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School of Social Sciences

EEC-12
Indian Economic
Development
since Independence

Block

6

LABOUR AND EMPLOYMENT

UNIT 19

Employment Structure

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BLOCK 6 LABOUR AND EMPLOYMENT

Introduction

As you know, quality of labour force plays an important role in economic development of an economy. In this block we will discuss issues related to labour in the Indian context. The quality and quantity of labour force, its growth pattern, utilisation and ensuing problems, particularly with employers, will be the subject matter of this block.

The present block comprises three units. Unit 19 discusses the employment structure in Indian economy. In this context it delves into policy issues such as restructuring of workforce and policy agenda for the future. Unit 20 deals with the problem of unemployment of labour force. It defines unemployment, discusses types of unemployment in India and assesses government policy to reduce unemployment. Unit 21 discusses the problem in relationship between labour and employer and the mechanism prescribed by the government to solve strained relations between the two groups.



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UNIT 19 EMPLOYMENT STRUCTURE

Structure

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19.0 OBJECTIVES

After going through the unit, you will be able to:

- 1 Explain the concept of the structure of the economy and employment structure ;
- 1 Describe re-structuring of workforce in India;
- 1 Discuss growth policy adopted by government; and
- 1 Brief the policy agenda for future.

19.1 INTRODUCTION

National Income of a country depends on the quantity and quality of its resources apart from technology. Resources can be of two types: material and human. Human labour is one of the productive resources. Human beings are the participants as also the beneficiaries of economic development. Their quantity is given by the size of the labour force: includes (Labour force) all active persons categorised as working (employed) and as 'seeking or available for work'. The size and composition of the labour force is determined by the population characteristics (i.e., fertility and mortality rates, sex composition, age structure and migration) and labour force participation rates. The quality of the labour force is determined by a multiple set of factors, viz.,

- 1 Health
- 1 Nutrition
- 1 Education
- 1 Training and skill formation
- 1 Technology

Some of these factors like education also affect the demographic characteristics. Other things remaining the same, higher the proportion of the population in the labour force, the more skilled and healthy it is, the richer would be the country. However, this does not mean that labour force participation rate increases always as the country becomes richer. After a certain stage of development, it may remain constant or even may decline.

In general, demand for labour (employment level) depends on growth rate of the economy, relative structure of prices of factors; pattern of demand for goods and services and nature of technology employed. The type of technology–capital intensive or labour intensive- adopted across the various sectors influences employment elasticity. Employment elasticity means the relative change in the growth rate of employment with respect to change in the growth rate of output. For example, if employment elasticity is 0.35 that means a one per cent increase in GDP leads 0.35 per cent increase in employment. Decline in employment elasticity brings shortfall in job creations. However, employment elasticities, which approach unity or more, are not at all desirable as it reflects poor productive employment.

According some studies, we should aim at an “all sectors” elasticity at the order of 0.5 to 0.6.

19.2 STRUCTURE OF THE ECONOMY

We had mentioned in Block-1 that economic activities in Indian economy can be divided under three broad sectors, viz., primary sector, secondary sector and tertiary sector. The primary sector is concerned with the exploitation of natural resources, i.e., agriculture, forestry and fisheries. The secondary sector includes mining manufacturing (both in organised and unorganised sectors) and construction. The tertiary sector deals with services of various types like those of trade, transport and communications, provision of financial and banking services, community services like health and education, public and personal services.

In India, the share of primary sector in GDP has decreased from 55.3 per cent in 1950-51 to 44.5 per cent in 1970-71 and further to 25.2 per cent in 1999-00. Agriculture contributes the bulk share (about 90 per cent) to the primary sector. It contributed 48.6 per cent in 1950-51 and its share came down to 39.7 per cent in 1970-71 and 23.2 per cent in 1999-2000. The share of secondary sector has shown a steady increase from 16.1 per cent of GDP in 1950-51 to 27 per cent in 1999-00. Within the secondary sector manufacturing contributed 17.1% of GDP during 1999-00. Similarly the share of tertiary sector has increased from 28.5 percent in 1950-51 to 47.8 per cent in 1999-00. The structural change in the composition of GDP is the consequence of the process of economic growth initiated during the plans. This is on the line of Fisher-Clark thesis, which stipulates that as economic development proceeds, the relative share of primary sector in employment and income generation will decline while that of secondary and tertiary sectors will rise.

However, the changing structure of GDP has not been accompanied by changing structure of the labour force. In spite of the decline in the share of agriculture in GDP almost two third of the working population (64.7%) is still engaged in agriculture. Some of the important reasons for continuing predominance of agriculture in employment are:

- 1) Capital intensive and labour saving technologies employed by the manufacturing sector and the consequent inability of the manufacturing sector to absorb more labour.
- 2) The proportion of rural population to total population in India was 74.6 per cent in 1991 against 26% in Russia, 24% in USA, 23% in Japan and 11% in UK.

Due to inadequate non-farm activities in rural areas, agriculture is accepted as a residual sector for employment by unskilled rural masses. Thus, whatever labour cannot be absorbed in the secondary and tertiary sectors, join the primary sector.

- 3) Failure to evolve technologies appropriate for labour surplus economies, which would have helped in absorbing more labour in the non-agriculture sector.

In comparison to changes in percentage share of manufacturing and services in the GDP, over a period of five decades, the proportion of workforce engaged in industry and services has been exceptionally low. Despite heavy investment in manufacturing, the percentage of workers in secondary sector has marginally increased from 10.7 per cent in 1951 to 12.7 per cent in 1991. Similarly in services sector, their proportion has marginally improved from 17.5 per cent in 1951 to 20.5 per cent in 1991.

Thus, broadly, we can conclude that there has been no clear shift in the workforce from primary to secondary and tertiary sectors of the economy since 1951. If we accept the view that economic development of a country is accompanied by a shift in working population from the primary to the secondary and ultimately to the tertiary sectors, then clearly India is not on the right path to economic progress.

Table 19.1: Percentage Share of GDP by industry of origin

	1951	1970-71	1980-81	1995
I Primary Sector	55.3	44.5	38.1	27.7
of which agriculture	48.6	39.7	34.7	
II Secondary Sector	16.1	23.6	25.9	31.1
III Tertiary Sector	28.5	31.9	36.0	41.2

Source: 1) Indian Economy by Ruddar Datt, 1996
2) 1995 data has been compiled from Outlook 1996 and 1997, Asian Development,

Table 19.2: Percentage distribution of workers by sector

	1951	1961	1971	1981	1991	1993-94
Primary Sector	72.1	71.8	72.1	68.8	66.8	64.7
Secondary Sector	10.7	12.2	11.2	13.5	12.7	14.8
Tertiary Sector	17.2	16.0	16.7	17.7	20.5	20.5

Source: 1) Compiled from Indian Economy by Ruddar Datt 1996.
2) For 1993 compiled from Structure of Workforce by Pravin Visaria, Indian Journal of Labour Economics Vol. 39, No.4, 1996.

Check Your Progress 1

Indicate whether the following statements are true or false:

- 1) Demand for labour is independent of output. ()
- 2) Change in the structure of GDP has been followed by change in the structure of employment. ()
- 3) The size of the labour force is determined by the population variables and labour force participation rate. ()

19.3 SECTORAL DISTRIBUTION OF EMPLOYMENT

Demand for labour is derived from demand for goods and services. Hence the growth and distribution of employment over sectors depend on the growth and distribution of output. Workforce re-structuring process over a period is influenced by changes in the following factors:

- 1 the basket of demand for goods and services
- 1 technology
- 1 productivity

As development proceeds, per capita income rises. Following Engel's law, as per capita incomes rise, changes take place in favour of superior foods like milk and food followed by increasing demand for manufactured consumer goods such as cloth. Such changes in consumption patterns induce corresponding changes in the structure of production. As the population rises upward within the middle range of per capita income levels, growth rates in demand for manufactures reach a peak. Households in the highest income groups tend to spend increasing proportion of their income on services.

Technological changes affect the growth of employment in general and in industries in particular. In many cases, choice of technology is governed purely by technological facts of production. However, in a lot of cases, a series of distortions in the labour market in the form of wages, union power and different subsidies for the use of capital, lower the price of capital in relation to labour and induce the employers to resort labour saving and labour displacing techniques. As a result, developing countries suffer from endemic surplus labour in the farm sector.

Supply side factors like fertility and mortality rates, age structure, labour force participation rate, etc. also influence the structure of employment, unemployment and under employment. If growth rate of labour force exceeds growth rate of employment, more people are added to the stock of unemployed persons. Since poor people cannot afford unemployment, they are not left with any other option but to join the agricultural sector. Thus, higher growth of labour force slows down the process of restructuring of the work force from agriculture to non-agriculture.

19.4 RE-STRUCTURING OF WORKFORCE

We have comprehensive data on employment from two sources namely:

- i) Population Census

ii) National Sample Survey Organisation (NSSO)

The NSSO data is more reliable and systemic as the definition of various concepts has remained uniform in various rounds of the survey and hence comparable and widely used. The census provides classification of workers on the basis of rural and urban workers. The census 1991 reveals that out of 314 million total workers, rural workers account for 249 million (79 per cent) and urban workers for 65 million (21 per cent).

We can study the re-structuring of workforce in terms of workers engaged in

- i) agriculture and non-agriculture
- ii) organised and unorganised sectors
- iii) wage employment and self employment

i) **Agriculture and non-agriculture sectors**

On the basis of proportionate change of workforce from agriculture to non-agriculture, we can divide the whole period of 1951-52 to 1993-94 into two sub-periods (a) 1951-52 to 1971-72 (b) 1972-73 to 1993-94.

a) **1951-52 to 1971-72:** Workforce structure has demonstrated no clear trend upto 1970. In 1971 census, the share of workforce engaged in agriculture increased from 71.8 per cent in 1961 to 72.1 percent in 1971. The proportion of agricultural labourers increased from 16.7 per cent in 1961 to 26.3 per cent in 1971 at the expense of the share of self-employed cultivators. Thus the workforce in primary sector was constant at 72 per cent between 1951 and 1971. In the absence of significant expansion of employment opportunity outside agriculture, workers had moved into the farm labour force. This possibly shows the growing concentration of land in a fewer hands, with small and marginal farmers being depressed of their land and joining the rank of landless labourers.

b) **1972-73 to 1993-94:** By 1981, the diversification of workforce improved even better than 1961 level. In agriculture, the share of working population came down from 72.1% in 1971 to 68.8 per cent in 1981. In manufacturing it increased from 11.2 per cent in 1971 to 13.5 per cent in 1981. In tertiary sector it marginally improved to 17.7 per cent in 1981. During 1980s the process of workforce diversification suffered a set back. The share of manufacturing in the workforce declined both in rural and urban areas. In urban areas the workforce share in transport, storage and communication also declined. As a result, in urban areas the share of workers in non-farm activities put together actually fell. *In rural areas there was also a substantial reduction in the relative importance of agricultural workers.* The tertiary sector both in rural and urban areas absorbed the workers unable to find productive jobs in other sectors.

NSS data 1993-94 indicate that after liberalisation, the situation has further deteriorated. In the economy as a whole, the share of workforce in agriculture went up and in non-agriculture declined. This trend of de-industrialisation has concentrated in rural areas. During 1987-88 to 1993-94 the number of people who found job in agriculture is roughly four times the number who obtained work in the non-farm sectors while in the proceeding quinquennium from 1983 to 1987-88 jobs generated in non-agriculture were three times higher than those of farm sector. Since technology adopted in manufacturing sector during eighties and

nineties has been more capital intensive, the rate of labour absorption in manufacturing sector has not been commensurate with its growth.

ii) Organised and Unorganised Sector

Let us first understand the concept of organised and unorganised sector. According to central statistical organisation (CSO) – unorganised sector include all those unincorporated organisations and household industries (other than organised ones) which are not regulated by any legislation and which do not maintain annual accounts or balance sheets. Corporate and quasi corporation enterprises set up under legislation or governed by administrative regulations or registrations having their balance sheets come under organised sector. Private non-profit institutions like chamber of commerce, trade associations etc. also come under this category. According to Industrial (Development and Regulation) Act, 1951 all production units employing 10 or more workers working with the aid of power (20 or more workers working without the aid of power) are statutorily required to register themselves. This segment is termed as the registered sector. The term organised sector is often used to represent the registered units. The remaining production units (those using less than 10 workers working with power or less than 20 workers working without the aid of power) are termed as unorganised sector. The term informal sector is also used for unregistered sector.

The employment structure in India is characterised by dualism consisting of modern sector (organised) and informal sector (unorganised). The main features of modern sector are: large scale production, use of modern technology, non-competitive product and higher wages to workers. Lower scale production, low capital intensity and competition, casualisation, contract labour, feminisation, etc. are the peculiar features of unorganised sector. Hence the growth of informal sector is the reflection of worsening the quality of employment.

As per census 1991, organised labour accounts for merely 9.4 per cent of total workers whereas unorganised labour accounts for 90.6 per cent. The broad characteristics of unorganised workers are: scattered nature of workplaces, low level of unionisation, lack of concrete employer-employee relationship, acute incidence of under-employment, incidence of home based, work etc. Various categories of workers like agricultural labourers, rural workers engaged in various non-farm activities like cottage, sericulture and so on, beedi workers, construction workers, domestic workers, etc. are covered in unorganised workers.

