 2nd November 2008. In case of an emergency like ill health, accident or fire one has to dial 108; fully equipped ambulance will arrive within 20 minutes anywhere in the city. Medical staff in the ambulance will provide pre hospital treatment with 500 ambulances in 29 districts. EMRI (NGO) has tied up with 610 private hospitals.

5.17. Problems in Implementing Social Security Schemes

5.17.1. Fragmented Ownership Structure and Lack of Coordination

This is, perhaps, the biggest challenge in the present institutional design of social security schemes. Consider, for instance, the three schemes mentioned above. NPS – Lite is overseen by the Pension Fund Regulatory and Development Authority (PFRDA), AABY is under the Ministry of Finance, and RSBY is under the Ministry of Labour and Employment. Moreover, multiple stakeholders own the social security schemes. For example, AABY is a scheme that can be said to be owned by three entities. At the national level, the scheme is administered by the Life Insurance Corporation of India (LIC) but the implementation is done through state level nodal agencies to administer the scheme – the Society for Entitlement of Rural Poverty (SERP) is responsible for overall facilitation, monitoring and evaluation of the scheme, while at the district level the Zilla Samakhya function as implementation agency for overall management of the scheme. None of the entities in the scheme have an explicit marketing role leading to a lack of delineation of clear responsibilities on customer awareness., customer acquisition, and customer servicing. The same holds true of other social security scheme as well; there is an absence of any clear idea about who owns the customer under RSBY and AABY. While the matching government contribution in NPS-S and payment of premium for health and life insurance are incentives for enrolling into the program, it should be noted that distribution channel of the product and the implementation of the scheme are just as, if not more, important than the design.

5.17.2. Wide disparities in the coverage of social security schemes

Since social security is a subject in the concurrent list, there are several instances of overlap between social security schemes provided by the centre and the state governments. For instance, many states provide a minimum pension floor that has come into conflict with the centrally provided National Old Age Pension Scheme (NOAPS) and the NPS. While it is admirable that some states provide higher benefits to their citizens, a lack of coordination between the centre and the state governments has led to inequitable distribution of social security benefits across India. Where richer states provide much higher benefit compared to poorer ones. There are also wide disparities in the coverage of social security schemes across states. For instance, beneficiaries in two states, Andhra Pradesh and Maharashtra, accounted for 52 percent of all beneficiaries covered under the AABY scheme. Additionally, close to 80 percent of all claims processed under the scheme were from Andhra Pradesh.

5.17.3. Low level of product innovation, development and learning

As a result of this fragmented ownership structure, data on social security schemes are captured separately today. For example, analysis of RSBY data is contracted out to GIZ, life insurance data is housed at LIC, and pension data housed by the Central Record Keeping Agency and owned by PFRDA. There is no way to access data on usage across schemes for a single individual, as datasets are not merged. Fragmented collection of data combined with the lack of human resources devoted to data analysis has resulted in low levels of product innovation, development, and learning. Access to high – quality data relating to take – up and use of social security by beneficiaries is a pre – requisite for identifying weakness and innovating on changes to drive the design and implementation of schemes.

5.17.4 Problem with identification of beneficiaries

Moreover, schemes like AABY and RSBY rely on beneficiary lists like the BPL list (merged with other employment lists such as NERGA workers’ or railway porters’ list) to identify beneficiaries. The use of such list is fraught with multiple difficulties. First, people move in and out of poverty frequently due to various income and health related shocks that can occur instantaneously, and a listing exercise conducted once every ten years are an inadequate mechanism to capture these shifts in economic well – being. Second, there is a question of the veracity of BPL lists as being actually representative of the true BPL population. BPL lists often suffer from the dual problems of capture of benefits by those who are undeserving due to the misallocation and the non – issuance of BPL cards those who deserve them. These problems have served to further the inequitable distribution of social security benefits.

5.17.5. Multiple Window Architecture

The fragmented ownership structure and the lack of coordination among the different Ministries running the scheme has led to an equally fragmented delivery of schemes. Currently, an unorganized sector worker who is eligible under all three schemes has to enroll at three separate window in order to be completely covered under the scheme – she has to enroll for health insurance at an RSBY enrolment station, buy a pension through an aggregator such as a bank MFI, and enroll for life insurance through one of LIC’s nodal agencies. Further, the nodal agency led delivery model does not provide ease of access to the beneficiary on a continuous basis. Currently, most enrolments are done through enrolment camps that are run periodically – once a year. If a beneficiary were to miss this camp, it becomes very difficult to get access to the product.

5.17.6. Other problems:

- ❖ The scope of the scheme - Whom to and What to cover?
- ❖ Priority with respect to risk to be covered.

- ❖ Employment injury and invalidity.
- ❖ Sickness and death
- ❖ Maternity
- ❖ Old age and survivorship
- ❖ Unemployment

5.18. Social Security of the Unorganized Sector Workers: Government Schemes for the Unorganized sector

A number of social security programmes are being implemented by both central and state government for the benefit of unorganized workers. In general, the model that has been adopted in most of these programmes of welfare funds. A few schemes have also been implemented by the central government has, over the years, taken a number of initiatives to extend social security cover to workers in the unorganized workers.

The legislative – backed entitlements for the unorganized sector are limited to workers in certain occupations. Their coverage would roughly be around 15 million (around 5 million covered by central government schemes and the remaining by the state government schemes). To this, we may need the National Old Age Pension Scheme (NOAPS), covering around six million people. This takes the total number of persons covered under various social security schemes for 21 million, which is equivalent to a mere 6 percent of the total number of unorganized workers. The protective social security programme divided to the very poor citizens. National Social Assistance Programme (NSAP), 1995 is a programme of cash transfer nature in the country. It was launched with the objective of protecting the poor and destitute persons in the event of insecurity due to old age, death of breadwinner and maternity. The scheme is 100 percent funded by the central government and is run throughout the country. The programme was launched to cover the following benefits.

National Old Age Pension Scheme (NOLPS)

The applicant who is more than 65 years of age, should be destitute in the sense of having regular means of subsistence from his/her own source of income or through little or no regular means of subsistence source. A financial assistance to 175 per month per beneficiary was given earlier, which has now been increased to 200 per month. The coverage under this scheme was 72.8 lakh persons in 2005-06. The expenditure reported by various states up to February 2006 was 195.66 crores.

