



CHAPTER:-6

IMPACT OF NEW INDUSTRIAL POLICY ON INDUSTRIAL RELATIONS AND NEXUS BETWEEN THE NEW INDUSTRIAL POLICY & INDUSTRIAL RELATION

- 6.1 Impact of New Industrial Policy on Indian Industry
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CHAPTER – 6
IMPACT OF NEW INDUSTRIAL POLICY ON
INDUSTRIAL RELATIONS AND NEXUS
BETWEEN THE NEW INDUSTRIAL POLICY &
INDUSTRIAL RELATION

The present condition of Industry needs to be reoriented and calls for re-engineering to meet the challenges of future and the competition thrown by the New Industrial Policy.

6.1 IMPACT OF NEW INDUSTRIAL POLICY ON
INDIAN INDUSTRY

New Industrial Policy has brought in its wake many changes in our industrial scenario. Now the entry of Multi National Company has posed a threat to our industries, so we have to gear up to face the future challenges.

To have introspection we see that many areas have been geared for change.

Due to liberalization, a lot of foreign investment is flowing in which promises to imbibe high technology and integration of Indian economy with world economy.

This will lead India to the path of economic development and prosperity. In the years to come the foreign investment is likely to flow into the core and utility sector mostly in private hands.

On Positive and harmonizing side of the NIP is that it will increase employment opportunities as more and more industries will come up though there may be decrease in the workforce per unit due to modernization. Today it is seen that there is need for multi-skilled workforce. In order to face the scorching heat of competition each and every employer would like to have the best workforce. Therefore employers are trying to lure away good workmen, from their competitors. Smart employees need to be retained and motivated by providing than better career growth and better remunerations.¹⁰⁶

An important thrust area for survival in the market is quality control of the products with cost effectiveness. This is supported by the various changes in the wage structure. Most called for amendments by linking wage with productivity.

Today is world of communication information system and E-mail. Currently adopted communication system needs to be changed to be successful. It is expected that local brain

¹⁰⁶ Vankitchalam – New Industrial Policy Industrial Relation Professional Vo. 18

drain will take place more at the middle level than at any other level.

Thus, we have a real challenge in front of us to survive and grow.

The industrial policies pursued till 1990 enable India to develop a vast and diversified industrial structure. India attained self sufficiency in a wide range of consumer goods. But the industrial growth was not rapid enough to generate sufficient employment, to reduce regional disparities and to alleviate poverty. It was felt that government controls and regulations had put shackles on the growth of different segments of Indian industry. Lack of adequate competition improvement of quality standards. It is to reorient and accelerate industrial development with emphasis on productivity, growth and quality improvement to achieve international competitiveness that the industrial policy of 1991 was announced.

6.2 IMPACT OF NEW INDUSTRIAL POLICY ON INDUSTRIAL RELATION

Now this section dealt with the impact of New Industrial Policy on industrial relations. There are many critical areas which have been bearing the heat of New Industrial Policy. The various issues which were taken for assessment are:

- Industrial relations in our country are related with trade unionism. To cope with the challenges of the New Policy it is necessary to keep industrial harmony, which is not very difficult in view of the centralized trade union.

With the advent of New Industrial Policy, there is likely to be change in trade union movement in India. Trade Unions in the new world order will have to undergo changes. Foreign participation will dilute the effect of trade union. The greatest change which will become very loud and clear will be discouragement of the multiplicity of trade unions. Trade unions in the future will definitely require playing a meaningful role. Multiplicity causes intra and inter industrial conflicts, reduces productivity and hence it is required to reduce multiplicity and have one but a strong union. ¹⁰⁷

Prologue

Over the ages the teeming millions who constituted a sizeable chunk of industrial society have struggled hard to achieve a greater measure of protection against inhuman treatment meted out to them by the employers. They have learned to make themselves "secure" against ills over which they believed to have little control. In fact, "individually," the laborers can do little to bring about the kind of "reforms" they believe desirable. They are only effective if

¹⁰⁷ *Ibid* 106

"they act in concert". The very idea of "joint action" laid down the foundation of their instrument of struggle for security and advancement — the trade union/labour union.

The trade union came into being as an agent of workers and working class at large. It performed, and still performs, two functions: one to work for the redistribution of some of the nation's wealth by raising wages and earnings of its members. This enables workers on their own to improve their living standard and in the process become better equipped to deal with unfavorable economic conditions.

The second objective of the union is, however, more directly related to their security role in the spirit of "here and now". Through various types of union welfare fund and later through pressure for employer welfare programme and the Governmental Social Security measures, the unions aim to obtain greater benefit for its members.

About four decades ago, most of the employers considered union as something undesirable and unwanted; today, unions are accepted as a part of industrial relations system. They participate in decision-making on issues relating to welfare and well being of workers; enter in collective bargaining agreements concerning their wages and terms of employment. Certain unions also negotiate on the size of crew, production norms, and introduction of new products, technological change and the like. In liberalized economic

environment the union is looked upon as a facilitator of change.

Trade Union — A Concept

The classic definition of trade union was given by Sidney and Beatrice Webb states that it is "a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives." In their time, the brand of trade union organizations that existed was small and local representation a specific skill or trade. The definition refers to a "permanent organization" of workers rather than one which is created for a particular purpose and died later on. The term "wage earner" in its purview includes "salary-earners." The objective of such association is to maintain and improve the working conditions of its members. ¹⁰⁸

A few commonly cited definitions of trade union are:.

Dale Yoder, "A trade union is a continuous association of wage-earners for the purpose of maintaining or improving the conditions of their working lives."

S.D. Punecker, "A trade union is a monopolistic combination of wage-earners who as individual producers are complementary to one another but who stand to employers

¹⁰⁸ *Dynamics of Industrial Relations, Dr. C. B. Mamoria, Himalaya Publications, 2003*

in a relation of dependence for the sale of their labour and production, and that the general purpose of association is in view of that dependence to strengthen their power to bargain with the employers or bargaining collectively."

However, for the sake of discussion, these definitions may sound good, but a legalistic definition of trade union is desirable in understanding its concept as prevalent in a particular society. This is because in the case of industrial dispute or on all union matter, one has to go by what the letter of laws says and not by what people perceive the union to be.

The British Trade Union Act views it thus, "A trade union is a combination with the main objective of regulating the relation between workmen and masters or between workmen and workmen or between masters and masters for imposing of restrictive conditions on the conduct of any trade or business and also provision of benefits to members." ¹⁰⁹

In the words of Indian Trade Union Act, 1926, "A trade union is any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers, or between workmen and workmen, between employers and employers, or for imposing restrictive conditions on the conduct of

¹⁰⁹ *Ibid* 108

any trade or business, and includes any federation of two or more trade union'.

This definition is defective because it allows even non-workers to form a trade union; also it is narrow and vague about the aims and purpose of forming such a union. Yet the definition with a clear and legal wording is certainly important in relation to getting a trade union registered with the Registrar of Trade Unions and when legal interpretation of trade union is required in the case of industrial disputes etc.

The characteristics which define a trade union include:

- (i) A statement that the organization is a trade union.
- (ii) A statement of its principal objectives, clearly specifying the fact that the organization so formed is for the betterment of its members, i.e., workers.
- (iii) Registration with the Registrar of Trade Unions having jurisdiction on the area where Trade Union functions.
- (iv) Independence from the employer, which may be evident from the certificate issued by the Registrar of Trade Unions.
- (v) Affiliation with the central trade union organization.

All the trade unions do not necessarily show these characteristics, yet many of the large trade unions do.¹¹⁰

General Features of Trade Unions

Coming out of a vast array of literature on the subject, here a few general features of trade unions are detailed out:

- (1) The trade union is an association either of employers or employees or of independent workers: Accordingly, in India such unions may consist of:
 - (i) Merchant's or employers' associations (like the Employers' Federation of India, the All-India Manufacturers' Organization, the All India Organization of Industrial Employers, the Tea Planters' Association of North India, the United Planters' Association of South India, the Indian Jute Mills Association, the Indian Sugar Mills Association, the Bombay Mill Owners' Association, and the Indian Paper Mills Association;
 - (ii) The general labour unions;
 - (iii) The friendly societies; and
 - (iv) Combination of intellectual labour like (the All-India Teachers' Association; the All-India Bank Employees' Association; the All-India Medical Doctors' Association; the Railwaymen's Federation; National

¹¹⁰ *Ibid* 108

Federation of Indian Railwaymen, the All-India Ports and Dock Workers' Federation; the National Federation of Posts and Telegraphs Workers; the All-India Mine Workers' Federation, etc.)

