CHAPTER II

INDUSTRIAL LABOUR IN INDIA

- Scope of organized industrial sector in India
- Employment, productivity and industrial policy in India
- before 1991
- Important laws governing industrial labour
Industrial policy historical overview :-

Before the European industrial revolution of the 19th century, India was a leading manufacturing country. Its exports such as cotton, silk fabrics and handicrafts had captured world markets. But, with the inflow of cheap machine made goods during the colonial period that time Indian manufacturing was declined.

After independence, many of the former colonies including India chose in anti-export and inward looking industrial regime in the 1950. Export pessimism of these countries found support in writings of Ragnar Nurkse singer and Prebisch. In Indian context, another factor was the influence of the indigenous industrialist class, which has consistently supported the freedom movement.

The state had a important role in the development of industries found its earliest report of the National Planning Committee (1938) under the chairmanship of Jawaharlal Neharu. Now we see below some of the major initiatives in setting the industrial agenda in post independent India.

- Defense and strategic industries are to be the exclusive domain of the government,
- Existing units in basic and key industries can continue in the private sector but no fresh private investment in these sectors to be allowed.
- Twenty important industries allowed in private sector but under strict supervision of the state.
Major Industrial Policy Initiatives In Post Independent India :-

The industries development and regulation Act (1951) :-

The act prescribed the requirements of industrial licenses. However, the rationale given in the 1st five year plan for state intervention was that private enterprise may not be either willing or capable of investment in certain sectors, due to lack of resources.

Industrial policy resolution (1956) :-

The second plan proposed large and heavy industrialization with emphasis on heavy industry in the public sector. The adoption of the goal of socialistic pattern of society demanded “the commanding heights of the economy” should be controlled by the state.

IPR 1956 expanded the lists which existed in IPR 1948. The essence of the policy, which continues with minor modifications for almost two decades, was that while public, sector had the primary responsibility for rapid industrialization in key sectors, private sector had a complementary and supplementary role.

Industrial policy statement (1973) :-

The new policy was made in the context of a series of socialist policies including bank nationalization (1969) and monopolies and Restrictive Trace Practices Act 1969. While it reiterated the philosophy of IPR 1956., the statement made licensing strict for large industrial houses.
**Industrial policy statement (1977) :-**

The policy statement by the Janata Government emphasized the importance of small industries and reserved certain industries for these sectors. A tiny sector was also recognized, the statement had a strong base against large scale and heavy industry. The establishment of District Industries Centers was another notable reform. These DICs were to function as the nodal points for raw material distribution, credit facilities and marketing for small scale and cottage industries.

**Industrial policy statement (1980) :-**

The new congress government drafted the industrial policy statement 1980. it sought to reverse the ideological bias of the 1977 statement by reaffirming its faith in IPR 1956. However, the statement was ‘outward looking’ in its commitment for export production and liberalization of licensing. It advocated a co-ordinated development of small medium and large industries.

**New industrial policy (1991) :-**

The NIP 1991 was announced in the wake of liberalization and stabilization policies marks a virtual departure from the IPR 1956 and the ‘license permit raj’ that it had spawned. The important measures under the NIP 1991 were:-

- Industrial location polices amended to provide for restrictions to opening industries only in large cities.
- A part from arms and ammunition, atomic energy, railway transport and defense equipment, no other manufacturing sector is reserved for public sector.

- Approval of Foreign Direct Investment up to 51 percent in high priority industries without preconditions.

- Automatic clearance of Foreign technology agreements in high priority industries.

Subsequent to NIP 1991, several procedural changes have been made. The Foreign Exchange Regulation Act (FERA) has been replaced by the Foreign Exchange Management Act (FEMA) with effect from June 2000.

New policy recognizes the importance of Foreign Direct Investments (FDI) in bringing about technology upgradation, quality improvement and managerial skills. Automatic approvals are given for Foreign Direct Investments (FDI) proposals in most areas.

**Industrial licensing :-**

Industrial licensing was introduced in the IDR Act 1951. While the Act provided for an elaborate regulation and control regime, it exempted industrial units employing less than 100 workers and not having fixed assets of less than Rs. 10 lakh from the requirements of a license.

The Hazari committee (1967) and Dutt Committee (1969) went into the working of the licensing policy. While both the committees
dilated on the abuses of the system they stopped short of recommending abolition of the same. The prevailing political and ideological milieu would not have accepted such a step industrial licensing came to be liberalized from 1875, by delicensing 21 industries without sanction.

**Import Liberalization And Productivity Growth In Indian Manufacturing Industries In The 1990s :-**

**Introduction :-**

Since 1999 India has undertaken a major economic reforms programme. under the programme significant changes have been made in industrial and trade policy. Import liberalization has been a principal component of the economic reforms undertaken. Tariff rates have been brought down considerably and quantitative restrictions on imports have been removed. These reforms in import policy, along with complementary changes in industrial policy. Technology import policy and Foreign Direct Investment Policy were aimed at making the Indian industry more efficient, technologically up to date and competitive with the expectation that efficiency improvements, technological up gradation and enhancement of competitiveness would make Indian industry able to achieve rapid growth. The main object of import liberalization was to improve industrial productivity, it is appropriate to ask how far has import liberalization contributed to the better productivity performance of Indian industry in the past reform period.
Definition of ‘productivity’:-

‘Hornstein and Krusel’ (1996): “Growth in total factor productivity (TFP) represents output growth not accounted for by the growth in inputs.”