National Family Benefit Scheme (NFBS)

The scheme is targeted at Below Poverty Line (BPL) households who have suffered from the death of the primary breadwinner. The applicant should be in the age group of 18 to 65 years. A lump sum financial assistance of 10,000 is given to the targeted family. The coverage under the scheme is 2.11 lakh as in 2005-06. The expenditure reported by the various states up to February 2006 is Rs. 80.62 crores.

National Maternity Benefit Scheme (NMBS)

This scheme is meant for pregnant women in BPL households for up to their first two live births. Provided these women are aged 19 years and above. It gave a lump sum assistance of 500 per beneficiary and covered 11.52 lakh women beneficiaries as in 2000-2001. The gram Panchayat and municipalities play an important role in the identification of beneficiaries, monitoring of the programmes and the disbursement of funds. The state government communicates the targets of NOAPS and other schemes to the gram Panchayat/municipalities so that identification of the targets can be undertaken. The financial assistance of these schemes are funded by the state government and central government which is determined by the size of population in the state and the percentage of people living below the poverty line.

Central Welfare Funds

Separate legislation has been enacted by the parliament to set up five welfare funds to be administered by the Ministry of Labour to provide housing, medical care, social security, education and recreational facilities to workers engaged in selected mining operations, beedi making and the production of feature films (called cine workers). All these funds are financed out of the proceeds of cess levied under respective cess/fund Acts on manufactured beedi, feature film, export of mica, consumption of limestones and dolomite, and the consumption and export of the iron ore, manganese ore and chrome ore. The funds have been created by the following Acts:

- ✓ The Mica Mines Labour Welfare Fund Act, 1946.
- ✓ The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972.
- ✓ The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Act, 1976.
- ✓ The Beedi Workers Welfare Fund Act, 1976.
- ✓ The Cine Workers Welfare Fund Act, 1981.

Apart from NSAP and welfare funds, a number of Central Government's Schemes are:

Janshree Bima Yojna (2000)

The Janshree Bima Yojna is targeted at the urban and rural poor who lived below the poverty line or on the margin. The premium for the insurance cover would be Rs. 200 per annum of which 50 percent would be borne by the central government through the newly set up Social Security Fund. The balance premium would have to be paid by the individual or some nodal agency or the state government.

Varishta Pension Bima (2003)

This scheme is exclusively meant for unorganized sector workers aged 55 years and above. The scheme is fully financed by the investment of the beneficiary with the annual return of a 9+ percent in the form of a monthly pension. The amount of pension benefit varies according to the amount invested for a minimum of Rs. 33,335 to a maximum of Rs. 2,66,665. The minimum and maximum monthly pension per month would be Rs. 2,000 respectively. The scheme is implemented by the Life Insurance Corporation of India (LIC). The government

provides subsidy to the LIC to the tune of the difference of pension pay out at rate of 9 percent and the amount annually earned by the LIC on the corpus.

Unorganized Sector Workers Social Security Scheme (2004)

The central government launched the Unorganized Sector Worker Social Security Scheme in 2002 on a pilot basis in 50 districts. It is available for unorganized and self – employed workers drawing an income of not more than Rs. 6,500 per month. This scheme is financed by a contribution of Rs. 50 per month from workers in the age group of 18 – 35 years and Rs. 100 per month for workers in the age group of 36 – 50 years. The contribution of the employers is Rs. 100 per month while that of the government is 1.16 percent of the monthly wages of the workers.

The scheme includes the following three benefits

- ❖ **Old Age Pension Scheme:** This includes a minimum pension of Rs. 500 per month at the age of 60 years or permanent disability and family pension in case of death of the worker.
- ❖ **Personal Accidental Insurance:** This provision includes accidental insurance of Rs. 1 Lakh.
- ❖ **Medical Insurance:** This includes a medical reimbursement of the hospitalization expenses up to Rs. 30,000 in a year and Rs. 25,000 for accidental death.

Universal Health Insurance Scheme (UHIS), 2004

The community – based Universal Health Insurance Scheme was launched by the four public sector general insurance companies in July 2003. The UHIS was redesigned in 2004 – 05 exclusively for the persons and families below the poverty line with a premium of Rs. 165 for individuals and Rs. 248 for families of five persons and Rs. 330 for a family of seven. The benefits under the scheme were reimbursement of medical expenses up to Rs. 30000 towards hospitalization and insurance cover for death due to accident of Rs. 25,000. However, UHIS excludes maternity benefits.

Schemes for Handloom Weavers and Artisans

Thrift Fund Scheme: Under this Scheme, every member contributes 8 paisa per rupee of wages earned while the central and state governments contribute 4 paisa each to the fund. The scheme is implemented by the Weavers Cooperative Societies/Corporation.

New Insurance Scheme: This scheme is implemented by the United India Insurance Company and financed by the central government (60), state government (40) and handloom weavers (20) to share an annual premium of Rs. 120. The benefits include Rs. 1000 in the case of loss of dwelling due to natural calamities or fire, Rs. 1 lakh in case of accidental death, reimbursement of hospitalization charges up to Rs. 2000 and maternity benefits.

Group Insurance Scheme: Under this scheme an assured sum of Rs. 10,000 will be given.

Pension Plan Scheme: A sum of Rs. 1000 per month is given to a master craftsperson that is unable to work due to old age.

Insurance for Power Loom Weavers: This scheme insures workers in the age group of 18 – 60 years with an income of Rs. 700 p.m. The central and state government equally share the annual premium of Rs.120.

The Unorganized Sector Workers' Social Security Act, 2008

The Ministry of Labour & Employment drafted the Unorganized Sector Workers Bill, 2004 which, envisages to provide for safety, social security, health and welfare matters. The National Advisory Council (NAC) has forwarded a draft BUI namely. The Unorganized Sector Workers Social Security Bill, 2005. In the meantime, the National Commission for Enterprises in the Unorganized Sector (NCEUS) on the request of the Ministry of Labour & Employment has also drafted two bills i.e.

