CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

2.2 Studies Relating to Abroad

2.3 Studies Relating to India

2.4 Studies Relating to Karnataka

2.5 Conclusion
CHAPTER-II

REVIEW OF LITERATURE

2.1 INTRODUCTION

Labour flexibility due to globalisation leads the employment to the informal way. Informalisation is the core factor of contract labour, which is the predominant labour force in the world. In India, the globalisation has brought change in the pattern of the employment and in the increase of the casual labour. Contract labour is one among them. There are numerous studies relating to the contract labour. However, only a few studies are available relating to the service industries. In this study an attempt is made to review the available literature relating to the contract labourer. The various studies are grouped under two headings: studies relating to abroad; studies relating to India.

2.2 STUDIES RELATING TO ABROAD

Navamukundan (1997)\(^1\) in his case study, *Contract Labour on Plantations in Malaysia*, shows how the contract workers are abused by the contractors in various ways at different levels. However, he concludes saying, that the contract system cannot be abolished because it is developed in a way to fulfil the functional needs in the plantations. This system definitely brings a total deterioration in its terms and conditions of employment, collective bargaining and the scope of grievance redressal. Nevertheless, there arises a need for a specific mandatory mechanism, which brings a transparency in the system, with respect to the licensing of all contracts of labour services, to avoid and to reduce the ill-treatment of the workers and to give them the workers’ rights.

Varovidh (1997)\(^2\) in his paper, *Contract Labour in the Textile and Garment Sector in Thailand*, considers the different problems of the subcontract labours in identifying their principal employers, due to which there is ineffectiveness of the employee’s state and the law
of globalization, which is being enforced on them. So, he recommends the law of wage compensation and the need for the employment termination to be revised in order to reflect the hardship of the workers and also take into account the inevitable period of unemployment before the worker is able to enter into new employment.

Sayeed, et al., (1997) in their paper, Contract Labour in the Pakistani Garment and Textile Sector, have found the existence of, ‘numerical’ and ‘financial’ flexibility in these sectors. They conclude saying that the working conditions of contract workers are found to be poor. Data on ‘days and hours worked’ show the exploitation and the pay scales which reveal the low rate of pay.

Chapagain (2000) in his paper, Contract Labour in Nepal, explains the status of contract labour system in Nepal, by showing the working conditions, social security and employer-employee relationship. He also brings out the intermediary play, which is an important role in the provisions of working conditions and in settling any disputes between the contract labour without the knowledge of the principal employers. He concludes stating, that the working conditions of the contract labour are found to be generally poor.

O’Reilly (2008) summarizes in her paper, Temporary Contract Labour in the Gulf States: Perspectives from two countries of origin, that the contract labourers are being recruited from Bangladesh and Pakistan to the Gulf Co-operation Countries (GCC) such as Arab Emirates, Saudi Arabia, Kuwait, through their Friends or relatives. She focuses on the low skilled workers who are misinformed about wages and about the nature of work and how they are blindly driven away. The writer also recommends the ILO to provide its own guidance to the migrant and to the contract labour system, by which in turn, they would be able to manage, in accordance with the ILO’s standards.
Allen and Henry (1997)\(^6\) in their article, *Ulrich Beck's Risk Society at Work: Labour and Employment in the Contract Service Industries*, explain how the employment on contractual form increase with the difference in combinations of work time, its benefits and the entitlements for different groups of workers, like a package in Europe. He concludes by showing the causes, which are the labour market flexibility, institutional rationalisation and restructuring.

Isaksson (2006)\(^7\) in his Community Research on Social Sciences and Humanities, in *Psychological Contracts Across Employment Situations Psycones*, describes the normal tendency of job insecurity, aroused by the use of flexible contracts of employment in several forms. He also explains how it affects the job security and the organisational outcomes, such as performance and organisational commitments throughout the European countries.

Hazans (2011)\(^8\) in his paper, *Informal Workers across Europe: Evidence from 30 countries*, shows how in most of the European countries, any written employment contract, before or immediately after the commencement of work, one is required of the written terms of employment (ToE). Informal employees in different parts of Europe seem to have the largest financial difficulties when compared to the formal counterparts. In all the parts of Europe, the dependent informality rate, seem to be inversely related to skills (scaled in terms of either education or experience). The least-educated, the young (especially students), the elderly, and the people who are physically challenged are more likely to work informally, while others fall under formal.