Although the share of organised and unorganised sector in total employment has remained almost constant overtime, yet within the various sectors, the share of unorganised sector has increased significantly. Of the total employees in respective sectors, 99.2 per cent in agriculture, forestry, fishing and plantation, 75 per cent in manufacturing, 78 per cent in construction, 98 per cent in commerce and trade, and 61.5 per cent in transport, storage and communication come under the unorganised sector.

iii) Wage Employment and Self-Employment

The proportion of self-employed has declined from 61.4 per cent in 1972-73 to 54.8 per cent in 1993-94. Similarly marginal decline has been observed in respect of regular employment from 15.4 percent in 1972-73 to 13.2 per cent in 1993-94. But there has been an increase in casual wage employment from 23.2 per cent in 1972-73 to 32 per cent in 1993-94. Increase in the proportion of casual

wage labour has been due to decline in the proportion of the self-employed in rural areas and decline in the regular wage workers in urban areas. The pace of casualisation is faster in case of male than among female workers. The rising share of casual employment at the cost of regular employment reflects deterioration in the quality of employment.

Table 19.3: Percentage Change in the Structure of Workforce in terms of Self employment and Wage Employment

Category	1972-73	1993-94
i) Self employed workers	61.4	54.8
ii) Wage employed		
a) Regular labour	15.4	23.2
b) Casual labour	13.2	32.0

Check Your Progress 2

- 1) As development proceeds, why does the share of manufacturing and tertiary sector increase in employment ?

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- 2) Do you think that rise in the casual labourers at the cost of regular employment indicate deterioration in the quality of employment ?

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- 3) What are the reasons for de-industrialisation of rural workforce in eighties and nineties?

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19.5 GROWTH RATE OF EMPLOYMENT

Between 1951 and 1990, the rate of growth of labour force in India was to the order of 2.44 percent per annum while that of employment was only 2.20 per cent per annum. During 1985-92 (7 year period) labour force increased at the rate of 1.89 per cent and employment increased at the rate of 1.76 per cent. The

persistent gap between the growth rate of employment and that of labour force has added to the stock of unemployed persons. As a result, rate of unemployment increased from 0.21 per cent in 1951 to 3.63 per cent in 1961, and further to 4.52 in 1980, 5.33 in 1992 and 5.51 in 1995.

In absolute terms, unemployment, which accounted for 0.34 million in 1951, rose to 5.2 million in 1969, then increased to 11.5 million in 1985 and was about 18.7 million in 1995. In other words, unemployment has growth both in absolute and in percentage terms.

Table 19.4: Labour Force, Employment and Unemployment

Year	Labour force (in Million)	Employment (in Million)	Unemployment (in Million)	Unemployment Rate (in %)
1951	162.01	161.67	0.34	0.21
1961	178.44	171.96	6.48	3.63
1969	208.20	203.01	5.19	2.50
1974	234.15	224.04	10.11	4.32
1980	256.34	244.75	11.50	4.52
1985	279.38	266.69	12.69	4.54
1992	318.73	301.73	17.00	5.53
1995	339.21	320.51	18.70	5.51

Source: Employment Policy in the Ninth Plan paper by Prof. Ruddar Datt.

During the period 1987-88 to 1993-94 rate of growth of female employment declined and this decline was more visible in rural areas. During this period growth rate of employment for both male and female was significantly lower in rural areas as compared to the urban areas.

Deceleration in the rate of growth of employment has been particularly sharp in the organised sector from 2.48 per cent to 1.38 per cent. Although this deceleration has been observed generally in all the sectors, it has been steepest in manufacturing sector. Employment in organised manufacturing sector has virtually stagnated and large contribution to growth in employment has been made by the unorganised sector in recent years.

The immediate cause of decline in employment growth during eighties was a decline in employment elasticities in all major sectors, i.e., agriculture, manufacturing and services. During 1970s one per cent increase in GDP led to an increase in employment of the order of 0.61 per cent. However, in 1980s one per cent increase in GDP resulted in an employment increase of only 0.32 per cent. In 1990s the employment elasticity improved in agriculture and in services while in manufacturing it remained as low as in 1980s. Much of the collapse of employment elasticity in manufacturing can be traced to the substantial restructuring of industrial sector took place during eighties. The segments like capital goods and consumer durables, where production processes are characterised by low labour intensity grew fastest. On the other hand, highly labour intensive industries like cotton textiles grew slowly and even contracted. Further, change in the demand pattern of goods in favour of more sophisticated and higher quality of goods also tended to reduce labour absorption. Slow growth of employment in 1990s has

been due to larger negative rates of growth in public and private investment in 1991-92 and subsequent decline of public gross fixed capital formation in 1992-93. Substantial fall in public spending in social sector is also responsible for slow growth of employment.

Thus, it can be concluded that higher growth rate of value added in organised manufacturing sector and lower employment growth rate during eighties and nineties does indicate that there is no automatic link between rate of growth of GDP and rate of growth of employment. Decline in employment elasticity in manufacturing sector during eighties and nineties has wider implications for employment strategy for future. The policies of liberalisation being pursued under the new industrial policy are giving emphasis on market forces. But such exclusive faith on the market may generate either jobless growth or higher growth rate of output at a lower rate of employment.

Table-19.5: Growth Rate of GDP and Employment

	Growth of GDP per annum (%)	Growth rate of Employment per annum (%)	Employment Elasticity
I Five Year Plan (1951-56)	3.6	0.39	0.11
II Plan (1956-61)	4.2	0.85	0.20
III Plan (1961-66)	2.8	2.03	0.73
Annual Plans (1967-69)	3.9	2.21	0.57
IV Plan (1969-74)	3.3	1.99	0.60
V Plan (1974-79)	4.8	1.84	0.38
V Plan (1980-85)	5.7	1.73	0.30
VII Plan (1985-90)	5.8	1.89	0.33
1990-92	3.4	1.55	0.44
1992-95	5.8	2.03	0.35

Source: Employment Policy in the Ninth Plan, presented by Prof. Ruddar Datt in a seminar at IAMR, Delhi.

19.6 EMPLOYMENT POLICY

Based on the approach and policy initiatives, the employment policy in India can be discussed under three phases:

- i) **Phase (1950 to 1970) :** In the initial years of planning ‘trickle down’ approach was followed. It was thought that generation of employment was the function of growth rate in the economy and thus growth would take care of employment. It was estimated that output growth would taken place at the rate of 5 per cent per annum while the growth of labour force would not be beyond

2 per cent per annum. In the sixties, it was realised that none of these two expectations materialised. The validity of trickle down theory remained questionable.

- ii) **Phase II (1970-80):** After publication of National Sample Survey (NSS) data on employment and unemployment, it was realised that employment generation required a special focus in development planning. Plan strategies, policies and programmes were evolved and used for employment generation. Creation of employment opportunities figured among important objectives of Fifth Five Year Plan (1974-79). Special employment programmes providing temporary relief to weaker sections were launched. Some of these programmes were – Marginal Farmers and Agricultural Labourers, Small Farmers Development Agencies, Integrated Dryland Agricultural Development, Agro-Services Centres, Rural Work Programme and so on.
- iii) **Phase III (1980 and onwards):** Since the sixth five year plan (1980-85) employment generation and removal of poverty have been accorded priority. Special efforts have been made to generate employment opportunities. Group based and area based employment generation and poverty alleviation programmes have been launched. Individuals targeting approach has been followed. Details about the poverty alleviation programmes are discussed in the next unit.

19.7 THE POLICY AGENDA

In view of the rising unemployment both in absolute and relative terms, there is a need to pursue a combination of policies for economic growth, which fully engage the labour-force. Development of small scale/cottage industries, technology, human resource development, manpower planning, wage policy, etc. all play their important roles in generation of employment opportunities. All these points are discussed below:

Changing Structure of Production

Rapid agricultural growth is generally associated with rapid increase in employment in agriculture, allied agriculture activities and in the rural non-agricultural occupations. This also has a tendency to increase real wage rates in the short run. Consequent to agricultural growth employment generation is spread all over the rural region and not concentrated in a few urban areas. Agriculture plays a crucial role in enhancing surplus, employment and exports. Hence, emphasis should be given on crop diversification, commercialisation and establishing growth linkages with non-farm activities and enterprises.

Small scale and cottage industries have more labour absorption potential. These need to be assisted in increasing productivity and income. In the long run, employment growth cannot be sustained in case it is based on low productivity. Industries, which show good prospects of employment growth such as agro based, or construction industry should be assisted in increasing linkages to other sectors where such linkages are proved to be efficient. Assistance can be given

through credit management, development and quality control schemes. Even the industries like large scale manufacturing which have low and falling rate of labour-absorption may have large indirect effects through linkages with small industries, e.g., transport, construction and services. Such industries should also be promoted.

Role of Technology

Modernisation and technological changes have to be viewed against a longer term perspective and with due regard to the positive effects on employment from higher levels of efficiency and productivity. The technique, which maximise both the rate of growth of output and employment, requires to be preferred. Although research and development are generally confined to capital intensive techniques, improvement can also take place in labour intensive techniques. The labour intensive techniques being of simpler in design and wider use may also be cheaper. In short, the choice of technology has to be in favour of the socially profitable techniques of producing a given commodity.

Human Resource Development

A part of unemployment problem arises out of the mismatch between the skill requirements of employment opportunities and the skill base of the job seekers. This mismatch is likely to become more acute in the process of rapid structural changes in the economy. It is therefore necessary to orient the educational and training systems towards improving its capability to supply the requisite skills in the medium and long terms. Greater flexibility should be introduced in the training system so that changes in the needs of skills in the labour market can be quickly responded to. Further education and training system need to be designed to impart suitable training to the large mass of workers employed as self employed and wage earners in the unorganised sector. Up-gradation of their skills is essential for raising their productivity and income levels.

Manpower Planning

In order to avoid surplus or shortage of manpower, it is necessary to have an idea of the likely employment opportunities that would be generated in the economy by sector, by occupations and by educational skill categories. Employment estimation and manpower forecast are a part of manpower planning. Manpower planning plays a crucial role in monitoring the labour market processes and diagnosing the emerging mismatches. Apart from supply parameters, linkages of human resource planning to overall manpower planning is needed so that there is an interactive process of adjustment between demand for and supply of manpower.

Wage Policy

We may recall that demand for labour is derived. The wage rate as an indicator of purchasing power of labourers determine the size of aggregate demand for goods and services which in turn determine the level of demand for labour in the labour market. In Indian conditions, around 91 percent of workforce is engaged in unorganised sector, where wages are low and working condition is bad. Wage protection through legislative measures and appropriate wage policy will therefore, be helpful in expansion of job opportunities.

Existing statutory provision of minimum wages for workers in the scheduled employments has been inadequate in its coverage and implementation. A large part of the workforce is still outside the purview of wages fixed under the Minimum Wages Act. There is a big gap between actual wages and wages fixed under the Act. Effective implementation of wages is needed.

Wide differences in wages prevail between the organised and unorganised sectors even in similar activities and occupations. Changes in wage rates and wage levels overtime very significantly. The levels of and changes in wages and salaries often have no relation with productivity and wages. It is therefore necessary that a national wage policy is evolved that guides changes in wages and salary levels and wage structure.

Population Policies

Population and labour force are growing faster than growth of employment. To solve the unemployment problem in the long run, it is necessary to reduce the population growth rate. Control of fertility rate in combination with other social and economic improvements like increased female education and participation will help in reducing population growth rate.

Special Employment Programmes

Adoption of an employment oriented strategy is expected to attain the goal of full employment in the long-run. Hence provision of short term employment for the unemployed and under-employed, particularly among the poor and the vulnerable, is necessary in the interim period. Special employment programmes therefore need to be continued. You will find more details on this part in next unit.

Check Your Progress 3

- 1) How does training and skill development help in reducing unemployment?
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.....
.....

- 2) Do you think that suitable wage policy play a positive role in labour absorption?
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.....

- 3) What are the main features of employment policy being followed since 1980?
.....
.....
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19.8 LET US SUM UP

National income of a country depends on the quantity and quality of the resources it employs. Human labour is one of the productive resources. The size and composition of labour force is determined by population variables and labour force participation rate. Its quality is determined by a set of factors such as health, nutrition, education and training, technology.

Changing structure of GDP in India has not been accompanied by changing structure of workforce. There is no clear shift in the workforce from primary to secondary and tertiary sectors in the economy since 1951. From demand side, employment structure is influenced by changes in the basket of demand for goods and services, technology and productivity. The workforce structure has demonstrated no clear trend upto 1970. By 1981, the diversification of workforce improved. However, diversification deteriorated further in 1990 after liberalisation. De-industrialisation has concentrated in rural areas. Unorganised sector predominates in employment and its share has increased significantly across various sectors. Increasing share of casual employment at the cost of regular employment in urban areas reflect the deterioration in the quality of employment.

The divergence between the growth rate of employment and that of labour force has added to the stock of unemployed persons. As a result, unemployment has increased both in absolute and relative terms. Higher growth rate of value added in organised manufacturing sector and lower employment growth rate does indicate lack of automatic link between growth of GDP and growth of employment. Decline in the employment elasticity during eighties and nineties reflect that exclusive faith on the market in new economic policy may generate either jobless growth or higher growth rate of output at lower rate of employment.

19.9 KEY WORDS

Labour Force: All the active persons categorised as working (employed) and as seeking or available for work (or unemployed) together constitute the labour force.

Work Participation Rate: The ratio of labour force to total population is termed as Work participation rate.

Workers (or employed): Persons engaged in any economically gainful activity are considered workers or employed.

Self-employed: Persons who are engaged in their own farm or non-farm enterprises are defined as 'self-employed'.