- ❖ Unorganized Sector Workers (Conditions of Work & Livelihood Promotion) Bill, 2005.
- ❖ Unorganized Sector Workers Social Security Bill, 2005.

All the four draft bills were exempted in the consultation with all stakeholders. In August 2005 and May 2006, the NCEUS submitted two reports to the Prime Minister containing draft legislation on securing the conditions of work and creating a social security scheme for unorganized sector workers. The various draft legislation proposals were consolidated by the NCEUS in July 2007. This draft Bill received the assent of the President of India on 23rd December 2008 and has now become an Act. This Act titled “The Unorganized Workers Social Security Act, 2008” has been brought into force with effect from 16.05.2009.

The main features of this Act are:

The Act enables the central government to formulate welfare schemes for unorganized sector workers regarding,

- ✓ Life and disability cover
- ✓ Health and maternity benefits
- ✓ Old age protection

Any other benefit decided by the government.

Eleven existing social security schemes for the unorganized sector workers are listed in this Act i.e. 1) National Old Pension Scheme 2) National Family Benefit Scheme 3) National Maternity Benefit Scheme 4) Mahatma Gandhi BunkarBima Yojana 5) Health Insurance Scheme for Handloom Weaver 6) Scheme for Pension to Master Crafts Persons 7) Group Accident Insurance Scheme for Active Fishermen 8) Saving – Cum – Relief for Fishermen 9) JanshreeBima Yojana 10) Aam Admi Bima Yojana 11) Swasthya Bima Yojana.

The central government may modify this list by notification. The Act also enables state government to formulate welfare schemes related to the provident fund, employment injury benefits, housing, educational schemes for children, and skill upgradation of workers, funeral assistance and old age homes.

New Pension Scheme (NPS)

The government of India approved a per Rs. 1000 annum pension assistance to unorganized sector worker in 9 August 2010 to include the habit of savings among the population of 300 million. Under the Swavalamban Scheme, the government would contribute Rs. 1000 per year to every New Pension System (NPS) account of 40 lakhs such workers over four years starting this fiscal. The assistance is subject to the beneficiaries contributing any amount between Rs. 1000 to Rs. 12000 per annum, according to an official statement. Initially, 10 lakh workers would be covered each year over the four years ending 2014-15. “A higher level of New Pension System enrolments from the informal sector will ensure old age income security for such subscribers in their post – retirement phase and, therefore, will decrease the burden of the government on social security in the future.” Said the statement issued after the cabinet meeting on this issue. Under the scheme, the government would also provide about Rs. 1000 crores over a period of four years up to 2013-14. The government would also provide about Rs. 100 crores to the Pension Fund Regulatory and Development Authority (PFRDA) for promotional and developmental activities for enrolment and contribution collection under the Swavalamban Scheme.

While these schemes represent an important step forward in India’s ability to provide adequate, reliable, and affordable social protection options for its vulnerable population, they still suffer from considerable weaknesses.

The Employees’ State Insurance Act, 1948

Introduction

The Employees State Insurance Act, 1948 is a landmark in the history of social security legislation in India. This act provides for certain benefits to employees through introducing social insurance for certain benefits in case of sickness, maternity, employment injury as well as for certain matters in relation thereto and extends to the whole of India. These benefits are secured by financial contributions to the scheme both by employees and employers.

Applicability

Under section 1 (4) of the act, the implementation of the scheme is territorial. The act applies to the all factories employing 10 or more employees. The act, however, does not apply to a mine or railway running shed and specified seasonal factories. The state government may extend the provision of the act to cover other establishments or class of establishments industrial, commercial, agricultural or otherwise, in consultation with the corporation and with the central government after giving 6 months’ notice of its intention to do so in the official gazette.

Definitions

Appropriate Government: The term appropriate government implies, in respect of establishments under the control of central government or a railway administration or a major part of mine, oilfield, the central government. In all other cases, it implies state government.

Contribution: The term contribution implies that the sum of money payable to the corporation by the principal employer in respect of an employee and includes any amount of payable by or on behalf of the employee in accordance with the provisions of this act.

Employee: The term employee implies any person employed for wages or in connection with the work of the factory or establishment to which this act implies and Who is directly employed by the principal employer on any work of or incidental or preliminary to or connected with the work of the factory or establishment, whether such work is done by the employee in the factory or establishment or Who is employed by or through an immediate employer on the premises of the factory or establishment or under the supervision of the principal employer or his agent on work which is ordinarily part of the work of factory or establishments.

Whose services are temporarily lent or let on hire to the principal employer by the person with whom the person whose service are so lent or let on hire has entered into a contract of service. The term employee also includes any person employed for wages on any work for maintaining administration of the factory or establishment or any part department or branch thereof. But the term employee does not include Any member of Indian naval, military or air force.

Any person so employed whose wages (excluding remunerations) for overtime work exceed such wages as may be prescribed by the central government.

Wages: The term wages mean all remuneration paid in cash if the terms of contract are fulfilled and includes any payment in any period of authorised leave, lockout or strikes which is not legal or lay – off and includes other remuneration paid at intervals not exceeding two months but does not include:

- Contribution paid to provident fund or pension fund.
- Travelling allowances or value of travelling concession.
- Sum paid to defray special expenses.
- Gratuity payable on discharge.

Contribution

The main sources of the finance are the contributions from employers and employees and on eight shares of expenses by state governments towards the cost of medical care. Subject to the provision of this act, all employees in factories or establishments to which this act applies shall be insured in the manner provided by this act.

Employees' contribution has to be calculated individually for each employee at 1.75 percent of wages paid/ payable for every wage period. The employers' contribution, however,

may be calculated at the rate of 4.75 percent of total wage paid to all the employees covered under the ESI scheme in each wage period, rounded to the next higher multiple of five paise. The total value of the combined employers' and employees' share has to be deposited in the State Bank of India or in any other authorized bank or branch through a challan in quadruplicate as per the Performa on or before 21st of the month following the calendar month in which the wages fall due. An employer who fails to pay his contribution within the period specified shall be liable to pay interest and damage for late payment under section 85 (b) of the act. The act has laid down the purpose for which the fund may be expended. The accounts of the corporation shall be audited by auditors appointed by the central government. Employees whose average daily wage is below Rs. 15 are exempted from payment of their contribution, only the employer contribution will be payable at 4.75 per cent in respect of such employees.