On the other hand, in England, the term "trade union" also refers to the associations of professional persons such as artists' federations, musicians' union, etc.

In China, they refer to the trade union as an association of members of manual wage-earners in enterprises, institutions, schools and also working class engaged in irregular employments.¹¹¹

In the erstwhile USSR, they were a mass non-party public organization which unites on a voluntary basis, the workers and other employees of all occupations. "They are really the masses of workers and other employees around the party which are mobilized for the struggle to build a communist society."

In USA, these organizations are combinations of all persons in a given trade with the purpose of demanding and securing for each and all of them a

¹¹¹ *Ibid* 108

definite minimum standard of wages, hours and conditions of works.¹¹²

It may, however, be noted that all similar organizations cannot truly be regarded as trade unions, because the associations of employers are concerned with influencing the terms of purchase of services in favour of their members which they need for performing particular tasks. The associations of professional persons, too cannot be regarded as true trade unions because their main objectives are to improve the training and education of their members. Further, such associations include the self-employed as well as the employees. The trade union should, therefore, be regarded as an association only of workers or employees.

Thinkers like the Webbs, Cunnison and others do not recognize the employers' associations and professional bodies as trade unions because they differ fundamentally from the workers' organizations. They are of the view that if professional associations are treated as trade unions, a similar problem may arise for associations of sellers of services, like travelling and commission agents, bankers, insurance and property brokers and hotel-owners, and to

¹¹² *Ibid* 108

include them within the fold of the trade unions would be cumbersome and undesirable.

Sometimes, workers allow their employers to join their unions and vice versa. Such organizations may be called trade combinations or mixed combinations as provided in the statutory provisions in Chile, France, Hungary and Romania. In India, such organizations have been referred to as quasi-unions.

- (2) Labour unions are relatively permanent association of workers and are not temporary or casual: They persist throughout the years and conceive of their purpose as one which is not merely immediate but continuous. They do not expect to attain their objectives in a day because they anticipate and contemplate a continuing stream of additional objectives to be adopted from time to time.

The most frequently used techniques by trade union is collective bargaining by which is meant the subordination of individual employer-employee relationships, in so far as the latter involve determination of wages and other conditions of employment-agreements affecting all workers in a group, arrived at by means of bargaining carried on not by workers themselves, but by their union representatives.

- (3) A trade union is an association of workers who are engaged in securing economic benefits for its members: In other words it is essentially "a cooperative labour marketing association." Its purpose is to secure control of the supply of labour in one or more markets and to maintain that control as a means of fixing the price of labour as well as the conditions under which it works. But this does not mean that the advancement of the economic interests of its members is the sole purpose of a trade union. As they also try to advance the social political and cultural interests of its members.

In this context, Laski has rightly observed that "The union problem is a complex of economic, legal, ethical and social problems, which can be understood and met only by knowing the facts and genesis of the viewpoint of organized labour in all its diversity, contradictions and shifting character and by considering this viewpoint in relation to developing social contradictions and social traditions.

The trade unions of to-day are purist in character and pragmatic in method; if they are not, they are unlikely to survive the demands made upon them by so slowly changing environment. The traditional concept of trade union functions which was to defend the workers' rights and interests against the

employers and the state has now changed and been replaced by a new approach to its functions, namely:

- (i) Protection of workers and provision for their security;
 - (ii) Improving the wages, conditions of work and standards of living;
 - (iii) Raising the status of the workers as a part of industry and citizen of society; and
 - (iv) Contributing in nation's socio-economic development.
- (4) The character of trade unions has been constantly changing: The changes in technology and system of production create fresh problems. Trade unions change their methods and their working to adjust themselves to changing circumstances. Therefore, there has been no finality about trade unions, their working and their methods.

They have gradually evolved and have now come to occupy an important place in modern industrial order. "From criminal and illegal associations, they have now become legalized and recognized institutions; from institutions which were only very small bodies, they have now become gigantic associations; from institutions that were primarily interested in the advancement of the cause of their own membership, they have now become institutions which are interested in the social, cultural and political

development of the country. The trade unions, thus, have made remarkable progress since their inception.

- (5) The origin and growth of trade unions have been influenced by a number of ideologies: The socio economic and even political movements have influenced trade unions in one or the other way. The Marx and Engles' Theory of Class War influenced trade unionism in a number of ways. Their theory of class-conflict and dialectical materialism created a class of trade unionists who regarded labour organization as "absolutely essential for bringing about a revolutionary and fundamental change in the social order." The proletariat must overthrow the present bourgeois class, capture state power and usher in a classless society because the capitalistic class has long exploited the workers. Under capitalism, the principal function of a trade union has been defensive, namely, to fight for the maintenance of the existing wages, to demand (relatively) higher wages, and the betterment of the conditions of work.

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The socialists, followed by the Webbs, consider trade unionism to be an extension of the "principle of democracy" in the sphere of industry. They require trade unions to be institutions for overcoming managerial dictatorship to

¹¹³ *Ibid* 108

strengthen individual laborers and to give them a voice in the determination of the conditions under which they have to work. The Webbs observed: "If the democratic State is to attain its fullest and finest development, it is essential that the actual needs and desires of the human agents concerned should be the main consideration in determining the conditions of employment." Here, then, we find the special function of the trade union in the administration of industry. ¹¹⁴

India, too, has accepted "the creation of industrial democracy as a prerequisite for the establishment of a socialist society. ¹¹⁵

Lenin characterized the trade union as "an educational organization, a school administration, a school of economic management, a school of communism." In all socialist countries, it has been accepted that trade unions have to take an active part in preparing laws concerning labour, production, the way of life, culture and the implementation of these laws. There is no doubt there is a class conflict, but it is sought to be met through equality and collective agreements and joint consultations. The state recognizes the rights of the people to work, rest and leisure and maintenance in old age, sickness and disability, education and equal pay for equal work. The workers and managers

¹¹⁴ Webb, Sydney and Beatrice, *Industrial Democracy*, 1902

¹¹⁵ *Second Five year plan*, 1961

have the same common purpose, namely, to promote the interests of the socialist state with which their own interests are bound up. ¹¹⁶

Prof. Ghosh observes, Although modern unions' interest is the production problem of the industry or their concern with the broader social affairs like employment or price stabilization, may be explained as derivations from their primary interest-maintaining or improving the conditions of their members' working lives it cannot explain the keenness with which many of the modern trade unions in different countries demand not only the right to be consulted in production problems and workers' welfare arrangements by the management, but also a direct share in the management itself. Demand for industrial democracy has always influenced a section of the working class, but, in the fifties of the 20th century the demand has gained particular intensity in the trade union circles of a large numbers of countries, including some underdeveloped ones. ¹¹⁷

In fine, it can be said that the modern trade union retains four characteristics from its early origins:

- (i) It is economically-oriented.
- (ii) It is an instrument of defense.
- (iii) It implies class distinction.
- (iv) It is an outcome of an individualistic society.

¹¹⁶ Laski, H. J. Op. Cit

¹¹⁷ Ghosh, S.T., *Trade Unionism in Underdeveloped Countries*

Functions of Trade Unions

The functions of modern trade unions are wide and more comprehensive than those of their forerunners. Generally speaking, these functions have been termed as — (i) militant or protection functions, and (ii) fraternal, ministrant or positive functions. The former functions aim at securing > better conditions of work and employment for members through militant activities such as strikes, gherao, etc. if there is a failure of collective bargaining. The latter functions provide benefits to their members and support to them during strikes/lockouts or during periods of temporary unemployment by giving them financial support out of the funds raised with their contributions.

