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CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Poverty reduction is the prime aim of any welfare state. The need to reduce absolute poverty and the related income gap pave the way for the socio economic development in developed and developing countries. Socio economic development can be achieved by ensuring proper distribution of national income and inclusive growth. Socio economic imbalances can be eliminated by creating more employment opportunities and through protection of employment. India is a country with the largest labour force in the world. In the last two decades most countries including India, have liberalised their labour market and amended some labour laws to attract greater investment. This economic liberalisation has turned the labour market more flexible in favour of capital. It implies the relaxation of rigid rules and regulations governing employment and job conditions of the labour. The flexibility in labour has changed its employment pattern and its structure in the Indian economy. It has reduced the number of employees who have permanent employment and has paved the way for other types of employment contract, like part time, casual and contract labour.

According to Adam Smith “Labour is the real measure of the exchangeable value of all commodities, and human labour is the source of wealth”. But in the contemporary era, labour value is affected by labour market flexibility, created unemployment and underemployment. The declining trends in organised sector employment and the corresponding expansion of casualisation of employment point towards the worsening conditions of labour.

Contract Labour is not new to India. In the early stages of industrialisation, the recruitment of labour was primarily through intermediaries due to lack of mobility, low status
of labourers, caste, religion and language. These obstacles were overcome by appointing middlemen, also called contractors. After independence, the Indian government formulated several laws and appointed many committees to study the socio economic conditions of labour. But after globalization, the contract labour system has been the growing form of employment prevalent in almost all industries. Its purview has shifted from agriculture and manufacturing sectors to service sector. To become competitive in the global market, companies use flexible labour force like contract labour. The contract labour system generally refers to labour engaged through an intermediary and is based on a triangular relationship between the principal employer, the contractor (including the sub-contractor) and the labourers. These labourers are millions in number and generally belong to the unorganised sector. They have little bargaining power, no social security and are often engaged in hazardous occupations endangering their health and safety. They are often denied minimum wages and have little or no security of employment. This pattern of employment has serious consequences in the service industry as a whole, especially in the high performing telecom industry.

1.2 STATEMENT OF THE PROBLEM

Globalisation provides more job opportunities but in the informal form. It has created vast changes in the structural form of employment especially the flexibility of labour. Job insecurity and informalisation is the cause of this flexibility. India has also been following this process of globalisation and liberalisation in its labour market in the last two decades. Hence, the increased employment opportunities in India are tremendously informal. Contract labour system is an informal form of employment. Contract labourers differ from other classes of labourers like permanent, temporary, casual and badli in way of recruitment. They are recruited by middlemen or agencies and are supplied to the work establishment. This
process has increased the discrimination in wages, working conditions, and security of work for the permanent and contract labourers who are working in the same place. This has led to poor wages and inferior status for contract labourers who are adding value to the production process to a large extent. The collective outcome finally has resulted in social inequality and poor purchasing power for a majority of the workforce. Contract labourers are more in the service industries as employment opportunities in the agricultural sector are dwindling.

Service industry is an important component of any country’s economy. India’s service industry has emerged as a prominent sector in terms of its contribution to national and state incomes, trade flows, Foreign Direct Investment (FDI) inflows and employment. This is due to the availability of skilled labour at lower wages and unsaturated domestic market. The same conditions are prevailing in Karnataka. According to the Economic Survey of India, in 2012, the communication sector, especially the telecom industry’s performance, got its due importance by way of an increase in the FDI inflow.3

Telecom Regulatory Authority of India, in its 2012-13 report, published that 8955 lakhs of wired and wireless connections are made in India. It is now the second largest telephone network in the world, after China.4 By way of increasing its services, the telecom industry has emerged as a strong growth engine for socio-economic development. It has recognized the potential of increasing welfare in rural areas by providing them more employment opportunities in metropolitan cities like Bangalore. Bangalore is the capital city of Karnataka, and it is the third most populous city and fifth most populous urban agglomeration in India.5 It is the nerve centre of India’s information technology industry and has been aptly called India’s Silicon Valley. The potency of knowledge industry has grown enormously and global services are playing an important role in employment generation. In this situation, private and public industries are taking advantage of the contract labour system
and are bringing several changes in their employment pattern. The contract labour system creates social disparity and social conflicts by shrinking the number of reliable job opportunities which hampers the socio economic development of the country. In this background it is important to study and understand the condition of contract labourers in the telecom industry, especially in one of the industrially advanced cities of India - Bangalore.