Contribution period and benefit period is fixed for the purpose of paying contribution and deriving benefits under the act. In respect of the contribution period from 1st April to 30th September, the corresponding benefit period shall be from 1st January of the year following, to 30th June or in respect of the contribution period from 1st October to 31st March of the year following, corresponding benefit period shall be from 1st July to 31st December of the year. In the case of a newly appointed person, the first contribution period shall commence from the date of his employment and the corresponding first benefit period shall commence on the expiry of 9 months from the said date. The daily rate at which sickness benefit is payable to an injured employee during the period of his sickness is called standard benefit rate.

Registration

The registration of a factory/establishment with the Employees' State Insurance Corporation is a statutory responsibility of the employer under section 2 – A of the act. The owner of the factory/establishment to which the act applies for the first time is liable to furnish to the appropriate regional office, within 15 days after the act becomes applicable, a declaration of registration in Form 01. On receipt of Form 01, the regional office will examine the coverage; and after it is satisfied, that the act applies to the factory/establishment, will allot a code number to the employer.

The form of the registration of employees is the declaration form and return of declaration form. The principal employer should get the declaration form filled in by every employee covered under the scheme.

Maintenance of Register

The statutory register to be maintained up to date are:

- ✓ Register of employees.
- ✓ Accident book in which every accident to employees during the course of employment is recorded and
- ✓ Inspection book.

Benefits

The Employees State Insurance Act, 1948 is a pioneering measure in the field of social insurance in our country. All the benefits under the scheme are paid in cash except medical benefits which is given in kind, subject to the provisions of this Act, the insured persons shall be entitled to the following benefits, namely, -

- ❖ Periodical payments to any insured person in case of his sickness certified by a duly appointed medical practitioner.
- ❖ Periodical payments to an insured woman in case of confinement or miscarriage or sickness arising out of pregnancy, confinement, premature birth of child or miscarriage, such woman being certified to be eligible for such payments by an authority specified in this behalf by the regulations.
- ❖ Periodical payments to an insured person suffering from disablement as a result of an employment injury sustained as an employee under this Act and certified to be eligible for such payments by an authority specified in this behalf by the regulations. Periodical payments to such dependents of an insured person who dies as a result of an employment injury sustained as an employee under this Act, as are entitled to compensation under this Act.

Medical treatment for and attendance on insured persons.

Payment to the eldest surviving member of the family of an insured person who has died, towards the expenditure on the funeral of the deceased insured person or, where the insured person did not have a family or was not living with his family at the time of his death, to the person who actually incurs the expenditure on the funeral of the deceased insured person Provided that the amount of such payment shall not exceed such amount as may be prescribed by the Central Government and the claim for such payment shall be made within three months of the death of the insured person or within such extended period as the Corporation or any officer or authority authorized by it in this behalf may allow.

The benefits are:

Sickness Benefit:

The qualification of a person to claim sickness benefit, the conditions subject to which such benefit may be given, the rates and period thereof shall be such as may be prescribed by the Central Government.

Maternity Benefit:

The qualification of an insured woman to claim maternity benefit, the conditions subject to which such benefit may be given, the rates and period thereof shall be such as may be prescribed by the Central Government.]

Disablement Benefit:

a person who sustains temporary disablement for not less than three days (excluding the day of accident) shall be entitled to periodical payment.

a person who sustains permanent disablement, whether total or partial, shall be entitled to periodical payment

Dependents Benefit:

If an insured person dies as a result of an employment injury sustained as an employee under this Act, dependent's benefit shall be payable to his dependents.

Funeral Benefit:

This benefit was introduced in 1968. Under this benefit a fixed amount is payable to the eldest surviving member of the family or in his absence to the person who incurs the expenditure on the funeral.

Medical Benefit:

The kingpin of the scheme is medical benefit, which consist of free medical attendance and treatment of insured persons and their families. This benefit has been divided into three parts:

Restrictive Medical Care:

it consists of out – patient medical care at dispensaries or panel clinics.

Expanded Medical Care:

This consists consultation with specialists and supply of such medicines and drug as may be prescribed by them.

Full Medical Care:

It consists of hospitalization facilities, services of specialists and such drugs and diet as are required for in – patients.

An insured person and members of his family are entitled to medical care of all the above three varieties.

Penalties and Damages

The act provides penalties and damages for various offences. These are following

Punishment for False Statement

According to section 84 of ESI act, 1948, whoever for causing any increase in payment or benefit under this act or for the purpose of causing any payment or benefit to be made where no payment or benefit is authorized by or under this act or for the purpose of avoiding any payment to be made by himself under this act or enabling any other person to avoid any such payment, knowingly makes or causes to be made any false statement or false representation, shall be punishable with imprisonment for a term that may extend to six months or with fine not exceeding two thousand rupees, or with both.

Punishment for Failure to Pay Contribution

According to section 85 of ESI act, 1948, if any person fails to pay contribution which under this act he is liable to pay, deducts or attempts to deduct from the wages of an employee the whole or any part of the employer's contribution, contravenes the provisions of section 72 reduces the wages or any privileges or benefits admissible to an employee, contravenes the

provisions of section 73 or any such regulations relates to dismisses, discharges, reduces or otherwise punishes an employee etc.,

He shall be punishable with imprisonment for a term that may be extended to three years, but shall not be less than one year in case of failure to pay the employee's contribution which has been deducted by him from the employee's wages and shall also be liable to fine of ten thousand rupees.

In any other cases which shall be less than six months and shall also be liable to fine five thousand rupees.

Power to Recover Damages

Where an employer fails to pay the amount due in respect of any contribution or any other amount payable under this act, the corporation may recover from the employer by way of penalty such damage not exceeding the amount of arrears as may be specified in the regulations.

Any damage recoverable under act, may be recovered as an arrear of land revenue or under section 45 C to section 45 I.