Regular Salaried/wage: Persons working in others' farm or non-farm enterprises (both household and non-household) and getting in return salary or wages on a regular basis (not on daily or periodic renewal of work contract) are treated as regular salaried/wage employees.

Casual Labour: Persons engaged in others' farm or non-farm enterprises and getting in return wages according to the terms of a daily or periodic work contract are treated as casual wage labour.

Usual Status: National Sample Survey provides three sets of estimates of employment/unemployment: usual status, weekly status and daily status. Usual status approach takes into consideration a reference period of 365 days proceeding the date of survey.

19.10 SOME USEFUL BOOKS

Employment Policy in India by D.S. Awasthi (ed.), Indian Economic Association.

Wage Employment Programmes in Rural Development by Indira Hirway, Oxford & IBH Publishing Co. (P) Ltd., New Delhi, 1986.

Trends in Poverty, Wages and Employment in India by Sheila Bhalla published in Indian Journal of Labour Economics, April-June 1997, Vol. 40, Number 2.

Asian Employment Programmes, ILO Working Papers by Mustafa Alam.

Employment Challenges for the 90s, World Employment Programme, ILO, 1990 Chapter 2, PP.13-54.

Eighth Five Year Plan (1992-97) Vol. 1, Chapter 6, Page 116-135.

19.11 ANSWER/HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) False
- 2) False
- 3) True

Check Your Progress 2

- 1) Please see Section 19.3
- 2) Yes
- 3) Please see Section 19.5

Check Your Progress 3

- 1) See Section 19.7 – Human Resource Development
- 2) Yes
- 3) See Section 19.6

UNIT 20 UNEMPLOYMENT

Structure

- 20.0 Objectives
- 20.1 Introduction
- 20.2 Meaning of Unemployment
- 20.3 Nature of Unemployment in India
 - 20.3.1 Rural Unemployment
 - 20.3.2 Urban Unemployment
- 20.4 Causes of Unemployment
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 - 20.4.4 Inappropriate Educational System
- 20.5 Measurement of Unemployment
 - 20.5.1 Usual Status Unemployment
 - 20.5.2 Current Weekly Status
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- 20.6 Government Policy Towards Unemployment
 - 20.6.1 Employment Policy up to Eighth Five Year Plan
 - 20.6.2 Employment Scenario in the Ninth Five Year Plan
- 20.7 An Overview of Employment Schemes
 - 20.7.1 National Rural Employment Programme
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 - 20.7.3 Rural Landless Employment Guarantee Programme
 - 20.7.4 Jawahar Rozgar Yojna
 - 20.7.5 Training for Rural Youth for Self Employment
- 20.8 Let Us Sum Up
- 20.9 Some Useful Books
- 20.10 Key Words
- 20.11 Answers/Hints to Check Your Progress

20.0 OBJECTIVES

This unit gives an overview of the problem of unemployment in India and the policy measures adopted to overcome this problem. On going through it you will be in a position to:

- 1 explain the meaning of unemployment;
- 1 identify the types of unemployment found in India;
- 1 describe the extent of unemployment in India;
- 1 identify the causes of unemployment;
- 1 examine Government policy for removing unemployment; and
- 1 explain different unemployment eradication schemes in India.

20.1 INTRODUCTION

Expansion of employment opportunities has been an important objective of development planning in India. Although there has been a significant growth in employment opportunities over the years, due to fast rising population, volume of unemployment has been on increase. Unemployment is a normal phenomenon in all market economies irrespective of their level of development. But in an underdeveloped economy due to widespread poverty unemployment is not only painful for the society but also implies wastage of resources, which could have been used more effectively for the development of the economy. Thus, fundamental objective for a developing economy like India is to achieve maximum possible employment.

20.2 MEANING OF UNEMPLOYMENT

In simple words a person, who is not gainfully employed in any productive activity, is called unemployed. Unemployment could be voluntary or involuntary. However, there is no scientific treatment with the help of which we can distinguish between voluntary and involuntary unemployment. Generally speaking people in the age group of 15-59 years are considered to be in the working population of a country and the concept of unemployment is restricted to this group of people only. That is, children and old persons are not included in the definition of unemployment. However, some economists suggest a broader definition. It should include (i) all persons (men, women and children) who are working and (ii) those not working, but are searching for work. There may be a section of society, which is not interested, in any gainful employment. There may be some people who may be interested in jobs at wage rates higher than those prevailing in the labour market. Persons falling in above two categories are called voluntarily unemployed.

Involuntary unemployment is characterised by a situation in which people are prepared to work at prevailing wage rate but they are not able to get employment.

In economics the term “unemployment” refers to only involuntary unemployment and not voluntary employment.

The problem of unemployment in underdeveloped economies is different from that in developed economies. In developed economies generally unemployment takes the form of cyclical unemployment or frictional unemployment. Cyclical unemployment arises due to cyclical movements in economic activities. Frictional unemployment takes place because of shift to a new technology. Thus, cyclical and frictional unemployment are temporary in nature.

On the other hand, the nature of unemployment in underdeveloped economies is basically structural in nature. In an under-developed economy the demand for labour is less mainly due to agricultural backwardness, undeveloped industries and small size of the service sector. Although the type of unemployment found in underdeveloped economies fits into the definition of involuntary unemployment, is much different from the nature of unemployment found in developed economies.

1) What is voluntary unemployment?

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2) What is involuntary unemployment?

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3) How is the nature of unemployment in underdeveloped economies different from that in developed economies?

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20.3 NATURE OF UNEMPLOYMENT IN INDIA

In India the problem of unemployment is much more serious than what we find in developed economies. India is an under-developed though a developing economy. It is important to emphasise that unemployment in underdeveloped economy like India is not the result of deficiency in effective demand but in fact a result of shortage of capital equipment and complimentary resources. In India there are various types of unemployment. Generally speaking it takes the forms of rural unemployment and urban unemployment.

20.3.1 Rural Unemployment

Bulk of unemployment in India is found in the rural areas. There are two main aspects of rural unemployment: seasonal and chronic disguised unemployment.

Agriculture is the principal occupation in rural India. By nature agriculture is a seasonal occupation. Therefore bulk of rural population remains seasonally unemployed in the absence of alternative employment opportunities. It has been estimated that a sizeable portion of population engaged in agriculture remains idle for at least 5-7 months in a year.

Second aspect of rural unemployment is chronic disguised unemployment. As per the 1991 census report about two third of the population is engaged in the primary sector (agriculture and allied activities). Working population in agriculture is increasing consistently in absolute terms. While in 1951 over 100 million persons were engaged in agricultural sector, in 1997 their number rose to 237.31 million. Such a big increase in the working population engaged in this sector without there being a corresponding increase in the area of cultivation, has resulted in overcrowding in agriculture. This is a situation where even if surplus population is withdrawn from agriculture, production will not be affected (provided the remaining labour force works to the best of its abilities). Such a type of situation is described as disguised unemployment or underemployment. In the words of Nurkse, marginal productivity of surplus labour so defined is zero. The main problem in this type of unemployment is that apparently all persons seem to be employed but enough work is not available to all. An example will make this concept of disguised unemployment more clear. Suppose there are 10 persons working on the farm, while less work is available. This work is shared by all persons working on the farms, as there exists no employment opportunity. If some workers are withdrawn from the farm, those remaining at farm are able to accomplish the work and farm output does not get affected, such a situation is called disguised unemployment.

Another aspect of unemployment in rural areas, which needs special attention, is the educated unemployment. With the spread of education in rural areas, there has emerged a class in rural areas also which is literate and in some cases even highly educated. They find themselves misfit in usual agricultural operations. They remain idle in rural areas due to lack of employment opportunities outside rural areas.

Concept of rural unemployment is important to understand the phenomenon of rural poor. Unemployed or underemployed in rural areas constitute mainly the class of rural poor. This class mainly consists of landless labourers and marginal farmers. Therefore, solution for eradication of rural poverty lies in eradication of unemployment.

20.3.2 Urban Unemployment

Whereas most of the unemployment found in rural areas is disguised, most of the unemployment in urban areas is open. Urban unemployment is a source of severe social tensions.

Urban unemployment can be of three types.

First kind of unemployment found in urban areas is of unskilled industrial workers. Such unemployment may be termed as blue-collar unemployment. Although there has been a significant expansion of industrial sector, industrial unemployment has expanded over the years. Various factors have contributed to this phenomenon.

- 1 Increase in economically active population in the country
- 1 Population in urban areas has grown faster than in rural areas, because of migration from rural to urban areas. In addition during off-season, agricultural labour shifts to urban areas to seek employment.

- 1 Concentration of industries in urban areas
- 1 Decay of cottage and small-scale industries in rural areas.

Second kind of unemployment found in urban areas is that of educated middle class. Such unemployment may be called white-collar unemployment. There are many causes of educated unemployment. Firstly, whereas there has been a very fast increase in educated population, thanks to fast expansion of educational institutions, technical education and training has lagged behind. Secondly, economic growth has been at a very slow rate. This has resulted in a very inadequate growth of employment opportunities, including engineers, technical personnel along with arts and commerce graduates and post graduates.

Number of educated unemployed was 2.44 lakh in 1951, which rose to 34.72 lakh in 1980, 47 lakh in 1985 and 68 lakh in 1992. According to Ninth Five Year Plan - "National Sample Surveys shows that over the period 1983 to 1993-94, the proportion of those educated to a level of secondary school or higher among the unemployed persons increased from 47 per cent to 64 per cent. While a high proportion of the literates among unemployed shows un-utilisation of scarce resources put in for education of the people, it also indicates a mismatch between the kind of job opportunities that are needed and those available in the job market. Clearly the increase of literates among the unemployed and further among the literate unemployed, of those with higher level of educational attainment points to the need for skilled jobs rather than the simple low productive manual labour that an illiterate has to resort to for a living".

Thirdly, there are emerging trends of underemployment of those who are seeking job on part-time basis, while they pursue their studies. Such job seekers, if they do not get jobs of their satisfaction, could be called underemployed. There could be many others, who have completed their education, but are not able to get job to the best of their abilities and capacities.

Check Your Progress 2

- 1) What are the two main types of unemployment found in rural India?
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- 2) Explain the nature of disguised unemployment in India.
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3) What are the different kinds of unemployment found in urban areas?

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20.4 CAUSES OF UNEMPLOYMENT

Foregoing analysis about trends and structure of unemployment in India, reveals the gravity of the problem. Now let us discuss the main causes of unemployment. These are :

- i) slow economic growth process,
- ii) rapid increase in labour force,
- iii) inappropriate technology, and
- iv) inappropriate education system and lack of manpower planning .

20.4.1 Slow Economic Growth Process

It is no doubt that the problem of unemployment is found in both developed as well as underdeveloped economies. Despite high incomes of these developed economies, problem of unemployment is prevalent there too. But the kind of unemployment found in underdeveloped countries is basically due to its low levels of development and slow growth process.

It is expected that as an economy grows, production expands and thus the employment opportunities. We find that in the past, after Independence there has been growth in production. As a result, absolute level of employment has also risen. But rate of growth in production has been less than the target. As a result, adequate number of employment opportunities could not be created.

But we should also keep in mind that growth alone is not expected to solve the problem of unemployment. Some economists have hinted at a possible conflict between employment and economic growth, in the early phase of development. In India also this conflict has been very apparent. In the early plans till sixth five-year plan this conflict was not recognized. As a result, although absolute level of employment increased, it was hardly sufficient to solve the problem of unemployment.

20.4.2 Increase in Labour Force

There has been significant growth in the labour force in the last fifty years, due to fast growing population. Since Independence, death rate has been declining very fast, without a corresponding fall in birth rate. As a result, population is growing at a very high rate; at present rate of growth of population is around 2%. This is naturally followed by fast expansion in labour force.

There is another factor, which has led to increase in labour force, due to urbanisation and changed attitude towards employment. After Independence, education among women has led to change in attitude of women towards employment. They now compete with men for employment. This phenomenon is more prevalent in urban areas.

Thus rapid growth in labour force can be ascribed to (i) fast growing population, (ii) changed attitude of women towards employment, (iii) failure of growth process to create sufficient additional jobs. All these factors have increased the problem of unemployment.

20.4.3 Inappropriate Technology

We understand that, in India labour is abundant while capital is a scarce factor of production. Therefore, to solve the problem of unemployment, we need to adopt such a technology, which makes use of more labour and less of capital to produce a given level of output. But, it is unfortunate that not only in industries, even in agricultural production capital is substituting labour very fast. Thus, capital-labour ratio has increased in production process. Technological change has been labour-saving.

While making a choice about technology, normally western model is adopted. We understand that in the west, labour is scarce and capital is abundant. Therefore, for them appropriate technology is capital intensive. But in India we cannot justify the use of more sophisticated and round about methods of production, which substitute capital for labour. But adoption of such a technology has led to larger unemployment.

A pertinent question at this point is that why, despite abundance of labour, capital-intensive technology is adopted in India. This happens because rate of return on capital and labour are not market determined. While on the one hand, labour is assured of minimum wages, rate of interest is kept low arbitrarily. As a result, people are inclined to make more use of capital-intensive technology, as it is economically more viable. According to W.A. Lions, investment in such a situation in capital equipment may be more profitable to individual capitalist but certainly not beneficial to society because it increases unemployment.

Rigid labour laws in India have also contributed towards adoption of capital-intensive production process. On the part of industries, it is quite difficult to reduce number of employees. Once a person is recruited, most likely he/she will be retained for life. In addition, labour-unrest and lack of work-culture has increased inefficiency of labour. These factors, again, have provided incentives for addition of labour-saving technology.

