CHAPTER 7

NINTH FIVE YEAR PLAN
HUMAN
AND
SOCIAL DEVELOPMENT
LABOUR AND LABOUR WELFARE

1. One of the major concerns of the Government has been the improvement of labour welfare with increasing productivity and provision of a reasonable level of social security. The planning process attempts to create conditions for improvement in labour productivity and for provision of social security to supplement the operations of the labour market. The resources have been directed through the Plan programmes towards skill formation and development, exchange of information on job opportunities, monitoring of working conditions, creation of industrial harmony through an infrastructure for healthy industrial relations and insurance against disease and unemployment for the workers and their families. The achievements of these desirable objectives in the areas of labour and labour welfare have been determined primarily by the kind of labour market that exists. The situation of surplus labour, coupled with the employment of most of the workers in the unorganised segments of the economy, has given rise to unhealthy social practices like bonded labour, child labour and adverse working conditions faced by the migrant labour. Within the available resources, a limited effort at handling these problems has been feasible.

2. Many of the initiatives taken by the Government for labour welfare and the role of the Plan in supplementing the efforts of labour, employer and the Government have to be reviewed regularly in the context of an evolving economic and social background. The social, economic and political conditions that existed in the initial years of planning in the country have changed. The trends in demographic, social and economic developments, that have taken place, are not always the same as expected and the Government policies have to be adjusted to the changing situation.
3. Given the large share of those employed in the primary industries, outside the organised sector, in very small establishments and at casual status of employment, the strategy for benefiting the workforce in general has to be based on an increase in productivity rather than on attempting labour welfare through a frame-work of multiple regulations.

4. The labour movement in the country took shape when textiles, mines and plantation industries were the principal employers in the organised sector and when these industries were almost entirely in the private sector. A mutually acceptable independent third party used to arbitrate in the case of disputes between the employees and the employers prior to independence. After independence, the role of the arbitrator has been assumed increasingly by the Government. A system of labour tribunals with associated for a came into existence. Such a system can be effective only in the case of labour in the organised sector.

5. With 70 per cent of organised employment being in the public sector, a peculiar situation has developed in which the Government assumes the role of an employer as also of an arbitrator. In the public sector, there exist very effective, industry-specific associations of workers, which negotiate directly with the managements of the public sector enterprises. The role of the Government as an arbitrator in the public sector industrial disputes should, therefore, reduce drastically. Both the employers and the employees can select a mutually acceptable arbitrator, independent of the Government, on a case to case basis. The resources of labour administration infrastructure should become available increasingly for studying the working conditions of the unorganised sector.

6. In recent years, following the initiation of economic reforms in 1991, the rate of expansion of employment in the private sector has been higher than in the public sector. The rate of growth in private sector organised
employment during the period 1987-88 to 1993-94 was 1.18 per cent as compared to 1.00 per cent rate of growth in the public sector employment. This is a welcome reversal of the relative situation that prevailed in the eighties. The gains from economic growth accrue to the labour force from the expansion of all-round employment and an increase in the real output per worker. The labour market in India, being for the most part outside the regulatory frame-work, has adjusted itself without much strain to the process of reform of economic policies. In labour disputes, the settlement can be much quicker if the rewards are linked with productivity improvement that comes from cost reduction and higher output.

7. Changes in the work culture can sometimes bring in a much larger all-round benefit than resistance to such changes. For example, resistance to changes in the structure of an industry will not benefit the workers. The services segment of the organised sector covering insurance, finance, trade, communication, transport and a variety of public services concerning health and welfare, is the largest segment of organised workforce. The benefits from the reforms in trade and fiscal policy to the consumer depend very substantially on a more flexible structure of the firms in these industries. During the Ninth Plan it is envisaged that the Trade Unions will contribute to promoting changes in the work culture. The contribution from the Trade Unions is also required for creating an environment that encourages linking of rewards to labour with productivity improvement in a more flexible structure of the firms that deliver such services. The trade unions have undertaken research studies on issues relating to improvement in labour productivity in the past utilising the insights acquired by them through the labour movement. The forum of Indian Labour Conference, where the labour representatives, employers and the Governments at States and Centre mutually interact, can make useful contributions by guiding research focused at labour productivity.
LABOUR LAWS

REVIEW OF LABOUR LAWS

Benefits from existing labour laws reach a minor part of the workforce because of administrative difficulty in implementation. Ninth Plan will aim at reducing the number of laws which determine relations between workers and employers, with the objective that a much smaller number of laws can reach the entire workforce.

1. The labour laws encompass areas like industrial disputes, wages and minimum wages, security measures like Workmen's Compensation Act, Equal Remuneration Act, Maternity Benefit Act, Child Labour Act, Factories Act, Mines Act, Contract Labour Act, Welfare Fund related legislation etc. The basic objectives of all these laws are to create a safe work environment, provide the mechanism and the procedure to settle industrial disputes and ensure minimum wages, payment of provident fund, gratuity and bonus etc. besides other statutory benefits to the worker.