One author has categorized the functions of a trade union as intra-mural and extra-mural functions. The former include the welfare schemes of the unions within factory premises to improve workers' conditions of employment; regulation of hours of work, and provision of rest intervals, adequate wages, sanitation, safety and security; continuity of employment, etc. For performing these functions, collective bargaining, negotiations and resort to a strike/lockout may be adopted. The latter include welfare schemes carried on with a view to help workers when in need of such assistance (medical or financial) during casualties, provision of education, recreational and housing

facilities; provision of social and religious benefits, including payment of expenses of funeral or religious ceremonies for the deceased members or their dependants.¹¹⁸ All these measures are designed to inculcate the spirit of cooperation among the workers.

According to Samuel Gompers, "Trade unions were born of the necessity of workers to protect and defend themselves from encroachment, injustice, and protect the workers in their inalienable right to higher and better life; to protect them, not only as equal before the law, but also in their rights to the product of labour, to protect their lives, their limbs, their health, their homes, their firesides, their liberties as men, as workers, as citizens, to overcome and conquer prejudice and antagonism, to secure them the right to life, and the opportunity to maintain that result of their brain and brawn, and the civilization of which they are the founders and the \ mainstay."¹¹⁹

Before we give a consolidated picture of the functions/objectives of a trade union, it would be useful to glance at their functions in some countries.

We need to be tactful in future while dealing with the trade unions. The best way is through mutual trust and human

¹¹⁸ Broughton, *Labour in Indian Industries*, 1938

¹¹⁹ Quoted in Gerorge seldes, *The Great Quotations*

relation approach. One should deal on human grounds with the trade unions.

- Impact of New Industrial Policy on labour laws. In the light of New Industrial Policy the labour laws do need a change as majority do need a change as majority think that laws are inadequate and pro-labour. Even the government has rejected the idea of introducing an exit policy. There is a need of lean and mean organization but one has to keep in mind that this is done with a human face. One should keep in mind the social responsibility of the industry.¹²⁰

In India laws have a great bearing on Industrial relations and grievance handling machinery, thus changes in the labour laws will affect the industrial relations and grievances in the Indian industrial scenario. Some industrial relations problems might be thrown up in the initial stages but with the innovative approaches like creation of National Renewal Fund, Voluntary Retirement Scheme and human Resources Development this will be resolved with a human face. There is a hue and cry over the issue of industrial dispute. Due to New

¹²⁰ *Ibid* 108

Industrial Policy there will not be any increase in the number of industrial disputes.¹²¹

With more emphasis on high productivity, quality and innovation the industry has decided to keep all its promises of providing congenial working environment, safety net to maintain good and harmonious industrial relations. Grievances will not increase in future with the economic reforms taking place greater emphasis has been laid to satisfy the people. It has become equally important to recognize that human development is the real "core" sector and hence many steps have been taken for their development.¹²²

- The changes in the existing industrial relations and grievances handling machinery due to New Industrial Policy. Maximum thrust is to reduce adjudication and give a boost to conciliation. One should try to solve the problem at the shop-floor level to the maximum with a human relations approach.
- The problem anticipated in Industrial Relations as a result of New Industrial Policy. With the opening up of Indian economy, many trans-national companies have come into India, and many are likely to come. With this the Indian industry has to

¹²¹ *Ibid* 108

¹²² *Ibid* 108

compete with them. We have to do away with technological obsolescence and introduce latest technology, trim down the excess fat in our organization, this there is a feeling of insecurity related to job, but India is bound to do it with a human face. There are different ways to deal with a variety of problems. Maximum stress has been laid on training your own internal leaders. Now the trained is also shifting from adjudication to arbitration.¹²³

- There are certain problems which are general in nature and certain which are specific in nature like surplus workers. The key to success today lies in mean and lean organizations. Voluntarily Retirement Scheme [VRS] has been religiously adopted by many of the organizations.
- Future plan of action to deal with Industrial Relations problem is to be chalked out very carefully. The two important weapons are productivity bargain and workers participation in management. Linking wages with productivity and fostering a feeling of belongingness is the need of the hour and the key to success.
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¹²³ *Dynamics of Industrial Relations*, Dr. C. B. Mamoria, Dr. Satish Mamoria and S. V. Gankar

Impact of Industrial Policy 1991: Initial Trends

The all round changes introduced in the industrial policy framework have given a new direction to the future industrialization of the country. The industrial reforms resulted out of the Industrial policy 1991 have already led to encouraging trends on diverse fronts. Industrial growth which declined in 1991-92 due to measures like high interest rate, import compression and credit squeeze, has been picking up from year to year. Industrial growth was 1.7 per cent in 1991-92, 4.4 per cent in 1992-93, 4.3 per cent in 1993-94, 8.6 per cent in 1994-95 and 11.7 per cent in 1995-96. Industry is anticipated to experience double digit growth in 1996-97 as well.

A convincing impact of industrial reforms is reflected in multiple increase in investment envisaged, both domestic and foreign. Project investment plans have more than doubled during 1990-1993. This is due to encouraging response from the private sector. As a result, the ownership pattern of investment projects is undergoing a transformation (Annexure VI).¹²⁴

What is heartening is the response from private sector investment in the power sector. Private and joint sector proposals together accounted for only 10 per cent in 1990 but increased to almost 40 per cent in 1993.

¹²⁴ *Ibid* 123

The following tables show the achievement of NIP on industrial relations particularly in employment and reducing the industrial disputes in the industry. ¹²⁵

**TABLE:-1 EMPLOYMENT IN THE PUBLIC SECTOR-
INDUSTRY**

A. BY BRANCH OF PUBLIC SECTOR(In lakhs)

| ITEM NO | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Central Government | 33.5 | 33.5 | 33.8 | 34.0 | 34.0 | 34.1 | 34.3 |
| State Governments | 64.7 | 66.7 | 67.8 | 68.3 | 70.0 | 71.2 | 71.9 |
| Quasi Government | 56.7 | 58.0 | 59.5 | 60.0 | 61.7 | 62.2 | 63.9 |
| Local Bodies | 21.9 | 22.1 | 22.1 | 22.4 | 22.2 | 23.1 | 21.9 |
| Total | 176.8 | 180.3 | 183.2 | 184.4 | 187.7 | 190.6 | 192.1 |

¹²⁵ Ibid 123

B. BY INDUSTRIAL CLASSIFICATION (In lakhs)

| INDUSTRY NAME | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Agriculture Hunting etc. | 5.3 | 5.3 | 5.5 | 5.6 | 5.5 | 5.7 | 5.7 |
| Mining and Quarrying | 9.7 | 9.4 | 9.6 | 9.7 | 9.7 | 10.0 | 9.7 |
| Manufacturing | 18.2 | 18.6 | 18.7 | 18.6 | 18.7 | 18.5 | 18.6 |
| Electricity, Gas and Water etc. | 7.9 | 7.9 | 8.5 | 8.7 | 9.0 | 9.1 | 9.2 |
| Construction | 11.8 | 17.9 | 12.1 | 11.5 | 11.3 | 11.5 | 11.5 |
| Wholesale & Retail Trade etc. | 1.3 | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 | 1.6 |
| Transport, Storage and communications | 29.3 | 29.7 | 30.1 | 29.7 | 30.2 | 30.3 | 30.6 |
| Financing, Insurance, Real Estate etc. | 10.3 | 10.6 | 11.0 | 11.2 | 11.5 | 11.9 | 12.1 |
| Community, Social & Personal Services | 83.2 | 85.3 | 86.4 | 88.1 | 90.2 | 92.3 | 92.9 |
| Total | 176.8 | 180.3 | 183.2 | 184.5 | 187.6 | 190.6 | 192.1 |

**TABLE: 2 EMPLOYEMENT IN PRIVATE SECTOR
INDUSTRIES (IN LAKHS)**

| INDUSTRY NAME | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agriculture Hunting etc. | 8.2 | 8.5 | 8.4 | 8.7 | 8.8 | 8.9 | 9.1 |
| Mining and Quarrying | 1.1 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Manufacturing | 44.5 | 44.1 | 44.0 | 43.8 | 44.6 | 44.8 | 45.7 |
| Electricity, Gas and Water etc. | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Construction | 0.7 | 0.6 | 0.5 | 0.7 | 0.7 | 0.7 | 0.8 |
| Wholesale & Retail Trade etc. | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | 3.0 |
| Transport, Storage and communications | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Financing, Insurance, Real Estate etc. | 2.2 | 2.3 | 2.4 | 2.3 | 2.4 | 2.5 | 2.7 |
| Community, Social & Personal Services | 13.3 | 13.6 | 14.0 | 14.3 | 14.6 | 14.9 | 15.3 |
| Total | 73.7 | 73.6 | 73.9 | 74.5 | 75.8 | 76.8 | 78.5 |