20.4.4 Inappropriate Educational System and Lack of Manpower Planning

We inherited educational system from our colonial rulers. Macaulay, who designed educational policy during the colonial period, had in mind the interests of British government. Macaulay designed a system, which could merely produce clerks and lower cadre executives for the British Government. Even after Independence,

there has been a fast expansion in the number of institutions, which impart education in arts and commerce. There has been a very little expansion in educational and training institutions providing technical, engineering and medical education. As a result, there has been a fast growth of unemployment among educated men and women, while shortage of technical and specialised personnel remained. Therefore, there is a need to change our educational system to an appropriate one, which takes into account needs of the society and develops human resources accordingly.

Moreover, there has been a total lack of manpower planning in India. For steady growth of any economy human resources play an important role. There should be long term planning for the provision of appropriate skills for meeting the requirements of development. No doubt there has been an increase in facilities for higher education, technical education, training in different fields, but they were not in accordance with development needs. The obvious result is surplus of manpower in some fields and deficit in others. We find widespread unemployment among graduates, postgraduates and even researchers in humanities while there is scarcity of physicians, engineers and technical personnel.

Check Your Progress 3

1) What are the main causes of the problem of unemployment in India? Explain.

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20.5 MEASUREMENT OF UNEMPLOYMENT

According to the conventional and most commonly used concept, unemployment means involuntary idleness, i.e., the time, for which individuals are available for and willing to work, but are not able to find work. It does not include disguised unemployment or underemployment, i.e., a situation of work with very low levels of productivity and income.

In India the problem of unemployment is of much larger magnitude than conventionally measured unemployment. Persons belonging to low income households cannot afford to remain unemployed and therefore they may be engaged in any work that is available, even if it yields a very low income. Thus, rates of unemployment as measured conventionally are deserved to be relatively low. We understand that in self-employed sectors and primary sectors work sharing is very common. We also understand that in India these are the dominant sectors in terms of number of labourers. Thus measures of open unemployment are inadequate for the purpose of measuring and analysing the problem of unemployment in India. Giving recognition to this fact, National Sample Survey Organisation (NSSO) provides estimates of magnitude of unemployment on the basis of three different concepts. These three concepts of unemployment are as follows:

- 1) Usual Status (US) Unemployment
- 2) Current Weekly Status (CWS) Unemployment
- 3) Current Daily Status (CDS) Unemployment

20.5.1 Usual Status Unemployment

A person is considered to be unemployed on usual status (US) basis if he/she was not working but was either seeking or was available for work for a relatively longer time during the reference year. Usual status unemployment rates could be regarded as a measure of chronic unemployment during the reference year. This measure provides the number of (chronically or over a long period) unemployed persons. This is the narrowest concept of unemployment, as estimate of unemployment given by this measure is lowest. This is obvious in a poor country like India, because very few can afford to remain without work over a long period and they take any work for short duration.

20.5.2 Current Weekly Status Unemployment

In this measure reference period is one week-a person is considered to be unemployed by current weekly status (CWS), if he/she had not worked for even one hour during the reference week. CWS is also a measure of chronic unemployment but with a reduced reference period. This again is a narrow concept of unemployment but is little more comprehensive as compared to usual status unemployment. According to this a person would be considered employed even if he was unemployed for six days of the reference week and for the seventh day he worked for an hour. That is, a person according to this concept would be considered unemployed only if he had not worked for a single hour on any day of the week, but was seeking and available for work. It may be noted that this measure does not give number of unemployed persons. It is a measure of unutilised time in terms of person weeks.

20.5.3 Current Daily Status Unemployment

Estimate of current daily status unemployment is made in terms of the total person days of unemployment. According to this concept, unemployment is measured as an aggregate of all the unemployment days of all persons in the labour force during the week under reference. Since this estimate includes both chronic unemployment as well as underemployment on weekly basis, this is the most comprehensive measure. It may be noted that this measure does not give the number of unemployed persons. It is a measure of unutilised time in terms of person days.

20.5.4 Magnitude of the Problem of Unemployment

In the foregoing sections we have discussed about different concepts of unemployment. Now let us know about the magnitude of the problem and its other aspects.

Table 20.1: Population, Labour Force and Employment

(in million)

	1978 ^(a)	1983 ^(b)	1994 ^(a)	1997 ^(c)	2002 ^(c)	2007 ^(c)
Population	637.6	725.80 (2.92)	893.67 (2.00)	649.89 (1.89)	1027.61 (1.59)	1107.51 ^(c) (1.51)
Labour Force	262.57	289.08 (2.16)	367.39 (2.31)	397.22 (2.43)	450.23 (2.54)	509.35 (2.50)
Employment	255.46	283.22 (2.32)	359.98 (2.31)	389.72 (2.47)	443.60 (2.62)	509.35 ^(d) (2.80)
Unemployment	7.11	5.86	7.41	7.5	6.63	negligible ⁽¹⁾

- Notes:*
1. Estimates of labour force and employment are on usual status concept and pertain to 15 years and above
 2. Figures in Parentheses are compound growth rates in the preceding period.
 - a. As on 1st January
 - b. As on 1st July
 - c. As on 1st April
 - d. Required to attain near full employment.

Source: Ninth Five-Year Plan, (1997-2002) Government of India, Planning Commission.

Table 20.1 shows that as per usual status concept there has been a gradual increase in number of unemployed whereas the rate of growth of employment has not shown any improvement in the decade preceding 1994. Seventh plan target fixes the projected rate of growth of employment at 2.62% with number of unemployed declining from 7.5 million in 1997 to 6.63 million by the year 2002. Target for the year 2007 is to reduce unemployment to a negligible level.

As per the current weekly status concept, the number of unemployed persons has declined from 22 per thousand in 1983 to 14 per thousand in 1993-94 (see Table 20.2). It is important to note that incidence of unemployment has decreased during the last decade, with a sharper decline during the recent years. In 1993-94, 8.6% of the usually employed persons were out of work when seen on a weekly status basis as compared to 15.6% in 1983 and 14.6% in 1987-88.

Table 20.2: Usually employed persons classified by their current weekly status: 1993-94, 1987-88, 1983

(Persons all India)

Activity according to current employed Weekly status	per thousand of the usually employed		
	1993-94	1987-88	1983
Employed	914	854	844
Out of work, due to being :	86	146	156
Unemployed	14	17	22
Not in labour force	72	128	133
All the usually employed	1000	1000	1000

The combined incidence of unemployment and underemployment among the labour force is shown in Table 20.3 given below. In this context we note that though open unemployment was only 2% in 1993-94, the incidence of unemployment and underemployment taken together was 10.45% in that year.

Activity Status	Proportion of Labour force	Remarks
1. Labour Force	100.00	Working or seeking work on usual status basis
2. Employed	89.55	Usual status employed staying in work force when classified by their weekly status
3. Unemployed	2.02	Incidence of open unemployment on usual status basis
4. Under-employed	8.43	Usual status employed going out of work when classified by their weekly status
Unemployed and Under-employed (3+4)	10.45	Open unemployment on usual status and the incidence of loss of work by the usually employed when classified by their weekly status

Source: Ninth Five-Year Plan, 1997-2000, Govt. of India, Planning Commission.

We have noted the extent of unemployment on the basis of usual status and current weekly status. But it would be important to note the number of days a person is employed in a year according to current weekly status concept. If a person is employed for 183 days, he is considered to be the main worker.

**Table 20.4: Persons Employed according to Current Weekly Status
Concept distributed by number of days worked in a week**

Days worked in a week	(Per thousand of employed)						
	Rural		Urban		All Areas		Persons
	Male	Female	Male	Female	Male	Female	
0.5-1.5	5	11	33	14	5	12	7
1.5-3.5	28	87	14	59	26	84	44
3.5-5.5	67	246	37	183	62	239	118
5.5-6.0	27	36	35	38	29	36	31
6.0-6.5	873	620	911	706	878	629	800
	1000	1000	1000	1000	1000	1000	1000

In Table 20.4 we find that about 5% of persons, who are identified as employed by the current weekly status concept, get work for three days or less in a week. In the case of the rural female identified as employed on the same concept but getting work for less than half a week, being much higher at around 10 percent as may be seen from the table.

20.5.5 Education and Unemployment

Characteristics of the unemployed persons help in determining the nature of employment opportunities that need to be created to utilise the labour force that is seeking work. In regard to educational characteristics of the unemployed persons there has been a substantial change since the early eighties. Both the enumeration approach of the census in identifying the unemployed persons, and the sampling approach of the National Sample Surveys on Employment and Unemployment reveal a substantial increase of literate among the unemployed persons.

Table 20.5: Education Profile of the Unemployed in India						
Year	Illiterate	Level of Education			Literate and Above	All Employed
		Primary	Middle	Secondary		
		Census of Population (all age group) ^{1,3,4}				
1981	29.62	14.57	16.84	38.97	70.38	100.00
1991	19.56	12.17	20.89	47.38	80.44	100.00
Sample Surveys on Employment and Unemployment (15 years and above) ^{1,2}						
1983	6.10	19.32	27.58	47.00	93.90	100.00
1993-94	5.24	11.01	20.20	63.55	94.76	100.00

Notes:

1. The concept used for identifying the unemployed in the population census are not exactly the same as those used in National Sample Surveys on employment and unemployment.
2. Sample Survey estimates are according to usual activity taking into consideration the subsidiary economic status of persons categorised as “not working”.
3. Education level secondary and above includes also those literates assigned education status as education level not classifiable, in 1981 and 1991 census.
4. Information on 1991 census is based on advanced tabulation of 100% data for states with a the population below 10 million and 10% sample data for states with population 10 million and above.

20.5.6 Higher Incidence of Unemployment Among Females

As is expected a much smaller percentage of the female population both in rural and urban areas (especially in urban areas) are in the labour force, i.e., working

or seeking/ available for work. In 1973, in rural areas, 38% of females and 65% of males were in the labour force. In urban areas the corresponding percentages were 17% and 60% respectively. But the point to note is that the incidence of unemployment, i.e., the percentage of unemployed weeks (or days) to the total weeks (or days) in the labour force, was distinctly higher for females compared to that for males. In 1972-73 in rural areas the percentage of unemployed person-days for females was 11 as against 7 for males. The corresponding figures for females and males in urban areas were 14 and 8. In 1993-94 also the same trend is revealed.

20.5.7 Regional Dimension in Unemployment— Ninth Five Year Plan

Normally a macro-perspective is presented in a macroeconomic framework with regard to unemployment. But it would be of interest and importance to understand the regional realities regarding unemployment. Ninth five year plan gives details for regional variations, which could be useful for employment planning. If we do not attempt a regional perspective, there is a danger that an important aspect will get suppressed in macroeconomic planning. For this purpose, for Ninth Five Year Plan (1997-2002), Planning commission has divided major states into four important categories on the basis of the characteristics of labour force and employment.

Sl.No.	Characteristics	States
1. U.P.	Increasing unemployment and higher	Bihar, Rajasthan and labour force growth
2.	Increasing unemployment but low growth of labour force.	Kerala and Punjab
3.	Decreasing unemployment but high growth of labour force.	Assam and Haryana

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| 4. | Decreasing unemployment and low growth of labour force | AP, Gujarat, Karnataka, MP, Orissa, Maharashtra, Tamilnadu and West |
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Bengal

In the first category come Bihar, Rajasthan and Uttar Pradesh which are expected to have a high rate of growth of labour force, whereas the rate of growth of employment is expected to be lower than the rate of growth of labour force which would mean increasing unemployment during the ninth five year plan.

In the second category come Kerala and Punjab, which are expected to witness not so high rate of growth of labour force. But these states are also expected to

witness increasing unemployment due to very low rate of employment growth during the Ninth Plan period.

In the third category we put Assam and Haryana, which are expected to witness a high growth of labour force, but rate of growth of employment is expected to be even higher as compared to rate of growth of labour force. This is expected to reduce the figure of unemployment.

In the fourth category come Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Orissa, Maharashtra, Tamil Nadu and West Bengal. These states are expected to witness a low rate of growth of labour force and rate of growth of employment is expected to be much higher than that of rate of growth of labour force. This would lead to a fall in unemployed labour force.

Table 20.7: Projected Change in Unemployment in Ninth Plan in States by the Trends in Labour Force and Employment						
Characteristics of labour force and employment	State	Employment growth		Labour force growth		
		1997-2002 (Per cent per annum)		1997	2002	Change ('000 persons)
Increasing unem- ployment and high labour force growth	Bihar	2.30	2.58	2153	2980	827
	Rajasthan	2.84	2.88	1023	1228	205
	Uttar Pradesh	2.20	2.57	933	2337	1405
	Region					2437
Increasing unemployment but low growth of labour force	Kerala	1.43	2.30	1373	2151	778
	Punjab	0.73	2.27	380	1162	781
	Region					1559
decreasing unemployment but high growth of labour force	Assam	3.69	2.73	522	182	-340
	Haryana	3.67	2.99	96	-151	-248
	Andhra Pradesh	3.28	2.39	617	-979	-1596
	Gujarat	2.55	2.37	..	-233	-233
	Karnataka	3.01	2.4	..	-659	-659
	Region					
Decreasing Unemployment and low growth of labour force	Madhya Pradesh	2.71	2.39	1722	1428	-294
	Orissa	2.54	2.10	633	386	-246
	Maharashtra	2.70	2.26	..	-996	-996
	Tamil Nadu	2.2	1.98	28	-370	-398
	West Bengal		3.15	2.52	256	-655
	Region					-5333
	All India	2.62	2.54	7500	6630	-870

Source: Ninth Five Year Plan, 1997-2000, Govt. of India, Planning Commission

- 1) Explain three concepts of unemployment used in India for estimation of unemployment in India.