Effect of import liberalization on industrial productivity:-

There are reasons to expect a favorable effect of import liberalization on industrial productivity. This is expected to happen through several channels.

a. Import liberalization will provide to industrial firms greater and cheaper access to imported capital goods with advanced technology, which will enable the firms to improve their productivity performance.

b. Greater availability of imported intermediate goods will enable the firms to take advantage of the better productivity in imported technology.

c. The increased competitive pressure on industrial units in a liberalized import regime will force them to be more efficient in the use of resources which can be achieved through better organization of production, more effective utilization of labor, better capacity utilization etc.

d. As the competitive business environment forces inefficient firms to close down, the average level of efficiency of various industries should improve.
However, this view or hypothesis does not have a strong empirical support. There have been a number of empirical studies for developing countries, including the developing countries which use in econometric models have been estimated the effect of import liberalization on industrial productivity. Some of them have found a significant favorable effect of import liberalization on industrial productivity. But, some have found no significant effect, while some other have found an adverse effect of import liberalization on industrial productivity.

Thus on the whole, the relationship between import liberalization and industrial productivity in developing countries is mixed and no definite conclusion can be drawn.

As regards Indian industry, there are two recent studies, which have examined the effect of economic reforms on industrial productivity. These are by Krishna, Mitra (1998) and Suresh Babu (2000). Both studies have used firm-level data taken from centre for monitoring Indian Economy (CMIE) data base Krishna and Mitra find evidence of a significant favorable effect of reforms on industrial productivity.

On other hand, Babu finds an adverse effect of economic reforms on industrial productivity.

**Import liberalization in India in the 1990s :-**

Earlier to the trade reforms started in 1991, Indian industry enjoyed a high degree of protection against import competition thanks
to a very high general of tariff and large extent quantitative restrictions on imports. The tariff rates were reduced considerably in the 1990. the average effective tariff rate was reduced from about 40 percent in 1994-95 and further to about 30 percent in 1999-2000. the collection rate of import duty came down similarly from about 47 percent in 1991-91 to 29 percent in 1995-96. See Table 2.1

Table no 2.1
Collection rates of customs duty :- selected product
Groups (duty rate (%))

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food products</td>
<td>47</td>
<td>23</td>
<td>16</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Petroleum</td>
<td>34</td>
<td>30</td>
<td>29</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Chemicals</td>
<td>92</td>
<td>44</td>
<td>37</td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td>Man made fiber</td>
<td>83</td>
<td>36</td>
<td>36</td>
<td>49</td>
<td>65</td>
</tr>
<tr>
<td>Paper and newsprint</td>
<td>24</td>
<td>8</td>
<td>13</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Metals</td>
<td>95</td>
<td>52</td>
<td>44</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td>Capital goods</td>
<td>60</td>
<td>33</td>
<td>41</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>All commodities</td>
<td>47</td>
<td>29</td>
<td>27</td>
<td>23</td>
<td>24</td>
</tr>
</tbody>
</table>

Source:- Economic survey, 2000-01 Government of India P. 45

We see in table the lowering of tariff rates give relaxation of quantities restriction on imports. The Non Tariff Barrier (NTB) coverage in manufacturing declined from 90 percent by the end of 1990 to 36 percent in May 1995. the NTB coverage fro machinery and intermediate goods declined considerably between 1990 and 1995. In
1995, The NTB coverage for these two groups of manufactured products was only 10 and 12 percent. The process of relaxation of quantities restrictions on imports continued beyond 1995. Between 1995-96 and 1999-2000 the NTB coverage declined significantly in most industry groups (see table 2.2) for aggregate manufacturing, the decline in NTB coverage was from 87 percent in 1988-89 to 46 percent in 1995-96.

Table 2.2
NTB coverage of India’s imports 1990 and 1995

<table>
<thead>
<tr>
<th>Sector</th>
<th>Estimated share of GDP in internationally tradable goods protected by NTB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>End 1990</td>
</tr>
<tr>
<td>Agriculture</td>
<td>94</td>
</tr>
<tr>
<td>Mining</td>
<td>100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>87</td>
</tr>
<tr>
<td>Machinery</td>
<td>-</td>
</tr>
<tr>
<td>Intermediate</td>
<td>-</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: pursell 1996
### Table 2.3
Coverage ratio for Non-Tariff Barriers on India’s imports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food, beverages and tobacco</td>
<td>74.47</td>
<td>65.71</td>
<td>63.06</td>
<td>46.58</td>
</tr>
<tr>
<td>2</td>
<td>Textiles and leather</td>
<td>47.06</td>
<td>48.33</td>
<td>47.44</td>
<td>39.30</td>
</tr>
<tr>
<td>3</td>
<td>Wood, cork and products</td>
<td>41.99</td>
<td>24.03</td>
<td>20.00</td>
<td>2.87</td>
</tr>
<tr>
<td>4</td>
<td>Paper and printing</td>
<td>39.01</td>
<td>25.82</td>
<td>22.03</td>
<td>17.76</td>
</tr>
<tr>
<td>5</td>
<td>Chemicals, petrol and coal</td>
<td>32.29</td>
<td>22.52</td>
<td>20.71</td>
<td>12.57</td>
</tr>
<tr>
<td>6</td>
<td>Non metallic minerals</td>
<td>76.48</td>
<td>46.32</td>
<td>40.41</td>
<td>19.05</td>
</tr>
<tr>
<td>7</td>
<td>Basic metal industries</td>
<td>13.21</td>
<td>14.46</td>
<td>11.87</td>
<td>9.03</td>
</tr>
<tr>
<td>8</td>
<td>Metal products and machinery</td>
<td>37.93</td>
<td>29.73</td>
<td>27.93</td>
<td>21.17</td>
</tr>
<tr>
<td>9</td>
<td>Other manufacturing</td>
<td>46.44</td>
<td>30.56</td>
<td>27.39</td>
<td>17.19</td>
</tr>
<tr>
<td>10</td>
<td>Agriculture</td>
<td>67.10</td>
<td>80.07</td>
<td>76.39</td>
<td>59.00</td>
</tr>
<tr>
<td>11</td>
<td>Mining</td>
<td>27.71</td>
<td>27.09</td>
<td>27.09</td>
<td>26.92</td>
</tr>
</tbody>
</table>

Source:- Computations done by Mihar Pandey for a report of the National Council of applied Economic Research, New Delhi.