Kalleberg (2000)\(^9\) in his article, *Nonstandard Employment Relations: Part-Time, Temporary and Contract Work in United States*, shows the level of complexities in the relationship between the employers and employees, who work on non-standard work arrangements. This study explains the importance of employment relations and analyses the factors that affect the nature of employment.
Brown (2005)\textsuperscript{10}, in his article, *The New Employment Contract and the ‘At Risk’ Worker?*, explains the critical view of dynamics in the new employment, adopted in the US, which are turbulent and are rapidly changing on a broad scale, which in turn helps in reshaping the nature of the employer-employee relationship. The new employment system, seem to affect the interest of both, the employer and the employee, for their shorter benefits, resulting in disembodying the social systems of work. This also helps in reordering the social relationship between the organizations and the society, and the workers and their employers.

Cooper (1999)\textsuperscript{11} in his article, *The Institutionalisation of Contract Labour in Namibia*, brings out the underlying contract labour system, where the government of South West Africa serves as an official employment agency, providing transport, food and are treated only as a subject of the employers, which was considered appropriate for any suspected offence. This abusive contract labour led to the South West African Native Labour Association (SWANLA) and paved way for the Namibia’s independence in 1990. Further, he shows that in 1994 the Consolidated Diamond Mines (CDM) has agreed to share the profits of Namibian diamond industry on an equal basis with the democratically elected government of Namibia for the next 25 years. Notwithstanding these political changes, the diamond industry continues to use the contract labour, and remains to be the most profitable sector of the Namibian economy.

Harris (2006)\textsuperscript{12} in his article, *A Desk Review of the Scope of Work and Employment Relationships in Jamaica*, focuses on two major surveys based on contract labour, which was taken up by the Jamaica Employer’s Federation (JEF) in 1997 and in 2002. Further analysis was done by the Planning Institute of Jamaica (PIOJ) in its periodical Labour market information. The survey of JEF found out how several businesses have embarked on outsourcing the majority of the labour force and how only a small number of core staff are retained, who generally are from the management department. The study also found that, the
working hours required by the labour law was outdated and cannot be enforced in the current socio-economic environment. JEF showed the importance of making work hours flexible, which would enhance the competitive nature of the Jamaican economy in the international arena. Also showed if introduced within a framework, it would ensure an adequate social protection within the context of honest and perfect work.

Gathungu and Musyoka,(2007)\textsuperscript{13} in their work \textit{Rural Household Labour Demand, Contract Choice, Hoarding Cost and Poverty: Evidence from Western Kenya}, bring out the factors that influenced contract choice of labour, which examines the existence of labour hoarding, demanding this practice in the western region of Kenya. This study also found the factor that has influenced the contract labour, where the labour cost has minimized and the use of technology has increased.

Heap (2013)\textsuperscript{14} in her article ‘Australia’s second class of insecure workers’, mentions that about 40 per cent of Australians are employed through non-standard means and how it affects the permanent workers’ job security. This is caused because of the low wages paid to the temporary employers or contract workers, who do not demand high wages. Since this issue is not considered to be a serious one by the government, the employers seem to be taking advantage over this, according to her analysis. So she suggests that the law be remoulded, which would enforce the minimum entitlement and rights in the work place for every individual.

The studies on these countries are evident of the labour flexibility, which appears to be a common phenomena being followed globally. In terms of job security, the European countries seem to be better than the Asian or the African countries. These studies show that the condition of the workers in the developing and the under developed countries are worse than those in the developed countries. Most of these studies recommend and suggest that the
legislation and special enforcement by the government has to be taken up, which is important for the welfare of the workers. This study, thereby has evidentially proved, that the system of employment does affect the outcome of any organisation.

2.3 STUDIES RELATING TO INDIA

The contract labour system is not a new phenomenon in India. Since last two decades, the trend of this system has increased in India. This system finds its existence to a greater degree in almost all industries and services, which includes the technological industries like telecom.