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- 2) Explain education profile of unemployed in India.

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- 3) Explain regional dimension in the problem of unemployment in India.

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20.6 GOVERNMENT POLICY TOWARDS UNEMPLOYMENT

India’s economic planning has always put removal of unemployment as one of its basic objectives. But we have not been able to provide a long-term employment policy until Sixth Five Years Plan.

20.6.1 Employment Policy up to Eighth Five Year Plan

In the early days of economic planning economic growth was emphasized as the most important objective. It was thought that unemployment would automatically be tackled with economic growth. It was also thought that direct measures to eliminate unemployment could slow down the growth process. It was in the late seventies that more serious attempts were tried for a direct attack on the problem of unemployment. Sixth Five Year Plan document acknowledged the hard reality that despite growth, there has not been sufficient increase in employment opportunities. It clearly set two major goals of reducing under-employment for the majority of labour force and cutting down on long term unemployment.

In fourth FYP it was expected that there is a need to adopt a conscious approach

towards unemployment. It argued for comprehensive programmes of rural development, labour intensive public work programmes, application of labour intensive technology in industries and promotion of labour intensive industrial products for domestic and foreign markets. But this policy remained more on papers only as government did not change its policy regarding investment.

In fifth FYP also removal of unemployment was emphasised as a major objective. It considered that removal of unemployment is important from the perspective of distributive justice. For this purpose, and emphasis was also laid at generating self-employment opportunities.

In sixth FYP it was considered that employment opportunities had not adequately increased over the years. It was admitted that there is not much scope for creation of self-employment in the public sector. Therefore efforts should be made to influence demand and utilisation of manpower in the private sector. Self-employment in agriculture, small scale and cottage industries and non farm operations was emphasised.

Seventh plan although emphasised the role of agricultural sector for employment generation but it also considered that this sector alone cannot eliminate all unemployment. Therefore it emphasised at programme of rural development specially those of rural capital formation. Role of self-employment was also given a high priority.

Eighth FYP set the goal of employment for all, over a period. Outlining the strategy, Eighth Five Year Plan noted that “A high rate of output growth is necessary but not always sufficient condition for high growth of employment. A structure of growth with larger contribution of sectors having high employment content of output and use of production techniques favouring the use of labour greatly enhance the employment generation potential of growth. Employment growth has therefore to result primarily from the growth of the economy and restructuring of output composition of growth. There is no doubt that a larger and more efficient use of labour will accelerate the rate of growth itself but the latter would largely depend on the availability of other resources like capital and internal and external demand”.

It was said that employment potential of output growth can be raised by readjusting the composition and sub-sectors which can provide more employment for each addition in output. It was projected that during the eighth plan period total labour force will increase by 35 million.

It was said that if the goal of full employment is to be reached by 1997 the rate of growth of employment should be 4% per annum during eighth plan and if this goal is to be achieved by 2000 A.D. the employment growth should be 3% per annum. Regarding sectoral potential with regard to employment generation emphasis was laid down on agricultural development in the underdeveloped regions, employment in animal husbandry, fishery, horticulture etc. and regeneration of natural resources such as land and forests, rural and small scale industry, promotion of modern small scale industry etc.

20.6.1 Employment Scenario in Ninth Five Year Plan

In an earlier section of this unit we learnt about the elasticity of employment. We noted that over the years the elasticity of employment has gone down. Overall elasticity of employment is expected to be .38 during Ninth Five Year Plan. That implies that one percent increase in GDP would lead to .38 per cent increase in employment. During Ninth Five Year Plan target growth rate is 7 per cent per annum, which would create employment opportunities by 55 million. During the Ninth Five Year Plan addition in labour force is expected to be 54 million. Thus during this period unemployment will fall by 1 million only. However, if we fall short of the GDP growth rate target than we might end up with higher figure for unemployment than before. Say if growth rate is 6.2 per cent per annum, unemployment will increase by 6 million rather than going down.

Table 20.8 given below shows the expected addition in job opportunities in different sectors of the economy. We note that bulk of the increase in job opportunities is expected to be in agricultural sector, that is, 28 million. This will be possible if this sector shows a growth rate of 4.5 percent per annum. This target seems to be very high (higher than growth rate of agriculture in any of the five year plans). Even Planning Commission has accepted that, achievement of 4.5 per cent growth of agricultural sector is going to be a difficult task.

Table 20.8: Elasticity of Employment to GDP

Sector	Employment Elasticity				
	1977-78 to 1983	1983 to 1987-88	1987-88 to 1993-94	1983 to 1993-94	1997 to 2002
Projected					
1. Agriculture	0.54	0.43	0.49	0.50	
2. Mining and Quarrying	0.79	1.00	0.35	0.63	0.60
3. Manufacturing	0.53	0.43	0.29	0.35	0.25
4. Electricity	0.63	0.69	0.37	0.51	0.50
5. Construction	1.00	1.00	0.00	1.00	0.60
6. Trade and Transport	0.67	0.63	0.56	0.59	0.5
7. Financing, Real Estate, Insurance and Business Services	1.00	0.82	1.00	0.95	0.53
8. Community,	0.67	0.39	0.82	0.62	0.50

Social and
Personal
Services

All Sectors	0.53	0.39	0.39	0.39	0.38
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Note: Employment estimates are on usual status basis. (a) undefined for this period.

Check Your Progress 5

- 1) Give an overview of change in government policy on unemployment after sixth five year plan.

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20.7 AN OVERVIEW OF EMPLOYMENT SCHEMES

There was no long-term policy towards unemployment until Sixth Five Year Plan. Initial years of planning were characterised by lack of any clear unemployment policy and economic growth was emphasised as the most important objective. It was thought that unemployment would automatically be tackled with economic growth. But despite economic growth, poverty of the masses could not be removed. Then it was realised that a sustainable strategy of poverty alleviation has to be based on increasing the productive employment opportunities. It was also realised that rural poverty is primarily due to low rural productivity and unemployment. Thus programme for eradicating poverty has to be based on improving productivity and increasing employment in rural areas.

Various unemployment alleviation schemes, which were started especially from sixth five year plan, were based on this philosophy. It was decided that employment generation schemes would involve:

- i) creation of productive assets in rural areas for improving productivity.
- ii) provision of employment to a segment of rural population, which needs subsidiary employment.

So far many schemes for rural employment have been adopted. A brief overview of these schemes is being attempted in the following paragraphs.

20.7.1 National Rural Employment Programme

National Rural Employment Programme (NREP) was started as a base of Sixth Five Year Plan and was continued under Seventh Five Year Plan also. It was implemented as a scheme sponsored by the union Government. But its financial

burden was to be shared between the union and state governments equally. Entitlement of each state to the central fund was based on (i) incidence of poverty, and (ii) population of agricultural labourers, marginal farmers and marginal workers.

Weightage of each of these two factors was equal, that is 50 per cent. Under the scheme a district level employment plan (disaggregated block wise) was prepared. An estimate was required to be made about the number of persons who would seek work under the scheme and work opportunities likely to be available. Accordingly programmes were formulated in NREP. According to Planning Commission, implementing agencies were required to give priority to work relating to social forestry and pasture development, soil and water conservation, irrigation, flood protection and drainage, field channels in irrigation command areas, construction and improvement of village tanks and ponds, schools and dispensary buildings and work to improve village environment, hygiene and sanitation.

The wage paid to workers covered under the scheme was to be at par with the minimum agricultural wage fixed for the area. Wages were paid partly in kind (food grains) and partly in cash. The NREP continued for 9 years and created 1774.13 million and 1477.53 million man-days of employment in Sixth and Seventh Five Year Plans respectively. Researchers have found these claims about employment generation to be exaggerated.

20.7.2 Integrated Rural Development Programme

The Integrated Rural Development Programme (IRDP), was launched in 1978-79 on a pilot basis and extended all over the country in 1980-81. This programme was a part of the poverty alleviation programmes under Sixth Five Year Plan. It was designed to (i) identify families living below poverty line in rural areas and (ii) provide assistance to acquire productive assets or appropriate skills for self-employment, which would ultimately generate enough income of beneficiaries to rise above poverty line.

The IRDP Scheme, launched in the Sixth Five Year Plan, continues till date. During Sixth Five Year Plan a sum of Rs.1500 crore was provided and banks were called upon to provide another Rs.3000 crore for the programme. It aimed to cover 15 million families. During the Seventh Five Year Plan 18.2 million families and during 1990-96 (six years) 14.7 million families were assisted. However, exact amount of employment generated has not been estimated.

20.7.3 Rural Landless Employment Guarantee Programme

The Rural Landless Employment Guarantee Programme (RLEGP) was launched on 15th August 1983. Objective of the programme was to create rural infrastructure with a view to expand employment opportunities for the rural landless. The scheme was aimed at providing guarantee of employment to at least one member of the landless households for about 100 days in a year. The programme was fully financed by the union government but its implementation was entrusted to the states. During the last two years of sixth five year plan, 260.18 million man-days of employment was generated under RLEGP. During first four years of

seventh five year plan 1154.39 million man-days of employment was generated. Despite a commendable performance compared to the targets, its restricted nature has been able to make a very marginal impact on rural unemployment.

From April 1, 1989 RLEGP was merged into Jawahar Rojgar Yojna.

20.7.4 Jawahar Rojgar Yojna

Jawahar Rojgar Yojana (JRY) was launched in the last year of the Seventh Five Year Plan, that is, February 1989. The primary objective of the programme was generation of additional employment on productive works, which would either be of sustained benefit to the poor or contribute to the creation of rural infrastructure. Union government contributes 80 per cent while states contribute 20 per cent for the scheme. Central assistance to the states is provided on the basis of portion of the rural poor in the state/union territory to the total rural poor in the country.

JRY covers all rural works, which result in creation of durable productive community assets. Preference is given to works, which benefits poorer sections. While making a choice about beneficiaries, preference is given to scheduled castes and scheduled tribes with 30 per cent reservation for woman.

In the first seven years of the JRY, 6201 million man days of employment was generated. So far as quantitative achievements in JRY are concerned, it does not seem to be much better compared to NREP and RLEGP. But qualitatively there are two important distinctions with JRY, which make it superior to NREP and RLEGP.

- 1) There is a preference for economically productive investments, especially, which enhance the productivity of land.
- 2) Panchayats are involved in planning and implementation of employment schemes.

20.7.5 Training for Rural Youth for Self Employment

Training for Rural Youth for Self Employment (TRYSEM) was initiated in 1979, with the objective of tackling unemployment problem among the rural youth. This objective was sought to be achieved by upgrading the traditional skills of rural youth belonging to families living below poverty line, with family income below Rs.3500 per year. While making selection of beneficiaries, members of scheduled castes and scheduled tribes were given preference. 9.4 lakh youths were actively trained in sixth five year plan and 4.64 lakh youth were self-employed. Among those trained, 34.8 per cent were women and 31.5 per cent belonged to the scheduled casts and scheduled tribes. During seventh five year plan 8.73 lakh rural youths from the families below poverty line were trained under this scheme. In the six year period from 1990-91 to 1995-96 this scheme has benefited 17.03 lakh rural youths.

Check Your Progress 6

- 1) Give a critical overview of the unemployment eradication schemes adopted in India.

20.8 LET US SUM UP

As the forgoing discussions reveal, significant efforts have been made, to attack the problem of unemployment directly. There does not seem to be much wrong in the formulation of the schemes. But in actual performance of these schemes, researchers have found that most of these programmes, which were meant to benefit the weaker sections of the society, were appropriated by the elites. This is so because, in these programmes, undue reliance is being placed on Panchayati Raj institutions, which are plagued with severe corruptions. In underdeveloped economies like India, problem of unemployment is widespread. It is found both in rural and urban areas. Slow economic growth process, increase in size of labour force, inappropriate technology and lack of manpower planning are mainly responsible for their problem. Different types of measurements are used to judge the extent of unemployment. It is of interest to look at the problem from various angles, namely education and unemployment, incidence of unemployment among females and regional dimension of unemployment.

20.9 SOME USEFUL BOOKS

Ninth Five Year Plan 1997-2002, Vol. I, Government of India, Planning Commission, New Delhi. Chapter IV, pp. 223-260.

Indian Economy, 1997, S.K. Misra and V.K. Puri, Himalaya Publishing House. Chapter: 9, pp. 147 -168.

M.L. Dentwala, 1993, Understanding Poverty and Unemployment in Indian Economy Since Independence (ed.) Uma Kapila, Academic Foundation, Delhi, pp.358 to 379.

Indian Economy, 1997 Ruddar Dutt and KPM Sundharam Chapter: 24, pp. 368-396.

20.10 KEY WORDS

Blue Collar Unemployment: Unemployment among skilled/unskilled manual labour.

Disguised Unemployment: A kind of unemployment found in underdeveloped countries. In the situation of disguised unemployment while work is available for less number of persons, more workers are working. Thus, even if some labourers are withdrawn from the work, total output will not reduce, provided the remaining workers work to their full capacity.

Elasticity of Employment: A measure of degree of responsiveness of employment to the changes in income/output. Elasticity may be measured as follows:

$$E = \frac{\% \text{ change in employment}}{\% \text{ change in output}}$$

Manpower Planning: An assessment of needs of the society, and developing human resources accordingly.