**TABLE:-3 NUMBERS OF MANDAYS LOST IN DISPUTES
RESULTING IN WORK STOPPAGES
[BY SELECTED INDUSTRIES]**

| INDUSTRY NAME | 1991 | 1992 | 1993 |
|---|--------------|--------------|--------------|
| Agriculture, hunting, forestry and fishing | 221 | 505 | 84 |
| Mining and quarrying | 1619 | 831 | 531 |
| Manufacturing | 21600 | 27350 | 8960 |
| Electricity, Gas and Water | 123 | 20 | - |
| Construction | 1477 | 235 | 123 |
| Wholesale and Retail trade and Restaurants and Hotels | 160 | 263 | 23 |
| Transport, Storage and communications | 96 | 176 | 3 |
| Financing, Insurance, Real Estate and Business Services | 37 | 481 | 281 |
| Community, social and Personal Services | 366 | 359 | 191 |
| Activities not adequately defined | 729 | 1039 | 583 |
| Total | 26428 | 31259 | 10779 |

**TABLE NO:-4 MANDAYS LOST IN DISPUTES
RESULTING IN WORK- STOPPAGES
[BY STATES WISE]**

*(See, Labour Disputes, available at,
<http://www.indiastat.com/labourandworkforce/380987/labourdisputes/78/stats.aspx>, last visited on 2/11/09)*

| STATE/UNION TERRITORY | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| ANDHRA PRADESH | 2432 | 7926 | 2609 | 1689 | 4910 | 3422 | 2759 | 2546 | 934 |
| ASSAM | 15 | 23 | 37 | 61 | 17 | 16 | 881 | 118 | 7 |
| BIHAR | 1216 | 517 | 1908 | 490 | 224 | 331 | 412 | 495 | 294 |
| GUJRAT | 961 | 1185 | 1645 | 294 | 547 | 757 | 651 | 443 | 410 |
| HARYANA | 101 | 314 | 502 | 328 | 483 | 705 | 1159 | 1106 | 180 |
| HIMACHAL PRADESH | 40 | 05 | - | 03 | 27 | 29 | 05 | 64 | 20 |
| JAMMU & KASHMIR | 02 | 11 | - | 01 | - | - | 06 | - | - |
| KARNATKA | 1119 | 233 | 761 | 1153 | 1546 | 225 | 878 | 135 | 286 |
| KERALA | 1061 | 2327 | 2163 | 1666 | 1339 | 388 | 561 | 584 | 380 |
| MADHYA PRADESH | 861 | 861 | 255 | 417 | 339 | 212 | 105 | 39 | 70 |
| MAHARASHTRA | 4413 | 3436 | 4040 | 4629 | 5984 | 5000 | 3304 | 3245 | 136 |
| MANIPUR | 03 | 06 | 11 | 20 | 21 | 39 | 27 | 30 | 18 |
| MEGHALAYA | 04 | 01 | - | - | - | - | 298 | - | - |
| NAGALAND | - | 35 | - | - | - | 06 | 00 | - | - |
| ORRISA | 123 | 152 | 357 | 407 | 171 | 72 | 203 | 282 | 23 |
| PUNJAB | 173 | 641 | 296 | 269 | 603 | 301 | 294 | 231 | 80 |
| RAJASTHAN | 1931 | 684 | 1002 | 492 | 861 | 1306 | 622 | 399 | 296 |
| SIKKIM | - | - | 02 | - | - | 00 | 00 | - | - |
| TAMIL NADU | 3599 | 3591 | 3305 | 1984 | 1875 | 2626 | 7260 | 2868 | 1527 |
| TRIPURA | 02 | 79 | 74 | 27 | - | 01 | 04 | 19 | 24 |
| UTTAR PRADESH | 342 | 528 | 1435 | 1172 | 662 | 1268 | 1019 | 859 | 340 |
| WEST BENGAL | 11393 | 8554 | 14600 | 18773 | 12646 | 6993 | 5822 | 17666 | 4510 |
| UNION TERRITORY | | | | | | | | | |
| A & N ISLANDS | 08 | - | - | - | - | - | - | - | - |
| ARUNACHAL PRADESH | - | - | - | - | - | - | - | - | - |
| CHANDIGARH | - | - | - | 01 | 01 | 08 | - | - | - |
| DADRA & NAGAR HAVELI | - | - | - | - | - | - | - | - | - |
| DELHI | 183 | 1533 | 217 | - | 70 | 358 | 128 | 95 | 12 |
| DAMAN & DIU | - | - | - | - | - | - | - | - | 02 |
| GOA | 139 | 108 | 133 | 36 | 313 | 12 | 26 | 26 | 07 |
| LAKSHADWEEP | - | - | - | - | - | - | - | - | - |
| MIZORAM | - | - | - | - | - | - | - | - | - |
| PONDICHERRY | 118 | - | - | 33 | 05 | 16 | 03 | 06 | - |
| TOTAL | 29239 | 32748 | 35358 | 33947 | 32663 | 24086 | 26428 | 31259 | - |

The households themselves about the type of enterprise in which they work. Apart from this, the survey also collected other vital data from households on the number of workers engaged in the enterprise, type of job and coverage of provident fund. The uniqueness of the 55th round of employment-unemployment Survey lies in obtaining such information from the households rather than the enterprises. Direct estimation involves arriving at organized/unorganized component of workers directly from EUS, based essentially on the following variables:

- (a) Employment status of workers: salaried/regular laborers, casual wage workers and self-employed workers;
- (b) Type of enterprise
- (c) Number of workers
- (d) Type of job: part-time/temporary, etc; and
- (e) Coverage of provident fund.

More specifically, the entire agricultural sector, except for plantations, is considered as belonging to unorganized segment. As far as the non-agricultural sector is concerned, a variety of criteria has been used here applying the ILO conceptual framework on informal employment and SNA, 1993s definition of informal sector. Firstly, all self-employed laborers engaged in proprietary and partnership concerns are included under the unorganized sector.

Secondly, all casual workers employed in any economic unit come under the informal segment of the workforce. Thirdly, all those who are regular/salaried employees working in public sector, semi-public organizations, cooperative societies, public limited companies, private limited companies and other units covered in the Annual Survey of Industries (ASI) are considered to be part of the organized sector. However, those regular/salaried workers who are temporary or part-time and not receiving provident fund benefits have been considered as part of informal segment of the workforce. It must be noted that the household approach has severe limitations in delineating whether a household belongs to the formal or informal economy. One of the severe lacunae found in EUS of 55th round is that there are considerable numbers of households who have no clue about the characteristics of the enterprises with which they are associated.

Having delineated formal from informal sector workers, we proceed to obtain the percentage of workers covered under social security measures. However, the survey elicited information only about the coverage of provident fund: general provident fund, contributory provident fund and public provident fund or a combination of these. Hence, we confine our analysis only to the coverage of provident fund among various groups.

Unorganized Sector Employment: Residual Estimates

Over half of India's national output comes from the unorganized sector. While employment in the formal sector has been stagnant in the last decade, employment creation in the informal segment of the economy has been tremendous. Broad employment trends for the organized and unorganized sector is shown in Table 5 for the years 1983, 1987-88, 1993-94 and 1999-2000. It is evident that throughout this period an overwhelmingly large portion of the workforce in India is found to be employed in the unorganized sector. Out of 399 million workers in 1999-2000, it is estimated that 371.2 million workers (nearly 93 per cent) are employed in the unorganized segment of the economy whereas only 27.8 million workers (7 per cent) are engaged in the organized sector.

The share of unorganized employment in the economy has displayed \ remarkable steadiness over the years. The share of informal employment has risen from 92 per cent (nearly 276 million out of 300 million) in 1983 to 93 per cent in the 1999-2000. It is clear that employment opportunity in the organized sector has remained more or less stagnant, showing only a marginal increase from 24 million in 1983 to 27.8 million in 1999-2000.