Miscellaneous

Cash benefits payable under the Employees' State Insurance Act are not liable to attachment or sale in execution of any court decree or order. Also, the right to receive any benefit is not transferable or assignable. Where a dispute arises under the provisions of the act, that matter has to be decided by the Employees' Insurance Court and not by a civil court. An appeal will lie to the High Court from an order of the Employees' Insurance Court if it involves a substantial question of law. The period of limitation for an appeal is 60 days. The delay can be condoned for sufficient reasons.

Obligations of Employers

The obligation of the employer is to get his factory/establishment registered within 15 days after the act becomes applicable, supplying all the information required.

Arrange allotment of insurance number to all employees covered by the act.

Provide the identity cards, medical acceptance cards issued by the corporation to all employees.

He should not dismiss, discharge or reduce or punish any employee during the period he/she is under medical treatment, or is absent from work as a result of illness duly certified in accordance with the regulations under this act.

- Maintain all the registers and records of the factory/establishment.
- Reimburse to the Corporation the excess expenditure incurred due to insanitary working and living conditions in the factory or establishment or housing colony.

Obligations of Employees

- Assist the employer in obtaining the registration, insurance number and identity cards from the ESI authorities.
- Obtain necessary sickness and medical certificate from the medical authorities.
- Give notice of accident causing employment injury to the employer and other authorities and submit for medical examination as and when necessary to claim disablement benefit.
- Repay to the corporation any benefit or payment received which he was not entitled to under the act.
- Submit the claims for the benefits within the prescribed time and along with the prescribed documents.

5.19. Globalization and labour market

Introduction

Employment is a crucial pillar of development that allows an observer to understand a nation's economic state of affairs. A nation with a thriving workforce can be equated to being a nation with a flourishing economy. Accordingly, suitable monetary and fiscal policies that are in character with the healthy employment rate, can be set in place for the smooth functioning of the economy.

India's current employment demographic is not in favour of a prosperous economic scenario. The economy is not in the pink of health due to the unemployment hit in 2020, which was at an all-time high since 1991. It took another blow in May 2021 as well, when it climbed up to 11.84%.

The New Economic Policy (NEP), 1991 introduced three pivotal ideas to India's closed economy. It prompted the transformation of the market from import substitution within the closed economy to export promotion, as the country opened up to the opportunities that emerged. This was done by way of liberalisation, privatisation and globalisation. Furthermore, it was revolutionary from the previous essentials that included licenses and high tariffs.

Liberalisation drove out the requirement of permits and licenses to carry out business, which led to the easier commission of commerce. Privatisation allowed private entities to own and operate at par with public entities. This development led to the revocation of the Monopolies and Restrictive Trade Practices Act, 1969. Subsequently, it led to the introduction of the Competition Act, 2002. This restructured the entire market.

Globalisation is the process of extending trade and increasing the scope of the synergy of nations through business. It is the worldwide integration of economies, which in turn leads to:

1. Increment of foreign investment,
2. Access to innovation and excellent quality of goods and services,
3. Increased but regulated competition in domestic and international markets, and
4. Improved standard of living across countries, due to availability and accessibility.

The monitoring and regulation of such vast trade is done by the World Trade Organisation. It ensures fair, coordinated and formally regulated multinational trade.

A change in various variables of the market led to a change in labour dynamics as well. The services provided by labourers, as utilized by private, public, international and domestic business entities was remodeled. The international standard and protection of labourers are headed by the International Labour Organisation (ILO).

This blog discusses the various dimensions of globalisation and its impact on Indian labour. It observes the various variables of the economy including employment, liberalisation, privatisation and globalisation. Further, elucidating the outcomes and objectives of globalisation being- foreign investment, innovation, premiere quality and polished standard of living. International trade is tied to international labour security through the World Trade Organisation and the International Labour Organisation.

5.19.1. Historical Background on the Implementation of Globalisation

Infamously, the Manmohan Singh led government inaugurated the New Economic Policy in 1991. The economic distress in the country led to the adoption of this idea. The economic trough was caused due to:

1) The government's cheques and balances were in a state of fiscal deficit: The speculation that the value of the Rupee had appreciated, led the nation financially astray. The existing financial burden from the 1980s was carried over and increased substantially in the 1990s. With the fall in the value of the nation's currency, the hardship to repay increased.

2) The Gulf Conflict: The tensions between Iraq and numerous other nations about the Kuwait annexation, led by the United States of America caused problems for the Indian economy. An unfavourable stir in the oil prices added to the difficulties faced by India. The oil account heightened.

3) Severe Inflation: The fall in the value of currency affected every aspect of the economy. It was temporarily restored when monetary policies were regulated by the Reserve Bank of India (RBI). There was an influx of cash flow in the economy which led to the loss in value of the currency. Along with this, the RBI tapped into the international reserve to revive the currency. This helped with stabilising the value for the time being. The fast depletion of this source induced a lot of economic strain.

4) Poor functioning of the public sector entities: Prior to the New Economic Policy, 17 sectors were entirely retained for the public sector. This was given under The Industrial Policy, 1956. The state gate kept these sectors but were unable to perform and transform them efficiently. The state was socialistic as well, thus no profits were created. This forced a dip in the Gross Domestic Product (GDP) and eliminated the chances for healthy competition.

5) Heavy reliance on imports: The nation was wholly agro-based. The ever-increasing requirement for machinery and other heavy equipment also existed. This could only be solved by way of imports. The correlation of imports to exports was not ideally proportional. It was

imbalanced towards imports which steered the nation into financial decay. The cheques and balances were unfavourable and the value of the Rupee fell.

These causes accelerated the initiation of the New Economic Policy, 1991. Liberalisation assisted by introducing international competition and inducing foreign investment. Privatisation included more private entities to take up ownership and operations of the previously reserved sectors. This made profit a primary objective, which led to higher Gross Domestic Product. Each business had to have a certain standard of product and reasonable pricing to survive the market force's competition.

Globalisation tied all the loose ends together, by

- Creating an expanded market drive, for international trade and regulated competition,
- Decrease in inflation caused, and
- It further steered towards building stronger foreign reserves.