1.3 OBJECTIVES OF THE STUDY

The following are the main objectives of this study:

1. To study the demographic variables of the contract labourers in telecom service industries.

2. To evaluate the socio-economic conditions and prime factors influencing on persistence of the contract labourers in telecom service industries.

3. To assess the working conditions, welfare measures, and social security measures provided to the contract labourers.

4. To study the role of contract labourers in trade union activities and

5. To suggest ways and means for the betterment of the contract labourers based up on the present study.

1.4 SCOPE OF THE STUDY

This study is confined to contract labourers employed in various public and private sector companies of the telecom service industry in Bangalore city. The telecom sector provides quality communication network to all the industries and institutions in Bangalore. In order to have a competitive edge over competitors, the telecom industry employers are recruiting employees on contract. The telecom industry in Bangalore covers 79 per cent of the subscribers in India, by catering to the basic network and major players of landline and
mobile services. It includes companies such as Bharath Sanchar Nigam Limited (BSNL), Vodafone, Tata Docomo, Airtel, Reliance and Idea. The nature of employment adopted by these companies is mainly contractual. This study focuses on the socio-economic conditions, working conditions, welfare measures and the union activities of contract labourers.

1.5 LIMITATIONS OF THE STUDY

The researcher has made an attempt to study the contract labour in service industries covering telecom industries, banking, bus transport, and water and sewerage in Bangalore. The authorities have declined to provide the required data and information for the research project. After persuasion they have agreed to provide the information and permitted the researcher to meet the contract labourers also. However it is found that the practice of contract labour system confined to very few activities and other activities are outsourced in banking, transport and water and sewerage. As such the study excludes the Banking, Bus transport and water and Sewerage in Bangalore. Ultimately the study is confined to Telecom Industries.

1.6 HYPOTHESES

The following are the null hypotheses framed for analysis based on the socio-economic, work place facilities, welfare (statutory and non-statutory) measures leave and health care facilities and union activities of the contract labourers.

1. There is no significant difference between genders of the labourers and their level of income.

2. There is no significant difference between organisation types of the labourers and their level of income.
3. There is no significant difference between the age of the labourers and their level of income.

4. There is no significant difference between work type of the labourers and their level of income.

5. There is no significant difference between the literacy level of the labourers and their level of income.

6. There is no significant difference between community of the labourers and their level of income.

7. There is no significant difference between the working hours per day of the labourers and their level of income.

8. There is no significant difference between the organisation types and saving pattern of the labourers.

9. There is no significant difference between the age group and saving pattern of the labourers.

10. There is no significant difference between the family types and saving pattern of the labourers.

11. There is no significant difference between the community and saving pattern of the labourers.

12. There is no significant difference between the organisation types and borrowing pattern of the labourers.

13. There is no significant difference between the age group and borrowing pattern of the labourers.

14. There is no significant difference between the family types and borrowing pattern of the labourers.
15. There is no significant difference between the community and borrowing pattern of the labourers

16. There is no significant difference between the level of satisfaction of labourers in work place facilities with respect to age, marital status, family type, work type, income level, education and community

17. There is no significant difference between the level of satisfaction of labourers in welfare (statutory) measures with respect to age, marital status, family type, work type, income level, education and community

18. There is no significant difference between the level of satisfaction of labourers in welfare (non statutory) measures with respect to age, marital status, family type, work type, income level, education and community.

19. There is no significant difference between the level of satisfaction of labourers in leave and health facilities with respect to age, marital status, family type, work type, income level, education and community.