Tulpule and Gupte (1997)\(^{15}\) in their paper, *Contract Labour in the Public Sector in India*, analyze the phenomenon, ‘contract workers’ in public sectors undertaking steel, engineering, coal, railways, civil aviation, ports and docks, chemical, defense, municipality and road transport by highlighting the absence of formal employment relationship between the contractors and the workers. The authors have found the difficulty in unionization of the contract workers with job-insecurity, with need to protect their legitimate interest. So the authors find the importance to organize the trade unions without the fear of being victimized.

Gonsalves (1998)\(^{16}\) in his report on, *Tragedy of Contract Workers* shows that it has been nearly two decades since the Contract Labour Act has come into force, and still, the authorities have nothing to show in terms of amelioration/improving the conditions of the contract labours.

Report on the *Working Conditions Of Contract Labour In Cement Manufacturing Industry, Cement Related Mines, Food Corporation of India and National Thermal Power Corporation (2000-01)*\(^{17}\) by Labour Bureau, Ministry of Labour, Government of India Chandigarh/Shimla has observed that the low wages are given to the contract labours with
some deduction, who are appointed only for a short period of time and not for the kind of the job like the direct workers. This was introduced to mainly avoid the gratuity, bonus, etc, and to discipline the contract workers in order to get productivity of work much more than what direct workers can give, who are supported by their strong trade unions.

Ramaujam in his book (2004)\textsuperscript{18} Contract Labour in India: An Overview, the article, ‘Management of Contract Labour in India’, speaks of the agenda, Contract Labour (Regulation & Abolition) Act 1970, that has outlived its utility and a need to be modified or be replaced by an effective legislative measure.

Das and Pandey (2005)\textsuperscript{19} in their work, Contract Workers in India: Emerging Economic and Social issue, focus on the economic and social issues related to the wages given with deduction to the poor civic labour living in huts without any social security, where the contract workers are forced to work in Industries producing steel, cement and white goods in India. Illiteracy, unscrupulous and hazardous conditions of the workers have no voice for their safety concerns. Longer working hours and job insecurity adds to the other factors which challenges their everyday life.

Jain’s (2005)\textsuperscript{20} research on Facts of the Contract Labour (Regulation & Abolition) Act 1970, highlights the Contract Labour Regulation and Abolition Act 1970, which has to a greater extent, prevented the exploitation of the contract labour and has also introduced the better working condition, which could be enhanced. In his research, he brings out the differences between the Direct Labour and the Contract Labour in terms of employment, working conditions, recruitment and remuneration.

Kaur and Maheswari,(2005)\textsuperscript{21} in their work, Labour Reforms: A Delicate Act of Balancing the Interest, state that, out of the vast unorganised labour force, about 90 per cent
of the labour are denied of fair wage and modest level of social security. They conclude stating that the labour market flexibility must be accompanied by some kind of insurance and social security to the vast unorganised labour force in the country.

Bhandari (2006) in his work *Wage Inequality and Job Insecurity among Permanent and contract workers in India: Evidence from Organized Manufacturing Industries*, explains how globalization has paved way through for flexible employment to both, internal and external organisations, which helps the contract labour to save high costs in the form of compensation that are given to them at the end of their contract. He concludes by throwing light on the existing substantial wage gap between the permanent employers and the contract workers; where contract workers earn 45.5 per cent less than the permanent employers.

Guha’s (2006) work *Labour market flexibility in Indian manufacturing* highlights the increase in labour market flexibility, derived with the increase in the preposition of non permanent/casual worker in the total work force. Guha also shows that, there is no positive impact of the employment growth, because the increase in the labour flexibility would lead to the increase in productivity and growth. Labour absorption does not seem to be valid as far as Indian manufacturing industries are concerned with. Therefore the underlying amendment to the contract labour act 1970 and Industrial Dispute Act (IDA) 1947, which was proposed to facilitate greater labour market flexibility, appears quite slippery, according to Guha.

Ramchandani’s (2006) research on *actual position of the workers*, explains in great detail, how in most of the industries, the contract labour system is adopted in different occupations, which includes skilled and semi-skilled jobs. He persuades the government to take up various initiatives to improve the condition of the contract labour.
Shyam Sundar (2007) in his work *Contract Workers: The Need For Community of Interest Perspective*, observes the informal employment, the contract labour system has been the principal outcome of recent wave of globalization. He suggests that the labour market sectors could adopt the ‘Community of Interests’ approach, giving a ‘holistic outlook’, which would encompass the contract workers in the scheme of development.