5.19.2. Positive and Negative Consequences of Globalisation

Additionally, several merits were witnessed as indirect benefits. This section intends to expound the merits as well as the demerits of the global outlook with respect to labourers. Following are the pros:

1. Surge in industrial employment opportunities: The rise of international business entities participating in the economic advancement of India, caused multiplication in the prospect of work. Larger human capital was demanded by numerous businesses. Labourers were handed several potential choices of work. This attracted a shift from agro-based work to industrial help.

2. Better compensation received: The economic boost gave rise to better opportunities and compensation as well. The upward graph is a favourable incentive for eligible workers to take up jobs. Additionally, the laws laid down by the country and enforced through the ILO to ensure fair and reasonable wages for work.

3. Purchasing power given to blue-collar workers: With the onset of higher compensation provided, a labourer's ability to purchase beyond Giffen goods (necessities). It allows them to purchase beyond the autonomous spending, that is required for survival. An increase in purchasing power also makes room for savings. All aspects considered; it gives the labourers financial flexibility.

4. Social Objectives: The new dimension of businesses having a social aim is vital for development. The entity undertakes social responsibility towards its workers and the community. As per society, it contributes by giving back to society in any form. This could

include the creation of amenities or community service. On the other hand, it owes a duty towards to workers for the betterment of:

- ❖ Industrial Relations
- ❖ Social security of workers
- ❖ Welfare of workers.

The cons are as follows:

1. Capitalist Outlook: The idea of globalisation rests on capitalism and the expansion of business operations. Even with the existence of social objectives, the primary aim of earning profits overrules all else. In a socialist economy, the welfare of the people is supreme. Ergo, the capitalistic perspective does not cater to the specific needs and wants of the working class.

2. Policy Paralysis: Even though several laws are in place to regulate, monitor and ensure the best interest of the blue-collar workers, the loopholes in provisions allow the businesses to misemploy and take advantage of these gaps. The laws need to be more in tune with today's diverse technical developments. To ensure multidimensional security to workers that include:

- Working conditions
- Occupational safety
- Social Security

3. Exploitation of economical labour market: The large businesses that move overseas to increase production and operations tend to abuse the availability, accessibility and affordability of the workers in India. Developing nations are usually viewed as sources for the easy and cheap acquirement of labour.

5.20. Mobility of labour:

Labour Mobility

Labour mobility refers to the ease with which labourers are able to move around within an economy and between different economies. It is an important factor in the study of economics because it looks at how labour, one of the major factors of production, affects growth and production.

There are two primary types of labour mobility: geographic and occupational. **Geographic mobility** refers to a worker's ability to work in a particular physical location, while occupational mobility refers to a worker's ability to change job types. For example, a worker moving from the United States to France illustrates the concept of geographic mobility. An automobile mechanic who changes jobs to become an airline pilot, on the other hand, reflects the concept of **occupational mobility**.

Geographic Mobility

From a policymaker's perspective, geographic mobility can have important implications on the economy of a particular country. This is because easing immigration requirements can do several things:

Increase the supply of labour: As more workers enter the economy, the general labour supply increases. An increase in labour supply accompanied by a static labour demand can decrease wage rates.

Increase unemployment: Unless employers demand more workers, an increase in labour supply could lead to a glut in labour, leading to higher unemployment. This means more workers than jobs are available.

Increase productivity: Not all labourers added to the labour supply will be unskilled. An influx in labourers can increase productivity. If they bring specialized skills to the workplace, and they might push out existing employees who are less productive.

Obtaining geographic mobility is not a purely economic matter. It can also be an issue of state sovereignty and government control. After all, governments are also concerned with security, and completely open borders mean governments are not sure who or what is coming into their countries.

Moreover, while increased geographic mobility generally has a positive impact on the economy, it is also one of the first targets at which the wrath of both citizens and their representatives is aimed. Immigration is a hot-button topic, both in the United States and abroad.

A reduction in geographic restrictions can be reached in several different ways. Between countries, it is accomplished through treaties or economic agreements. Countries can also increase the number of worker visas available, or reduce the requirements of receiving one.

The effectiveness of improved geographic mobility will ultimately depend on individual workers. If economic opportunities are not available in a different country or in a different part of one's current country, the likelihood of an employee wanting to make a change will be diminished.

Occupational Mobility

The ease with which employees can move from a job in one particular industry to a job in a different industry determines how quickly an economy can develop. For example, if there was zero occupational mobility, it is likely that we would still be hunter-gatherers because no one would have been able to become farmers or specialists.

An easing of occupational mobility restrictions can do several things:

- ❖ **Increase the supply of labour in particular industries:** Lower restrictions cause labourers to have an easier time entering a different industry, which can mean the demand for labour is more readily met.
- ❖ **Lower wage rates:** If it is easier for labourers to enter a particular industry, the supply of labour will increase for a given demand, which lowers the wage rate until equilibrium is reached.
- ❖ **Allow nascent industries to grow:** If an economy is shifting toward new industries, employees must be available to run that industry's businesses. A shortage of employees means overall productivity can be negatively impacted because there aren't enough employees to provide the service or work the machines used to make the product.

Occupational mobility can be restricted through regulations. Licensing, training, or education requirements prevent the free flow of labour from one industry to another.

For example, restrictions limit the supply of physicians, since specialized training and licensing is required to work in that particular profession. Physicians can, therefore, command higher wages because the demand for physicians coupled with a restricted supply increases the equilibrium wage. This funnels unqualified members of the labour force into industries with fewer restrictions, keeping the wage rate lower through a higher labour supply compared to the amount of labour demanded.

Labour Mobility: Two Perspectives

Labour mobility affects workers on two levels: the aggregate level and the personal level.

Personal level:

On a personal level, increased labour mobility gives workers an opportunity to improve their financial situations. If workers are permitted to train for new jobs, move locations, or seek higher wages, they are more likely to be happy working, which can have a positive impact on productivity.

Many workers who do not feel indefinitely relegated to low wages or jobs with few benefits will seek better positions, which also makes it easier for new industries to attract the most qualified applicants by offering better perks.