20. There is no significant difference between the male and female with respect to work place facilities, welfare statutory, and non statutory measures and leave and health facilities.

21. There is no significant difference of opinion about trade union activities among the different categories of labourers with respect to type of work.

22. There is no significant difference of opinion about trade union activities among labourers with respect to level of income.

23. There is no significant difference of opinion about trade union activities among labourers with respect to literacy level.

24. There is no significant difference of opinion among male and female labourers with respect to the role of trade union activities.
25. There is no significant difference of opinion about trade union activities among labourers with respect to age.

1.7 OPERATIONAL DEFINITIONS

This study defines some concepts related to the contract labour system such as contract labour, contractor and principal employer under the Contract Labour (Regulation and Abolition) Act 1970. The decent work definition is provided by the ILO.

Definitions used in this study related to contract labour system are as follows:

1. **Contract labour:** Any person employed, skilled, semi-skilled or un-skilled, manual, supervisory, technical or clerical work, who is deemed to be employed or hired in connection with the work of an establishment through a contractor with or without the knowledge of the principal employer.

2. **Contractor:** A person who undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture to such establishment, through contract labour or who supplies contract labour for any work of the establishment and includes a sub contractor.

3. **Industries:** Public and private telecom companies.

4. **Principal Employer:** Any person having higher authority to the office or department, the supervisor or the controller of the establishment.

5. **Welfare measures:** The various services, facilities and amenities provided to employees for their betterment. It includes both statutory and non-statutory components such as work hours, rest intervals, weekly off, leave facilities, holidays, compensation for accidents, maternity benefits, lay off compensation, over time wages, medical, washing, housing, transport and shift system.
6. **Social security**: It is the security that furnishes, through appropriate organization, against certain risks to which its members are exposed. It includes pension, provident fund and gratuity.

7. **Decent work**: It involves opportunities, for work that is productive and delivers a fair income, security in the workplace, and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, to organise and participate in the decisions that affect their lives and equality in opportunity and treatment for all women and men.

**1.8 METHODOLOGY**

The methodology of this study includes collection of data, construction of a questionnaire, sampling design, field work and frame work of analysis. The basis of the research design of this study is conceptual and empirical.

**1.8.1 COLLECTION OF DATA**

The study is based on both primary and secondary data. The primary data of this study were collected from the contract labourers working in the telecom sector through a structured interview schedule. The population of this study was taken from the information collected from the Labour Commissioner’s Office, Bangalore, and the office of the Principal General Manager (Bangalore TD) of Bharath Sanchar Nigam Limited (BSNL), Bangalore. The secondary data were collected from books, journals, periodicals, reports and websites.

**1.8.2 CONSTRUCTION OF INTERVIEW SCHEDULE**

The interview schedule used in this study is divided into three parts. The first part covers the personal details of the contract labourers. The second part relates to the socio-economic conditions of the contract labourers. And the third part comprises the working
conditions scales. To study the working conditions of the contract labourers the researcher has used five point Likert scale. While developing the scale for this study, 75 contract labourers were interviewed, in the initial phase, to identify some of the common working conditions and problems they experience in their work and workplace. The issues and concerns raised by the contract labourers were noted. With the help of subject experts and extensive review of literature, the interview schedule for the contract labourers was finalised.

1.8.3 SAMPLING DESIGN

The population of the study consists of contract labourers working in different telecom companies which come under the Office of Labour Commissioner, Bangalore and the BSNL Bangalore. There were 4031 contract labourers have been employed on contractual basis in public and private telecom industries. The following Table 1.1 shows the sampling framework of the population.