Neethi (2008) through her work, *Contract Work in the organised manufacturing sector*, finds that globalization in its contest has showed the important component for the development, expansion and for the growth of the industry. According to this, the low labour cost, with the labour use flexibility and inter alia, has become the source of competitive advantage for firms which have varied in implications of labour, employment and in the industrial relations. She also brings to the forefront, of how the rigidity is caused by the excess of flexibility and the challenges that are before the Indian industrial relations system. Therefore, a device of framework is necessary in order to combine the efficiency of the enterprises with the interests of the workers.

Kolamkar’s (2009-11) reports on *Working Condition of Contract Workers in Petroleum Refineries and Oil Fields* was a study conducted by the Labour Bureau, Ministry of Labour and Employment Government of India Chandigarh, which was about the wage, working conditions, welfare measures and the industrial relation of the workers. The study also found that, in some places the workers are organized and possess a strong bargaining power because of which, the trade unions and some units have own grievance redress machinery.

Nayyar (2009) in his work, *The Nature of Employment in India’s Services Sector: Exploring the Heterogeneity*, observes the quality of the job was based on educational qualification and the quality of employment, he re-defines by including three variables that
reflect quality of life: the wages, the probability of getting a job contract and the probability of getting social security benefits.

Graham (2010)\textsuperscript{29} in his work, *Working Conditions of Contract Workers in the Oil and Gas Industries*, highlights the practices and problems to be avoided for the betterment of the working conditions, which would enhance occupational safety and health in the oil and gas industries, for honest work as well for the prosperity of the industries. Though, the oil and gas sector appears to be one of the world’s highest wage payers, but the loophole is that the contract workers are exploited highly due to shortage of skilled labour, where the labour cost plays relatively a minor role in the end price of its products. He paradoxically shows how the trade unions are much concerned about the contract labours undermine pay, wherein, the contracts taking place across national borders are much concerned about the strikebreaking potential for greater productivity.

Deb (2010)\textsuperscript{30} in his work *Reforming Labour Legislation on Working Conditions for Competitive Advantage*, observes the challenging proposition of the government and the law making bodies to strike a balance between equity and efficiency. There appears a need to reform and rationalize the labour legislation on working conditions in a way, where the interests of the workers and employers being a class are balanced with the business enterprise and competitions to a greater extent.

Krishna Murthy (2010)\textsuperscript{31} in his work *Vulnerabilities of the Principal Employer Under the Contract Labour Act*, explains how the judicial pronouncement gives authority to the principal employers, who often abandon their initiative and interest and keep it in the hands of the contractor, who happens to be the one interested in maximizing his own benefits. Barely any attention is paid to the welfare of the employees and is almost ignored, which becomes
the major problem to the industry on the whole. If the intention of the management or the principal employer is to resolve the problem, then the vulnerability would easily drop down, according to Murthy.

Saini and Debi’s (2010)\(^{32}\) researches on the *Role of the Contract Worker* explains the rights conferred to the contract workers by the Constitution of India and various labour laws, which are hardly enforced. They show the importance of inclusive growth to be sustained, which can be achieved only if the working rights are enforced appropriately by the government.

Joshi (2011)\(^{33}\) in his paper, *Contract Labour: A Way Forward*, argues, that if India really wanted not just faster growth but sustainable and inclusive growth, it will have to convert the contract labour into a productive and happy workforce. The earlier it is done, the better will it get for the overall progress of business and society, states Joshi.

Shyam Sundar (2011)\(^{34}\) in his International Labour Organisation (ILO) report on *Non-regular Workers in India: Social Dialogue and Organizational and Bargaining Strategies and Practices*, shows a survey of non-regular workers, the contract workers, who have increased substantially in the post-liberal period, and highly in the 2000s. He also shows how the labour laws, though inadequate in their coverage, provide some social protection and regulate to some extent, the working conditions of non-regular workers. Hence, there is a need for the ‘effective implementation of labour laws’, including strong prosecutions and convictions of defaulters.