Main Worker: If a person is employed for 183 days in any particular year, he/she is considered to be a main worker.

Person Weeks: A person is considered to be working (that is employed) if while pursuing a gainful occupation, he has worked even for one hour on any one day during the week proceeding the date of the survey.

Person Days: The activity of the respondent is recorded for each day (in fact for each half-day) of the reference week and for working out the rate of unemployed person days, the aggregated count of unemployed days during the reference week constitutes the numerator and aggregated estimate of the total number of labour force constitutes the denominator.

White Collar Unemployment: unemployment among educated persons.

20.11 ANSWER/ HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Voluntary unemployment is characterised by a situation when people are either not interested in any gainful employment, or are willing to work only at a wage rate higher than that prevailing in the labour market.
- 2) Involuntary unemployment is characterised by a situation in which people are prepared to work at prevailing wage rate but they are not able to get employment.
- 3) In developed economies, unemployment, which is cyclical in nature, is caused basically due to lack of effective demand and frictional unemployment because of shift to a new technology. On the other hand, in underdeveloped economies the demand for labour is less due to general backwardness in agriculture, industry and service sectors. All this unemployment is involuntary but is much different from unemployment found in developed countries.

Check Your Progress 2

- 1) i) Seasonal
ii) Chronic disguised unemployment
- 2) Refer relevant page of Sub-section 20.3.1
- 3) i) unemployment among unskilled industrial (blue collar) workers
ii) unemployment among educated persons (white collar)
iii) Students etc. seeking jobs on part time basis.
iv) (for details refer Sub-section 20.3.2) unemployment

Check Your Progress 3

- 1) Slow economic growth process
- 2) Increase in labour force
- 3) Inappropriate technology

UNIT 21 INDUSTRIAL RELATIONS

Structure

- 21.0 Objectives
- 21.1 Concept and Meaning of Industrial Relations
- 21.2 Industrial Relations: Need and Importance
- 21.3 Principal Parties in Industrial Relations in India
 - 21.3.1 Trade Unions
 - 21.3.2 Employers' Association
 - 21.3.3 State
- 21.4 Industrial Disputes in India
 - 21.4.1 Trends in Industrial Disputes
 - 21.4.2 Industrial Relations in Public and Private Sectors
- 21.5 Settlement of Industrial Disputes
 - 21.5.1 Prevention of Disputes
 - 21.5.2 Settlement of Disputes
- 21.6 Collective Bargaining
 - 21.6.1 Nature of Collective Bargaining
 - 21.6.2 Status of Collective Bargaining in India
- 21.7 Workers' Participation in Management
 - 21.7.1 Objectives of WPM
 - 21.7.2 Pre-requisites for the Success of WPM
 - 21.7.3 WPM in India
 - 21.7.4 Arrangements for WPM
- 21.8 Economic Reforms and Difficulties in Industrial Relations
- 21.9 Let Us Sum Up
- 21.10 Key Words
- 21.11 Some Useful Books
- 21.12 Answers to Check Your Progress Exercises

21.0 OBJECTIVES

After going through this unit, you will be able to explain:

- 1 The meaning of industrial relations and its importance;
- 1 Principal parties in industrial relations;
- 1 Trend of industrial disputes;
- 1 The settlement machinery for industrial disputes;
- 1 Collective bargaining and workers' participation in management; and
- 1 The changes in industrial relations due to economic reforms.

21.1 CONCEPT AND MEANING OF INDUSTRIAL RELATIONS

Industrial relations mean the relationship between the worker on the one hand and his/her employer on the other. Workers offer their services for wages. But their performance depends upon the environment provided during the work, i.e., the conditions of work other than the wages. How the management treats its workers and how workers work in the interest of their employers is the essence of industrial relations. In most industrial units in the modern organised industries,

workers organise themselves into unions and use their common interests as a force keeping them unionised. They use the unions as a means of ensuring good work environment. On the other hand, employers may also like to help in improving the work-environment so long as the cost of improvements in the environment result in an increase in productivity so as to compensate them for the costs incurred.

At the unit or micro level, development of an industrial unit and technological changes in it affect the working conditions. Some of the factors such as capacity expansion, may widen the opportunities of workers. Thus workers may welcome these changes and even like to promote them. Technological changes, which displace workers by machines, may raise the productivity of the workers but may also result in retrenchment. This may conflict with the interest of workers unless the technological change is also accompanied by expansion. Thus the issue of industrial relations has several aspects : (i) relations between workers and management, (ii) relations among the workers and (iii) relations between the management and the unions of workers.

21.2 INDUSTRIAL RELATIONS : NEED AND IMPORTANCE

Production is the result of joint efforts of management and workers in any producing unit. Therefore, harmonious industrial relations are essential for achieving the targets of production and enhancing the productivity. In the absence of good relations, industrial conflicts surface and affect adversely all sections of the society. Other consequences of bad industrial relations are : work stoppage and impoverishment of the workers and retrenchment. Management faces loss due to stoppage of production, rise in cost of production and damages of machines and equipments. Disruption in the production activities lowers the national income. It also causes decline in the Government revenue through lower collection of excise and corporate income taxes, hike in administrative expenses for maintaining law and order and for controlling the criminal activities during the period of industrial conflict. In words of Prof. Pigou, "On the one hand by impoverishing the people actually involved in the stoppage, it lessens the demand for goods the other industries make, on the other hand, if the industries furnish a commodity or service largely used in the conduct of other industries, it lessens the supply to them of raw material or equipment for their work."

India needed at the time of Independence rapid development of industries. It continues to need that. Accelerated development of industries, diversification of industrial structure as well as shifts in the technology and scientific base of industrial production depend importantly on the work-environment provided to the workers. For continued and accelerated development of industries, resources must be efficiently used. Productivity must persistently rise. Industrial growth must proceed over time in a stable manner. All this is heavily dependent upon industrial peace and harmonious labour management relationship.

The industrial scene in India has changed perceptibly during the last five decades. The management has developed as an entirely separate profession. Technological changes have taken place. These technological changes have created problems such as :

- a) redundancy of present employment, and
- b) adjustments of the present work force to the skill requirement.

Foreign capital is coming to India both in the form of collaboration with leading domestic industrial houses and in the form of their own subsidiary companies. This has had an impact over labour in so far as ‘these foreign interests brought with them new currents in managerial practice and introduced new standards of rewarding and handling labour.’ Further, the new economic reforms pursued since July, 1991 have also affected the working environment and industrial relations in different ways. We will come to this aspect later on in this Unit.

In the light of the above, it is desirable for us to know the nature of industrial disputes that have taken place in India, settlement machinery for industrial disputes, collective bargaining, workers’ participation in management and the problems of industrial relations in post economic reforms period.

Check Your Progress 1

- 1) What type of industrial relations help in promoting growth and higher productivity?

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- 2) How does industrial conflict affect the workers?

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- 3) What do we mean by industrial relations?

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21.3 PRINCIPAL PARTIES IN THE INDUSTRIAL RELATIONS IN INDIA

There are two principal parties in industrial relations :

- a) trade unions
- b) employers' associations

Besides the two main parties in industrial relations, namely, employers or their associations, workers or their unions, Government plays an important role in (i) protecting the interests of workers, and (ii) helping to resolve the conflicts whenever they arise.

21.3.1 Trade Unions

Trade union movement in India is over a century old. Growth of trade unions received a fillip after the adoption of the Constitution of India, which extended the right to form association to all citizens subject to the interest of public order. These trade unions protect the interest of their members through a number of functions that they perform.

In the early 1990s around 9 per cent of the total working population was organised. In 1990, the number of trade unions was 52,016 having 61,81,000 members. This number is more than 10 times the number in 1951. The degree of unionisation is very high at over 90 per cent in the public sector and it is less in private sector particularly in small and medium scale units. Only one-fifth registered unions are affiliated to one or the other ten major trade union federations at the national level.

There have been several weaknesses in working of trade unions in India. The labour movement in India has been fragmented on ideological basis. Various trade union federations have been formed on political party line. All India Trade Union Congress (AITUC) has been completely under the control of the Communists since Independence. Indian National Trade Union Congress (INTUC) has been associated with Congress party. Split in AITUC led to form Hind Mazdoor Sabha (HMS) by the socialists. Another split in HMS took place by forming United Trade Union Congress (UTUC) by non-communists Marxist group. In 1955, Jan Sangh party formed Bhartiya Mazdoor Sangh (BMS). The split in the communists divided the AITUC further leading to the emergence of Center of Indian Trade Unions (CITU) in 1970. Regional federations affiliated to regional political parties such as DMK and AIDMK in Tamil Nadu and Shiv Sena in Maharashtra have also emerged. Thus, the fragmentation of the labour movement on political line has caused disunity and weakened the trade union movement. Due to lack of any statutory provision for recognition of trade union by the employer, several trade unions are formed at the same work place and compete for the loyalty of the same body of workers and their rivalry is usually bitter and sometimes violent. It is difficult even to say how many trade unions operate at the national level since many are not affiliated to any all India federation. Much of the recent fragmentation, however, has centered on personalities and occasionally on caste or regional considerations.

Apart from the low membership coverage and fragmentation of trade unions, decline in memberships, growing alienation between trade unions and members are other main weaknesses of trade unions. Due to changing characteristics of the new work force, new pattern of shifting from unions at regional or industry level to unions at enterprise level is emerging.

Trade unions are in a dilemma today. They do not like the entry of multinationals but are attracted by the relatively higher emoluments and fringe benefits they offer. They favour the growth of small industry but do not like the work of the large units being contracted out to ancillary small-scale industries. Similarly, unions resist closure of sick units but can hardly defend their being worked indefinitely as loosing enterprises. They highlight the adverse effects of structural adjustment on employment and working conditions but do not oppose reforms.

21.3.2 Employers' Association

On all India basis there are three employers' associations :

- 1 All India Organisation of Employers (AIOE) founded by the FICCI, New Delhi.
- 1 Employers' Federation of India (EFI) founded by the ASSOCHAM in Bombay.
- 1 Standing Conference of Public Enterprises (SCOPE) in New Delhi set up by central public sector undertakings.

These three have formed into a loosely federated umbrella organisation called the Council of Indian Employers (CIE) for the purpose of relations with the Government and the international organisations like ILO. Besides these three organisations, there is a fourth organisation called the All India Manufacturers' Organisation (AIMO) which mainly represents the interests of small and medium scale enterprises in the private sector. Fifth is the Confederation of Indian Industry (CII). Both these organisations have been accorded representation separately by Ministry of Labour in various tripartite forums including Indian Labour Conference and International Labour Conference.

The individual and association members of AIOE are less than 160 and that of EFI is less than 240. The SCOPE has a membership of nearly 95 per cent of the central public sector undertakings.

21.3.3 State

The State is the third main element, which has a vital role in industrial relations to protect the interest of workers and to ensure industrial peace. It has enacted an extensive legislative system. Three important pieces of legislation have played a major role in shaping Indian industrial relations. These Acts are : Indian Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946, and Industrial Disputes Act, 1947.

The Trade Unions Act, 1926, confers on unions the basic minimum legality without which they could be construed to be unlawful associations. Under this Law, any seven workers may form a trade union and seek registration with the Registrar of Trade Unions. The Act protects registered unions from civil and criminal proceedings arising out of the conduct of trade union disputes.

The Industrial Disputes Act, 1947 is a crucial piece of legislation, which aims at the speedy resolution of any conflict between labour and management through – conciliation, arbitration and adjudication. Under this Act, 14 days' notice is required to be given before a strike or lockout is declared in any industry. We will take up this part in much detail in Section 21.5 of this Unit.

Under the Industrial Employment (Standing Orders) Act, 1946, every establishment employing a hundred or more workers is required to have a set of certified standing orders defining the conditions of employment. These standing orders relate to the classification of workers, shifts, attendance, discipline, termination of employment and grievance procedure. All these must confirm reasonable measure to model standing orders framed by the Government. The purpose of the Act is to ensure that the conditions under which the workers are employed conform to certain minimum standard.

The government has also taken steps to regulate the working conditions of the workers through several legislative measures covering specifically the conditions of work of industrial workers in different areas. For instance, the Factories Act, 1948 regulates service and working conditions of workers in all the industrial establishments employing ten or more workers where power is used and twenty or more workmen in all other types of industrial establishments. The Act deals with the basic minimum facilities relating to health, safety and welfare of workers. Similarly, Employees State Insurance Act, 1948, Payment of Bonus Act, 1965, etc., are examples of legislative measures to regulate the conditions in various industrial establishments. Industrial Disputes (Banking and Insurance) Act, 1949, Shops and Establishment Act of various States' etc. are illustrations of industry-specific measures.

Apart from above, many measures have been taken to protect the interest of unorganised workers, which constitute about 91.5 per cent of labourers. These include : Minimum Wages Act, 1948, Bonded Labour System (Abolition) Act, 1976, Equal Remuneration Act, 1976, Child Labour Prohibition and Regulation Act, 1986. Under Minimum Wages Act, 1948, State Governments and Central Government notify minimum wages for various categories of labourers. Plantation Labour Act, 1951 provides certain basic facilities to plantation workers. Bonded Labour System (Abolition) Act, 1976 seeks to abolish the bonded labour system and to free labourers who have incurred a bonded debt and hence perform bonded or forced labour or service without any wages at all, or for nominal wages. Other important measures, which have direct bearing on unorganised labourers, are : Kerala Agricultural Workers Act, 1974, various Pension Schemes by different states. Keeping in view that economic reforms since 1991 may help the growth of the corporate sector but would not be able to reduce the number of unorganised workers in the foreseeable future, state's role for amelioration of the working conditions of unorganised labour is crucial and necessary.