In this context it should be mentioned here that while quantitative restrictions on imports and capital goods were removed during the 1990 such restriction continued on imports of most consumer goods. It is only 2000 and 2001, that quantitative restrictions on consumer goods imports have been removed. As a results of these recent changes in import policy, almost all manufactured goods have new become freely importable, subject only to tariff.
It is reasonable to argue that due to the removal of restrictions on imports of intermediate and capital goods, Indian manufacturing firms must have had in the 1990s a considerably improved access to imported capital goods. Lowering of tariff provided cheaper access to such inputs. Further, because of the large reduction in tariff and removal of restrictions on imports, many manufacturing industries must have been exposed to greater competition from imported goods.

**Productivity growth in Indian manufacturing:**

Having discussed the situation belong to import liberalization, we now turn to industrial productivity.

- There was significant growth in factor productivity in Indian manufacturing in the 1980s. In the post-reform period, there has been a notable decrease in the growth rate of TFP in manufacturing.

- The declaration in productivity growth in manufacturing in the 1990s does not seem to have been caused by import liberalization. Rather, the reduction in effective protection in industries appears to have had a favorable effect on productivity growth in Indian industries.

**In this section we look at changes in sectoral distribution of whole world and GDP**

Broadly we divide occupations into three types: Agriculture, Forestry, Fishery etc. are collectively known as ‘primary’ activities. They are primary because their products are essential for human
existence. They are carried on with the help of nature. Manufacturing industries both small and large scale are known as ‘Secondary’ activities. Transport, communications, banking, finance and service are ‘tertiary’ activities which help the primary and secondary activities in the country. The occupational of a country refers to the distribution of its population according to different occupations.

Table 2.4 reveals that higher per capita income is inversely correlated with part of active population engaged in agriculture. Advanced industrially developed countries like the U.S.A., U.K., Germany and Japan have a very small part of active population in agriculture. As against hem an underdeveloped country like India with a higher part of active population engaged in agriculture have relatively low per capita income.

| Country | Year | Per capita income in US $ | Percentage of labour force in | | |
|---------|------|--------------------------|------------------------------|---|---|---|
|         |      |                          | Agriculture          | Industry | service |
| U.S.A.  | 1960 | 2,500                    | 7                  | 36       | 57       |
|         | 1990-92 | 22,340               | 3                  | 25       | 72       |
| U.K.    | 1960 | 1,200                    | 4                  | 48       | 48       |
|         | 1990-92 | 16,600             | 2                  | 28       | 70       |
| Germany | 1960 | 1,220                    | 14                 | 48       | 38       |
|         | 1990-92 | 20,510         | 3                  | 39       | 58       |
| Japan   | 1960 | 420                      | 33                 | 30       | 37       |
|         | 1990-92 | 26,840             | 7                  | 34       | 59       |
| India   | 1960 | 70                       | 74                 | 11       | 15       |
|         | 1990-92 | 330                 | 62                 | 11       | 27       |

Source:- Human Development Report 1994
Table 2.4 shows, comparative study of several many cavalries indaing U.S.A. and India. In Indians populations dependent in agriculture (74%) but other hand in developed country U.S.A. very small proportion is dependent on agriculture. Proportion of is much higher share of secondary and tertiary sector.

It may be observed from the table that in developed countries line U.K., Japan and U.S.A. the labour force engaged in services (tertiary sector) ranged from 59 to 69 percent and the GDP produced by the service sector was in the range of 62 to 72 percent. Obliviously, services are dominating in the share of GDP raised per capita income in these countries. On the other hand India, Shri Lanka labour force depend on the primary sector. See table 2.5
## Table 2.5
Changing composition of GDP and labour force in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Percentage of GDP structure of production</th>
<th>Percentage distribution of labour force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agriculture</td>
<td>Industry</td>
</tr>
<tr>
<td>India</td>
<td>1980</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>28</td>
<td>25</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1980</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Shri Lanka</td>
<td>1980</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>China</td>
<td>1980</td>
<td>30</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>17</td>
<td>50</td>
</tr>
<tr>
<td>U.K.</td>
<td>1980</td>
<td>2</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Japan</td>
<td>1980</td>
<td>4</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>2</td>
<td>37</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>1980</td>
<td>3</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>2</td>
<td>26</td>
</tr>
</tbody>
</table>

Notes:
- A) percentage may not add up to 100 because of rounding off
- B) Figures pertaining to percentage distribution of labour force are for the year 1980 and 1990

Source: Compiled from world development report (2000/2001)
Table 2.5 shows that the share of services in GDP by India was 41 percent in 1995, and in the case of Pakistan and Sri Lanka was 50 percent and 52 percent respectively, along with a shift in GDP share in favour of services, the percentage of labour force take in the service sector was also rising. It was 20 percent in India in 1990 but in case of Pakistan and Sri Lanka, it was higher at 24 percent and 30 percent respectively. As per capita levels of income in these countries increasing.