The near stagnancy of employment opportunity in the organized sector becomes evident from Table 6, where the

compound annual growth rates of employment in the organized and unorganized sector are presented.

Employment in the organized sector has registered a growth of 1.25 per cent between 1983 and 1987-88 and 1.26 per cent between 1983 and 1993-94. But during the decade of the 1990s, we witness a sharp decline in employment opportunities. During this period organized employment grew by only 0.34 per cent. Overall, the decade of the 1990s in India has been characterized by slow growth in employment opportunities. This is also true for the unorganized sector of the economy.

The stagnancy of employment opportunities in the organized sector in the 1980s has to a large extent been compensated by a significant expansion of workforce in the unorganized segment of the economy. We observe that during 1983 to 1987-88, employment in the unorganized sector grew by 2.05 percent while during the period of 1983 to 1993-94, the growth rate was around 2.27 per cent. This fact clearly indicates that unorganized sector served as a buffer for the workforce when the employment opportunity in organized sector dwindled. However, the unorganized sector also underwent a sharp slump during the 1990s with the growth rate of employment falling to 1.25 per cent.

In addition to the above the Following tables Indicates the trends of overall employment in India. ¹²⁶

TABLE : 5 Size of Workforce in Organised and Unorganised Sector

| Year | Organised unorganised | Un Organised | All | Organised (per cent) |
|------------|--------------------------|--------------|-------|-------------------------|
| (per cent) | | | | |
| 1983 | 24.0 | 275.6 | 299.6 | 8.0 |
| 92.0 | | | | |
| 1987-88 | 25.4 | 301.9 | 327.3 | 7.8 |
| 92.2 | | | | |
| 1993-94 | 27.4 | 348.8 | 376.2 | 7.3 |
| 92.7 | | | | |
| 1999-00 | 27.8 | 371.2 | 399.0 | 7.0 |
| 93.0 | | | | |

TABLE 6 : Growth Rate of Organised and Unorganized Sector Employment

| Year | Organised | Unorganized |
|-------------------|-----------|-------------|
| All | | |
| 1983-1987-88 | 1.25 | 2.05 |
| 1987-88 ~ 1993-94 | 1.26 | 2.43 |
| 2.34 1983~1993-94 | 1.26 | 2.27 |
| 1993-94~1999-00 | 0.34 | 1.25 |

¹²⁶ *Economic and Political Weekly* May 27, 2006

6.3 FUTURE STRATEGIES TO BE ADOPTED BY INDUSTRIES

Any transformational activities do bring in its wake a lot of changes to be done if you want to survive. With the advent of New Industrial Policy, there has been a complete change in our Indian Industrial scenario but our industry will be able to manage it successfully. Some of the trust areas touched by our industrial houses to remain in business.

- Today workers participation in management is belongingness is fostered in the industry right from top to bottom. More importance is now given to participative management and open minded management. A rigid mindset can be the greatest drawback today. People want to keep the industry as a small society and therefore hire and fire policy is not to stay. Better management will definitely produce better results. It is seen that the industry is now trying to have a holistic approach to technological up gradation, skill improvement and motivational measures. The opening of the economy has brought many new dimensions of existence for the industry. Strategic alliance has been the recent trend of the industry. It is similar to joint venture, but

come together with a strategy, to arrive at mind boggling result.¹²⁷

- All this we can achieve only through proper communication. Maximum thrust is given on reducing the power distances and to have better management information system and to increase transparency in the entire working atmosphere.

To increase productivity importance is given to cost consciousness and quality control. Our industry has really geared to meet the challenges of future. With the thrust on high productivity and quality work demanded by the industrial houses, there have been changes in the equation of wages. Wages are now linked with productivity followed by making them free of tax burden and better fringe benefits. This is used as motivational factor for the industrial people to give qualitative services.

With better areas available, more ability and skill requirement in Indian industry, it is all geared to offer exorbitant salaries.

¹²⁷ See, Government of India, available at [www. siadipp.nic.in/publicat/nip0791.htm](http://www.siadipp.nic.in/publicat/nip0791.htm), last visited on 12/10/2009

Thus, some of the future strategies adopted by us will keep us going. Being flexible and adaptable to change is necessary for success, which we are bound to achieve.¹²⁸

A common criticism of India's economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture which provides the livelihood of 60 percent of the population. Critics point to the deceleration in agricultural growth in the second half of the 1990s (shown in Table 2) a proof of this neglect. However, the notion that trade policy changes have not helped agriculture is clearly a misconception.

The reduction of protection to industry, and the accompanying depreciation in the exchange rate, has tilted relative prices in favor of agriculture and helped agricultural exports. The index of agricultural prices relative to manufactured products has increased by almost 30% in the past 10 years (Ministry of Finance, 2002, Chapter 5). The share of India's agricultural exports in world exports of the same commodities increased from 1.1 % in 1990 to 1.9% in 1999, whereas it had declined in the 10 years before the reforms.

But while agriculture has benefited from trade policy changes, it has suffered in other respects, most notably

¹²⁸ *Ibid* 127

from the decline in public investment in areas critical for agricultural growth, such as irrigation and drainage, soil conservation and water management systems, and rural roads. As pointed out by Gulati and Bathla (2001), this decline began much before the reforms, and was actually sharper in the 1980's than in the 1990s. They also point out that while public investment declined, this was more than offset by a rise in private investment in agriculture which accelerated after the reforms. However, there is no doubt that investment in agriculture-related infrastructure is critical for achieving higher productivity and this investment is only likely to come from the public sector. Indeed, the rising trend in private investment could easily be dampened if public investment in these critical areas is not increased.

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The main reason why public investment in rural infrastructure has declined is the deterioration in the fiscal position of the state governments and the tendency for politically popular but inefficient and even iniquitous subsidies to crowd out more productive investment. For example, the direct benefit of subsidizing fertilizer and under pricing water and power goes mainly to fertilizer producers and high income farmers while having negative effect on the environment and production, and even on income of small farmers. A phased increase in fertilizer

¹²⁹ *Ibid* 127

prices and imposition of economically rational user charges for irrigation and electricity could raise resources to finance investment in rural infrastructure, benefiting both growth and equity. Competitive populism makes it politically difficult to restructure subsidies in this way, but there is also no alternative solution in sight.

Some of the policies which were crucial in promoting food grain production in earlier years, when this was the prime objective, are now hindering agricultural diversification. Government price support levels for food grains such as wheat are supposed to be set on the basis of the recommendations of the Commission on Agricultural Costs and Prices, a technical body which is expected to calibrate price support to reasonable levels. Indeed, public food grain stocks reached 58 million tons on January 1, 2002, against a norm of around 17 million tons! The support price system clearly needs to be better aligned to market demand if farmers are to be encouraged to shift from food grain production towards other products.

Agricultural diversification also calls for radical changes in some outdated laws. The Essential Commodities Act, which empowers state governments to impose restrictions on movement of agricultural products across state and sometimes even district boundaries and to limit the maximum stocks wholesalers and retailers can carry for certain commodities, was designed to prevent exploitive

traders from delivering local supplies to other areas of scarcity or from hoarding supplies to raise prices. Its consequence is that farmers and consumers are denied the benefit of an integrated national market. It also prevents the development of modern trading companies, which have a key role to play in the next stage of agricultural diversification.

The government has recognized the need for change and recently removed certain products – including wheat, rice, coarse grains, edible oil, oilseeds and sugar – from the purview of the act. However, this step may not suffice, since state governments may be able to take similar action. What is needed is a repeal of the existing act and central legislation that would make it illegal for government authorities at any level to restrict movement or stocking of agricultural products (Planning Commission, 2001).

The report of the Task Force on Employment has made comprehensive proposals for review of several other outdated agricultural laws (Planning Commission, 2001b). For example, laws designed to protect land tenants, undoubtedly an important objective, end up discouraging marginal farmers from leasing out nonviable holdings to larger farmers for fear of being liable to reclaim the land from the tenant. The Agricultural Produce Marketing Acts in various states compel traders to buy agricultural produce only in regulated markets, making it difficult for commercial

traders to enter into contractual relationships with farmers. Development of a modern food processing sector, which is essential to the next stage of agricultural development, is also hampered by outdated and often contradictory laws and regulations. These and other outdated laws need to be changed if the logic of liberalization is to be extended to agriculture.