21.4 INDUSTRIAL DISPUTES IN INDIA

The interests of labour and management to a large extent are opposed to each other. They conflict with each other over a number of issues arising out of their daily work. Apart from wages and working conditions, disagreements arise on issues like - job assignments, work methods, safety, retrenchment, participation in decision making and so on. From workers' side, resentment and dissatisfaction is expressed through strikes, boycott, sabotage, go-slow, intentional wastage of time and material etc. Similarly dissatisfaction is manifested by the employers through lockouts, lay off, autocratic suspension and dismissals.

While in India both the parties (workers and management) take recourse to above forms of measures to settle disputes, generally conflict is equated with strikes and lockouts and data are available only on these two categories of

conflicts. We, therefore, will discuss industrial disputes broadly on the basis of strikes and lockouts.

21.4.1 Trends in Industrial Disputes

There has been a growing trend in terms of workers involved and maydays lost in industrial disputes. On the basis of nature of industrial disputes, maydays lost due to strikes and lockouts and employers' militancy, the industrial disputes over a period of four and half decades can be studied into three sub periods :

- i) Upto 1975,
- ii) 1976 - 80,
- iii) 1980 - 94.

Period I (Upto 1975)

There has been a growing trend in terms of workers involved and maydays lost in industrial disputes. The total maydays lost increased from 38 lakh in 1951 to 49 lakh in 1961, 165 lakh in 1971 and 402 lakh in 1974. Strikes have dominated the industrial disputes during this period and are the main cause of loss in maydays. During 1961-75 the number of maydays lost due to strikes varied in the range of 60 to 84 per cent of the total maydays lost. Against this the share of lockouts had ranged from 16 to 40 per cent.

The intensity of strikes was also higher in relation to lockouts during this period when the intensity of strike or lockout is judged in terms of

- a) number of workers involved,
- b) the duration of strike or lockout,
- c) the number of maydays lost per dispute in a strike or lockout.

The data revealed (Table 21.1) that during 1961-75 the average number of days a worker was involved in strikes was 88 against 28 days in lockouts. Thus, the intensity of strike was 3 times higher than that of lockout during 1961-75.

Period II (1976-80)

With the declaration of emergency in 1975, due to promulgation of Maintenance of Internal Security Act (MISA) and Defence of India Rules (DIR), industrial disputes declined. Employers' militancy over labourers increased and the percentage of maydays lost due to lockouts increased from 16.4 per cent in 1974 to 23.7 per cent in 1975 and 78 per cent in 1976. On the other hand, maydays lost due to strikes declined from 83.6 per cent in 1974 to 76.3% in 1975 and 22% in 1976.

The situation changed during 1977 to 1979 during Janata Party regime. The maydays lost due to strikes increased during this period. In relative terms strikes accounted for 82 per cent of total loss of maydays while lockouts accounted for merely 18 per cent.

Period III (1980 - 1997)

Since 1980 particularly after 1984-85 a shift in the nature of industrial disputes

is evident. Lockouts in relation to strikes are occupying a pre-dominant position.

After introducing economic reforms in July 1991 preference has been given to the private sector in the industrial development of India. Private sector has been given many incentives for faster growth and higher productivity. During this period the share of lockouts began to rise and reached a level of 72.3 per cent in 1993. The share of strikes in man-days lost declined from 48.4 per cent in 1992 to 27.7 per cent in 1993 and then slightly improved to 33.7 per cent in 1997.

Taking the 7-year period of reforms into account the share of strikes in man-days lost was of the order of about 39 per cent against the lockout's share of 61 per cent. This implies that during the economic reforms period there is a relative decline in the advantage, which employees were enjoying earlier in pressuring their demands.

Table 21.1: Comparison of workers involved and mandays involved and lost in strikes and lockout

Year	Number of Disputes			Number of Workers Involved (000's)		
	Strikes	Lockouts	Total	Strikes	Lockouts	Total
1961-75	32,304 (89.2)	3910 (10.8)	36214 (100.0)	19620 (89.6)	2274 (10.4)	21984 (100.0)
1976-90	25,324 (83.0)	5188 (17.0)	30512 (100.0)	18626 (85.6)	3144 (14.4)	21770 (100.0)
1991-97	5769 (64.44)	3184 (35.56)	8953 (100.0)	27856 (65.34)	14773 (34.66)	42629 (100.0)

- Source: i) upto 1976-90 data are from Lockouts, Closures and the Role of State by Prof. Ruddar Datt.
 ii) Figures for 1991-97 has been compiled from Indian Labour Yearbook (1995) and Annual Reports of the Ministry of Labour.

21.4.2 Industrial Relations in the Public and Private Sectors

i) Proportion of workers involved in Industrial Disputes

After 1973, the total workers involved in Industrial disputes have shown a declining trend both in the public and in the private sectors. During 1978 to 1986 the percentage of workers involved in industrial disputes was much lower in the public sector than in private sector (except 1983 where the proportion of workers was marginally higher in public sector). After 1986, this trend has reversed and the proportion of workers involved in industrial disputes in the public sector is much higher than in private sector.

ii) Number of maydays lost and the average number of workers involved per dispute

Since 1973, the share of public sector in the number of maydays lost has persistently been lower than that of the private sector. In 1995, it was as low as around 25%

for public sector and 75% in the private sector.

Though the number of maydays lost in the public sector is much lower than the private sector, the average number of workers involved per dispute is more in the public sector than in the private sector. Owing to organization of bigger activities in public sector undertakings (like - insurance, railways, P & T departments) the size of work force employed in PSUs is also large. Hence a large number of workers are affected by strikes.

iii) Average Number of maydays lost per worker

In public sector, average number of maydays lost per worker has been much less than the private sector. Less time is required to resolve the dispute in public sector than in private sector. This is due to the difference in attitude and thinking of the private sector. The industrialists in private sector feel that any increase in wages, bonus or perks directly affects their profit. This results in prolonged negotiations. Against this, the Government agrees to the demands of workers in public sector since continuance of strike affects large segments of the economy, as the public sector covers the infrastructure industries.

It emerges from the above discussion that larger number of disputes take place in the private sector. The intensity of disputes that have taken place in private sector is greater in terms of both maydays lost and the average number of days a worker is involved in the disputes. The machinery of settlement is brought into action much more swiftly in the public sector than in the private sector.

Check Your Progress 2

1) Give three examples each of trade union federation and employers' association.

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2) Enumerate three major weaknesses of trade unions in India.

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3) What is the difference in the nature of industrial disputes during the period upto 1975 and 1980-94 ?

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4) Tick the correct statement .

The rising share of industrial disputes due to lockouts reflect

- a) employers' militancy
- b) workers' militancy
- c) state's militancy

21.5 SETTLEMENT OF INDUSTRIAL DISPUTES

There are two components to settlements of industrial disputes :

(i) prevention and (ii) settlement. Under prevention of disputes, arrangements are made so that differences do not take the form of strikes or lockouts. In case of settlements, arrangements are made to settle the disputes between the management and the workers.

21.5.1 Prevention of Disputes

For prevention of disputes and harmonious industrial relations, consultative machinery has been provided at three levels : national level, industry level and enterprise level.

a) **Tripartite consultations** : At the national level, tripartite consultations have been provided through Indian Labour Conference (ILC) and Standing Labour Conference (SLC). There are 44 tripartite committees at the national level. The objectives of these tripartite committees are to :

- 1 promote uniformity in labour legislation
- 1 lay down procedure for the settlement of industrial disputes
- 1 discuss all matters of all India importance as between employers and employees.

The implementation part of the recommendations made by the tripartite bodies is weak. Sometimes even the unanimous recommendations are not accepted by the Government. By 1970s tripartite meetings became rare and during 1980s, several of the national federations of trade unions were boycotting the tripartite meetings on several occasions.

b) **Consultation at company and shop floor level** : Since Independence, various schemes have been formulated to provide for employees participation/consultation at company and shop floor level; these include :

- i) **Works Committees, 1947** : The Industrial Disputes Act, 1947 provides limited participation of elected representatives of workers in bipartite works committees. The objective behind setting up of the works committees is to promote measures for securing and preserving amity and good relations between employers and employees. However, the functioning of these committees is not satisfactory.
- ii) **Joint Management Council (JMC), 1958** : JMCs were set up in 1958. These were supposed to have administrative responsibilities for various matters relating to welfare, safety, vocational training and preparation of holiday schedules. These were also to be consulted on various matters like changes in work practices, amendment/formulation of various standing orders, rationalisation, productivity etc. JMCs did not receive much support either from the unions or from the management due to multiplicity of bipartite consultative bodies.

21.5.2 Settlement of Disputes

For settlement of labour management disputes there are quite a few settlement machinery. These are :

- a) **Conciliation Officers** : The Government appoints conciliation officers for particular regions and industries. These officers bring both the parties together and help them to resolve their differences. If the dispute is settled through their good offices and a settlement is reached, the report to this effect is sent to the Government. In case of failure in settling the dispute, the officer informs the Government narrating steps taken and the reasons for its failure.
- b) **Board of Conciliation** : The government may appoint a Board of Conciliation to look into any industrial dispute referred by it. The Board consists of a Chairman and two to four persons — representing the employers and workers. The Chairman is an independent person. The Board reports to the Government about the success or failure of its efforts including the steps taken and the reasons for its failures to bring about a settlement.
- c) **Court of Enquiry** : Whenever an industrial dispute is not settled by the conciliation officers or by the Board of Conciliation, the matter is referred to a court of enquiry. The court investigates the whole matter and submits its report to the Government. Afterwards the case is referred to an Industrial Tribunal for adjudication.
- d) **Labour Courts** : State Governments have set up labour courts to go into the matters like disputed orders of the employers, dismissals and suspensions of employees by the management, the legality of strikes, lockouts, etc. The labour courts are expected to decide the matters speedily.
- e) **Industrial Tribunals** : Industrial Tribunals are two types— State Tribunals and National Tribunals. State Tribunals are appointed by state governments for adjudication of disputes relating to wages, bonus, etc. National Tribunal is appointed by the Central Government for adjudication of industrial disputes of

national importance that affect industrial establishments located in more than one state. The adjudication of the State and National tribunals are binding on the parties concerned.

Apart from the above system of settling disputes, the following practices are becoming common in recent years:

- a) **Code of Discipline** : In 1958, the Indian Labour Conference evolved a code of discipline in industry. Under this code, employers and workers voluntarily agree to maintain and create an atmosphere of mutual trust and cooperation in the factory and to settle all disputes and grievances by mutual negotiations, conciliations and voluntary arbitration and avoid resort to direct action.
- b) **Industrial Truce** : A joint meeting of the central organisation of employers and workers adopted an Industrial Truce Resolution in November, 1962. It was agreed upon by the employers and the workers that during an emergency in the country, interruption or slowing down of production will be avoided and efforts will be made to maximise the production.

During the period 1988-92, out of the total 19,774 industrial disputes, 8,478 (42.5%) were resolved by mutual settlement and 3,501 (31%) by Government intervention, either through adjudication or arbitration. About 22% of the disputes were considered unfit for adjudication.

- c) **National Arbitration Promotion Board** : The Board was set up in July, 1967 by the Government to promote voluntary arbitration to settle industrial disputes. The Board attempts to ensure that employers and workers take greater recourse to the voluntary approach to settle industrial disputes.

Check Your Progress 3

- 1) Choose the correct answer among the alternatives given below :
 - a) The type of the role played by State in Industrial Relations in India has been
 - i) Regulatory in nature
 - ii) Supportive in nature
 - iii) Indifferent in nature.

2) What are the main objectives of tripartite consultations?
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3) What are the major components of disputes settlement machinery in India?
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21.6 COLLECTIVE BARGAINING

Collective bargaining is the procedure by which employer(s) and a group of employees agree upon the conditions of work. It is a process of joint decision-making and basically represents a democratic way of life in industry. It helps in establishing industrial peace without disrupting the production activities.

Conditions for the success of collective bargaining :

- 1 Strong democratic union
- 1 employer's recognition to trade unions
- 1 bargaining in good faith
- 1 mutual acceptance of the agreements by employers and employees.

21.6.1 Nature of Collective Bargaining

Collective bargaining can be at national level or industry level or plant level.

Industry Level : Industry level bargaining is common in core industries, which are concentrated in the public sector. These include coal, steel, banks, insurance, ports, etc.

Industry-cum-region level : Bargaining at this level occurs in the industries where private sector dominates. These include mainly textiles, plantations and engineering.

Plant level : In multiplants, bargaining occurs in two stages. Basic wage rates and some benefits are decided at the company levels. Certain allowances and incentives are negotiated at plant level. Usually countrywide agreements are supplemented with plant level agreements.

Subjects : Wages and working conditions have been the domain of collective bargaining. However, over the years everything from recruitment to retirement and post retirement benefits have become part and parcel of the agreements.

Duration : Upto mid-20s, wage agreements used to be for a period of three years. In the mid-80s several agreements were signed for four years. In 1990s, the government mandated them to be for a period of five years.

21.6.2 The Status of Collective Bargaining in India

In India collective bargaining has been limited to national federations of trade unions and employers' organizations. From employer's side we have small nucleus industrial associations like - Ahmedabad Mill Owners' Associations, Bombay Mill Owners' Associations, Indian Sugar Mills Association, Indian Paper Mills Association, etc. In some industrial centres, both trade unions and employers have set up coordination committees to adopt collective strategy in collective bargaining matters.