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Size of the population</th>
<th>Size of the sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSNL</td>
<td>2309</td>
<td>230</td>
</tr>
<tr>
<td>Reliance</td>
<td>326</td>
<td>33</td>
</tr>
<tr>
<td>Airtel</td>
<td>357</td>
<td>36</td>
</tr>
<tr>
<td>Tata Docomo</td>
<td>325</td>
<td>33</td>
</tr>
<tr>
<td>Idea</td>
<td>358</td>
<td>36</td>
</tr>
<tr>
<td>Vodafone</td>
<td>356</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>4031</td>
<td>403</td>
</tr>
</tbody>
</table>

From the total population of 4031, it was decided to select 10 per cent of the contract labourers as samples from each telecom company. The respondents were selected randomly by adopting lottery method. As such a total of 403 respondents were selected from different companies as shown in Table 1.1. The data were collected from the respondents through a
structured interview schedule. It is to be noted that some of the respondents were reluctant to provide clear details related to this study. These respondents were not included for the present analysis. Finally 393 respondents were considered for the study.

1.8.4 FIELD WORK

The primary data have been collected at the workplace of indoor labourers in places of telephone exchanges, telecom offices nearby Cubbon Park, Bharath Electronic Limited (BEL) Park, Lal Bagh and KR circle, in Bangalore. In case of outdoor labourers the data were collected at the work point of the contract labourers. The field study was conducted in a period of 13 months, from September 2012 to August 2013.

1.8.5 FRAME WORK OF ANALYSIS

Both descriptive statistics and inferential statistics have been applied to analyse the data. The descriptive statistics have been used to study the nature of data distribution; they are Mean, Standard Deviation, Percentage, and the like. The ‘t’ test, Univariate analysis of variance (ANOVA) for calculating ‘F’ ratio, Scheffe post-hoc, Chi-Square Test, Garrett’s Ranking Technique and Factor Analysis have been used for analyzing the data.

All the calculations are done by using Statistical Package for Social Science version 17.0 (SPSS ver.17.0) and the null hypotheses are tested for its significance at 0.05 level and 0.01 level, wherever necessary.

T-TEST

The t-test has been used to find out the significant difference among the two means. It is calculated by

\[
 t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}}
\]
With the degrees of freedom of \((N1 + N2 - 2)\)

Where \(t - 't'\) statistic

\(\bar{X}_1\) – Mean of the first sample
\(\bar{X}_2\) – Mean of the second sample
\(S_1^2\) - Standard deviation of the first sample
\(S_2^2\) - Standard deviation of the second sample
\(N_1\) – Number of samples in the first group
\(N_2\) – Number of samples in the second group

**ANALYSIS OF VARIANCE (ANOVA)**

The univariate analysis of variance (ANOVA) is carried out for calculating ‘F’ ratio to test the significance of difference between means of different groups of subjects. This technique enables the researcher to test the hypothesis concerning the equality of more than two populations mean. The objective of the analysis of variance is to locate the important independent variables in a study and to determine how they interact and affect the response. In this study ANOVA test is used to test whether there is any significant difference between the satisfaction levels and other variables of contract labourers.

\[
F = \frac{SSB}{SSW}
\]

\[
SST = \sum X_1^2 + \sum X_2^2 + \sum X_3^2 - \frac{t^2}{N}
\]

\[
SSB = \frac{(\sum X_1)^2}{n_1} + \frac{(\sum X_2)^2}{n_2} + \frac{(\sum X_3)^2}{n_3} - \frac{t^2}{N}
\]

\(SSW = SST - SSB\)

Where F= ANOVA Coefficient

SSB: Mean square between the sample;
SSW: Mean square within in the sample

SST: Sum of squares

**SCHERFFE POST-HOC TEST**

The ANOVA test reveals an overall difference between groups. But it does not reveal the significant difference between the specific groups. Therefore, post-hoc test of multiple comparisons is carried out by using Scheffe post-hoc test. The Scheffe test is named after American statistician Henry Scheffe. Whenever ‘F’ ratio is found to be significant for the mean scores, Scheffe test is followed as a post-hoc test to determine which of the paired means differences are the most significant.