Infrastructure Development

Rapid growth in a globalize environment requires a well-functioning infrastructure including especially electric power, road and rail connectivity, telecommunications, air transport, and efficient ports. India lags behind east and Southeast Asia in these areas. These services were traditionally provided by public sector monopolies but since the investment needed to expand capacity and improve quality could not be mobilized by the public sector, these sectors were opened to private investment, including foreign investment. However, the difficulty in creating an environment which would make it possible for private investors to enter on terms that would appear reasonable to consumers, while providing an adequate risk-return profile to investors, was greatly underestimated. Many false starts and disappointments have resulted.

The greatest disappointment has been in the electric power sector, which was the first area opened for private

investment. Private investors were expected to produce electricity for sale to the State Electricity Boards, which would control of transmission and distribution.¹³⁰

However, the State Electricity Boards were financially very weak, partly because electricity tariffs for many categories of consumers were too low and should be between 10 to 15 percent on technical grounds (depending on the extent of the rural network), varies from 35 to 50%. The difference reflects theft of electricity, usually with the connivance of the distribution staff.

Private investors, fearing non payment by the State Electricity Boards insisted on arrangements which guaranteed purchase of electricity by state governments backed by additional guarantees from the central government. These arrangements attracted criticism because of controversies about the reasonableness of the tariffs demanded by private sector power producers. Although a large number of proposals for private sector projects amounting to about 80% of existing generation capacity were initiated, very few reached financial closure and some of those which were implemented ran into trouble subsequently.

¹³⁰ See, *Industrial Relations & Labour Laws*, by S C Srivastava, Vikas Publication, 2004

Because of these difficulties, the expansion of generation capacity by the utilities in the 1990s has been only about half of what was targeted and the quality of power remained poor with large voltage fluctuations and frequent interruptions.¹³¹

The flaws in the policy have now been recognized and a more comprehensive reform is being attempted by several state governments. Independent statutory regulators have been established to set tariffs in a manner that would be perceived to be fair to both consumer and producers. Several states are trying to privatize distribution in the hope that this will overcome the corruption which leads to the enormous distribution losses. However, these reforms are not easy to implement. Rationalization of power tariffs is likely to be resisted by consumers long used to subsidized power, even though the quality of the power provided in the pre-reform situation was very poor.

The establishments of regulatory authorities that are competent are credible takes time. Private investors may not be able to enforce collection of amounts due or to disconnect supply for non-payment without adequate backing by the police. For all these reasons, private investors perceive high risks in the early stages and therefore demand terms that imply very high rates of

¹³¹ *Ibid* 130

return. Finally, labour unions are opposed to privatization of distribution.

These problems are formidable and many state governments now realize that a great deal of preliminary work is needed before privatization can be successfully implemented. Some of the initial steps, like tariff rationalization and enforcing penalties for non-payment of dues and for theft of power, are perhaps best implemented within the existing public sector framework so that these features, which are essential for viability of the power sector, are not attributed solely to privatization. If the efforts now are being made in half a dozen states succeed, it could lead to a visible improvement within a few years.

The results in telecommunications have been much better and this an important factor underlying India's success in information technology. There was a false start initially because private investors offered excessively high license fees in bidding for licenses which they could not sustain, which led to a protracted and controversial renegotiation of terms. Since then, the policy appears to be working satisfactorily. Several private sector service providers of both fixed line and cellular services, many in partnership with foreign investors, are now operating and competing with the pre-existing public sector supplier. Tele density, which had doubled from 0.3 lines per 100 populations in 1981 to 0.6 in 1991, increased seven fold in the next ten

years to reach 4.4 in 2002. Waiting periods for telephone connections have shrunk dramatically. Telephone rates were heavily distorted earlier with very high long distance charges cross-subsidizing local calls and covering inefficiencies in operation.

They have now been rebalanced by the regulatory authority, leading to a reduction of 30% in long distance charges. Interestingly, the erstwhile public sector monopoly supplier has aggressively reduced prices in a bid to retain market share.

Civil aviation and ports are two other areas where reforms appear to be succeeding, though much remains to be done. Two private sector domestic airlines, which began operations after the reforms, now have more than half the market for domestic air travel. However, proposals to attract private investment to upgrade the major airports at Mumbai and Delhi have yet to make visible progress. In the case of ports, 17 private sector projects involving port handling capacity of 60 millions tons, about 20% of the total capacity at present, are being implemented. Some of the new private sector port facilities have set high standards of productivity.

India's road network is extensive, but most of it is low quality and this is a major constraint for interior locations. The major arterial routes have low capacity (commonly just two lanes in most stretches) and also suffer from poor

maintenance. However, some promising initiatives have been taken recently. In 1998, a tax was imposed on gasoline (later extended to diesel), the proceeds of which are earmarked for the development of the national highways, connecting Delhi, Mumbai, Chennai and Calcutta to four lanes or more, to be completed by the end of 2003. It is also planned to levy modest toll roads and bridges in areas of high traffic density have been awarded to the private sector for development.

The railways are a potentially important means of freight transportation but this area is untouched by reforms yet. The sector suffers from severe financial constraints, partly due to a politically determined fare structure in which freight rates have been set excessively high to subsidize passenger fares, and partly because government ownership has led to wasteful operating practices. Excess staff is currently estimated at around 25%. Resources are typically spread thinly to respond to political demands for new passenger trains at the cost of investments that would strengthen the capacity of the railways as a freight carrier.

The Expert Group on Indian Railways (2002) recently submitted a comprehensive program of reform converting the railways from a departmentally run government enterprise to a corporation, with a regulatory authority fixing the fares in a rational manner. No decisions have been announced as yet on these recommendations.

6.4 NEXUS BETWEEN THE NEW INDUSTRIAL POLICY AND INDUSTRIAL RELATION

The quality of industrial relation depends upon the relationship between three sub-systems of Industrial relations i.e.

- Economic sub-system
- Political sub-system
- Technological sub-system

The New Industrial Policy [NIP] has given entry to the multinational companies in India, who are good pay measures so, this shall lead to wage differential between the industries already existing and the multinational companies newly established. The introduction of new technology too is going to influence the employer employee relationship because it leads to scientific management, automation, reduction in number of employers and rise in wages.¹³²

The New Industrial Policy indulges on pious hope that new employment will come through self-employment schemes, and agricultural growth. It has made a large number of jobs in government departments and public sector enterprises redundant and many workers may not be required in the

¹³² Zachariah KA, *Industrial Relation and personal problem (Dynamics of Industrial Relation)*

some old jobs. If the issues regarding retraining, redeployment and rehabilitation are not dealt with tactfully, they can give way to Industrial Relations problems.

The unions are not likely to take the changes kindly when their supremacy is questioned and when they find that they do not have satisfactory explanations to offer their constituents, it is unlikely that they would react rationally to the changed circumstances. This is the first time the government is thinking in terms of closure of sick units and privatization of public sector undertakings the number of uncertain workforce is going to be uncomfortably large.

Retraining and rehabilitation of the redundant workforce is also worth considering, at this stage. Training is no longer a part of the managerial ritual but is the need of the hour, especially because of the opening up of economy and the new and sophisticated technology coming into the country as a result.

The advent of multinational companies in India has given way to management oriented trade unions. This could pose hindrance in the progress of the trade unionism in India. It has been said that multinational companies shall give way to worker's participation in management but the question that arises at this stage is, will it be practiced in true spirit? On the other hand the trade unionists in Indian based

industries feel that there is a need to promote internal leadership to strengthen the trade unions.

Industrial Relations provide the immediate backdrop for effective organizational performance. On other hand, it is influenced by the state of work culture that prevails in the enterprise. Therefore, organizations have to take a serious look at the ways work culture is evolved. For this a number of emerging realities have to be examined before evolving the required strategies for positive work culture. There include changing perspectives, new value employees, new responses of trade unions, information technology.¹³³

The new technology will lead to the development of new skills, making old skills redundant. Modernization of technology involved the inevitable introduction of labour saving devices, which shall necessitate the reduction of labour strength. The government in its Industrial Policy is urging the industries improve efficiency and productivity to reduce the cost of production to compete in the foreign markets to earn foreign exchange to meet the balance of payment.