Table 2.6
The work participation rate in India (1981-2001)

<table>
<thead>
<tr>
<th>Year</th>
<th>Category</th>
<th>Persons</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>Total</td>
<td>36.7</td>
<td>52.6</td>
<td>19.7</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>38.8</td>
<td>53.8</td>
<td>23.1</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>30.0</td>
<td>49.1</td>
<td>8.3</td>
</tr>
<tr>
<td>1991</td>
<td>Total</td>
<td>37.7</td>
<td>51.6</td>
<td>22.7</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>40.2</td>
<td>52.5</td>
<td>27.2</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>30.4</td>
<td>49.0</td>
<td>9.7</td>
</tr>
<tr>
<td>2001</td>
<td>Total</td>
<td>39.2</td>
<td>51.9</td>
<td>25.7</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>42.2</td>
<td>52.4</td>
<td>31.0</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>32.2</td>
<td>50.9</td>
<td>11.6</td>
</tr>
</tbody>
</table>


*From table 2.6 in main findings of the 2001 census are as under:
1. The total work participation rate (WPR) has shown an increasing trend from 1981 onwards. WPR was 36.7 percent in 1981, it improved to 37.7 percent in 1991 and further improved to 39.2 percent in 2001.

2. Increase in work participation rate is more perceptible in rural than in urban areas. Work participation rate in rural areas was 42.0% in 2001 as against 40.2% in 1991 and that in urban areas was 32.2% in 2001 as against 30.4% in 1991 in urban areas.

### Table 2.7
**Occupational classification of workers 1981-2000**
(in percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary sector (1+2+3)</td>
<td>68.8</td>
<td>66.8</td>
<td>56.7</td>
</tr>
<tr>
<td>1) Cultivators</td>
<td>41.6</td>
<td>38.4</td>
<td>-</td>
</tr>
<tr>
<td>2) Agricultural labours</td>
<td>24.9</td>
<td>26.4</td>
<td>-</td>
</tr>
<tr>
<td>3) Livestock, forestry, fishing, plantations etc.</td>
<td>2.3</td>
<td>1.9</td>
<td>-</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary sector (4+5+6)</td>
<td>13.5</td>
<td>12.7</td>
<td>17.5</td>
</tr>
<tr>
<td>4) mining and carrying</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>5) manufacturing</td>
<td>11.3</td>
<td>10.2</td>
<td>12.4</td>
</tr>
<tr>
<td>i) Household industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii) other than household industry</td>
<td>7.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6) construction</td>
<td>1.6</td>
<td>1.9</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary sector (7+8+9)</td>
<td>17.7</td>
<td>20.5</td>
<td>25.8</td>
</tr>
<tr>
<td>7) Trade and commerce</td>
<td>6.2</td>
<td>7.5</td>
<td>11.1</td>
</tr>
<tr>
<td>8) Transport, storage and</td>
<td>2.7</td>
<td>2.8</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>8.8</td>
<td>10.2</td>
<td>10.6</td>
</tr>
<tr>
<td>----------------</td>
<td>-----</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>9) other services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source:
1. compiled from *MIE, basic statistics relating to the Indian economy, vol 1, all India August 1993*)
2. *National Sample Survey organization for figures for 1999-00*

An obvious conclusion from table 2.7 is that the occupational structure of India reflects clearly the backwardness of the Indian economy the majority of working population is engaged in the primary sector for example agriculture, fishing etc. this is really significant, since a large percentage of population is dependent on the primary sector. That is a clear indication of the prevalence of large scale disguised unemployment in agriculture and consequently of low per capita labour productivity.

However, during the period 1991-2000, there has been substantial fall in the share of agriculture in total employment from about 65 percent in 1991 to about 57 percent in 1999-2000 as per NSS data. On the other hand, the share of the secondary sector has improved from 12.7 percent to 17.5 percent during the decade however, this increase is mainly due to greater employment in construction, employment in manufacturing has remained stagnant. Similarly there is a significant change in the share of the tertiary sector to about 25.8 percent in 1999-2000 as against only 20.5 percent in 1991.

The 1991-2001 decade has witnessed the rapid expansion of the service sector trade and commerce and personal services have shown
considerable improvement. There has also been an increase in household sector and small sector manufacturing. In the GDP the share of primary sector has declined to 26 percent in 2000-2001 and that of industry and services has increased to 25 percent. But remaining sector share is a stagnant.

Introduction:-

Government of India started new economic policies of Liberalization, Privatization and Globalization since 1991. India embarked upon major economic reforms largely moving from improve substitution to export orientation. The Second National Commission on labour appointed by the government of India to review the country’s industrial relations framework has endorsed this view and proposal major changes to the labour law framework redress the imbalance of power between emplo yo years and organized labour.

The industrial relations reforms in India are largely influence by the institutional approach to labour management relations. The analysis of industrial relations is based on the outcomes of collective bargaining and policies of the employers and unions. According to analysis, the globalization of product, labour and capital markets has intensified competition for firms worldwide. During the 1980 firms operated in relatively ‘protected markets’ with high entry barriers for competition. When India become a member of WTO all national governments had to reduce their entry barriers for domestic and international competition. The intensified competition in turn provided a greater opportunity for capital to move across national boundaries in search of cheaper labour and infrastructure.
As a result of globalization unions can no longer afford to engage in conflictual and adversarial industrial relations and workers can not enjoy improvements in their wages. Since late 1990 onwards India did attract substantial foreign direct investment in the form of overseas companies setting up their operations in India either on their owner through joint venture with Indian partners. Mauritius is the largest source, since Indian tax laws give benefits to companies incorporated in Mauritius. USA and UK happen to be the 2nd and fifth largest investor in India. in 2007 India was the largest recipient of Foreign Direct Investment (FDI) from the European Union.

The equally important issue is the coverage of workers under the industrial relations laws. The coverage of industrial relations laws in India indicate that only about 15 percent of the total workforce enjoys some form of protection under the existing industrial relations laws. Even within the organized sector, workers are at times supply only minimum protection under labour legislation nearly 90 percent of the labour marked where workers are excluded from the protection of industrial relations laws.