2. To maintain its sanctity, any particular law requires to be reviewed in the context of the changes that have occurred in the conditions that govern employment and industrial relations. The basic objective of initiating the process of economic reforms was to correct certain distortions and imbalances which had crept into the economy, to overcome the crises arising out of macro economic imbalances and to lay the foundation of an economic regime characterised by de-licensing, de-regulation and decontrol, besides removing all irritants and stumbling blocks to the production system in order to make it competitive on the one hand and to integrate the national economy with global economy on the other. Radical changes have been made in the licensing system, in the mechanism governing import and export, in the foreign exchange regulations, and in the procedures for foreign direct investments. It is imperative to bring about corresponding changes in the labour laws.
3. It may be seen, however, that in the changed economic scenario, where displacement of labour is inevitable and existing labour force is expected to get retrenched, the workers thus retrenched are not affected adversely. With this in mind, the National Renewal Fund has been created out of which payments are made to the workers who are voluntarily retiring and funds are also provided for retraining and redeployment of the retrenched workers. Steps need to be taken so that the loss out of reform process is minimum for the labourers.

4. The subject of national minimum wages has been considered by several bodies in the past. The National Commission on Labour (1969) was of the view that such a wage in the sense of uniform minimum monetary remuneration for the country as a whole is neither feasible nor desirable. The 28th Indian Labour Conference (1985) also discussed the need for national minimum wage. It was felt that till such time the national minimum wage is feasible, it would be desirable to have regional minimum wage for which the Central Government may lay down the guidelines.

5. In the 33rd session of the Standing Labour Committee, it was suggested that measures should be taken to evolve a uniform floor level minimum wage for all unorganised establishments. The need for so fixing and notifying minimum wages that no wage is fixed below Rs.35 per day was felt. It was also suggested to the State Governments that the existing benefits should not be reduced and wherever the current level of minimum wages are more than Rs.35, they should be allowed to continue. The State Governments were also requested to take measures to reduce inter-state and intra-state disparity in minimum wages.
SOCIAL SECURITY

1. The present approach to providing social security to the population has been framed in the context of a low recorded unemployment (less than 3% of labour force) but high incidence of poverty (more than 30% of households). A large number of those employed are getting wages that do not provide them an acceptable minimum level of living. The attempts at providing social security are targeted at the poor through special employment generation programmes on the one hand and provision of free or heavily subsidised basic needs like health, nutrition, housing and education on the other. Though 20 per cent of the Plan and the non-Plan expenditure of the Governments at the Centre and the States is directed towards the creation and maintenance of social infrastructure, the gap between what is needed and what can be made available within the available resources of Governments is too large.

2. The other effort of the Government to guarantee social security is of laws, but such legal measures can tackle only the symptoms of a deeper malady underlying the economic and social situation, and that too to the extent the measures are enforceable. The administrative and legal infrastructure can not secure for all those in the unorganised workforce what the laws seek to provide for them.

3. Given the situation where the provision of social security encounters fiscal constraints and administrative limits to the enforcement of laws, the only feasible approach to reach social security to the population is by creating conditions wherein the "economically active" segment of population gets a reward for its labour, which affords a reasonable level of basic needs.
4. The working conditions of labour in those parts of the country where agricultural productivity is high and where the per capita income levels, in general, are high are by and large satisfactory. In these parts, the market wage is well above the statutory minimum wage. At some of the locations it is difficult to find the beneficiaries eligible to get benefit under poverty alleviation schemes because there are few households identifiable as below poverty line. The policies that enable high growth in output do reduce the burden on the planning process of providing social security.

5. The Employees State Insurance (ESI) scheme, framed under the Employees State Insurance Act, 1948, provides for medical care and treatment, cash benefit during sickness, maternity, employment injury and pension for dependents on the death of the insured worker due to employment injury, besides meeting the expenditure on the funeral of an insured person. The scheme is not applicable to non-power-using factories employing less than 20 persons now but efforts will be made to extend it to all factories employing 5 or more persons.

6. Health aspect is very important for an average worker, who is poor and can not sustain himself unless work is available. Unless he is fit, his earnings get directly affected. In these circumstances stress should be laid on proper health care arrangements for the workers in general and workers in the unorganised sector including urban informal sector in particular.

7. The agricultural labour which constitutes majority of workforce, is exposed to many potential risks at the work location. The hospitals receive a large number of cases of accidents at work in the field. The health, hygiene and industrial safety set up, which has so far remained confined mainly to manufacturing sector should allocate a substantial part of its resources to providing services to agriculture sector.
8. The Governments of Gujarat, Kerala, Karnataka and Madhya Pradesh have insurance schemes for the landless agricultural labourers. This needs to be extended for the entire country. The Welfare Boards for Mine Workers, Beedi and Cigar Workers etc. are financed by the cess levied on these commodities. A Cashew Workers Welfare Board exists in Kerala. In the Ninth Plan, a strong research and development effort will be mounted to facilitate the extension of social protection to all sections of the working population. A scheme of social security for the unorganised rural labour would be designed to provide for protection during the stoppage or diminution of income. The existing welfare schemes of the unorganised sector which are widely scattered and fragmented, will be integrated properly. Institutions and arrangements for providing group insurance to the rural poor across the country need to be made more effective and their coverage increased.