However, it seems that there are many impediments to industrial growth due to the absence of commensurate changes in the labour policy co-operation from trade unions

¹³³ Zachariah KA, *Industrial Relation and personal problem (Dynamics of Industrial Relation)*

and will to work on the part of employees to achieve higher productivities.

The challenges faced by an organization in the changing industrial environment include.

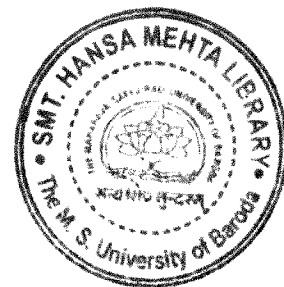
- Globalization
- Innovation
- Surviving in a liberalized environment
- Competitiveness in terms of product and cost
- Becoming more professional
- Technology and machinery up gradation
- Quality and ISO 9000 certification
- System improvement
- Maximum sale productivity and growth.
- Customer satisfaction and quality of service.

Liberalization, therefore requires us to put our emphasis on the following

Effectiveness

Efficiency

- Productivity
- Customer & consumer delight technology speed



6.5 GOVERNMENT STAND

Government of India's statement on NIP, on the other hand states that, "the Government will fully protect the interests of labour, enhance their welfare and equip them in all respect to deal with the inevitability of technological changes".

The Raman Committee 1991, has also made recommendations that, "If there is any surplus labour for any reasons, such surplus labour shall be absorbed in other plants under the same management, on jobs of similar nature without any reduction in emoluments, either by operating additional shifts or 7 days working, expansion of plant's capacity etc."

What is however intriguing is that despite this, the industrial restructuring and displacement of labour from their jobs has been very systematically going on since mid 80's without much noise, and that the various Central and state governments' have given implicit or explicit support to the employers in this respect. Thus the IMF/World Bank inspired economic reforms measures are sure to increase unemployment in the country at an alarming rate in the near future.¹³⁴

¹³⁴ *Ibid* 133

Several studies point to the negative impact of structural adjustment on employment and real wages. Job losses and falling real wages are causing serious concern. Money wages are stagnant for the fortunate, while for the others they are also declining. The real wage, however, because of the high rate of inflation is also falling substantially. Subcontracting, farming out of jobs, use of contract cheap labour, and similar other cost reduction methods is also being resorted to by the employers, both in the private and public sectors. There is also a marked shift from job security to income security. This will prove to be hazardous for a country like India.

It is just a dream that liberalization will be without social cost. The process of job losses, reduction in manpower, especially in the organized sector had started in late 70s. It increased in 80s but in the early 90s, it was rampant. To achieve these managements developed various strategies. But the main strategy was introduction of capital intensive Western technology, thus preparing the grounds for downsizing by declaring the labour as either surplus or redundant. However in the restrictive legal provisions employers found it difficult to remove labour force and therefore are attempting to circumvent this hurdle through the shortcut method of Voluntary retirement schemes.¹³⁵

¹³⁵ *Ibid* 133

The professed pre-requisite of the NEP is to debundle, downsize and ultimately de-unionize the labour. The demand for the Exit Policy by the employers, aided by the Government measures will further aggravate the problem of unemployment. The WTO regime will have all- pervasive adverse impact on agricultural and industrial employment.

The BMS, not oblivious of the distant and recent past, as also the turbulent present, firmly believes that only an integrated view, based on the Bharatiya values and ethos and not compartmentalized or fractional Western view, will pave the way for the real world order of which economic order is a part. The continued existence of FREE nations is a pre-requisite for this order. This World Order is under threat from forces, which are inimical to such existence of free nations. These forces are the international fundamentalism, transnational terrorism, the economic imperialism and the underground monetary empires of drug mafias and others.

The BMS is not averse to economic progress. However the BMS is emphatic that as long as the approach of the developed countries of the northern hemisphere continues to dominate the southern hemisphere countries through LPG process, Bharat must not only safeguard herself against such dominance and exploitation but she must also provide leadership to the developing and underdeveloped countries. In this task, dogmatic adherence to a particular

system or model will hamper the process of growth and development. The economic model can neither be created by capitalism nor by socialism /communism.

Hence the need for a third way is imperative. The foundation of this Way has to be on our own values and ethos. With this view in Mind, we briefly enumerate our standpoint hereunder for a proper perspective.

- The man in society should not be juxtaposed as one apart from the other. There should be natural growth of human consciousness from the self to universe. This process will eliminate the evils of "Survival of the Fittest" and "Dictatorship of the Proletariat" and instead evolve Universal family (Vasudaiva Kutumbakam)
- The relationship between man and nature is not of master and servant but complimentary to each other. The Nature is to be milked and not raped. Any attitude and action of man that harms the nature will inevitably lead to harm him.
- The means of production can neither be concentrated in the hands of some individuals nor be abrogated by the State. Within the limits of harmonious relationships between the society and nature, various patterns of ownership can be evolved to sub serve the common good.

- The distribution of National Wealth cannot be left to the greed of the elite rich or to the whims of the State. Happiness of all and equitability should be the guiding principles. 'Earner' will not only 'eat' but also 'feed'.
- There is a natural self - contradiction. The resources of the World are limited and consumerist desires unlimited. The means to enjoyment being scarce and the fact that only material enjoyment stagnates the human progress towards evolution of the Mind and Universality of Soul, the enjoyment must be regulated through self-control derived through self-awareness and awakening.
- The interest of the Individual must be intertwined with the interest of collectivity. The Nation being the expression of such collectivity in the foreseeable future, the national self-respect must be the motivating force for both, Individual and Society. This can be achieved by Nationalizing the Labour; Labourizing the Industry; Industrializing the Nation.
- The social order must be such that enhances and encourages Conscious Integration of Individuals into higher and larger units. Hence, any words and deeds that disintegrate the society must be desisted. Equal respect and opportunity for all men and women and well being of the children should be the hallmark of this Social Order. In this, the concept of Nuclear family is

both undesirable and avoidable.

- The priorities in economic development should be evened out among the agricultural, industrial, and self-employment (Vishwakarma) sectors as also between the urban and the rural areas. The shifting or altering of priorities has already considerably imbalanced the growth, hence the need for co-ordination among all sectors of production.
- 'Nation' being the effective and operative unit, even during the process of globalization, every nation has to evolve its own paradigm of development. The present trend of importing models or succumbing to international pressures will prove disastrous. It is for this reason that our country must face its own situation and problems, set its own objectives and priorities and evolve its own model of development rather than imitating the West.
- Our economic system should be such as will enable every member of the society to fulfill his material needs and lead him to attain higher levels of Perfection even while discharging his duties towards Collectivity. The Man should not be converted into "An Economic Animal" or a "Slave of the State" but transformed into a "Conscious Human Being". The economic system should recognize not only body and physical needs but also the higher needs of Mind, Intellect, & Soul.

We are therefore, opposed to this blind following of the West, without evolving our own indigenous policies to overcome the problems. In fact we are afraid that not only are we directionless at the present, in so far as the NEW ECONOMIC REFORMS are concerned, but are also going ahead at breakneck speed regardless of the devastating impact they are creating for posterity.

6.6 CONSULTATION BY THE CENTRAL GOVERNMENT WITH THE SOCIAL PARTNERS ON LABOUR POLICIES

Overview

Even prior to Independence, in 1942, the mechanism of dialogue in respect of Industrial relations was conceived and tripartite bodies were established. Keeping with the traditions of a democratic country two bodies as per the guidelines of International Labour Organization (ILO) are in existence.

They are:

- 1 Indian Labour Conference (ILC)
- 2 Standing Labour Committee (SLC)

To support the above bodies at National Level, separate Tripartite Industrial Committees for all important industries are also in existence.

The main objectives of the ILC and SLC are as under:

- To try to promote uniformity in labour legislation,
- To lay down the procedure of settlement of industrial disputes.
- To discuss all matter of national importance.