Union experiences of workplace industrial relations in India:

The Confederation of Free Trade Unions of India (CFTUI) is the largest politically non affiliated trade union federation in the country. ATUC, CITU, INTUC this is a politically affiliated trade union federation in the country. There are over hundred individual trade unions affiliated to the CFTUI. The membership of CFTUI comes from various industrial sectors. CFTUI is draw out their views on industrial
relations scenario in various states of the country. Maharashtra state has a ‘pro worker’ labour regulatory framework which is a disincentive for private investments. Maharashtra is one of the few states in India which has enacted a union recognition law in 1971.

The employers in large enterprises employing 100 or more workers are required to set up ‘work committees’ with equal representation of employees and their representative and managements. These workers committees are expected to discuss issues such as work organization and overtime, health, welfare issues are affect on workers. we see that the most commonly reported unfair labour practice was employers giving illegal breaks in service to workers in order to ensure that they do not have a continues employment for 240 days. The minimum required by law in India to be entitled for legal protection under most IR statutes.

**Prospects of ‘social partnership’ in India:-**

India has recorded impressive GDP growth over the past decade. It is also found that managerial compensation increased in these firms despite a significant decrease in return on capital employed and the return on equity. These findings offer little hope of distributive justice which might bring up social partnership a general employer preference for cost reduction strategy and low levels of employee and union trust in management the prospects of social partnership in India took rather break.

The existing labour regulatory framework favors employers and
offers at best only weak protection to workers and unions. The provisions of the laws and their judicial interpretations render workers and unions extremely vulnerable to employer excesses. Nearly 90 percent of workers employed in the unorganized sector of the economy have no effective coverage of industrial relations laws.

The Union Survey indicates that employers were more likely to refer disputes to the labour court rather than settle them through bilateral negotiations with the union. This is hardly surprising given the base in the legal architecture that favours employers at the expense of workers and unions.

Table 2.8
Pattern of industrial disputes in India during 1991-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Workers involved (thousands)</th>
<th>Man days lost (in million)</th>
<th>Man days lost per workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strikes</td>
<td>Lockouts</td>
<td>Strikes</td>
</tr>
<tr>
<td>1991</td>
<td>872</td>
<td>470</td>
<td>12.43</td>
</tr>
<tr>
<td>1992</td>
<td>767</td>
<td>485</td>
<td>15.13</td>
</tr>
<tr>
<td>1993</td>
<td>672</td>
<td>282</td>
<td>5.61</td>
</tr>
<tr>
<td>1994</td>
<td>626</td>
<td>220</td>
<td>6.55</td>
</tr>
<tr>
<td>1995</td>
<td>683</td>
<td>307</td>
<td>5.72</td>
</tr>
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<td>7.82</td>
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<td>801</td>
<td>488</td>
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<tr>
<td>1999</td>
<td>1099</td>
<td>212</td>
<td>10.62</td>
</tr>
<tr>
<td>2000</td>
<td>1044</td>
<td>374</td>
<td>11.96</td>
</tr>
</tbody>
</table>
Table 2.8 shows the patterns of industrial disputes in India during the period of 1991 to 2005. In first column, workers are going on strike for demands. But time to time management has given promise to workers so every year increased no of strikes. But on other hand lockouts are decreased year to year.

In second and third column due to strike how many man days lost per workers. in 2009 highest 27.05 million man days lost. We conclude that after globalization periods worker are increased involved in strikes.

Social Security For The Organized Sector
Social security provide to support in times of unemployment’s, illness, disability, death and old age. The primary responsibility for developing appropriate system for providing protection and give assistance their families. The dependence on social security varies as per the need and income status. We have study social security laws.
Social security laws:-

The principal of social security laws ordain in India are the following.

1) The Employees Provident Funds and Miscellaneous Provision Act. 1952 (EFP and MP Act)

2) The Employees State Insurance Act 1948 (ESI Act)

3) The Work men’s compensation Act 1923 (WC Act)

4) The Maternity Benefit Act 1961 (MB Act)

5) The payment of Gratuity Act 1972 (P.G. Act)

1) Employees Provident Funds and miscellaneous Provision Act, 1952:

The main object of the Act is the institution of compulsory contributory provident funds, pension and insurance for employees. Following three schemes are in operation under the Act through the employees provident fund organization.

A) Employees Provident Funds Scheme, 1952.

B) Employees Deposit Linked Insurance Scheme, 1976

C) Employees Pension Scheme, 1995

A) Employees Provident Funds Scheme, 1952:-

The employees provident fund organization launches prosecution against the defaulting employees under section 14 of the Employees Provident Fund Act and prosecutes employers under
section 406/409 of the Indian Penal Code in case they deduct employees share of contribution but do not remit the same to the fund.

B) Employees Deposit Linked Insurance Scheme, 1976 :-

Since 1976, the employees deposit linked insurance scheme applies to all factories. All the employees who are members of the employees provident fund and required to become member of this scheme.

C) Employees Pension Scheme, 1995:-

Family pension scheme stop in 1971. However, the pensioners who were drawing benefits under the family pension scheme, 1971 will continue to draw family pension under the employees pension scheme 1995.

2) The Employees State Insurance Act :-

The ESI Act provides for health care and case benefit payments in the case of sickness and employment injury. The Act is applicable to non-seasonal factories using power and employing 10 or more persons.

3) Payment of Gratuity Act, 1972 :-

The payment of Gratuity Act, 1972 applies to factories and other establishments employing ten or more persons after five years of service, the employees are entitled to payment of gratuity of 15 days wages for every completed year of service.
4) The Workmen’s compensation Act, 1923 :-

The Act provides for payment of compensation to workmen and their dependants in case of injury and in the course of employment and resulting in disability. The Act applies to railway servants and who employed in factories, Mines, Plantations and constructions works.