Boswell et al., (2012)\(^{35}\) in their work, *Second-class Citizen Contract Workers’ Perceived Status, Dual Commitment and Intent to Quit*, show that the outsourcing and the increased use of contract labour has brought a great change in the nature of employment
relations. They also study, how empirically the triangular employment settings in the contract labour system could get more complex than the traditionally conceived employer-employee relationship.

The All India Organisation of Employers Federation House, Tansen Marg, New Delhi(2012)\textsuperscript{36} in their book, \textit{Industrial Relation and Contract Labour in India}, point out how the Liberalisation of market economy and antediluvian labour laws have forced industries to hire contract labours to survive and compete the globalised economy. They recommend the concomitant changes in the Industrial Disputes Act, 1947 with altered social security net, which are necessary to avoid the industrial unrest.

Ashim Roy (2012)\textsuperscript{37} in his report, \textit{Study of the Contract Labour System in the Garment Industry in Gurgaon}, shows how the theft of the minimum wage of the contract workers cause large socio-economic problems to the workers, which includes eviction from their home and inability to buy food, resulting in the malnourishment of younger generation, which also leads to their children’s education being affected. The non-compliance of the Provident Fund and the lack of coverage of ESI for workers and their dependence, seem to create economic pressure on the next generation, in terms of taking care of the older generation. Hence, the study shows the need to make the necessary amendments to protect, by giving importance to regularisation and unionisation of the contract workers.

\subsection*{2.4 STUDIES RELATING TO KARNATAKA}

Sharath Babu and Rashmi Shetty (2004)\textsuperscript{38} through their work \textit{Report of the Study Group on Contract Labour System in Karnataka}, request the government to ensure special protection to the vulnerable section of the society who are employed on contract basis through
middlemen, which would create an awareness of their rights and privileges that are to be given by the legislation.

Chandur (2004)\textsuperscript{39} in his thesis entitled, \textit{A Study into the Condition of Employment, Wages, Working Hours of Contract Working in Selected Private and Public Sector Undertaking in Dharward City with reference to Contract Labour (Abolition And Regulation) Act 1970}, urges the need to increase the wage and to take only the expected work from the labour, which should be considered in the employer employee contract. Though the contract labour system has been prohibited by several notifications under section 10 of the contract labour (R&A) Act, 1970, organisations are refusing to comply with the law, highlights Chadur.

Meenakshi Rajeev (2006)\textsuperscript{40} in, \textit{Contract Labour Act in India}, studies that, to surpass the stringent labour regulation, the industrial sectors in India are, to a greater extent, resorting to the contract labourers, who are governed by the ‘Contract Labour Regulation and Abolition Act of 1970’. The survey carried out in Karnataka brings to light, that many stipulations made under the Act, in order to safeguard contract labourers are not in practice. It also evidently showed the exploitation of the labourers were by the labour inspectors themselves, who instead of protecting the law are violating the same with the authority in their hand, who in turn expect provision of rewards.

2.5 CONCLUSION

The study brings forth many reviews on the contract labour system that exists in India and across the world, as well as in Karnataka. These reviews highlight in common, the concept of contract labour system identically in the context of the flexible labour. Through this study, one can come to a conclusion, that in this era of globalisation, the contract labour
system is inevitable. Therefore, this study covers all the aspects of contract labour and gives a vivid knowledge of the system. ‘The Study of Contract Labour in Service Industries’ comprises the socio-economic conditions, workers’ satisfactory level of employment, the factors influencing the contract workers and the challenges they face in the Telecom Sector in Bangalore. Hence, this study is a pioneering effort to bridge the gap between the previous studies and the new dimension in the field of ‘contract labour system’. These reviews help as an adding force in this study of ‘Contract Labour in Telecom Industries’.


17. Report on “working condition of contract workers in petroleum refineries and oil fields” 2009-11 a study conducted by the labour bureau ministry of Labour and Employment Government of India Chandigarh


36. “Industrial Relations and Contract Labour in India” a report by the All India orgnaisation of Employer’s Federation House, New Delhi (2012).


38. Shetty, Dr.I. Sharath Babu and Rashmi,”The Study Group on Contract Labour System in Karnataka”. National Law School of India Bangalore University, 2004.

39. Praveen F.Chandur, “A Study into the condition of employment, wages, working hours of contract workers working in selected private and public sector undertaking