In addition to the national level and industrial committees at industry level there are bipartite mechanisms known as Joint Consultative Machinery (JCMs) at National level, State level, and Unit level in Government owned industries.

It was expected that the ILC and SLC must meet every year. However, after the 27th Session of the ILC there was a gap of 14 years, when the 28th Session was held and again after a gap of nearly 5 years the 29th Session was held in 1990.

In the year 1991 the Government of India adopted the New Economic Policy (NEP), and the New Industrial Policy (NIP), under the dictates of the international monetary institutions. The changes that are taking place are due to the conditional ties imposed internationally by the Breton Woods Trio i.e. World Bank, IMF, and GATT now World

Trade Organization (WTO) is based on the Principles of Liberalization, Privatization and Globalization (LPG).

The New Economic Policy (NEP) has been mainly responsible for growing unemployment, surplus labour, less protection from legislation, sickness in industries and exit policies. This has adversely affected the working population, eroding its bargaining power and fighting spirit. Automation and modern technology in industries have been instrumental to the growth of marginalized labour sector. Reduced wages and growing unemployment among the working mass has led to the desperate worker in succumbing to the temptations of even criminal activities. Needless to say that this is dangerous trend for the society as well as for the Nation.

It has been our experience that after adopting the NEP and NIP, though several meetings of the ILC and SLC as well as tripartite committee meetings were held, they could not address the emerging challenges of the economic reforms.

Mr. P.A.Sangma, Union Minister of state for labour declared that 'it is the belief of the government that no small section of society can corner the gains of growth leaving workers to bear its pain. Labour will be made an equal partner in progress and prosperity.'

We regret to place on record that, since the introduction of these economic reforms, several decisions of the ILC and SLC have not been implemented or put into practice. Consultations have been ritualistic and mere lip sympathy has been extended towards the problems of labour.

The formulation of economic policy in India has to take into account the abundance of hands demanding work. Consequently any wage policy to be fruitful, attempt must be made to develop labour intensive products utilizing labour intensive techniques and processes. This presupposes meaningful representation, consultation, participation of workers in formulation of economic as well as wage policy.

With these imperatives, we feel that the workers should be treated as partner in the industry rather than a factor of production or an encumbrance on the business. A step in the direction of progressive labialization of Industry, evaluating worker's labour as capital and allotting him this share capital, will bring a sea change in the industrial sector and economic activity. This in turn will reflect in proper approach during wage negotiations. Thus, earning wage and sharing income will also create awareness of pricing implications and consumers interests. It must be borne in mind that a wage reduction for worker is in a way reduction

in purchasing power of the consumer, since worker is also a consumer.¹³⁶

The labour management relations should be governed by collective bargaining and negotiation rather than by legislation and imposition. The relations should not be merely legalistic and static, but evolving and dynamic. It is therefore our considered opinion that the Government should initiate an immediate review of all labour legislations based on International Labour Conventions and the Constitutional obligations, taking into account:

1. The conditions of Indian Labour.
2. The stages of industrial development and
3. The existing position of trade union movement in the country.

Social justice has been the foundation of all labour laws. While declaring that the universal and lasting peace can be established only if it is based on social justice, the General Conference of I.L.O. reaffirmed the following fundamental Principles at Philadelphia on 10.05.1944.

- (a) Labour is not a commodity
- (b) Freedom of expression and of association are essential to sustained progress

¹³⁶ See, Sharma G D, *New Industrial Policy Relation, Press & Publication Agency, 1970*

- (c) Poverty any where constitutes a danger to prosperity every where.
- (d) The war against want requires to be carried on with unrelenting zeal within each nation, and by continuous and concerted inter nation effort, in which the representatives of workers and employers, enjoying equal status with those of Governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare.

The influence of the aforesaid Philadelphia Charter on our constitution can easily be traced. The constitution of India contains all the principles laid down therein:

- Recognizing the labour is not commodity, it prohibits traffic in human beings and beggar and other similar forms of forced labour (Article-23).
- Believing that freedom of expression and of association is essential to sustained progress, it confers on all citizens the rights to freedom of speech and expression and the right to form associations or unions. (Article-19)

Accepting the truth of the statement that poverty any where constitutes a danger to prosperity everywhere, it directs the states to make laws to promote the welfare of the people by securing and protecting as effectively as the may a social order in which justice, social, economic and

political shall inform all the institutions of the national life.
(Art.38).

It goes on to command that the states shall, in particular, direct their policy towards securing that the citizens, men and women equally, have the right to an adequate means of livelihood; that the ownership and control of the material resources of the community are so distributed as best to sub serve the common good; that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment; that there is equal pay for equal work for both men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength; and that childhood and youth are protected against exploitation and against moral and material abandonment (Art. 39)

To abolish want, it directs, that the state shall, within the limits of their economic capacity and development, make effective provision for securing the rights to work, to education and to public assistance in cases of unemployment old age, sickness and disablement, and in other cases of undeserved want (Art. 41)

Towards the same aim, it also directs that the states shall make provision for securing just and human conditions of work and for maternity relief, and that they shall endeavor

to secure to all workers, work, a living wage and conditions of work ensuring a decent standard of life and full enjoyment to leisure and social and cultural opportunities (Art. 43).

These are the principles, which form a charter of rights of the workers. These are the principles which constitute by themselves industrial jurisprudence in miniature and which ought to become, therefore, the basis of industrial law everywhere.¹³⁷

BMS attempts to establish and maintain an atmosphere in the country, where every person in the industry, regardless of the nature of duty performed, is considered to be a part of a large industrial family. Just as every member of the family strives for the common good, every member of the industry, be it worker or management personnel; shall work for the progress of the society and nation. Each one will then be able to sacrifice for national cause.

The aim here is to march ahead

From A master servant relationship

To Workers Ownership.

¹³⁷ *Ibid* 136

BMS considers that the adversarial attitude of two or three groups within the same professional establishment as an unnatural product of industrialization, and believes that all should shed their distinctions in the larger interests of the industry and the society in general and foster a spirit of industrial family. Industrial family is essentially a culture, one that shows care and concern for the well being of every member of the family --- a philosophy that prides itself in their welfare. And extends that ever helping hand not only in their hours of crisis, but even in shaping out a progressive future.

BMS recommends Bipartite at micro level negotiations and Tripartite at Macro level. Here also it aims at rising above conflict and the naked trial of strength of collective bargaining to more mature levels of joint consultations, and understanding. In respect of tripartite arrangements i.e. government intervention at conciliation level, we are of the opinion that it has failed to achieve the desired results due to several reasons.

To certain extent it has become useful in public undertakings and for deciding minimum employment service conditions for scheduled employment. To improve the working of tripartite arrangements and to achieve its objectives better interaction and communication amongst its participants has to be ensured for arriving at a collective decision.

What sets apart an organization as a dynamic, vibrant, outstanding and well knit force is reflected in how its blends its goals for growth with the myriad needs of its most precious assets---- its members----- that lends strength to its success. Fair representation must be given to all parties and selection procedure should be revamped. All parties to this tripartite arrangement must have thorough knowledge of particular industry/business and they should be well conversant and sympathetic to the problems of workers and employers.¹³⁸

At the same time Government must extend its helping hand by promoting and enforcing progressive legislations, strengthening wage boards and such other agencies, and by creating an atmosphere in the country conducive to the growth of industries and welfare of workers.

But the most important factor in ensuring the industrial peace is the employer himself, by providing good wages, clean and healthy working conditions, proper observance of labour laws etc. The employer must allow and encourage workers to participate in the affairs of the industry / business. Proper and decent behavior of superiors towards subordinates should also be observed. Proper channels of communication must be established and maintained.

¹³⁸ *Ibid* 136

The other important but most silent factor in ensuring prevention of industrial dispute is the society at large. In an event of industrial unrest, it is ultimately the society which has to pay the price, in the form of growing unemployment, economic backwardness, rising prices, family disturbances, increase in crimes etc. etc.

Therefore the society cannot and must not remain a silent spectator but assume a greater role by using its collective influence over the Government for resolving the problems of labour. The employers on their part must ensure that no harsh or extreme decisions are enforced. The trade unions must consider the social aspect before initiating any agitation. Both management and unions should take steps to amicably settle disputes through the existing legal and other measures.