5) The Maternity Benefit Act, 1961 :-

This Act regulates employment of women in certain establishments for a certain period, before and after child birth and provides for maternity and other benefits. The Act is applicable to mines, factories, circus industry and plantations. There in no wage limit for coverage under the Act.

Above all Acts are related to who have been working organized sector these acts are important for the workers.

A Review Of Key Industrial Relations Laws In India

In this section we give some provisions of key labour legislations in India such as the industrial disputes Act 1947, the factories Act 1948, Trade Unions Act 1926 and the Maharashtra Recognition of Trade Unions and Prevention of unfair labour practices Act, 1971.

Trade Union Act 1926 allows any seven workers in an establishment to form and register a union there are no legal provisions for facility time so that time so paid off for union duties in any of the labour laws in India. as a result, union activity at workplace is to be
carried out entirely at employers discretion. Secondly there are no provisions for employer recognition trade union. No state agency or judicial authority can compel an employer to recognize a trade union regardless of the union’s membership levels. Is an employer has voluntarily recognized a trade union it would provide the union access to give information on employment related matters such as job losses. However, not a single labour law in India provides union’s the right to access information from employers even in cases of closures.

Under the ID Act 1947, it is permitted to dismiss workers during an industrial dispute as long as the employer can prove that either the cause of dismissal had nothing to do with the demands of the workers, or the dismissed employees were on fixed term contracts and the contracts have been terminated for commercial reasons with due to notice. The union would have to seek judicial intervention to establish that such dismissals were indeed illegal.

Under the Union recognition laws an employer who begins an illegal lockout without giving due notice to employees can issues such notice during the continuance of the lockout and ‘cure its illegality’. However, the law is not so helpful when it comes to illegal strikes by workers.
The Contract Labour (Regulation And Abolition ) Act, 1970

One of the most common method of avoiding the state of being responsible under various labour legislations is to employ workers through contractor in industries workers re employed through contractor. because of employing workers through contractors has also some advantages in terms of supervision, productivity etc. trend of judicial decisions and legislations has always been to discourage, employment through contractor with a view to further limited and discourage employment of worker through contractor.

This act was passed on 5th September 1970 with a view to regulate the employment of contract labour in certain establishments and to provide for the cancellation of contract labour system. In this act 20 or more workmen are employed on any day of the going 12 months as contract labour. Who employed on any day of the preceding 12 months 20 or more workmen.

Definitions:-
1) A workmen is deemed to be employed as ‘contract labour’ in connection with such work by through a contractor with or without knowledge of the principal employer.

2) ‘Contractor’ in relation to, an establishment means a person, who undertakes to produce a given result for the establishment other than a mere supply of goods or activities of manufacture through contract labour. Who supplies contract labour for any work of the establishment and includes a sub contractor.
The Act makes provision for the appointment of central advisory Boards and State Advisory Board to be appointed by the central government and the state government to advise on the matter.

- **Licensing of contractors:**
  
  Whenever the license issued by the licensing officer will contain conditions belong to hours of work, being fix wages and other essential facilities in respect of the contract labour.

  The grant of license is to be made in a prescribed form and details regarding the location of establishment. License will be granted after the licensing officer makes the necessary investigation and the license granted after such investigation is required to be renewed from time to time.

  The license can be suspended if the license has been obtained by to represent falsely or suspension of the material facts etc.

- **Prohibition of employment of contract labour:**

  The state board can by notification prohibit employments of the contract labour in any process or other work. Before issuance of such notification, government is required to consider condition of work and benefits provided for the contract labour in that establishment.

  The contract labour Regulation and abolition Act 1970 is a complete code in itself appropriate government has jurisdiction to take decision of abolition of contract labour and not of industrial court.
• Welfare and health of contract labour:-

The act provides that the contract labour shall be provide a welfare facilities like canteen, rest rooms, drinking water, washing facilities and first aid facilities. These facilities are similar to the facilities, which are provided under the factories act 1948. the act primarily fixes the responsibility to provide the above mentioned welfare facilities on the contract or who engages the contract labour. However, in case the contract or fails to provide the welfare facilities, then in such cases the principal employer is provided these welfare facilities to government rule.

When contract labour numbering 100 or more is ordinarily employed by a contractor when the canteen is to be provided and also the contract or has to provide and maintain first aid box with more facilities. The prescribed contents at every place where the contract labour is employed by him.

• Responsibility for payments of wages:-

Contractor is primarily responsible for the payments of wages to each worker employed by him and the principal employer is required to nominate a representative, who should be present at the time of give to wages by the contractor. such representative has to certify the amount paid as wages by the contractor.
Conclusion:-

The provisions of this act shall have effect not with standing anything inconsistent there with contained in any other law or in any standing orders applicable to the establishment whether made before this act.

The provisions of this act will not preclude any contract labour from entering into an agreement with the principal employer the contract labour shall continue to be entitled on the more favorable benefit.

The Maharashtra Recognition Of Trade Unions And Prevention Of Unfair Labour Practices Act, 1971

The government of Maharashtra for the first time in india passed a legislation making a fixed provision for unfair labour practice. The industrial relations bill 1978 as presented to the parliament has also provided for fixed recognition of the trade union and trade union from indulging into unfair labour practice as described in 4th schedule to the said bill. The unfair labour practice as counting in the industrial relations bill and the Maharashtra recognition of trade union and prevention of unfair labour practies act are almost identical.

The legislative assembly of Maharashtra passed bill on 22nd March 1971 and it was agreement to by the President of India on 13 January 1972. The act was came into force with effect from 8th September, 1975. This act is applicable to all industries in
Maharashtra, to which the Bombay Industrial Relations Act, 1946 (B.I.R.) and the Industrial Disputes Act, 1947 is applicable.