**CHI-SQUARE TEST**

Chi-square test is applied to find out the relationship existing between the two variables and its significance with hypothesis testing by using the following formula:

\[
\chi^2 = \sum \frac{(O - E)^2}{E} \quad \text{with} \ (r-1)(c-1) \ \text{degrees of freedom.}
\]

O–Observed frequency

E–Expected frequency

r – Number of rows in a contingency table

c – Number of columns in a contingency table

The calculated Chi-square value is compared with the tabled critical value.
GARRETT’S RANKING TECHNIQUE

Garrett’s Ranking Technique is used to analyse the ranks given by the Internet Banking customers. According to this method, the percentage position is determined with the help of the following formula.

\[
\text{Percentage position} = \frac{100(R - 0.5)}{N}
\]

Where \(R\) – Rank assigned for the problems by the respondents and

\(N\) – Number of problems ranked by the respondents

The ranks assigned by the contract labourers against each problem have been converted into the percentage positions and transmuted scores in the scale of 100 points have been taken from the Garrett’s Ranking Table.

FACTOR ANALYSIS

Factor analysis used to compute pairs of correlation between all variables and the highly related variables are combined into factors. This relieves the researcher from confusion arising through overlapping measures of the same underlying variables. Also the cost of further research may be reduced by focusing efforts on fewer variables for study.

Factor analysis has many alternative algorithms that can be used to extract factors out of a set of variables. The method used here is the principal component analysis. Before conducting the factor analysis, the validity of data for factor analysis is tested with the help of Kaiser-Meyer-Ohlin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity. The minimum acceptable KMO measure of sampling adequacy is 0.5 whereas the minimum acceptable level of significance of Chi-square value is at 5 per cent. In the present study, the KMO measure is zero per cent level significance of Chi-square value satisfies the conditions for validity of data for factor analysis.
The primary decision in stage 1 of factor analysis is to decide how many factors to be extracted from the data. The sample rule of thumb normally used says that all factors with an Eigen value of 1 or more should be extracted.

In stage 2, the rotated factor matrix is used to assign variables to factors and to interpret factors. This matrix should be viewed column-wise. For each column (factor) the variables which have a high (close to 1) loading should be identified and a combined meaning for the factor found. This leads to a phrase which is the name given to the factor. Factor analysis also provides an estimate of the variance explained by each factor, which can be used as a measure of its relative importance.

The factor analysis model in matrix notation is given as:

\[ X = Af + e \]

where \( x = (x_1, x_2, x_3, \ldots, x_p) \)

\[ f = (f_1, f_2, f_3, \ldots, f_p) \]

\[ e = (e_1, e_2, e_3, \ldots, e_p) \]

\( n \) = number of factors

\( p \) = number of variables

1.9 CHAPTER SCHEME

This research entitled, ‘A Study of Contract Labour in Service Industries’ consists of six chapters.

The first chapter, includes, ‘Introduction and Design of the Study’. It covers the introduction to contract labour system, statement of the problem, objectives, hypotheses to be tested, scope of the study, the methodology adopted by the researcher and the limitations of the study.

The second chapter explains the different reviews of literatures relating to the contract labour under the heading on ‘studies relating to abroad’ and ‘studies relating to India’. 
The third chapter ‘The Contract Labour-A Theoretical Frame Work’ in the study discusses about the history and recent development of contract labour in the service sector, with special reference to the telecommunication sector. It also explains the concept and overview of the contract labour system and their legal status.

The fourth chapter ‘Socio Economic Conditions of Contract Labourers’ analyses the demographic and socio-economic conditions of contract labourers and prime factors which influence on persistence of the labourers engaged on contract basis on telecom industries.

The fifth chapter evaluates the ‘working conditions of contract labourers’ in telecom industry such as workplace facilities, welfare and social security measures.

The sixth chapter analyses the ‘trade union activities of the Contract Labourers’ of telecom industry and the problems faced by them in the working place.

The seventh chapter includes the ‘finding and summary’ of the study. It also offers valuable suggestions to uplift the conditions of the contract labourers.

2. Federation, All India Organisation of Employer's. Industrial Relations and contract Labour in India. New Delhi, 2012.


5. censusindia.gov.in. 24 july 2012. 7 july 2014 <cities having population 1 lakh and above Wikipedia.org.