Due to large number of unions in multi-plant companies, bargaining has become coercive than collective. In public sector, in the name of uniformity, bargaining has become competitive.

In recent years due to economic crisis and the need to improve the level of productivity, there have been several innovative approaches in collective bargaining. For example, in order to survive the ailing firms and to ensure job-security, unions and managements have been agreeing for a variety of concessions including wage and employment cuts, wage freeze, moratorium on strikes and other trade union actions, changes in work practices, flexible deployment of work forces, etc. In the process, some trade unions have also been able to get the commitment from the employers to regularise the services of those who remain casual labour for several years. Firms are re-structuring without unions' involvement through one or more of the strategies. A number of firms have entered into re-structuring agreements such as :

- 1) transfer of jobs from the bargaining category to general category,
- 2) ban on recruitment,
- 3) transfer of production to subcontracted units,
- 4) introduction of parallel production
- 5) transfer of permanent jobs to contract, casual, and temporary workers,
- 6) introduction of voluntary retirement schemes,
- 7) flexibility and productivity,
- 8) automation,
- 9) management proposals in negotiating pay revisions,
- 10) closures/sale of business, and
- 11) shop floor restructuring.

Unusual and unconventional clauses are incorporated in collective agreements. Such clauses include : age discrimination, gender discrimination in the definition of dependents, linking dearness allowances to productivity, voluntary retirement schemes to contract labour, sub-contracting, two-tier wage systems, etc.

21.7 WORKERS' PARTICIPATION IN MANAGEMENT (WPM)

In a wider sense, workers' participation in management refers to a process in which employees have some role in decision-making of the organisation they work in.

21.7.1 Objectives of WPM

The broad underlying objectives of WPM are:

- 1) To motivate employees towards contributing their best for successful running of the organization and make them feel as a part of it.
- 2) To bring the attitudinal change in both employees and employers towards collaboration than conflict.
- 3) To develop an approach of working 'with the strengths' rather than 'the weaknesses' of each other.

21.7.2 Pre-requisites for the Success of WPM

The following factors help in better industrial relations:

- 1 mutual trust and cooperation between the management and workers
- 1 proper industrial climate
- 1 absence of exploitation/selfish interest
- 1 sense of belonging
- 1 open communication and free flow of information both ways
- 1 attitudinal change
- 1 willingness to change the challenges/changing environment.

21.7.3 WPM in India

The idea of workers' participation in management was first visualised by Gandhiji when he said that industry was a joint venture of labour and capital in which both owners and workers were co-trustees for society. The idea of WPM was first introduced in formal sense when the need of WPM was recognised in the Second Five Year Plan. The third Plan favoured progressive extension of the WPM. The fourth Plan advocated its extension to public sector undertakings and emphasised its importance as an essential functional link in the structure of industrial relations.

The 15th and 29th session of Indian Labour Conference held in 1957 and 1990 respectively are historic when it was focused that there was a need to find a new order based on reconciling the demands for social justice and individual freedom with modern-industrial development and technology. WPM was a step in that direction.

21.7.4 Arrangements for WPM

The scheme of WPM is implemented through mutual agreements, statutory and non-statutory committees, councils and equity participations.

- i) **By Mutual Agreements :** Mutual agreements covering service conditions like wages, scale of pay, increment, recruitment policy, promotion policy, retirement policy, retirement benefits etc. are entered into between employers and trade unions.
- ii) **By Statutory Committees :** Provisions have been made under various Acts to set up committees for performing various functions. The name of such committees and the Act under which these are set up have been given below :
 - a) Works Committee - under Industrial Disputes Act, 1947
 - b) Canteen Management Committee - under Factories Act, 1948
 - c) Safety Committee - under Factories Act, 1948
 - d) Trustees in EPF Scheme - under Employees Provident Fund Act
 - e) Disciplinary Redressal Committee - under Industrial Disputes Act, 1947
- iii) **Non-statutory Participation :** Some organisations induct a few workers' representatives in their decision-making bodies. Workers are nominated at the following levels :
 - a) Board Level
 - b) Joint Management Council

- c) Plant Council
- d) Shop Council

iv) **Voluntary**

- a) shareholders (equity participation)
- b) recreational activities etc.

In spite of all these efforts, the WPM has not produced much impact on the industrial relations in the country. The underlying causes behind poor implementation of WPM are:

- 1 inter-union and intra-union rivalries and infringement of trade union rights and responsibilities
- 1 lack of free flow of information
- 1 lack of initiatives towards developing a proper work culture
- 1 the more serious drawback of the scheme of WPM in India has been that it was officially inspired and sponsored. Neither there was much pressure from the trade unions for induction of such schemes nor any initiative from the part of managements.

21.8 ECONOMIC REFORMS AND INDUSTRIAL RELATIONS

Labour market reforms are a part of the overall economic reforms package and hence there is a demand for labour market flexibility so that it can respond more efficiently to the market signals. On these lines, some countries like New Zealand and Australia have introduced reforms in labour market. However, the impact of these reforms are not very encouraging. These countries are facing high incidence of unemployment, declining real wages, and adverse balance of payment. Further, whether the economic performance of these economies have improved as a result of economic reforms is still not confirmed.

- 1) Flexibility in the labour market leads to decline in employment, deterioration in the quality of employment, rise in employment of casual, contract and female labour in place of permanent labour. It also encourages medium and large-scale factories to sub-contract part of their production to small enterprises to cut on labour costs. All these features weaken the trade unions, widen the scope for labour exploitation and hence have severe repercussions for industrial relations. Hence introducing the flexibility in the labour market in a way that increases productive employment, improves the quality of employment and avoids exploitation is really a difficult task.
- 2) To attract foreign direct investment, changes in the industrial relations system are being demanded. In this context, in some countries export-processing zones have been set up which are free of trade controls. Trade unions in these countries have been banned and wages are low. Safeguards with regard to health, safety and holidays either do not apply or are not enforced. But the study on the conditions of workers in foreign enterprises in China shows that workers have faced serious problems like postponement of wages, extension of work hours, poor standards of occupational safety and health, and non-payment of social security benefits. As a result, unionised labour

disputes and strikes have taken place frequently. Introducing the changes in the labour laws to attract the flows of foreign investments without weakening labourers' working and living conditions is really difficult.

- 3) There is a persistent demand from the employers' side to delete or amend chapter V-B of Industrial Disputes Act, 1947. This chapter denies laying off, retrenchment and closure in all undertakings employing more than 100 workers everyday for the preceding 12 months without prior approval from the Government. Here, we may recall that the strikes (by trade unions) and lockouts (by employers) are two different components of industrial disputes. The study undertaken by Prof. Ruddar Datt reveals that "..... both in magnitude and intensity, lockouts impose much more severe punishment on the working class since the maydays lost per dispute in a lockout were 16,273 during 1961-75. The loss sharply increased to 39,136 maydays during 1976-90". This is an indicator of the rising militancy of management against the workers during 80s and onwards. Various kinds of tactics like partial closure, use of retrenchment/VRS, lockouts as a means towards closure, sub-contracting, transfer of ownership etc. are resorted by the management to force retrenchment, voluntary retirement, reducing the status from regular workers to badlies, cut in wages, etc.

Keeping in view the above facts, we can say that in spite of the provisions contained in chapter V-B of Industrial Disputes Act, 1947, the workers are being rendered jobless.

In a recent move, the budget proposal for the year 2001-02 proposes to modify chapter VB of Industrial Disputes Act 1947 so as to incorporate flexibility in use of labour. It is proposed that prior permission from Government for lying off labour, retrenchment and closure may be required for industrial establishments employing not less than 1000 workers instead of 100 workers.

- 4) Recently western countries through World Trade Organisation are trying to impose the social clause on developing countries. Under social clause, they are insisting on international trade agreement that links import with conformity to labour standards. Labour standards include not engaging child labourers, observation of minimum wages, equal employment opportunities, environment, safety etc. Trade unions have been opposing these social clauses as they fear that it could be pursued as protection in trading activities and as a political weapon in global politics. If the social clause is accepted it will make the future of industrial relations very uncertain.

In brief, how can we reconcile the twin objectives of (i) enhancing productivity and overall efficiency under competitive pressures by the enterprises; (ii) ensuring the basic workers' rights? These are the real challenges and difficult tasks before the policy makers.

- 5) Weakening of trade unions : Increases in the employment of temporary, casual, contract labour and female labour in place of permanent labour creates insecurity among workers. these developments divide the workers and weaken the trade unions.
- 6) The privatisation of the public sector can also act as a tool for breaking up the

organised labour movement. When privatisation leads to job in-security, it might prevent them from participating actively in the trade union activities. So privatisation also will create division among the permanent employees and those who are on contract basis. Hence, weakening of the trade union movements will not be surprising feature of the privatisation programme.

- 7) Taking advantages of tax holidays, interest concessions, subsidies and de-licensing, the companies in private sector are relocating their production units in backwards areas. Labourers employed in such units are casual, temporary, non-unionised and on contract basis. This is adversely affecting industrial relations.
- 8) Labour-saving technologies have also resulted in distortions in the compensation structure even within the same unit for doing the same work. National federations of labourers are not interested in taking up the cases of contract and casual labourers. This is leading to fragmentation of labour movement and poor impact on industrial relations.

Check Your Progress 4

- 1) What are the pre-requisites for success of collective bargaining?

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- 2) What have been the major obstacles in the scheme of workers' participation in management?

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- 3) What are the conflicting areas in the industrial relations due to economic reforms and globalisations?

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21.9 LET US SUM UP

Generally industrial relations refer to the relationship that emerges out of day to day working and association of labour and management. With the growth of professional management and advancement in production and information technology, the scope of industrial relations has widened. There are three principal actors in industrial relations - trade unions, employers' association and government. In India upto 1975 (prior to imposition to emergency) strikes dominated industrial disputes. During emergency period (1975-76), employers' militancy increased and the maydays lost due to lockouts rose steeply. Since 1980, particularly after 1984-85 lockouts both in magnitude and intensity imposed much more severe punishments on the working class.

Large number of disputes takes place in the private sector. The intensity of disputes in terms of maydays lost, average number of days a worker involved is greater in the private sector as compared to the public sector.

There are two components of industrial disputes— prevention and settlement. For prevention of disputes, there are provisions for tripartite consultations at national level and works committees and joint management council at company and shop floor levels.

For settlement of industrial disputes, Industrial Disputes Act, 1947 provides settlement machinery comprising of conciliation officers, board of conciliation, court of enquiry, labour courts, and industrial tribunals. National Arbitration Promotion Board, code of disciplines, industrial truce are other voluntary measures for settling the disputes. Collective bargaining in India is confined to few pockets of industrial centres and many obstacles come in its operation. Workers' participation in management has also not produced much impact on industrial relations in the country. This scheme is suffering from several weaknesses such as, inter and intra union rivalries, non-settlement of union recognition and so on.

In the light of economic reforms, several difficulties have been encountered on industrial relation front. Important among these are :

- i) How to introduce flexibility in the labour market that increases productive employment and improves the quality of employment on the one hand and avoid exploitation of labour on the other?
- ii) How to introduce the changes in labour laws without weakening labourers' working and living conditions? Economic reforms and privatisation through various means weaken the trade unions and adversely affect the industrial relations.

21.10 KEY WORDS

Trade Unions: Trade unions are voluntary organisations of workers formed to promote and protect their interests by collective action.

Labour Movement: It refers to collective struggle by labourers for protecting and promoting their rights and interests.

Industrial Disputes: Industrial disputes denote work stoppages as well as those

differences between labour and management that are settled through the Industrial Relations machinery.

Tripartite Consultations: It refers to interactions among the representatives of three actors namely workers, employers and the Government.

21.11 SOME USEFUL BOOKS

Ramaswamy E.A. and U. Ramaswamy (1981) : *Industry and Labour*, Oxford University Press, Bombay, Chapter 6, 8.

Sharma A.M.(1984) : *Industrial Relations-Conceptual and Legal Framework*, Himalaya Publishing House, Delhi.

Collective Bargaining : A Workers' Educational Manual (1986), ILO.

21.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Cordial industrial relations
- 2) Industrial conflict affect the workers adversely. Work stoppage leads to denial of wage payment to workers and sometimes retrenchment.
- 3) Industrial Relations refer the relationship between labour, management and their association that arises out of their day to day working.

Check Your Progress 2

- 1) Trade Union Federations
 - i) Indian National Trade Union Congress(INTUC)
 - ii) All India Trade Union Congress(AITUC)
 - iii) Bhartiya Hind Mazdoor Sabha (BMS)

Employers' Association

- i) Federation of Indian Chambers of Commerce and Industry (FICCI)
 - ii) Confederation of Indian Industries (CII)
 - iii) Council of Indian Employers (CIE)
- 2)
 - i) Low membership coverage
 - ii) Fragmentation of trade unions
 - iii) Decline in memberships.
- 3) Upto 1975 strikes dominated the industrial disputes. After 1975, the share of lockouts has increased.
- 4) a

Check Your Progress 3

- 1) (i) Regulatory in nature
- 2) See Sub-section 21.5.1
- 3) See Sub-section 21.5.2

Check Your Progress 4

- 1) Proper industrial climate, absence of exploitation/selfish interest, sense of belonging, open communication and free flow of information from both sides.
- 2) Non-settlement of union recognition issue, lack of free flow of information, lack of initiatives towards developing a proper work culture, lack of initiatives from trade unions and management.
- 3) See Section 21.8.



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