Definitions:-

1) ‘Member of a trade union means a person who is ordinary member of a trade union and has paid a subscription to the union of not less than 50 paisa per month. However if the subscription is in overdue debts for a period of more than three months during the period of six months coming before the applicable time then concerned person will not be consider to be a member of the union.

2) ‘Employee’ has been defined to under Bombay Industrial Relations act in cases of industries to which (B.I.R.) act is applicable and in other cases means workman as defined under the Industrial Disputes Act.

Recognition Of Unions:-

The provisions regarding recognition of union are applicable to every under taking where in fifty or more employees are employed. However, the State Government may offer giving 60 days notice apply these provisions to any undertaking where in less than 50 employees are employed. The provisions about recognition of trade union are also not applicable to industries to which Bombay Industrial Relations Act is applicable.
Recognition of Trade union is to be obtained by the concerned union only by making application to the industrial court. Any union which has for a period of six month coming before the month in which it applies for recognition has membership of not less than 30 percent of a total number of employees employed, in any undertaking can apply to the industrial court for being register union in such undertaking. however, if industrial court finds that any other unions has largest membership of employees employed in the undertaking and such union has claimed for being registered as a recognized union, then industrial court shall grant recognition even if such union is not the applicant union. There cannot be more than one recognized union in respect of the same undertaking at the same time.

Cancellation Of Recognition And Suspension Of Rights

1) That it was recognized under mistake, fraud or that the membership of the union has for a continuous period of six mont fallen below 30 percent of the total number of employees employed in the undertaking.

2) That the recognized union has after the recognition was given to it, failed to comply with the obligations upon on it under the provisions of this act.

3) That the registration of the recognized union is cancelled under the Trade Unions Act, 1926
The cancellation of recognition can be done only after holding an injury. Industrial court may also suspend all or some of the right of the recognized union for a specified period of canceling recognition can be done only after holding an inquiry. Industrial court may also suspend all or some of the right of the recognized union for a specified period of canceling recognition.

**Rights Of Recognized Union:**

a) To collect money payable by members to the union on the premises where wages are paid to them,

b) To put up a notice board on the premises of the undertaking in which its members are employed,

c) To hold discussions on the premises of the undertaking with the concerned employees, who are members of the unions. However these discussions should not interfere with the normal work.

d) To meet and discuss with the employer or any person appointed by him, the complaint of the employees.

**Illegal Strikes And Lock-Outs:**

Following strikes which are to begin or continued have been declared to be illegal strikes.

1) Without giving a notice of strike to the employer or within fourteen days of giving such notice.
2) In case there is a recognized union, then if such union has not obtained the vote of the majority members in favour of the strike, before the notice of the strike is given.

3) The submission under Bombay Industrial Relations Act is registered in respect of any of the matters covered by the notice of strike then before such submission is lawfully cancelled.

4) Whenever strike is commenced government can make a reference to the labour court for declaration that strike is illegal. Similarly if lock-out is commenced or proposed the government, the recognized union or any union can make a reference to the labour court for declaration that lock out is illegal.

**Unfair Labour Practices**

The Unfair labour practices on the part of the employer have been continued in schedule II an IV of the Act, while unfair labour practices on the part of the trade unions, have been continued in schedule III of the act. The employers trade unions and employees have been prohibited from engaging themselves in unfair labour practices.

Any employer or any union can file a complaint in the court within 90 days if any one commits or engage himself in unfair labour practices. The court is capable to entertain a complaint after 90 days if sufficient reasons are shown to the satisfaction of the court for the postpone which might have occurred.
Court decides that any person against whom the complaint has been filed has engaged in it may in its order.

1) Declare that unfair labour practice has been engaged and specify any other person who has engaged in or in engaging in the unfair labour practice.

2) The court can cancel the recognition of the recognized union or any of its right, if the recognized union has engaged in any unfair labour practices.

The whole objective of this piece of legislation is to have a lasting industrial peace in industry. The legislation aims of facilitating collective bargaining and restrain the employers, employers, and trade union from indulging into unfair labour practices. It will make the fundamental changes in the prevalent industrial relation system that under the provisions of industrial disputes Act.

The Minimum Wages Act, 1948 :-

This Act was passed on 15th March, 1948 and it extends to whole of India. This Act was passed with a view to provide for fixing minimum rates of wages in certain industries known as ‘sweated’ industries like glass, rice mills, printing industry etc. This act is also applicable to shops and commercial establishments, residential hotels, restaurants. These employments are known as scheduled employments which means employment in the industries which are included in the of the Act.
Definitions :-

i) Adults child and childhood to manhood have the same meaning respectively assigned to them in section 2 of the factories Act, 1948.

ii) Wages means all remuneration capable of being expressed in terms of money, which would, if the term of the contract of employment express were fulfilled, be payable to a person employed in respect of his employment.

The definition of employee also covers a person who is given work on contract and if his employment is in the scheduled employment then he will be entitled for minimum wages.

Fixing of Minimum rates of wages :-

The Government can fix the minimum rates of wages payable to employees employed ion employment as specified in part I or Part II of the schedule. The state Governments have been empowered to add any industry in the said schedule by giving a notice o not less that three months. After fixing the minimum rates of wages the government has to review such wages at such intervals as deemed fit but in any case not to be greater than five years and thereafter revise the minimum rates. While revising minimum rates of wages different minimum rates of wages may be fixed for –
1. Different schedule employments.

2. Different classes of work in the same schedule employment.

3. Adults, children and apprentices

4. Different areas

**Minimum rates of wages :-**

Minimum rates of wages may be fixed by any one or more of the following wage periods namely:

a. By the hours.

b. By the day.

c. By the month or

d. By such other larger wage period as may be prescribed while fixing the minimum rates of wages, capacity of the industry to pay is not criteria, but satisfaction of minimum requirements of an employee is a criteria.