Aggregate level:

The aggregate level refers to the economy as a whole. The extent to which labour forces are mobile can impact how quickly an economy can adapt to technological changes, how quickly competitive advantages can be exploited, and how innovative industries develop.

Restrictions placed on how workers move around, either geographically or occupationally, can slow growth by making it more difficult for businesses to hire productive workers. At the same time, unrestricted labour can depress wages in certain industries and create unemployment.

5.21. Migrant and Work

Migrant workers support the growth and development of their destination nations, while their countries of origin also gain significantly from their earnings and the skills acquired throughout their migration experience. This can be said the case of internal migration too, which takes place within the country. Nonetheless, the migration process includes complicated issues in terms of governance, migrant worker safety, migration-development links, and international cooperation. According to the 2011 Census nearly 54 per cent of Mumbai's population consists of migrants who are skilled, unskilled, semi-skilled and they also work in the organized and unorganized sectors.

According to International Labour Organisation, Migrant workers are more often vulnerable, they are even forced to work as labourers and migrant children even work as child labourers. Many a times there is also discrimination on the basis of payment and they are even times forced to work extra hours and even in unsafe working conditions. Migrants as said earlier work in the informal sector. There are a range of fields on which they work some of them are - Mining and Quarrying, Manufacturing, Electricity related industries, gas, water supply and other utility services existing in the country. Migrants also work in the construction sites, for trade, repair as plumbers. Transport, Storage, communication and services related to broadcasting as hawkers etc.

5.22. Problems of migrants at work

Lack of proper documents

Migrants have documents like aadhar card, ration card as a result, they struggle with taking benefits offered in their domain as address varies. They can't take the free education benefits, or any government concessions which a particular state offers to its residents. Parents even find it difficult to enroll their child into the school due to the lack of documents. There are migrants who keep moving depending upon the availability of the jobs and due to lack of permanent address they face several problems. The condition was worse for senior citizen's migrants who migrated to the city. They do not generally receive several benefits as a migrant, which the host state would be giving to their own local residents like bus concessions, pensions etc.

Vulnerability

To be a migrant and work is being vulnerable. Parents even find it difficult to enroll their children into the school due to the lack of enough documents. There are migrants who keep moving depending upon the availability of the jobs and due to lack of permanent address they face several problems. Let us look into this from the cases of hawkers. Whenever the police vans approach hawkers have to hide their vegetables, goods away from roads or else the police would take away their property. In order to take the property back they have to pay again a large sum of money which adds to their expenses. They work in constant fear of getting caught.

The same case is that of hawkers selling in trains. Women and men who sell sit down and hide themselves from the police whenever a railway station is approaching.

These migrant's hawkers also at times have to pay haft –bribe. At times, if one officer caught the hawker then he has to pay, if the same hawker is caught again by someone else – again he/she has to pay. Many a times, females and men on the streets are also selling goods which are perishable in nature, so they face loss in their business and if the goods do not sell or lockdowns are implemented, curfew is made or even strikes are made.

The recent Ukraine crisis of Medical Students reveals the conditions of migrants. These students went over Ukraine to receive education. Some students were also in the stage of getting awarded with their Medical Degree. However, the crisis in the land led them to move out of the country. The whole Ukraine crisis also revealed the gap in the education student where students are forced to move out of the country due to the less medical fees, procedures in Ukraine. It also shows the structural improvement which is needed in our society right from the education to employment.

Check Your Progress :

No.	Short Question	CO	PO	Level
1	Define social security and briefly mention its evolution.	CO1	PO1	K1
2	Distinguish between social assistance and social insurance.	CO1	PO2	K2
3	What is meant by bonded labour?	CO2	PO1	K1
4	State any two objectives of labour market reforms.	CO3	PO2	K1
5	How does globalisation influence labour mobility?	CO4	PO3	K2

No.	Essay Type Question	CO	PO	Level
1	Explain the concept of social security and trace its evolution in India.	CO1	PO1	K3
2	Analyse the social security measures of the State with reference to social assistance and social insurance.	CO1	PO2	K4
3	Discuss the major labour problems in India such as child labour, discrimination, and bonded labour.	CO2	PO3	K4
4	Examine labour market reforms in India with special reference to exit policy, safety requirements, and the recommendations of the National Commission on Labour.	CO3	PO3	K4
5	Critically evaluate the impact of globalisation on labour markets and labour mobility.	CO4	PO3	K5

Glossary:

Labour Economics: Labour economics is the study of the workings and the outcome of the market for labour.

Labour Market: Labour market is the place where employer and employees interact with each other.

Formal Employment: Formal employment is created through contractual arrangements between an incorporated company and an individual employee. In developed economies, many sectors of the economy, such as the extractive industry, manufacturing, and provisions of services, are typically part of the formal economy.

Informal Employment: An informal work situation means the person doing the work has little or no job security, doesn't have a contract and might not have the same employer for more than a few weeks or months.

Demand for labour: Labour is demanded for the production of goods and services. Firms demand labour because consumers want to purchase a variety of goods and services. The firm's labour demand is a derived demand, derived from the wants and desires of consumers.

Supply of labour: Supply of labour means the number of labourers doing a particular job who willingly offer their services at different wage rate and the number of hours or days that each labourer is prepared to work at different rate of wages.

Elasticity of Labour Substitution: Elasticity is a means of measuring responsiveness. If the price of a good change, how responsive is the change in quantity, or elastic. A relatively large change in quantity demand suggest that demand is less responsive, or inelastic. In the realm of labour economics, we are interested in how responsive an employer demand for labour is to the price (wage) of labour. More specifically, we look for the relative change in employment level for a relative change in the wage.

Factors affecting demand for labour: Wage rate, demand for the products, productivity of labourers, profitability of firms, substitutes, the number of buyers of labour.

Factors affecting supply of labour: Length of training of workers, barriers to entry, trade union, tax and benefit, incentives and disincentives, labour subsidies, the actual and potential labour supply.

Developing Economies: A developing country, also called an emerging or transitional economy, is a nation with an underdeveloped industrial base, and low Human Development Index (HDI) relative to other countries and poor quality of governance.

Unemployment: Unemployment is a situation when a person actively searches for a job and is unable to find work.

Labour Force: All persons who are working (have a job) and though not working, are seeking and available for work, are deemed to be in the labour force.

Unemployment Rate (UR): UR is defined as the percentage of persons unemployed among the persons in the labour force.

Frictional Unemployment: Workers choosing to leave their jobs in search of new ones and workers entering the workforce for the first time constitute frictional unemployment.

Structural unemployment: Structural unemployment arises when there is a mismatch between the skills demanded and supplied in a given area.

Rural Unemployment: Rural unemployment refers to unemployment that exist in rural areas. Rural unemployment can be categorised in open unemployment, disguised unemployment and rural educated unemployment.

Educated Unemployment: If a person has received education and is unemployed, he is called educated unemployed.

Subsistence Wage: The level of wages which is just sufficient to meet the basic necessities of life.

Wage Fund: The wage fund constituted the demand for labour and the average rate of wage was determined by dividing the wage fund by the number of workers.

Marginal Productivity: Marginal productivity or marginal product refers to the extra output, return, or profit yielded per unit by advantages from production inputs.

Surplus Value: Value created by the unpaid labour of wage workers, over and above the value of their labour power, and appropriated without compensation by the capitalist.

Prevailing Market Rate: It is also termed as the 'comparable wage' or 'going wage rate' and is the most popular criterion.

Living Wage: It implies that wages paid should be sufficient to maintain an employee himself and his family at a reasonable level of existence.

Real Income: Real income, also known as real wage, is how much money an individual or entity makes adjusting for inflation.

Labour Productivity: Labour productivity is defined as output per worker or per hour worked.

Living Wage: A wage that is high enough to maintain a normal standard of living.

Fair Wage: Fair wage is the wage that is reasonable for the type of work done.

Minimum Wage: The lowest wage permitted by law or by a special agreement.

Trade Union: An organization whose membership consists of workers and union leaders, united to protect and promote their common interests. The principal purposes of a labour union are to 1) negotiate wages and working condition terms 2) regulate relations between workers (its members) and the employer. 3) take collective action to enforce the terms and collective bargaining. 4) raise new demands on behalf of its members, and 5) help settle their grievances. A trade union may be a) A company union that represents the interests of only one company and may not have any connection with other unions. Also called house union, a company union is often a bogus one and generally illegal. b) A general union that represents workers from several companies in the same industry. Also called industrial union. c) A craft union that represents skilled workers in a particular field such as carpentry or welding.

Liberalization: The removal or reduction in the trade practices that thwart the free flow of goods and services from one nation to another. It includes the dismantling of tariff (such as duties, surcharges, and export subsidies) as well as non – tariff barriers (such as licensing regulations, quotas and arbitrary standards).

Problem of Trade Unions: Uneven growth, outside leadership, multiple unions, inter union rivalry, lack of commitment, financial problems, low membership and lack of interest.

Advantages of trade Unions: Greater Bargaining Power, minimize discrimination, sense of security, Sense of participation, Platform of self – expression, betterment of the relationship.

Strike: Strike is a very powerful weapon used by a trade union to get its demands accepted. It means quitting work by a group of workers for the purpose of bringing pressure on their employer to accept their demands. According to Industrial Disputes Act, 1947, “Strike means

a cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal or a refusal under a common understanding of any number of person who are or have been so employed, to continue to work or to accept employment”.

Lock Out: Lock – out is declared by the employers to put pressure on their workers. It is an act on the part of the employers to close down the place of work until the workers agree to resume the work on the terms and conditions specified by the employer. The Industrial Disputes Act, 1947 has defined lock – out as closing of a place of employment or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him. Lock – out is declared a trial strength between the management and its employees.

Lay – Off: Lay – off means inability or refusal of an employer to give employment to a workman who is on rolls of his industrial establishment and who has not been retrenched. This is done by the employer on account of shortage of power, raw material, breakdown of machinery or for other reasons.

Retrenchment: Retrenchment means the termination of a workman by the employer for any reason other than as a punishment given by way of disciplinary action. It does not include (i) Continued ill – health (ii) Voluntary retirement

Social Assistance: A method to provide benefits as of right to persons usually of small means in amounts sufficient to meet the minimum standard of living from general revenues of the state.

Social insurance: A method to provide benefits as a matter of right for persons of small earnings, in amounts which combine the contributions of the beneficiaries with the subsidies from the employer and the state.

Social Security Measures: The protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children.

Trade Union: The India Trade Union Act, 1926 defined a trade union as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen and workmen or between employers and employers for imposing a restrictive condition on the conduct of any trade or business and includes any federation of two or more trade unions.

Amalgamation: the action, process, or result of combining or uniting.

Appropriate Government: The term appropriate government implies, in respect of establishments under the control of central government or a railway administration or a major part of mine, oilfield, the central government. In all other cases, it implies state government.

Wages: The term wages mean all remuneration paid in cash if the terms of contract are fulfilled and includes any payment in any period of authorised leave, lockout or strikes which is not legal or lay – off and includes other remuneration paid at intervals not exceeding two months.

Industrial Dispute: According to section (2k), the industrial dispute implies any dispute or difference between employers and employees or between employers or workmen and between workmen and workmen, which relates to the employment or non – employment or the terms of employment with the condition of labour, of any person.

Retrenchment: Retrenchment refers to “termination by the employer of the service of the workman for any reason whatsoever otherwise than a punishment inflicted by way of discharging action”. Voluntary retirement, superannuation, termination of employment on grounds of ill health do not amount to retrenchment.

Closure: Closure has been defined as the permanent closing down of a place of employment or part thereof.

Factory: Any premises in which 10 or more workers are employed and a manufacturing process is carried on with the aid of power. Any premises on which 20 or more workers are employed and a manufacturing process is carried on without the aid of power.

Occupier: Occupier of a factory means the person who has ultimate control over the individual of the factory.

Worker: Worker means a person employed with or without the knowledge or principal employer, whether for remuneration or not in any manufacturing process, or in cleaning any part of the machinery or premises used for manufacturing process, or in any kind or work incidental to, or connected with, the manufacturing process or the subject of the manufacturing process, but does not include any member of armed force of the Union.

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