9. Any scheme that has to benefit the working population in the unorganised sector has to be employer-friendly. Identification of a prospective beneficiary is possible only with the active involvement of the employer.

10. The purpose of the National Scheme of Social Security is to explore the most appropriate institutional mechanism for distributing among the working population, what has been earned by its labour, rather than financing the full cost of social security.

11. A scheme of social security to the working population at a particular location can be effective only if the number of people who are to be reached through the scheme is manageable. The benefits of a uniform country-wide scheme cannot reach effectively all the locations. The requirements of the working population and resources that can be pooled from the workers, the employers and the State or national level institutions differ from place to place. Thus, the design of the efforts for providing social security has to be promoted on a location-specific basis.
12. Resources from the Plan can be used for demonstrating the viability of such efforts. Certain conditions need to be fulfilled. Resources should be raised primarily by the employees and employers. The Government can provide a token support but cannot meet the full expenditure incurred on social security. In the long run such location-specific schemes should invest their resources in, and earn from, the capital market. The schemes will have to be operated and managed jointly by the employers, employees and representatives of the local authority. The support from the Government, in the initial, and for a specified number of years can be on a matching basis to the resources pooled by the employers and the employees. The support from the Government needs to be shared by the State Government and the Central Government. The primary purpose is to test and demonstrate the viability of a location-specific, and largely self financing, effort to provide social security at a rate that broadly matches the market wage rate of an average worker at that location.

13. The social security set-up as it exists among industrial countries is not applicable for India. Firstly, nearly half of those employed are the self-employed, which is a very small category in the industrial countries. Most of the self-employed are in the informal sector, in contrast to the industrial countries, where formal sector employs bulk of the workforce. Secondly, the incidence of poverty is high here and persistent over time. It is rooted in several structural features of the economy. These include low wages, their irregular payments and irregular employment.

14. A few states in India, namely, Karnataka, Kerala and Tamil Nadu demonstrated the viability and potential of old age pension scheme. Some form of social assistance is also given to the workers in the unorganised sector. This could be considered by the other states. However, social security must be targeted to particular vulnerable groups like informal urban workers, migrant workers, women and children etc. However, multiple social assistance schemes will not be effective. It will be meaningful to choose the most cost effective ones among them for application across the board. Formal social security system can not be
exclusively relied upon in a developing country like India. It is necessary to reform and to extend their applications where and when appropriate. However, there is considerable scope for improvement in most of the promotional and protective social securities programmes in efficient utilisation of funds through better administration.

15. Urban informal sector is a sector where mostly migrant workers are found. They are landless poor who come to the cities and find themselves in a difficult situation, staying in most unhygienic conditions. They do not have support of the trade unions. Steps may be taken to improve their lot with social security measures. The disabled workers are also in a disadvantageous position for whom special schemes are needed.

16. An effort at providing social security to the poor was initiated in the Eighth Plan period in the form of a National Social Assistance Programme (NSAP). The programme comprises:

(i) Old Age Pension,

(ii) Maternity Benefit and

(iii) Family Benefit for the girl child in particular.

This has been implemented mainly as a programme for the poor under the broad head 'Poverty Alleviation in Rural Areas'. In the Ninth Plan, an effort will be made to extend the coverage of NSAP to the casual and the self-employed workers in informal sector both in the rural and the urban areas. The objective will be to cover the economically active population outside the organised sector. To begin with, the beneficiaries will be those having income at a level below the average income. As discussed earlier, such a scheme will have to have requisite contribution by local authorities and the State Governments. Since the objective is to cover economically active population, the role of employers and the local authorities is crucial in identification of beneficiaries.
RESEARCH IN EMPLOYMENT AND MANPOWER

1. The Institute of Applied Manpower Research (IAMR) is a society carrying out training and research activities. The Institute has conducted training courses for national and international participants. Its infrastructure needs to be strengthened. The Institute is supported by grants-in-aid from the Planning Commission. At present, the five theme areas for research on which the institute is working are:

(i) Employment and Unemployment,

(ii) Human Resource Development,

(iii) Science, Technology and Industry,

(iv) Social Concerns and

(v) Manpower Information system.

The research capabilities of the IAMR for carrying out research in employment and unemployment will be strengthened further.

2. The work of the Institute should also contribute towards a better understanding of the effect of various social sector programmes on building up of human capital. Effective networking of research efforts with Labour Bureau, Labour Institutes at Centre and States, Statistical Departments at Centre and States, and the Central and State Departments responsible for social sector programmes can make a significant contribution towards this objective.