**Fixing hours for a normal working day :-**

Wherever the minimum rates of wages has been fixed, the government may fix the number of hours of work which shall constitute a normal working day inclusive of intervals and provide for a day of rest.
If an employee whose minimum rates of wages has been fixed by the day, works on any day on which he was employed for a period less than the requisite number of hours consisting of normal working day, he will be entitled to receive wages in respect of work done by him on that day as if he had worked for a full normal working day provided however he will not be entitled to wages for a full normal working day.

**Penalty :-**

Authority under minimum wage Act, has been provided the penalty is punishment upto six months or fine upto Rs. 500/- or both.

Even if the minimum rates of wages are fixed by the government the employees can shall up for better wages under the provisions of Industrial Disputes Act 1947.

**Recovery :-**

For recovery of claim arising out of this act, an employee has to file application within a period of 6 months from the date. When wages became payable. Such application can be admitted even after a period of six months. An employee can also file application for recovery of minimum wages under the provisions of payment of wages Act. However employee can to take legal action his claim only under one legislation and not all.

In the various level workers are taken justice. If they are not satisfied at this level they also apply in labour or industrial court but maximum workers condition is poor so they does not went in court.
The Industrial Disputes Act, 1947 :-

The introductory of the Act states that it aims at bringing in conflicts between employer and employee negotiation settlement and at the same time it Make Provisions for some of the other problem that may arise from time to time in an industrial or commercial undertaking which came within the range of the definition of industry as defined by section 2 (J) of the Act.

Nowwithstanding that, should there be any problem arises under the provisions of the Act, the machinery set up may be approached so that industrial peace may be maintained and sustained without any one having to make use of illegal strike.

Important Definitions :

a. ‘Closure’ means permanent closing down of a place of employment that can be taken to be closure. Therefore, it is not necessary that the whole establishment is closed for the purposes of the definition.

b. ‘Industrial Dispute’ means any dispute or difference between employer and employees and workmen which is connected with the employment or with conditions of labour, any person.

Authorities under the Act for investigation and settlement of industrial disputes. The Act provides following statutory authorities and gives them necessary powers to investigate the disputes arising between the employees and employers:
a. Workers committees;

b. Conciliation officers;

c. Boards of conciliation;

d. Courts of inquiry;

e. Labour courts;

Workers Committee :-

The act provides for setting up of workers committees in factories employing 100 or more workers. The composition of workers committees is to be consisting two part of equal number of workers representatives as well as the employers representatives. The representatives of the workers shall be elected from the various groups and categories. The workers committee will promote measures for security and good relations between the employers and workmen.

Board of Conciliation :

The Board of conciliation is to consist of an independent chairman and two or four other members representing the parties in equal number. The conciliation officer, no settlement if arrived at between the employer and the workmen, the Act provides for a three – tier system of adjudication.

Powers of the labour court to modify the punishment of dismissal :

Section 11 A of the Act gives wide powers to labour court and industrial tribunal. Not only to reappraise the evidence to find out
whether the finding of guilt of a workman recorded in the domestic enquiry is correct or not but also to see whether the punishment inflicted is in proportion to the seriousness of the proved misconduct. It can interfere with the orders of discharge of workman and can impose lesser punishment.

**Powers of Government to refer a dispute for adjudication:**

Section 10 of the Act provides that where the government is of the opinion that any industrial dispute exists it may at any time, by order in writing:

- refer the dispute to a board for promoting a settlement there of,
- refer any matter looking to be connected with or relevant to the dispute, to court for enquiry. It may further be noted that the government my refer a dispute relating to any matter in the second or third schedule to a labour court, if such dispute is not likely to affect more than one hundred workmen.

**Illegal strike:**

A strike or lock out in oppose of the provisions of section 22 or 23 of the Industrial Disputes Act, 19+47 is declared illegal by section 24 of the said Act. A distinction has been made in this respect by the Act between public utility service and any other industrial establishment section 24 of the Act describes when the strikes or lockouts are illegal.
**Prohibition of strikes and lock-outs:**

1. No person employed in a public utility service shall go on strike in breach of contract.
   
a) without giving to the employer notice of strike as hereinafter provided, within six weeks before striking.

b) Within fourteen days of giving such notice or,

c) Before the expiring of the date of strike specified in any such notice as aforesaid,

2. The notice of strike under this section shall not be necessary where there is already in existence a strike or lock-out in the public utility service but the employer shall send suggestion of such lockout of the day on which it is declared to such authority as may be specified by the government either in particular area.

**Punishment for illegal strikes and lock-outs:**

1. Any workman who continues or otherwise acts in furtherance of strike which is illegal under this Act, Punishable for a term which may extend to one month, or with fine which may extend to fifty rupees.

2. Any employer who continues or otherwise acts in furtherance of a lock-out which is illegal under this Act, shall be punishable for a term which may extend to one month.
• Lay - off , Right of an Employer and it’s duration :
The industrial disputes act empowers the employer to lay- of. It determines not only the right to the workmen to receive compensation but also the wider rights and liabilities with regard to lay- off itself.

• Closure and compensation :
The industrial Disputes Act, 1947 has defined the word ‘closure’ recently, as permanent closing down of place of employment. ‘Closure’ means the closing of any place or forming a part is refusal by an employer to continue to employ persons employed by him whether such closing, suspension or refusing.

Compensation to workmen in case of closing down, where an undertaking is closed down for any reason every workman who has been in continuous service for not less than one year in that undertaking immediately before such closure shall, subject to the provisions of sub-section (2).

An employer whose purpose to close down an undertaking shall work for, at least sixty days before the date on which the purpose of closure is to become effective, a notice in the prescribed manner on the government closure of the undertaking.
References:


